Benefits and Risks of Electronic Banking in the Context of Customer Satisfaction

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Received: November 11, 2015
Accepted: February 3, 2016

ABSTRACT

Information Technology has transformed the conventional methods of banking operations, the term e-banking emerged and became a competitive tool for banking industry, to penetrate and survive in the rivalry situations. However, it is also a challenge for those who have with the decision to do or do not. Convenience, speed, easy-ways of utilization and inexpensive techniques are the advantages, which has overcome the disadvantages of e-banking. The disadvantages like unauthorized data access, data loss and fraudulent activities make puzzles in the minds of customers either to trust upon e-banking or not, resultanty jeopardizing customers’ satisfaction. Customer satisfaction in the services industry is considered a backbone, and has the central importance in planning and strategic managements’ decision floors. This paper tends to explain the advantages and disadvantages of e-banking, and evaluate the degree of impact on customers’ satisfaction. Also would suggest some managerial implications to beat these disadvantages and make the e-banking, more reliable for customers and, more profitable for the banking organizations.

KEYWORDS: Information Technology, E-banking advantages and disadvantages, Customer Satisfaction, Competitive Tool & Challenge.

INTRODUCTION

Internet and Web has changed the aspects of businesses and customer services, particularly in banks. Banks has provided efficient electronic services to customers, which is an excellent source of revenue for banks, and considered a competitive edge. If there is any failure in delivering these electronic services, banks might lose their competitive edge, Most of the revenues and customers (Gronfeldt and Strother, 2006).

Electronic banking is an automated delivery of new and traditional banking products and services, using electronic channels, like computers and telecommunication technologies. The e banking, customers, either individual or business wise could access their accounts enquiries; make transactions via using electronic channels. “In recent year’s use of electronic and internet banking is considered the most important aspect of electronic commerce environment” (Wang, Y. et al., 2003).

LITERATURE REVIEW

The Advantages of Electronic Banking: SCN Education B.V. (2001), suggested that E-Banking has advantages like high revenue generators, there are few banks who provide services online on internet, they are considered as leader of technology implementation and have better brand image than other banks; costs are reduced on providing services online, such banks are efficiently judge the needs of their customers because of regular feedbacks. Low fee, less paper work and less human errors are involved in the processing of electronic banking transactions and thus the customers are encouraged to use it (Kiang et al., 2000; Howcroft et al., 2002). Transactions are conducted outside the bank premises and off the official banking hours, 24 hours 7 days a week, day and night, as convenience is the reason for adopting electronic banking. Gerson, (1998), Gerrard and Cunningham (2003), adopted that convenience and multi functionality for customers and cost saving

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for banks are the features of information technology base system for bank products and service in satisfying customer needs.

E-banking is the combination of alternative channels for providing services to customers in different ways and locations, rather than bank premises, as a result physical queues, branch administrative expenses and overheads are minimized and customer satisfaction is maximized (Thornton and White, 2001). Banks are providing services to their customers, at their homes or offices and as a result convenience, satisfaction and loyalty built, (Robinson, 2000). Online banking is considered, as a marketing channel for improving its financial performance in most of the US banks (Acharaya, Kagan and Lingam, 2008), “While banks are fully experienced in capturing economies of scale, developing business in international trade, increasing market expertise and creating brand image with the physical side of their operations. Online banking presents a different set of challenges” cited and adopted from (Avery, Baradwaj, and Singer, 2008).

**Risks/Disadvantages of Electronic Banking:** With the opportunities, the Electronic Banking has many challenges like security threats, complex operations and technology barriers, cited in Ahmed Kaleem & Saima (2008) adopted from Sathy, 1999; Mols, 1999). “A major concern in both money and banking is a lack of trust between customers and the banks” Schaefer (2005). Customers need trustworthy and secure information system like web sites and other bank storage applications. Any loss or breach in system, could suffer the customer edge (Loiacono, 2000). Delay of service delivery and slow response, cause customer un-satisfaction that whether the transaction has been done or not, (Jun & Cai, 2001). “According to Liao and Cheung (2002), beliefs of customers in respect of accuracy, security, transaction speed, user friendliness, user involvement and convenience, are the most important attributes in the perceived usefulness of electronic based banking”.

Access to financial data by some-one else, other than the customer itself, or confidentiality is another barrier in adoption of electronic banking (Gerrard and Cunningham, 2003). White and Nteli (2004) found that there is a significant increase in internet users in UK but rather to use internet and electronic banking due to fear of security and safety concerns.

There are no specific laws or regulatory rules and regulations to govern electronic banking, and protect customers, from an unauthorized access to their data. Larpsiri et al., (2002) found that there is no clarity, either the online transactions documents are accepted, like other hard documents used in normal conventional banking system or not.

“Other risks associated to electronic banking, are job losses, lack of opportunities to socialize and the development of a lazy society (Black at al., 2001)”.

**Customer Satisfaction:** Kotler and Armstrong in 2004 defined customer satisfaction in the following words, “Customer satisfaction is the extent to which a product’s perceived performance matches a buyer’s expectation.”

Customer satisfaction is normally measured in the context of product and services, but another important variable is the customer expectations about the product or services, when the expectations are higher, they are difficult to satisfy and if the expectations are lower, then they are easy to satisfy. Therefore, it is resulted that customer satisfaction depends upon expectations and behaviors (Walisin, 2007; Waskita, 2007). “Customer satisfaction is defined as a feelings or judgment by customers towards products or services, after they have used them (Jamal and Naser, 2003).”

Zeithmal, et al, (1990), laid down the scope of customer satisfaction in the following five points:

1. **Tangibility**, appearance, physical facilities, equipment, personnel, and communication materials.
2. **Reliability**, the ability to perform the promised service, dependably and accurately.
3. **Responsiveness**, willingness to help customers and provide them prompt service.
4. **Assurance**, the knowledge and courtesy of employees and their ability to inspire trust and confidence.
5. **Empathy**, caring, individualized attention the firm provides to its customer”.

Customer lodge a complaint when he is dissatisfied with the product or service (Yeung et al., 2002), customers’ dissatisfaction can be fully eliminated to optimum level if their complaints are resolved (Olliver, 1981), but reducing of dissatisfaction is not always leads to satisfaction (Dabholkar, 1994) adopted from Andrew Musiime & Fayth Biyaki, 2010)

**HYPOTHESES DEVELOPMENT**

**H1:** Advantages of e-banking has more impact on Customer Satisfaction.
H2: Disadvantages/Risks of e-banking have impact on Customer Satisfaction.

CONCEPTUAL FRAMEWORK

SAMPLING AND METHODOLOGY: Total 201 Electronic banking users were selected randomly on convenient sample basis from five commercial banks in Khyber Pakhtun Khwa (KPK) District of Pakistan, total 33 questions (4 Demographics, 10 Customer Satisfaction, 09 Advantages of IT and 10 Risks of IT) were asked, using five-point Likert scale, self administered questionnaire method. Total 230 questionnaires were distributed, 201 of those were returned, and used for data analysis, and thus the rate of return was 87%. A demographic profile table shows the respondents detail, gender, marital status, age and education backgrounds.

Demographic Profile Table [N=201]

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Items</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>145</td>
<td>72.1</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>56</td>
<td>27.9</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single</td>
<td>74</td>
<td>36.8</td>
</tr>
<tr>
<td></td>
<td>Married</td>
<td>127</td>
<td>63.2</td>
</tr>
<tr>
<td>Age</td>
<td>18-20</td>
<td>2</td>
<td>1.0</td>
</tr>
<tr>
<td></td>
<td>20-30</td>
<td>96</td>
<td>47.8</td>
</tr>
<tr>
<td></td>
<td>30-40</td>
<td>78</td>
<td>38.8</td>
</tr>
<tr>
<td></td>
<td>Above 40</td>
<td>25</td>
<td>12.4</td>
</tr>
<tr>
<td>Education</td>
<td>High School</td>
<td>24</td>
<td>11.9</td>
</tr>
<tr>
<td></td>
<td>Intermediate</td>
<td>67</td>
<td>33.3</td>
</tr>
<tr>
<td></td>
<td>Graduation</td>
<td>42</td>
<td>20.9</td>
</tr>
<tr>
<td></td>
<td>Masters</td>
<td>55</td>
<td>27.4</td>
</tr>
<tr>
<td></td>
<td>MS/Phd &amp; Above</td>
<td>13</td>
<td>6.5</td>
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</tbody>
</table>

RESULTS AND DISCUSSION

Ahmed Kaleem & Saima Ahmed (2008) conducted; the same type of study on “Bankers Perception of Electronic Banking in Pakistan” their focus was only on the employees of Pakistan commercial banks and their views regarding electronic banking. Only mean and rank analyses were discussed in their research analysis.

While in this study we have focused on electronic banking customers and treated employees as internal customers. For analysis both customers and employees are interviewed. This study also judges the customer satisfaction in the context of e-banking usage. SPSS 16.0 and Microsoft Excel 2011 were used for data processing and statistical analysis.

Reliability Tests, Mean, Median Mode, Min, Max and Standard Deviation of Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Alpha</th>
<th>Items</th>
<th>Mean</th>
<th>Med</th>
<th>Mode</th>
<th>Min</th>
<th>Max</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>.820</td>
<td>10</td>
<td>3.83</td>
<td>3.90</td>
<td>4.20</td>
<td>3.483</td>
<td>4.43</td>
<td>.636</td>
</tr>
<tr>
<td>E-Banking Benefits</td>
<td>.616</td>
<td>9</td>
<td>4.05</td>
<td>4.11</td>
<td>4.00</td>
<td>3.851</td>
<td>4.49</td>
<td>.668</td>
</tr>
<tr>
<td>E-Banking Risks</td>
<td>.783</td>
<td>10</td>
<td>3.59</td>
<td>3.60</td>
<td>3.40</td>
<td>3.320</td>
<td>3.96</td>
<td>.618</td>
</tr>
</tbody>
</table>
Cronbach’s Alpha (Reliability) of customer satisfaction shows (.820), E-Banking Risks (.783) and E-banking Benefits with (.616) respectively, which all are acceptable as per statistical standards. Means score (4.05) of e-banking benefits show the highest and Customer Satisfaction score (3.83) second in rank in the above table. There are some risks related to e-banking which show in mean score (3.59), standard deviation (S.D) of e-banking benefits show highest score (.668), customer satisfaction score second in rank (.636) and third and minimum is (.618) of e-banking risks. It proved that customers are satisfied with the introduction and benefits of e-banking and its features for transactions processing.

In model summary table (Model 01) shows R Square value .095% variance predicted in dependent variable from the effect of dependent variable, while (Model 02), and shows .034% variance. More than 50% benefits are higher than risks of e-banking to customers.

ANOVA (Analysis of Variance) shows the significance of model(s), and the predictor E-Banking Benefits- model 1 have (F= 20.955); and Risks in model 2 have (F= 6.919), Coefficients analysis shows the Standardized Coefficients Beta (.309; Benefits) and (.183; Risks) these results indicate that benefits have high impacts on customer satisfaction (Dependent Variable) than risks.

Standardized Beta Coefficient shows the contributions of independent variable and t-value shows the impact of independent variables on dependent variable, Standardized Beta of e-banking benefits contribute (.309) and t-value have (4.578) impact on customer satisfaction as Stnd. Beta of e-banking risks (.183) and t-value as (2.630) have less contributions and impacts on customer satisfaction than e-banking benefits model.

Standardized, unstandardized beta and t-value of e-banking benefits is higher than e-banking risks which is also showed Figure 1 in e-banking benefits and risks chart.
CONCLUSIONS AND RECOMMENDATIONS

This paper have theoretically and empirically provided some arguments, that electronic banking have advantages, which boosts the business and competitive edge of the banks, but e-banking risks are also paralleled in rank, which needs attention of the strategic policy makers and IT based system designers, to overcoming these risks and make the electronic banking more safe, risks free and reliable. Banking industry considered as pure service industry and customer satisfaction is the main theme of a banks’ strategic policy. E-banking attributes affect customers’ satisfaction positively or negatively. E-banking attributes, interfaces, programs, processings, data protection and data backups, should be designed in such a way that is fully protected by fire-walls, and wrong doers should not be allowed to hi-jack this data, and thus customer would be fully protected by any data loss or unauthorized data access. Such implications would build the image of e-banking, more concrete in the minds of its customers, and banking industry would grow up beyond the desirable results of all the stakeholders.

REFERENCES


