

IMPACT OF E-BANKING SERVICE QUALITY ON CUSTOMER SATISFACTION IN NIGERIAN BANKING INDUSTRY

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ABSTRACT

The adoption of Information and Communication Technology (ICT) in the banking industry have changed the course of banking all over the world. Banks in Nigeria joined the rest of the world in ensuring customer satisfaction with e-banking service quality. This study examined that impact of e-banking service quality on customer satisfaction in Nigerian banking industry. Primary source of data was used with the aid of structured questionnaire drawn on a sampled population of 450 respondents of bank customers in Makurdi are of Benue state, Nigeria. The data were analysed using multiple regression analysis and the findings revealed that efficiency, fulfilment, privacy and system availability have significant impact on customer satisfaction. Based on this, the study concluded that e-banking service quality significantly impacts customers satisfaction in Nigerian banking industry. The study therefore recommends that strict internal control measures should be ensured in order to protect customer's bank details from falling into the hands of fraudsters.

Key Words: E-banking, Service quality, Customer satisfaction

INTRODUCTION

The advancement of Information and Communication Technology (ICT) have undoubtedly improved every aspects of man's life including banking services. The adoption of ICT into banking was what led to electronic banking otherwise known as e-banking. Prior to the introduction of e-banking system, the business of banking was characterized by manual operations which according to Onodugo (2015) involves slow settlement of transactions, posting transactions from one ledger to another which were handled manually, counting money manually and also required the physical presence

of the customer in the banking hall to carry out any transaction. However, e-banking has made business of banking more effective and efficient in delivering its services. E-banking is generally referred to as the use of ICT by banks in delivering its services. Over the years, scope of e-banking products and services have continue to grow in terms of variety and sophistication. It involves the use of automated processes and electronic devices with special software programs such as personal computers, telephones, internet, card payments etc. It is therefore safe to conclude that in today's world, it is almost impossible to do the business of banking without the use of ICT.

In Nigeria, e-banking services have continued to soar as more customers are becoming inclined to its benefits. This is evident as the growth of internet services continue to expand, as well as internet enabled smart phones for operating mobile banking services. More customers now patronize the use of Automated Teller Machine (ATM) and businesses now accept payments through Point of Sales (POS). In recent times, most commercial banks in Nigeria, have developed and introduced special codes that can be used from any kind of mobile phone device in cash transfers, payment of bills etc. However, every innovation comes with its challenges and so it is with e-banking services. In spite of the enormous benefits, they are a number of shortcomings surrounding e-banking in Nigeria and these includes poor power supply, network failures, fraud, poor internet services etc. these factors negatively affect e-banking services and invariably affects customers satisfaction.

Manani, Nyaoga, Bosire, Ombati, and Kongere (2013) defined customer satisfaction as the satisfaction that a customer feels when comparing his or her preliminary expectations with the actual quality of the service or product acquired. In other words, customers are typically concerned with the value and quality of the product or service they receive. In addition, customers generally want the best possible product or service and to get value for their money. On the contrary, Saha, Hasan and Uddin (2014) noted that customer dissatisfaction is still the major reason of bank customers' switch to other competitors. Therefore, banks adopt various measures to ensure that quality e-services are delivered to customers. Zeithaml, Parasuraman and Malhotra (2000) identified four dimensions of e-service quality namely efficiency, fulfilment, privacy and system

availability. They further explained that previous studies provided insights about criteria that are relevant for evaluating e-service quality, the scales developed in those studies also raise some important questions that call for additional research on the topic. However, this four dimensions have been tested to sufficiently measure e-service quality. More so, giving the increase in the patronage of e-banking services in Nigeria, this study therefore adopts these four dimensions and seeks to examine the impact of e-banking service quality on customer satisfaction in Nigerian banking industry.

LITERATURE REVIEW

The advancement of technology and innovation in the banking industry has made the intermediation process of banks more effective and efficient in its service delivery. Customers more often are concerned with the value and quality of service they receive. Several attempts have been made by different authors in conceptualizing electronic banking otherwise known as e-banking. Anyawaokoro (1999) defined electronic banking as the application of computer technology to banking especially the payment (deposit transfer) aspects of banking. He further explained that, it is a system of banking with an electronic communication network which permits online processing of the same day credit and debit transfer of funds between member institutions of a clearing system. On the other hand, Imiefoh (2012) defined electronic banking as an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick and mortar institution, that is, automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. This study therefore conceptualize e-banking as, the use of electronic devices such as mobile phones,

computers, ATM cards, for transacting banking services.

Zeithaml et al. (2000) opined that in order to deliver superior quality service, managers must first understand how consumers perceive and evaluate these services. Various service quality dimensions have been established in literatures, however, Zeithaml et al. (2000) developed an electronic service quality otherwise known as e-service quality (e-SQ) which they defined as an encompassing phase of a customer's interactions with a website that is, the extent to which a website facilitates efficient and effective shopping, purchasing and delivery. They categorized e-service quality dimensions into 11 namely reliability, responsiveness, access, flexibility, ease of navigation, efficiency, assurance/trust, security/privacy, price knowledge, site aesthetics and customization/personalization. However, these items were subjected to various scale reduction analyses which resulted to a scale consisting of 22 items on four dimensions which are labeled as efficiency, fulfilment, system availability and privacy which have been widely used in literatures.

Conceptualizing customer satisfaction has been debated overtime as organisations attempts to measure the level of satisfaction customers derive from products and services. However, this study adopts the definition put forward by Manani et al. (2013) who defined customer satisfaction as the satisfaction that a customer feels when comparing his/her preliminary expectations with the actual quality of the service or product acquired. In other words, customers are typically concerned with the value and quality of the product or service they receive. In addition, customers generally want the best possible product or service at a low cost.

Efficiency and Customer satisfaction

Efficiency refers to the ease and speed of accessing and using e-banking services. One of the benefits of e-banking is the self-service it avails customers to perform. Accounts details can be checked online, fund transfer, bill payment etc customers derive a lot of satisfaction if there are able to assess all these functions without necessarily visiting banking hall. Previous empirical studies have found a positive and significant relationship between efficiency and customer satisfaction (Kumbhar, 2011; Sakhaei, Afshari & Esmaili, 2014; Shirzad & Beikzad, 2014). Therefore, the null hypothesis is formulated as:

H₀₁: Efficiency does not significantly impact customer satisfaction in Nigeria banks

Fulfilment and Customer Satisfaction

Fulfilment refers to the extent which the e-banking promises about service delivery and item availability are fulfilled. This dimension measures how accurate and dependable e-banking products can be. For example when a customer makes use of an ATM for withdrawal of transfer, how accurate will the transaction be? and how satisfied will the customer be? Kumbhar (2011); Sakhaei, Afshari and Esmaili (2014) found a positive and significant relationship between fulfilment and customer satisfaction. However, in the case of customers of Nigerian commercial banks, several complaints have been made as to banks failure to fulfill promises such as dispensing of cash payment from ATM transactions, completing mobile transactions etc. Therefore, the null hypothesis is formulated as:

H₀₂: Fulfilment does not have significant impact on customer satisfaction in Nigerian banks

System availability and Customer Satisfaction

System availability refers to the correct technical functioning of the e-banking products. This has to

do with availability of service as at when required. The major challenges facing the Nigerian e-banking system are network failures, epileptic power supply which has forced many banks to result to generating their own source of power. If bank customers are unable to utilize banks services as at when required, it could discourage their patronage. Zeithaml et al. (2000) stated that banks should be proactive in identifying aspects of system availability that are beyond their control and devising appropriate communication scripts to appease complaining customers. Kumbhar (2011) found a positive and significant relationship between system availability and customer satisfaction. Thus, the null hypothesis is formulated as:

H₀₃: System availability have no significant impact on customer satisfaction in Nigerian banks

Privacy and Customer Satisfaction

Privacy refers to the degree to which the e-banking services are safe and protects customer information. The Nigerian banking sector is characterized with increasing number of fraudulent activities which are usually perpetuated through hacking of customers information online and impersonating them in order to siphon their money. Customer expect that their informations be properly protected and their money be secured. Zeithaml et al (2000) stated that privacy perceptions do influence customers' overall quality or value perceptions and loyalty intentions, emphasize the need for companies to continue to reassure customers through websites design cues and external communications signaling the privacy of the sites. Sakhaei, Afshari and Esmaili (2014) and Shirzad and Beikzad (2014) found a positive and significant relationship between privacy and customer satisfaction.

H₀₄: Privacy have no significant impact on customer satisfaction in Nigerian banks

THEORETICAL FRAMEWORK

The theory that underpins this study is Expectancy Disconfirmation theory. The proponent of this theory is Oliver (1980). He posits that consumers purchase goods and services with expectations about the anticipated performance. The expectation level becomes a standard against which the products are judged. That is, once the product or service has been used, outcomes are compared against expectations. If the outcome matches the expectation, confirmation occurs. Whereas, disconfirmation occurs where there is a difference between expectations and outcomes. A Customer is either satisfied or dissatisfied as a result of positive or negative difference between expectations and perceptions. Thus, when service performance is better than what the customer had initially expected, there is a positive disconfirmation between expectations and performance which results in satisfaction. On the other hand, when service performance occurs as expected, there is a confirmation between expectations and perceptions which results in satisfaction. In contrast, when service performance is not as good as what the customer expected, there is a negative disconfirmation between expectations and perceptions which causes dissatisfaction.

RESEARCH METHODOLOGY

This study adopts a survey research design which involves sampling respondents from a large population. This study is based on E-S-Qual model developed by Zeithaml et al. (2000) study. In this model, four E-S-Qual dimensions were given namely efficiency, fulfilment, privacy and system availability. A structured questionnaire was adopted from Zeithaml et al. (2000) and Alsayyed, Suifan and Alawneh (2015) for E-S-Qual and

customer satisfaction respectively. All questions were measured on a five point Likert scale measuring 1=strongly disagree to 5=strongly agree. The population of this study comprises all bank customers in Makurdi, the capital of Benue state, Nigeria. The Sample population was arrived at using Cochran (1963) formula for determining infinite population and the sample of 384 respondents was arrived at. In order to make up for questionnaires that may be filtered out due to incomplete responses or non return, Israel (1992) opined that, a mark up of 30% be added to the sample size and we therefore, arrived at a total number of 499 respondents.

RESULT AND DISCUSSION

A total of 499 copies of questionnaire were randomly distributed to the samples respondents through drop and pick method, out of this numbers, 450 were found to be useful for the purpose of this work, representing 90% return rate. The collected questionnaire were coded appropriately and analysed using Statistical Package for Social Sciences (SPSS) version 20.

Demographic Characteristics

Table 4.1: Demographic characteristics of the Respondents

		No. of response	Percentage
Gender	Male	280	62.2
	Female	170	37.8
Age bracket	18-25	135	30
	26-35	180	40
	36-45	63	14
	46-55	45	10
	56 and above	27	6
Education	SSCE	100	22.2
	Diploma/NCE	130	28.8
	Degree	200	44.4
	Postgraduate	20	4.4

Source: Field Work (2018)

The study set out to find the demographic characteristics of the respondents and table 4.1 shows that the respondents comprised of 62.2% male and 37.8% female. This implies that our sample population was made up of more male than female respondents. Also, the table shows that majority of the respondents were between the ages of 26-35 representing 40% of the respondents. This implies that the sampled size were young and more inclined to technology. The study also found out that majority of the respondents are educated with over 44.4% having degrees and 28.8% possess diploma certificate. This is true because of the presence of a number of degree awarding institution in the environment. We can therefore conclude that the respondents are educated enough to answer the questionnaire adequately. Also the study sought to find out if the respondents have used e-banking services before and it was indicated that all respondents have at one point or the order made use of the products or service of e-banking.

Regression Result

Table 4.2: Regression Result

Variable	Coefficient	t-statistics	sig	Hypothesis Testing
Efficiency	.192	5.460	.000	Supported
Fulfilment	.060	2.248	.025	Supported
Privacy	.143	2.606	.009	Supported
Systemavailability	.561	9.831	.000	Supported

$R^2 = 31\%$, $Adj. R^2 = 30\%$ F -statistics = 49.890***

Note: *** and ** represents significant level at 1% and 5% respectively

From the regression result, the coefficient of determination denoted as R^2 , shows that 31% of the variations in customers satisfaction can be explained by the independent variables (efficiency, fulfilment, privacy and system availability). Also, the fitness of the model which is measure by the F -statistics shows that the model

is fit as indicated by the significance level. Finally, the Durbin-Watson which measures the serial correlation among the independent variables showed that, there is no serial correlation among the variables.

Table 4.2 also shows that significance of the hypotheses. From our analysis, all variables were found to be statistically significant and hence all null hypotheses were rejected. Specifically, the first hypothesis which states that efficiency does not significantly impact customer satisfaction in Nigeria banks was rejected based on the p-value which was significant at 1%. Implying that an increase in the efficiency of e-banking services result to an increase in customers satisfaction. This findings is consistent with previous studies such as Kumbhar, 2011; Sakhaei, Afshari & Esmaili, 2014; Shirzad & Beikzad, 2014, which found out that an efficient e-banking services increases customer satisfaction.

The second hypothesis which states that fulfilment does not have significant impact on customer satisfaction in Nigerian banks was also rejected at 5% significance level. This findings is in consonance with Kumbhar (2011) and Sakhaei et al. (2014) studies, who also found a positive and significant relationship between fulfilment and customer satisfaction. They argued that delivery and fulfilment of promises increases customers satisfaction.

The third hypothesis states that system availability have no significant impact on customer satisfaction in Nigerian banks. From our analysis, the null hypothesis was rejected and the alternate hypothesis was accepted at 1% significance level, implying that system availability have significant impact on customer satisfaction in Nigeria banks. Kumbhar (2011) found a positive and significant relationship between system availability and customer

satisfaction. Zeithaml et al. (2000) argued that system availability is a critical contributor to customers perception of the overall quality, value and loyalty intentions. Therefore, an increase in system availability increases customers satisfaction.

The fourth hypothesis which states that privacy have no significant impact on customer satisfaction in Nigerian banks was rejected at 1% level of significance. Therefore, the alternate hypothesis was accepted implying that, an increase in privacy, increases customers satisfaction. The implication of this findings is due to the fact that fraudulent activities in banking sector is prevalent and mostly manifested in online transactions, Therefore, customers tend to be satisfied when their privacy are secured. This finding is consistent with the studies of Sakhaei, Afshari and Esmaili (2014) and Shirzad and Beikzad (2014) who also found a positive and significant relationship between privacy and customer satisfaction.

From our analysis, a robustness test was carried out to check for the presence of multicollinearity among the independent variable. The presence of multicollinearity increases the variance of regression coefficient and invalidates the regression equation. In this study, multicollinearity was analysed using Variance Inflated Factor (VIF) and tolerance values. Based on our analysis, there was no problem of multicollinearity between the independent variables because the tolerance values are more than .1 and the VIF values are less than 10.

From our findings, we can therefore conclude that, electronic service quality significantly impacts customer satisfaction in Nigeria banking industry. Hence this study supports previous studies that the dimensions of electronic service quality are important to customers that utilizes e-banking

products and services. Also, the findings are consistent with the expectancy disconfirmation theory which explains that customers patronize services with expectations about the anticipated outcome. A Customer is either satisfied or dissatisfied as a result of positive or negative difference between expectations and perceptions. Thus, when service performance occurs as expected, there is a confirmation between expectations and perceptions which results in satisfaction.

CONCLUSION

This study examined the impact of e-banking service quality on customer satisfaction in Nigerian banking industry. This study adopted the electronic service quality dimension which includes efficiency, fulfilment, privacy and system availability to proxy e-banking service quality on customer satisfaction. The study found that respondents use one or more type of e-banking products or services. The regression analysis showed that all variables significantly impacts customer satisfaction. We therefore concluded that e-banking service quality of efficiency, fulfilment, privacy and system availability impacts customers satisfaction.

Based on these findings, this study recommends the following:

- i. As a result of growing patronage of e-banking services, bank management should address the issue of network failures so as to ensure efficient service delivery.
- ii. Secondly, the growing cases of electronic bank fraud in the Nigerian banking system is alarming, therefore, strict internal control measures should be ensured in order to protect customers bank details from falling into the hands of fraudsters.

LIMITATIONS

There are a number of limitations in this study. First, the study focused on respondents in Makurdi area of Benue state in Nigeria, which may have possessed attributes that are different from those in other parts of the world. Secondly, the sample was restricted to the customers of banks which may be different from other sectors of the economy.

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