IMPACT OF E – BANKING ON CUSTOMERS'S SATISFACTION IN ZENITH BANK PLC.

BY

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL OF AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

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Declaration

I declare that the work in the project report entitled "The impact of e-banking on customer satisfaction in Zenith Bank Plc" has been performed by me in the department of Business Administration. The information derived from the literature has been duly acknowledged in the text and a list of references provided. No part of this project report has been previously presented for another degree or diploma in this or any other university.

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Certification

This is to certify that this project titled "The impact of e-banking on customer satisfaction in Zenith Bank Plc" written by Yusha'u Muhammed MUHAMMED meets the regulations governing the award of the degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria and it is therefore approved for its contributions to knowledge, and literary presentation.

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Abstract

This study was structured to assess the impact of e-based banking transactions on customer satisfaction at First Bank Plc. In doing this, the following null and alternative hypothesis was formulated; that e-transaction has made negative impact on customer satisfaction (H_0) while the alternative hypothesis (H_1) is that e-transaction has made positive impact on customer satisfaction at First Bank Plc. Data was collected from a sample population through questionnaires; the data collected from respondents was used to test the hypothesis using the Chi-square method. The analysis made lead to the rejection of the null in favors of the alternative hypothesis. This study has revealed that e-transaction has an overwhelming impact on customer satisfaction. In fact, it is quite important that banks should transcend from the most popular ATM window and focus more on strengthening other e-banking services like transfer of funds, payment of bill and other e-banking platforms, which shall in the near future be a critical success factor for their continued existence and success. Apart from committing more resources in upgrading those services there is also an attendant need for the banks to invest in creating customer awareness on the existence of other value added e-banking services for their utilization. Of particular importance in this drive should be the existence of round the clock complaint handling desk that should be staffed with qualified and courteous staff to provide efficient and responsive way-forwards to customers.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The growing adoption of electronic forms of payment in the country has become a revolution that has astounded stakeholders. From less than 50,000 transactions recorded on the Interswitch network four years ago, it has increased to over 98,000,000 per month as at March 2009. (E-Commerce Journal, 2009).

Mitchel Elegbe, the Managing Director of Interswitch, a payment solutions platform provider with 25 Nigerian Banks on its platform confirmed that the network has witnessed increased transactions with the adoption of technology by Nigerians. He stated that by March 2007, the network witnessed 13.6 million transactions, which increased fundamentally to 51.2 million as at March 2008. Elegbe, added that in 2007, the network recorded a growth of 276 .2 per cent with a volume of 271 million transactions worth N430 billion across its entire network from different channels- ATMs, PoS terminals, mobile, Internet, and bank branches using the network (E-Commerce Journal, 2008).

That Nigerians have stepped up their game is not in doubt with over 42 million cards in circulation as against 22 million that was in circulation a year ago. A breakdown of the

automated or not, banks by their nature are continually involved in all forms of information management on a continuous basis. The Computer is of course an established tool for achieving a competitive edge and optimal resource allocation.

The most obvious banking application of Computers is customer service. Computerized banks respond immediately to requests from customers for Statement of Accounts, Balance and Account activity enquiries e.t.c. With Signature and Image verification systems, the time taken to offer typical cashier services like receiving and paying out of cash is minimized. Many consumers also like the idea of not waiting in line to do their banking, and paying their bills without shuffling papers and buying stamps.

Good customer service quality is the major issue for banks that are operating e-transactions, which will determine whether the business will survive or fail in the future. Maintaining effective customer service helps to build and maintain customer's relationship which is the key critical success factor for e-transactions. In order to satisfy customers' needs banks need to set up websites that provide quality information and services to customers.

Based on the foregoing, the aim of this research work is to assess how the emergence of electronic transactions i.e. e-banking, serve as a tool for enhancing customer satisfaction at Zenith Bank PLC from both the customers and Service provider stand point.

1.3 Research Questions

i. What is the impact of e-banking on customer's satisfaction?
ii. What are the challenges of e-banking in Zenith Bank plc?
iii. How effective is e-banking as a tool for enhancing customers satisfaction?

1.4 Objectives of the Study

The specific objectives of the study are to:

i. Determine the impact of e-banking on customer's satisfaction.
ii. Identify the challenges of e-banking in Zenith Bank plc.
iii. Assess the effectiveness of e-banking as a tool for enhancing customer's satisfaction.

1.5 Research Hypotheses

This study is based on the following null hypothesis (s)

1. **H_0:** There is no Significant Relationship between E-Banking and Customers Relationship.
2. **H_0:** E-Banking is an ineffective tool in enhancing customer's satisfaction.

1.6 Significance of the Study

This study is believed to be important and is expected to shade more light on electronic banking and its role in enhancing customer's satisfaction.

The study will assist those in search of knowledge with regards to electronic banking and will expose the benefit of electronic banking to customers.

It will also serve as the basis for further study by researchers who wish to add to existing knowledge.

1.7 Scope of the Study

This study covers Zenith Bank Plc.'s e-banking system and its role in enhancing customers satisfaction in kaduna. The study covers a time frame of five (5) years that is from 2004 to 2009. The scope of these chapters will look at the electronic banking which is expected to play a significant role in customer satisfaction in Zenith Bank Plc in Nigeria.

1.8 Definition of Concepts

For the purpose of this study, the following terms mean;

Electronic Transaction - A grouping of information or data stored electronically in a defined format that has a distinct meaning as a set.

Customer Satisfaction - is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business.

Electronic banking - it generally implies a service that allows customers to use some form of computer to access account-specific information and possibly conduct transactions from a remote location - such as at home or at the workplace.

Web site – a web site is a collection of web pages, images, videos or other digital assets that is hosted on one or more web servers, usually accessible via the internet.

Internet – is a world wide, publicly accessible series of interconnected computer networks that transmit data by packet switching using the standard internet protocol.

Product-centric - centralizing information on a particular product.

Customer-centric - centralizing information to the individual consumer.

Intuit's Quicken - is an American software company that develops financial and tax preparation software and related services for small businesses, accountants and individuals. It is incorporated in Delaware and headquartered in Mountain View, California.

Bank - a financial institution that accepts deposits and channels the money into lending activities.

GSM - GSM (Global System for Mobile communications) is an open, digital cellular technology used for transmitting mobile voice and data services.

Microsoft's Money - is Microsoft's personal finance software. It is designed for computers using the Microsoft Windows operating system.

Interswitch – A private Ltd company owned by Nigeria's mega banks that provides on-line, real time electronic payment systems to support automated customer transactions from different customer touch points and transaction channels.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

There are several definitions of banks given by authorities, scholars and in some cases law or regulations. Thus, there's no accepted definition. George, (2000) sees banking business as a service which involves intermediation of finances through the mobilization of services from the units generating surplus funds for lending, to promote growth and development which in turn maximizes profit for the organisation.

Sec.16 of Banks and other financial institutions Decree 1991 (as amended) defines banking business as "The Business of receiving deposits of current account paying or collecting of finance or such other business as the Governor (CBN) made by order, published by gazette." Therefore, any organization or entity that carries out the above-mentioned Business is referred to as BANK.

2.2 Concept of E-banking and Customer Satisfaction

Electronic banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. E-banking includes the systems that financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the internet. E-banking is also called Internet banking, on-line banking or PC banking. E-Banking may include ATMs, wire transfers, telephone banking, electronic funds transfers and debit cards. Nowadays, internet banking sites process customer

service inquiries, allow transactions from one account to another, take loan applications, open new accounts etc. Some provide commercial services and others are full service banks rushing to get there. In addition to the rapid deployment of electronic bank 'branches' an entire financial community has suddenly appeared, offering most and financial service *a* customer could want. New forms of money are being coined to pay for transactions, and untraceable payment protocols are being tested and marketed. As fewer and fewer bank customers visit banks, more and more are using ATMs, home banking terminals and the internet to do their financial business. This 'charge' to the internet is an offensive, aggressive strategy to capture a large share of the financial services market. It is supported by speed of light, telecommunications, powerful, inexpensive computers and secure encryption. This charge to the internet is increasing the number of competitors in the market. Technology has introduced new ways of delivering banking to the customer, such as ATMs and internet banking. Hence, banks have found themselves at the forefront of technology adoption for the past three decades. Banks began at to look at e-banking as a means to replace some of their traditional bank functions, e-banking products/services like ATM and electronic funds transfer were a source of differentiation of banks that utilized them. The evolution of the e-banking industry can be traced to the early 1970s. Banks began to look at e-banking as a means to replace some of their traditional bank functions, for 2 reasons. Firstly, branches were very expensive to set up and maintain due to the large overheads associated with them. Secondly e-banking product/services like ATM and electronic fund transfer were a source of differentiation for banks that utilized them. Being in a fiercely competitive industry, the ability of banks to differentiate themselves on the basis of price is limited.

Technology has introduced new ways of delivering banking to the customer, such as ATMs and Internet banking. Hence, it is imperative for banks to align their strategies in response to changing customers' needs and developments in technology.

Customers are not entirely satisfied with the quality of service provided by commercial banks in Nigeria. Queuing time is considered reasonable at ATMs but too long in banking halls. Part of the dissatisfaction of customers' stems from the fact that customers are not aware and knowledgeable about the full range of e-banking services provided by banks. The decline in the quality of banking services maybe attributed to the fact that there has been an increase in the volume of banking transactions. It is often reported that the grievance redressed machinery in the banks are not adequate enough to address the issues to the full satisfaction of the customers. Therefore, this is a clear-cut indication that commercial banks have to put in more effort into e-banking services to improve the satisfaction of their customers. The problem presented is to identify where the delivery channels are lacking in providing satisfaction to customers and what can be done to resolve this problem

2.3 Historical Development of Banking in Nigeria

Banking started in Nigeria as early as 1892, in Lagos with the opening of the first branch of the American Banking Corporation (ABC), Messrs Elder Dempster and co. A shipping firm which was based in liver pool, England was behind its formation. However, its interest was transferred to Elder Dempster and co., which led to the formation of the British Bank of West Africa (BBWA), in 1983. British Bank of West Africa, was

registered in London as a limited liability company in March 1894 and the first branch was opened in Lagos in the same year.

Brown (1966) Reported that 1912, the year the West African Currency Board (WCB) was formed, there was only one bank operating in Nigeria, the British Bank of West Africa after taken over three other Banks established earlier in Nigeria in 1917, the British Bank of West Africa was joined by the colonial bank, which became part of Barclays, DCO in 1925. As of 1949, expatriate banks dominated the Nigerian commercial banking. This is evidence by the establishment of the British and French Bank (now united Bank of Africa) and the liquidation of established indigenous banks.

The banking ordinance Act was enacted in 1952 aimed at sanitizing the industry, but the Act turned to be inadequate and inefficient. Hence the central Bank of Nigeria (CBN) was established in 1958 to suppress and control the banks in order to regain the lost public confidence.

1986 saw the deregulation and liberalization of the banking industry and thus, the private participants came into the industry and more banks were established. As at the end of 1991, the total banks in Nigeria rose to 120 from 26 in 1981. As at march 2003, CBN reported that there are 95 banks licensed in Nigeria. This is made up of the CBN, 80 commercial banks (some of which are universal), 11 merchant banks (most of which are subsidiary of universal banks and 6 development banks).

In 2005, the CBN increase the paid up capital of banks to 25b. this is popularly known as the Banking consolidation. Consolidation saw the emergence of 25 banks from the 89

banks through the liquidation of 14 banks and the merging of some other banks to make up the requirement.

In conclusion, the banking industry in Nigeria is one of the ever growing and expanding industries, in the economy with banks declaring huge profit. Apart from the government, it is believed to have the highest employer of labour.

2.4 Commercial Banking Perspective in Nigeria

According to The Country Studies Series a Handbook Program sponsored by the U.S. Department of Army Nigeria's first bank, the African Banking Corporation, was established in 1892. No banking legislation existed until 1952, at which point Nigeria had three foreign banks (the Bank of British West Africa, Barclays Bank, and the British and French Bank) and two indigenous banks (the National Bank of Nigeria and the African Continental Bank) with a collective total of forty branches. A 1952 ordinance set standards, required reserve funds, established bank examinations, and provided for assistance to indigenous banks. Yet for decades after 1952, the growth of demand deposits was slowed by the Nigerian propensity to prefer cash and to distrust checks for debt settlements.

British colonial officials established the West African Currency Board in 1912 to help finance the export trade of foreign firms in West Africa and to issue a West African currency convertible to British pounds sterling. But colonial policies barred local investment of reserves, discouraged deposit expansion, precluded discretion for monetary management, and did nothing to train Africans in developing indigenous financial institutions. In 1952 several Nigerian members of the Federal House of Assembly called for the establishment of a central bank to facilitate economic development. Although the

motion was defeated, the colonial administration appointed a Bank of England official to study the issue. He advised against a central bank, questioning such a bank's effectiveness in an undeveloped capital market. In 1957 the Colonial Office sponsored another study that resulted in the establishment of a Nigerian central bank and the introduction of a Nigerian currency. The Nigerian pound on a par with the pound sterling until the British currency's devaluation in 1967, was converted in 1973 to a decimal currency, the naira (₦), equivalent to two old Nigerian pounds. The smallest unit of the new currency was the kobo, 100 of which equaled 1 naira. The naira, which exchanged for US$1.52 in January 1973 and again in March 1982 (or ₦0.67 = US$1), despite the floating exchange rate, depreciated relative to the United States dollar in the 1980s. The average exchange rate in 1990 was ₦8.004 = US$1. Depreciation accelerated after the creation of a second-tier foreign exchange market under World Bank structural adjustment in September 1986.

The Central Bank of Nigeria, which was statutorily independent of the federal government until 1968, began operations on July 1, 1959. Following a decade of struggle over the relationship between the government and the Central Bank, a 1968 military decree granted authority over banking and monetary policy to the Federal Executive Council. The role of the Central Bank, similar to that of central banks in North America and Western Europe, was to establish the Nigerian currency, control and regulate the banking system, serve as banker to other banks in Nigeria, and carry out the government's economic policy in the monetary field. This policy included control of bank credit growth, credit distribution by sector, cash reserve requirements for commercial banks, discount rates--interest rates the Central Bank charged commercial and merchant banks--and the ratio of banks' long-term assets to deposits. Changes in Central Bank restrictions

on credit and monetary expansion affected total demand and income. For example, in 1988, as inflation accelerated, the Central Bank tried to restrain monetary growth.

The three largest commercial banks held about one-third of total bank deposits. In 1973 the federal government undertook to acquire a 40-percent equity ownership of the three largest foreign banks. In 1976, under the second Nigerian Enterprises Promotion Decree requiring 60-percent indigenous holdings, the federal government acquired an additional 20-percent holding in the three largest foreign banks and 60-percent ownership in the other foreign banks. Yet indigenization did not change the management, control, and lending orientation toward international trade, particularly of foreign companies and their Nigerian subsidiaries of foreign banks.

At the end of 1988, the banking system consisted of the Central Bank of Nigeria, forty-two commercial banks, and twenty four merchant banks, a substantial increase since 1986. Merchant banks were allowed to open checking accounts for corporations only and could not accept deposits below ₦50,000. Commercial and merchant banks together had 1,500 branches in 1988, up from 1,000 in 1984. In 1988 commercial banks had assets of ₦52.2 billion compared to ₦12.6 billion for merchant banks in early 1988. In FY 1990 the government put ₦503 million into establishing community banks to encourage community development associations, cooperative societies, farmers' groups, patriotic unions, trade groups, and other local organizations, especially in rural areas.

Other financial institutions included government-owned specialized development banks: the Nigerian Industrial Development Bank, the Nigerian Bank for Commerce and

Industry, and the Nigerian Agricultural Bank, as well as the Federal Savings Banks and the Federal Mortgage Bank. Also active in Nigeria were numerous insurance companies, pension funds, and finance and leasing companies. Nigeria also had a stock exchange (established in Lagos in 1961) and a number of stockbrokerage firms. The Securities and Exchange Commission (SEC) Decree of 1988 gave the Nigerian SEC powers to regulate and supervise the capital market. These powers included the right to revoke stockbroker registrations and approve or disapprove any new stock exchange. Established in 1988, the Nigerian Deposit Insurance Corporation increased confidence in the banks by protecting depositors against bank failures in licensed banks up to ₦50,000 in return for an annual bank premium of nearly 1 percent of total deposit liabilities. Source (www.country-studies.com/**nigeria**/**banking**-and-finance.html).

2.5 Structure of the Nigeria Banking System

The Nigeria Banking system is made up of three regulatory authorities and the licensed banks (Commercial, universal and specialized).

2.5.1 Regulatory Frame Work in the Nigerian Banking System

i. Companies and Allied matters Act (CAMA) 2004: This law regulates the incorporation and liquidation of companies in Nigeria registered under the Act.

ii. Banks and other financial institution Act (As Amended) 1991: The law centralized the function of bank licensing, regulation and supervision in the Central Bank of Nigeria (CBN) and defined authority for appropriate action to ensure efficient and prudent operation.

iii. Central bank of Nigeria (CBN) Decree NO. 24 of 1999: This law repealed the CBN A ct of 1958.lt confers upon CBN, the powers to carryout it's assigned function as it's relate to domestic economy and external sector.

iv. Prudential Guidelines Issued by CBN: These guidelines are issued to licensed banks and their auditors to comply with international banking practice. It is aimed at addressing requirement for assets classification and disclosure, provisioning, interest, accruals and off- balance sheet engagements.

v. Statements of Accounting Standard (SAS): These issue by National Accounting Standard Board,(NASB), to provide a guide for Accounting policies and methods that should be followed by companies (banks) in the preparation of their financial statements relative to income recognition, balance sheet classification and many other provisions.

vi. Foreign exchange (Monitoring and Miscellaneous Provision) Decree 1995: This decree was promulgated to regulate the foreign exchange market to achieve exchange rate stability.

vii. Failed banks (Recovery of Debt and Financial Malpractices in Banks) Decree No. 18 of 1994: The degree was promulgated to facilitate the prosecution of those who contributed to the failure of banks.

viii. Guide lines on universal Banking: These guidelines were made to provide a guide for banks that wish to become universal the guidelines became effective on 1 January 2001.

ix. E banking Guidelines: It is aimed at regulating issues regulating to information and communication technology standard under e banking, monetary policy, legal issues

relating to banking regulation and customer right protection and regulatory and supervision and e banking.

2.5.2 Regulatory Authorities in the Nigerian Banking System

The regulatory authorities are saddled with the responsibility of administering the framework:

1. **Central Bank of Nigeria (CBN)**

This is the apex of regulatory authority of the Nigerian banking system. It was established by the CBN Act of 1958 and commenced operations on 1st May 1959. The bank promote monetary stability and a sound financial system and also responsible for licensed banks.

2. **Federal Ministry of Finance**

It advises the federal government on it's fiscal operations and also interacts with the CBN on monetary policy matters.

3. **Nigeria Deposit Insurance Commission (NDIC)**

The promulgation of Decree No. 24 of 15th June 1988 led to the establishment of NDIC. It was set up to provide deposit insurance and related services for banks, aimed at promoting confidence in the banking industry.

4. **Financial Services Regulatory Committee (FSRC)**

It was set up for the purpose of coordinating the supervision of financial institutions in the country. Membership is drawn from CBN, NAICOM, SEC. CAC and the Federal Ministry of Finance.

5. National Accounting Standard Board (NASB)

The Board was set up to provide a guide for accounting policies and methods that should be followed by companies (banks) in the preparation of their financial statements. The Board since inauguration has issued 21 statement of Accounting Standards (SAS1 – SAS21).

Banks in Nigeria can be classified using different criterion. This includes period of licensing and economic period in the country.

CBN (2001) classified banks by licensing period as follows:

a. First Generation Banks - These are banks licensed before 1960.
b. Second Generation Bank:- These are banks licensed between 1960 and 1980.
c. Third Generation Banks:- These are banks licensed between 1980 and 1998.
d. Fourth Generation Banks:- These are banks from 1998 to date.

Woherem (2000) classified banks in Nigeria by the economic period in the country when it came into existence as follows:

a. **Old Generation Banks:** Banks in existence and operating before the introduction of Structural Adjustment Programme (SAP) in 1986.
b. **New Generation Banks:** These are banks that came into operations after the introduction of SAP in 1986.

2.6 Financial Services in the Nigerian Banking System

The financial services obtainable in Nigerian banks can be looked upon in two broad categories. These are retail Banking and whole sale Banking. **2.6.1. Retail Banking**

This is usually carried out by commercial Banks the services include:

a) **Acceptance of Deposits:** They accept deposits from customers and keep them using an account. This account could be Saving, Current. Time or Fixed Deposit. The charge or pay interest depending on the type of account.

b) **Lending of loans or Overdrafts:** Short loans are granted to customers depending on their agreement, interests are charged on this loan. They also allow their customers current account only to withdraw in excess of their deposit is known as overdraft.

c) **Discounting Bills of Exchange:** They collect immature Bills of Exchange and pay the bearer the face value of crafter deducting some charges called discount) his money before the bills of exchange matures.

d) **Financing Small and Medium Scale Enterprises and Agriculture:** The government also modify a service of banks to provide finances for small and medium scale enterprises (SME) and also agricultural finance.

e) **Act as Agent of Payment:** They provide service that allows the customers to pay debt, goods or service through the bank.

They also transact in stock exchanges and international money transfers. Other services include, risk management and control and the safe keeping of valuable materials.

2.6.2. Wholesale Banking

This is usually carried out by merchant and specialized banks. They include:

a) Financing medium and long-term project

b) Financing International Trade transaction
c) Risk management control
d) Corporate Banking
e) Advice customers in investment decisions
f) They also specialized in dealings in stock exchanges and bills of exchange transaction.

2.7 Origin and Operations of E-Banking

The rapid advancement in Information and Communication Technology (ICT) has had a profound impact on the banking industry and the wider financial sector over the last two decades and it has now become a tool that facilitates banks' organizational structures, business strategies, customer services and other related functions. The recent "IT revolution" has exerted far-reaching impacts on economies in general, and the financial services industry in particular (Ranee, 2008).

Within the financial services industry, the banking sector was one of the first to embrace rapid globalization and benefit significantly from IT development. The technological revolution in banking started in the 1950s, with the installation of the first automated bookkeeping machines at banks. This was well before the other industries became IT perceptive. Automation in banking became widespread over the next few decades as bankers quickly realized that much of their labor-intensive information-handling

processes could be automated with the use of computers. The first Automated Teller Machine (ATM) was introduced in the USA in 1968, and it was only a cash dispenser. The advent of ATMs helped to improve customer convenience and reduce costs compared to services before ATMs, where withdrawing funds, accounts inquiries and transferring money between accounts required face-to-face interaction between bank staff and customers (Ranee, 2008).

The financial services sector has undergone historic changes in the past decade. The so called e-developments are rapidly emerging in all areas of financial intermediation and financial markets: we can talk about e-finance, e-money, e-banking, e-brokering, e-insurance, e-exchanges, and even e-supervision. New information technology is becoming the most important factor in the future development of banking, influencing marketing and business strategies of banks. The driving forces behind the rapid transformation of banks are radical changes in the economic environment: innovations in information technology, renewed financial products, liberalization and consolidation of financial markets, deregulation of financial intermediation, etc.

These and other factors make the formation of bank strategy complicated. The process is threatened by unpredictable developments and changes in the economic environment; and therefore, the strategies have to be flexible in order to make them adjustable to changes. The question is no longer whether the emergence of the Internet is a threat or an opportunity, as those who have decided to protect themselves from possible dangers instead of using the opening opportunities, are doomed to be ousted from the market.

Electronic banking is the newest delivery channel for banking services. The definition of e-banking varies among studies, partially because electronic banking includes several

types of services. Bank customers can request information and carry out most retail banking services via a computer, television or mobile phone (Daniel, 1999). For example, (Burr, 1996) describes it as an electronic connection between the bank and the customer in order to prepare, manage and control financial transactions.

Electronic banking can also be defined as a variety of the following platforms:

(a) Internet banking (or online banking);

(b) Telephone banking;

(c) TV-based banking;

(d) Mobile phone banking;

(e) PC banking (offline or automatic banking).

2.8 The Concept of E-Banking

Ovia (2002), Bello (2002) and Shamsudeen (2002) states that e-banking is the delivery of banking services and products through the use of electronic devices to customers irrespective of place, time and distance. Bello went further to state that this form of transaction process has transformed the cash based economy to an electronic based.

From the researcher's point of view, e-banking refers to the use of information and communication technology to transform the aspect of banking as it relates to the provision of services and management of customer relationship.

2.9 The Evolution of E-Banking in the Nigerian Banking System -Abdulhakeem (2002), traced the evolution of e-banking to the approval given to All States Trust Bank

Limited by the CBN to offer a financial product known as ESCA – a Smart card Electronic purse. Subsequently Diamond Bank Limited introduced a parallel product known as Diamond Pay card.

In February 1998, a consortium of licensed banks floated a Smart card company, Smart card Nigeria Plc. With the mandate to produce and manage cards issued by member Banks of the consortium. Another consortium of about 30 banks under the auspices of Gemcard introduced Smart cards into the banking system in 2000.

Many banks launched their website between 1998 and 2008 but most are for information purpose. Recent survey of the 25 licensed banks that emerged after the nation showed that all the banks have one form of e-banking products or service; popular among the service is the ATM. All the 25 banks have web site.

2.10 E-Banking Products/Services in the Nigerian Banking System

CBN (2003) op.cit reported that following e-banking services are available in the Nigerian Banking System.

- Automated Teller Machines (ATM)
- Cards
- Telephone Banking
- Personal Computer (PC) Banking
- Internet Banking

2.10.1 Automated Teller Machines (ATM)

An ATM is a machine built into a wall with a computerized s\stem connected to the bank that is providing it. To use, the machine a person must acquire a card called ATM card to be issued by providers of such services. This card enables the holder to cash, make deposits or transfer funds between accounts.

When this card is inserted a pin (personal identification number) is entered to give the customer access to cash all day long. The ATM is popularly referred to as a cash dispensing machine. It allows customer to withdraw cash and perform other banking transactions at anytime of the day without going to the bank branch. They are usually built outside banks branches, mails, stations, airports e.t.c

2.10.2 Smart Cards

Smart card is a plastic card with an embedded microchip, and with an interface that allows it to receive power and communicate with suitable terminals. The first large scale smartcard application was implemented in the U.S. in 1987. In 1994, Europay, MasterCard and Visa (EMU) published Joint specifications for global microchip based bankcard (Smartcard). As Smart card can be anyone of the following:

a) **Credit card:**-These are cards that give credit to holders for a specified time periods and amounts of money. The holder does not need to have money in his/her account to qualify for a credit card, and the bank charges interest on such credit. Once the card holder reaches his limit for the month, purchases can no longer be made. It usually has an expiring date.
b) **Charge Card:** It is similar to credit cards and allows the cardholder to purchase goods and services up to a pre-agreed limit. Unlike credit cards,re charge cards must be paid off in full every month.

c) **Debit Card:** Debit card allow a card holder to purchase goods and services to whatever extent he wants as long as his bank balance covers the amount. This means the usage of the card is prepaid.

2.10.3 Telephone/Mobile Banking

Telephone banking is a service that enables customers to access banking services through the telephone anywhere, anytime and in whatever, manner they want. All that customer requires is a telephone equipped with or without a fax capability. The Bank requires an information system that is configured to respond and act on the customers instructions initiated through the telephone. The system presents its output in the form of an Interactive Voice Response (IVR). Where text is converted to voice (sound).

It allows link to direct connection either as private networks lines or public networks. It allows the customer's request to account balances or make fund transfer or other personalized customer service.

Mobile banking solution on the other hand operates over Global System for Mobile Communication (GSM) or other digital wireless devices such as Smart phones and communication. The technology solutions are based on the latest mobile application technology like Wireless Application Protocol (WAP) and Short Messaging Services (SMS).

The advantages of mobile banking includes status enquiry, access to prompt and effective communication and billing services.

2.10.4 Internet Banking

Internet Banking belongs to the species of financial services variously known as home banking, remote electronic banking, self-service banking and other names inciting that customers do their banking at home/at work.

Internet Banking refers to a situation where customers can make use of computers connected to the internet to have access to their bank accounts, such that they can conduct most of their usual banking transactions over the internet. The user makes enquires and the responses of these enquires from a computer-based system are displayed on the computer screen and viewed by the enquirer. The result of such enquiry can be printed out on paper or saved on the computer for future use. However, for a user to take advantage of internet banking provided by a bank he must have all the under listed.

i. A computer system, be it a desktop, laptop or palm-top
ii. The computer system must have an internal/external modem.
iii. The user must be connected to the Internet through an Internet Service Provider (ISP).
iv. The computer system must have enabling software needed for this internet service.
v. Finally, he must have an account with a bank operating or offering internet Banking.

2.10.5 TV Banking (t-Banking)

Turkey (2000) states that TV is the latest one of the emerging digital content and access platform Broadcasting the TV content in digital form provides at least 6 times capacity savings on the allocated frequency bands of the delivery medium whether it is air, cable or satellite.

Aminu (2002) sees t-banking as the using of TV to access the internet without the use computer. There will be attached to the TV, a device which will come with a smartcard reader to enable users to load their Smartcard at home in addition to other online services.

Considering the cost ad the number of TV users, t-banking will be able to reach every nook and crannies of Nigeria. Though this technology is still in the preparation stage in Nigeria, it will have great effect on service deliver when implemented.

2.11 Benefits of E-Banking to Bank and Customer

Benefits from the Banks' Point of View

The first benefits for the banks offering Internet banking services is better branding and faster reaction to market changes. Banks offering such services are perceived as leaders in technology implementation, and therefore, they enjoy a better brand image.

Other benefits can be measured in monetary terms. The ultimate goal of a company is to maximize owners' profit, and banks are no exception. Automated e-banking services offer a perfect opportunity for maximizing profits. According to a survey by Booz, Allen and Hamilton, an estimated cost providing the routine business of a full service branch in USA is $1.07 per transaction, as compared to 54 cents for telephone banking, 27 cents for ATM banking and 1.5 cents for Internet banking. In Nordea Bank, Finland, one online transaction costs the bank an average of 11 US cents, compared to $1 for a transaction in a branch. The difference in net cost in the US and Finnish banks can be explained by smaller population in Finland and the scale effect in case of the USA (Olga, 2003).

In Estonia, the fee for an inland transaction concluded in a bank office is 9–12 kroons, transaction fee in automated telephone banking is 0–6 kroons, direct debits are free of charge, and fees for ATM and Internet banking services are 0–3 kroons (Olga, 2003).

Comparing this information with services price list allows us to conclude that the profitability of e-channel banking services is high for banks. Regarding service fees (income side from banks point of view), an average payment in Internet bank costs four times less than a payment in a bank office. Regarding actual costs (costs from banks point of view), a payment via Internet bank costs seven times less than a payment in the office (Olga, 2003).

Benefits from Customers' Point of View

The main benefit from bank customers' point of view is significant saving of time due to the automation of banking services processing and introduction of easy maintenance tools for managing customers' money. The main advantages of e-banking for corporate customers are the following:

a. Reduced costs in accessing and using banking services.
b. Increased comfort and saving of time – transactions can be made 24 hours a day, without direct interaction with the bank.
c. Quick and continuous access to information. It is easier for companies to check on multiple accounts at the click of a button.
d. Better cash management. E-banking facilities speed up cash cycle and increase the efficiency of business processes, as large variety of cash management instruments are available on Internet. For example, it is possible to manage a company's short-

term cash via Internet banks (investments in overnight, short and long-term deposits, commercial papers, bonds, shares and money market funds).

Private customers seek slightly different kind of benefits from e-banking. In a study on online banking drivers Aladwani (2001) found that providing faster, easier and more reliable services to customers were amongst the top drivers of e-banking development.

The main benefits of e-banking for private customers are as follows:

1. Reduced costs. Regarding the costs of availability and using of various banking products and services.
2. Convenience. All banking transactions can be performed from the comfort of one's home, office or any other place a customer wants.
3. Speed. Operating speed of the medium is very fast; therefore, customers can postpone the transactions until the last minute.
4. Funds management. Customers can download their history of different accounts and do a 'what-if' analysis on their PC before performing any transaction on the web. This allows better funds management.

2.12 Merits and Demerits of E-Banking in Nigeria

i. Breakdown of Geographic Barriers:

The consumer can conduct the full range of banking business with a telephone, personal computer, or an ATM, it does not matter where the physical location of the bank is thus, and geographic convenience would not make any difference. This will allow the consumer to choose banking services largely on the basis of price and service efficiency considerations.

ii. New Competitive Strategies for Banks:

This might make some banks choose to unite their branch distribution with other retailers such as supermarket by using a small but high tech branch structure. This will help three banks capture that segment of the retail market that are not ready for total e-banking services or those who might not actively seek information about financial products.

iii. Commodization of Banking Products

With e-banking customers will not necessarily look for a "complete bundle" of banking services from a single bank, but could bank on a product-by-product basis or as financial services become increasingly standardized as they are already automated, perhaps on a "commodity-by-commodity basis. Thus, there will be no big branch specialized in being a very big large provider of all banking services.

iv. Capacity to process high volume of transactions, which will result in monumental increase in volume of business.

v. Reduction in cash transactions with long-term prospects of minimal cash handling.

vi. Customer relationship managements can easily be done without physical contact with bank official.

vii. Virtual Banks: There would be no need for many branch networks with e-banking. This is so because the customer does his transaction anywhere.

viii. Flexibility in operation and transaction.

ix. Reduction in stationary use and distribution cost; since online publication replaced paper-based publication.

x. It will **significantly reduce the cost of many transactions** necessary to produce and distribute goods and services.

xi. **Increase in competition**, making banking charges more transparent and broadening markets for customers.

Demerits

1. **Cost of Installation and Maintenance:**

The installation of this system that enables the provision of e-banking services by banks is very expensive. It cost the banks huge amount of money to deploy its own technology individually. Considering the sophistication involved in the system and technologies used in e-banking it need consociate and adequate maintenance. Thus, cost of maintenance is usually very high and can increase.

2. **Problem of Unemployment:**

The massive deployment of electronic devices in carrying out banking services will reduce the physical contact between banking staff and their customers.

This will reduce the needed staff strength for a bank branch and could have implications on employment.

3. **Vulnerability to failure:-**

The systems deployed use in electronic banking are basically electronic and computer in nature and cannot be solely relied upon thus, they can breakdown at anytime without any notice.

4. **Vulnerability to fraud Attack**

2.13 Impediment to E-Banking in Nigeria

These are factors hindering the development of e-banking in Nigeria. Ovia (2002) list some of factors to be:

1. **Low density:**

It is practically impossible to grow and expand the Nigerian financial market without adequate telecommunications infrastructure. Nigeria had one of the lowest densities in the world prior to the introduction of G.S.M. in August 2001. The teledensity was as low as 0.04 (250 people to one telephone) compared to 0.3 (3 persons to one line standard).

However, with the introduction of GSM, the teledensity is expected to rise more as an average of 3,000 GSM lines per day are now deployed by the G.S.M. operators.

2. **Low Internet Connectivity**

Internet connectivity is very low, as at 2001, there were only 35 licensed Internet Service Providers (ISP) in Nigeria. It increased to 250 as at February (2002). 2004 it increased to 400. Even with this, it is still not accessible to many Nigerians due to its cost. In addition, where they are available even at high cost they are not efficient.

However, many companies are expected to deploy more facilities for internet service providers. This will bring down the price connectivity and therefore as much the ability to be connected at cheaper price.

3. **Dearth of E-work Force**

Without e-work force, the expected growth and expansion of the Nigerian financial market through the use of IT will continue to elude us. Nigeria is rated low on the UNPP Human development report on technologies achievement index (TA1), this is largely as result of spectacular poor human skills and technologies capacity.

2.14 Elements of Customer Satisfaction in Bank

The working of the customer's mind is a mystery, which is difficult to solve, and understanding the nuances of what customer satisfaction is, a challenging task. Customer satisfaction is a judgment by the customer, post purchase. The most popular view of customer satisfaction in academia is that customer satisfaction is the judgment borne out of the comparison of pre–purchase expectations with post purchase evaluation of the product or service experience (Oliver, 1997). Customer satisfaction can result from any dimension (whether or not it is quality related) and its judgments may arise from non-quality issues (e.g. needs, equity, and perceptions of `fairness') and require experience with the service or provider.

Customer satisfaction is the key to the profitability of retail banking and it implies the retention of customers for the long term, which is cheaper than attracting new customers. In the current scenario of retail banking in Nigeria particularly with banks becoming larger and the advent of internet banking, the question arises whether the customers are satisfied or otherwise and what are the elements of retail banking which lead to the satisfaction or dissatisfaction of customers. The knowledge of current levels of satisfaction and, in particular, the key determinants of satisfaction benefit those in the industry allowing them to focus and build upon key areas that lead to highly satisfied customers. Results highlight that in-branch factors particularly staff; branch location and convenience are the most significant factors influencing customer satisfaction in retail banking.

Attributes of customer satisfaction can be summarized as:

a. Product Quality
b. Product Packaging
c. Keeping delivery commitments
d. Price
e. Responsiveness and ability to resolve complaints and reject reports
f. Overall communication, accessibility and attitude

We cannot begin to address the customer satisfaction issue until we define the parameters and measures clearly. Major overall satisfaction measure, consisting of four subscales: general satisfaction (e.g. You feel happy recommending the bank to a friend); Trust (e.g. You trust the staff at your branch to do what is best for you); Reliability (e.g. Requests are carried out right first time); and professionalism (e.g. Staff have the knowledge to deal with any queries you have).

It is far more difficult to measure the level of performance and satisfaction when it comes to the intangible expectations. One of the ways to help obtain loyal customers is by having products and services that are so good that there is very little chance that the customer requirements will not be met. Of course one of the difficulties in understanding the true customer requirements is that the customer can and will change them without notice or excuse. Having a good recovery process for a dissatisfied customer is a very vital process for any service organization (Olga, 2003).

Superior service offering and satisfaction derived from services enhance the customer experience and result in improvements in loyalty, retention and subsequently business performance. Studies have concluded that:

1. Service quality is one of the effective means in building a competitive position in the service industry.
2. Investments in service quality, customer satisfaction and customer relationships lead to profitability and market share.
3. High quality service and customer satisfaction often results in more repeat purchases and market share improvements.
4. Customer satisfaction leads to customer loyalty and this leads to profitability.
5. The costs of customer acquisition are much higher than the costs of retention.

2.15 Relationship of E-Banking to Customer Satisfaction

The more consumers use online banking to handle their banking tasks, the more satisfied they are with their bank, according to a study by Gomez, Inc. The study, "Customer Satisfaction in Online Banking: An Exercise in Relationship Management," found that online bankers have an average satisfaction level of 5.1 on a scale of 1 to 7, with mature online banking consumers (over age 55) and those who use the Internet as their primary means of banking reporting higher levels of satisfaction.

Online bankers who perform the majority of their banking tasks via the Internet are realizing the time-savings and at-your-service availability of information that the Internet delivers," said Moriah Campbell-Holt, lead research analyst for Gomez who co-authored the study. Among the findings of the Gomez survey:

Almost 31 percent of online bankers with low satisfaction have considered switching banks based on their Web experience. There is a significant lack of awareness among online bankers about the specifics of their online banking service. For example, 50.2

percent of online bankers are unsure whether or not their primary bank offers online stop payment capabilities.

"Given the high level of concern with Internet security, banks need to emphasize the measures they have taken to protect their customer's online experience and reinforce these messages in a clear and consistent language," said Campbell-Holt.

One of the biggest problems among consumers is lack of awareness of online banking services. According to Campbell-Holt many online banking customers are unaware of the full scope of their bank's offering and cannot derive benefit and value until banks give them a good reason to bank online.

The Gomez findings show signs of hope for banks and other financial institutions who were hoping to save money on customer service by moving services online. Research by firms such as Cyber Dialogue and Tower Group has found that, in reality, consumers have continued to use branch banking and other offline channels in addition to online banking, rather than using the Internet as a replacement. The majority of U.S. households use either two (26 percent), three (24 percent) or four (20 percent) different delivery channels to conduct their financial services business, the Tower Group study found.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the methodology to be adopted carrying out the research. It discusses sources of data, population, sampling procedure, method of data analysis, and structured questionnaires.

3.2 Research Design

This is the plan or framework which guide the research methodology phase of this research project in fact it is the framework which specifies the type of information to be collected, the source from which the data is to be collected, the procedure through which the data is collected, the research sample and section techniques.

This means that designing a research requires a mental plan or scheme of attack for solving research problems in a systematic manner within the circumstances of the researcher. However, the design of this research will be based on the field survey method. The survey will concentrate on the study and any other relevant respondents.

According to Asika (1991) research design means the structuring of investigation aimed at identifying variables and their relationship to one another. Akuezuilo (1990) sees research design is essentially the plan, structure and strategy of investigation conceived so as to obtain answers to research questions. It constitutes guidelines which direct the researcher towards solving the research problem. Hence research design constitutes the blue print for collection, measurement and analysis of data. For this study, the research design is survey type of research.

3.3 Population of the Study

For the purpose of this study, the population constitutes the totality of the staff of the selected organisation under study (i.e. Zenith Bank Staff and Customers). The population sizes of this research are the staff and customers of the selected banks in Kaduna. The population of the study is over 1500 staff for both managerial staff, senior staff and junior staff of the branches of Zenith Bank plc and over 250,000 customers from the branches of Zenith Bank in Kaduna metropolis which include five branches of Zenith Bank around Kaduna Metropolis.

3.4 Sample Size and Sampling Technique

Odola (2005) asserted that a sample is a part of a population of interest that is selected for study according to some selection scheme. A sample is a subset of the population; it comprises some numbers selected from the population. Since sample needs to be representative of the population, the sample was drawn from the staff (i.e. managerial staff, senior staff, and junior staff level) and customers of the Zenith Bank Plc in Kaduna. To determine the sample size of the study, the Yamane formula for determining sample size was used.

Sample size for staff of Zenith Bank

$$n = \frac{N}{1+N(sig.level)^2}$$

where:

N = Population = 1500

n = Sample Size

sig. level = Significance Level = 5% = 0.05

$$n = \frac{1500}{1+1500(5\%)^2}$$

n = $\frac{1500}{1+1500(0.05)^2}$

n = $\frac{1500}{1+1500(0.0025)}$

n = $\frac{1500}{1+3.75}$

n = $\frac{1500}{4.75}$

n = 315.79

n = 316 approximately

The sample size for staff of Zenith Bank is three hundred and sixteen (316). The total number of staff respondents issued questionnaire was three hundred and twenty questionnaires (320) which represent the sample size for staff.

Sample size for customers of Zenith Bank

n = $\frac{N}{1+N(sig.level)^2}$

where:

N = Population = 150,000

n = Sample Size

sig. level = Significance Level = 5% = 0.05

n = $\frac{150,000}{1+150,000(5\%)^2}$

n = $\frac{150,000}{1+150,000(0.05)^2}$

n = $\frac{150,000}{1+150,000(0.0025)}$

n = $\frac{150,000}{1+625}$

n = $\frac{150,000}{626}$

n = 399.36

n = 400 approximately

The sample size for customers of Zenith Bank is four hundred (400). The total number of customers respondents issued questionnaire was four hundred questionnaires (400) which represent the sample size for customers. Therefore, the total sample size for this study is 720 of both staff and customer of Zenith Bank Plc., 320 staff and 400 customers.

3.5 Method of Data Collection

Data collection is one of the major tasks when undertaking a research study. This is due to the fact that it is based upon the data collected that the answers to various research questions raised by the researcher can be arrived at. The two basic sources of data available are the primary and secondary sources. Obviously, in order to achieve the objectives of this study, and to broaden our knowledge, data ought to be collected, analyzed and appraised.

The primary method of data collection were used for this research. The data were collected from 720 respondents with the aid of questionnaires. The secondary sources of information were collected from literature containing detailed information about the research elements and concepts. Other secondary sources include textbooks, Reports, World Bank indicators, as well as other published and unpublished documents. The reason for doing this was also to examine the accuracy, reliability and consistency of the research hypothesis.

Questionnaire

The questions that constituted the questionnaire included those pertaining to personal information about the respondents; number of years of experience with the bank and other questions were based on the problem statements of the research topic. These were

brought forward so as to enable the respondents to answer the questions posed by the problem statement adequately. Thus, it was possible to provide solutions to the questions raised by the statement of the problem.

3.6 Method of Data Analysis

In this section, a test statistics which is useful in the test of hypothesis about classification of data will be used. The test statistic is used is called chi-square. It is used to consider hypothesis about proportions of observations under the study. The chi-square is calculated as thus;

$$x^2 = \frac{(fo - fe)^2}{fe}$$

Where

fo = Actual or observed frequency
fe = expected frequency

The following steps are involved in calculating chi-square;

Step 1: State the Null hypothesis (H_0) and the calculative hypothesis (H_1)

Step 2: Calculate the test of statistic by using the formula:

$$x^2 = \frac{(fo - fe)^2}{fe}$$

Step 3: Determine the tabular value of a chosen level of significance (usually 5%) and at (r-1)(c-1) degree of freedom.

Step 4: Compare the results in step (2) and step (3) and conclude as follows;

If the calculation value in (step 2) is greater than the tabulation value in (step 3) reject the null hypothesis (H_0) and conclude in favour of the alternative hypothesis (H_1)

If on the other hand, the calculated (in step 2) is less than tabular value in (step 3) accept the Null hypothesis (H_0) and reject the alternative hypothesis (H_1),

3.7 Justification of Method Used

In this research work questionnaire were used. The used of questionnaire will helped in the collection of data from various people with varying opinion. Thus, many people responded to similar questions with different opinions and views. The used of questionnaire also gave the respondents time to think and ponder on the question before they responded in various ways.

Above all, anonymity was guaranteed to the respondents so as to get some information, which the researcher discovered are of great importance to this research work. The use of some secondary sources also served as the basis upon which the information gotten from other sources is justified.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is concerned with the presentation, analysis, interpretation as well as test of data collected so as to draw inferences. The questionnaires method as described earlier is the primary source of data employed for this research work.

4.2 Data Presentation and Analysis

320 questionnaires were administered to staff and 400 customers of Zenith Bank Nig Plc. A background of these figures indicate that three hundred and thirteen (313) questionnaires were administered to staff and three hundred and ninety one (391) questionnaires to customers further breakdown reveals that only seven hundred and four (704) questionnaires were duly completed and returned while the remainder of sixteen (16) were not received for unknown reasons. Out of this figure, three hundred and thirteen (313) of those questionnaires represent those returned by staff of the above mentioned bank while three hundred and ninety (391) represent those received from customers.

Table 4.1: Questionnaire Administered

	Questionnaire Administered	Total
Staff	320	**320**
Customers	400	**400**
Total	**720**	**720**

Sources: Questionnaires Administered, 2011

Table 4.2: Questionnaire Retrieved

	Questionnaire Received	Total
Staff	313	**313**
Customers	391	**391**
Total	**704**	**704**

Sources: Questionnaires Administered, 2011

In table 4.1 and table 4.2 this shows the questionnaire administered and retrieved. Out of the total 720 questionnaires were administered to the staff and customers of Zenith Bank Nig Plc with 320 questionnaires administered to staff and 400 questionnaires administered to customers. 313 questionnaires were retrieved from staff and 391 questionnaires retrieved from customers.

704 questionnaires out of 720 administered questionnaires were retrieved from staff and customers which represent 97.8 percent of the total questionnaire administered were retrieved.

Table 4.3: Respondent number of working experience or being a customer in the bank.

	Staff	Customer	Total	Percentage
1 – 3 year(s)	145	41	**186**	26.5

4 – 6 years	113	76	**189**	26.8
6 yrs & Above	55	274	**329**	46.7
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

In table 4.3, 186 respondents representing 26.5 percent have been with their bank for 1 – 3 years, while 189 respondents which represents 26.8 percent have been with their banks for 4 – 6 years and 329 respondents representing 46.7 percent have been with their bank for 6 years and above. This signifies that most of the respondents have been with their banks for more than 6 years.

Table 4.4: E-banking has improved the quality of service delivery.

	Staff	**Customer**	**Total**	**Percentage**
Strongly Agree	116	82	**198**	28.1
Agree	154	253	**407**	57.8
Undecided	39	16	**55**	7.8
Disagree	2	24	**26**	3.7
Strongly Disagree	2	16	**18**	2.6
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

In table 4.4, shows that 198 or 28.1 percent of the respondents strongly agreed that the E-banking has improved the quality of service delivery while 407 representing 57.8 percent agreed with the statement. But 55 respondents representing 7.8 percent could not decide on the statement, 26 respondents representing 3.7 percent and 18 respondent representing 2.6 percent disagree and strongly disagree respectively. This signifies that the E-banking product have improved the quality of service delivery in the bank.

Table 4.5: The E-banking products meet the needs or wants of the customers.

	Staff	Customer	Total	Percentage
Strongly Agree	101	9	**110**	15.6
Agree	154	251	**405**	57.5
Undecided	24	15	**39**	5.5
Disagree	17	67	**84**	11.9
Strongly Disagree	17	49	**66**	9.4
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Table 4.5 reveals that 15.6 representing 15.6 percent of the respondents strongly agreed that the E-banking products meet the needs or wants of the customers while 405 representing 57.5 percent agreed with the statement. But 39 respondents representing 5.5 percent could not decide on the statement, 84 respondents representing 11.9 percent and 66 respondent representing 9.4 disagree and strongly disagree respectively. This signifies that the E-banking products meet the needs or wants of the customers.

Table 4.6: E-banking has helped in reducing time spent in the banking hall.

	Staff	Customer	Total	Percentage
Strongly Agree	0	49	**49**	7.0
Agree	197	218	**415**	58.9
Undecided	55	96	**151**	21.4
Disagree	47	11	**58**	8.2
Strongly Disagree	14	17	**31**	4.4
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

In table 4.6 above 49 respondents representing 7.0 percent of the respondents believe that E-banking has helped in reducing time spent in the banking hall, 415 respondents

representing 58.9 percent agree with the statement, while 151 respondents representing 21.4 percent could not decide on the statement. 58 respondents representing 8.2 percent and 31 respondent representing 4.4 disagree and strongly disagree respectively with the statement. This implies that E-banking has helped in reducing time spent in the banking hall.

Table 4.7: E-banking has improved efficiency in the bank's system operations.

	Staff	**Customer**	**Total**	**Percentage**
Strongly Agree	48	1	49	7.0
Agree	235	331	506	80.3
Undecided	24	46	70	10.0
Disagree	3	3	6	0.9
Strongly Disagree	3	10	13	1.8
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Table 4.7 reveals that 49 representing 7.0 percent of the respondents strongly agreed that E-banking has improved efficiency in the bank's system operations while 506 representing 80.3 percent agreed with the statement. But 70 respondents representing 10.0 percent could not decide on the statement, 6 respondents representing 0.9 percent and 13 respondent representing 1.8 disagree and strongly disagree respectively. This signifies that E-banking has improved efficiency in the bank's system operations.

Table 4.8: E-banking is more reliable than the traditional banking services.

	Staff	**Customer**	**Total**	**Percentage**
Strongly Agree	116	82	**198**	28.1
Agree	154	254	**408**	58.0
Undecided	39	16	**55**	7.8
Disagree	2	23	**25**	3.6
Strongly Disagree	2	16	**18**	2.6
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

In table 4.4, shows that 198 representing 28.1 percent of the respondents strongly agreed that E-banking is more reliable than the traditional banking services while 408 representing 58.0 percent agreed with the statement. But 55 respondents representing 7.8 percent could not decide on the statement, 25 respondents representing 3.6 percent and 18 respondent representing 2.6 percent disagree and strongly disagree respectively. This signifies that E-banking is more reliable than the traditional banking services.

Table 4.9: E-banking has improves customer's satisfaction.

	Staff	**Customer**	**Total**	**Percentage**
Strongly Agree	216	163	**379**	53.8
Agree	48	158	**206**	29.3
Undecided	45	50	**95**	13.5
Disagree	2	18	**21**	3
Strongly Disagree	2	1	**3**	0.4
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Table 4.9 reveals that 379 representing 53.8 percent of the respondents strongly agreed that E-banking has improves customers satisfaction while 206 representing 29.3 percent agreed with the statement. But 95 respondents representing 13.5 percent could not decide on the statement, 21 respondents representing 3 percent and 3 respondent representing 0.4 percent disagree and strongly disagree respectively. This signifies that E-banking has improves customer's satisfaction.

Table 4.10: How will you rate the impact of E-banking on customer satisfaction?

	Staff	Customer	Total	Percentage
Very Effective	263	223	**486**	69.0
Effective	17	97	**114**	16.2
Not Effective	23	58	**81**	11.5
Undecided	10	13	**23**	3.3
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

In table 4.10, 486 respondents representing 69.0 percent sees the impact of E-banking on customers satisfaction very effective, 114 respondents representing 16.2 percent sees the impact as effective while 81 respondents representing 11.5 percent sees it as not effective and 23 respondents representing 3.3 percent are undecided. This shows that E-banking has a positive impact on customers' satisfaction.

Table 4.11: Introduction of E-banking has positively affected service delivery.

	Staff	Customer	Total	Percentage
Strongly Agree	103	22	**125**	17.8
Agree	153	325	**478**	67.9
Undecided	23	16	**39**	5.5
Disagree	17	21	**38**	5.4
Strongly Disagree	17	7	**24**	3.4
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Table 4.11 reveals that 125 representing 17.8 percent of the respondents strongly agreed that Introduction of E-banking has positively affected service delivery while 478 representing 67.9 percent agreed with the statement. But 39 respondents representing 5.5 percent could not decide on the statement, 38 respondents representing 5.4 percent and 24 respondents representing 3.4 percent disagree and strongly disagree respectively. This signifies that the Introduction of E-banking has positively affected service delivery.

Table 4.12: There is a Significant Relationship between E-Banking and Customers Relationship.

	Staff	Customer	Total	Percentage
Strongly Agree	215	163	**378**	53.7
Agree	48	158	**206**	29.3
Undecided	46	50	**96**	13.6
Disagree	2	18	**20**	2.8
Strongly Disagree	2	1	**4**	0.6
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Table 4.12 reveals that 378 representing 53.7 percent of the respondents strongly agreed that there is a significant relationship between E-Banking and customers' relationship while 206 representing 39.3 percent agreed with the statement. But 96 respondents representing 13.6 percent could not decide on the statement, 20 respondents representing 2.8 percent and 4 respondents representing 0.6 percent disagree and strongly disagree respectively. This signifies that there is a Significant Relationship between E-Banking and Customers Relationship.

Table 4.13: E-Banking is an effective tool in enhancing customer's satisfaction.

	Staff	Customer	Total	Percentage
Strongly Agree	117	148	**265**	37.6
Agree	146	108	**254**	36.1
Undecided	26	129	**155**	22.0
Disagree	19	3	**22**	3.1
Strongly Disagree	5	3	**8**	1.1
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Table 4.13 reveals that 265 representing 37.6 percent of the respondents strongly agreed that E-Banking is an effective tool in enhancing customer's satisfaction while 254 representing 36.1 percent agreed with the statement. But 155 respondents representing

22.0 percent could not decide on the statement, 22 respondents representing 3.1 percent and 8 respondents representing 1.1 percent disagree and strongly disagree respectively. This signifies that E-Banking is an effective tool in enhancing customer's satisfaction.

4.3 Test of Hypothesis

The chi-square, denoted by the Greek letter X^2 is frequently used in testing hypothesis concerning the difference between a set of expected or theoretical frequencies.

X^2 is denoted by the formula

$$X^2 = \sum \frac{(fo-fe)^2}{fe}$$

For the purpose of accuracy, we shall use contingency tables, which are crossed classified tables showing the observed frequencies of a sample when there are r rows and c columns in the table. Responses from the respondents are computed using probability rules and the sum of expected frequencies. Here, 0.5% or 0.05 is used as level of significance and the degree of freedom (df) given as (r – 1)(c – 1) will be used to determine the critical value under the significant level. For the fact that we are testing the null hypothesis if the computed X^2 value is greater than the critical value under the level of significance. We reject the hypothesis otherwise we accept it.

Hypothesis One

H_0: There is no Significant Relationship between E-Banking and Customers Relationship

H_1: There is a Significant Relationship between E-Banking and Customers Relationship

Table 4.14

	Staff	**Customer**	**Total**	**Percentage**

Strongly Agree	216	163	**379**	53.8
Agree	48	158	**206**	29.3
Undecided	45	50	**95**	13.5
Disagree	2	18	**21**	3
Strongly Disagree	2	1	**3**	0.4
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Using the formulae: - $X^2 = \sum \frac{(fo-fe)^2}{fe}$

Table 4.15

Respondent	**Responses**	f_o	f_e	$f_o - f_e$	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$
Strongly Agreed	**Staff**	216	**168.50**	47.50	2255.85	13.39
	Customer	163	**210.50**	-47.50	2255.85	10.72
Agreed	**Staff**	48	**91.59**	-43.59	1899.92	20.74
	Customer	158	**114.41**	43.59	1899.92	16.61
Undecided	**Staff**	45	**42.24**	2.76	7.63	0.18
	Customer	50	**52.76**	-2.76	7.63	0.14
Disagreed	**Staff**	2	**8.89**	-6.89	47.50	5.34
	Customer	18	**11.11**	6.89	47.50	4.28
Strongly Disagreed	**Staff**	2	**1.78**	0.22	0.05	0.03
	Customer	2	**2.22**	-0.22	0.05	0.02
Total						**71.45**

df = (r – 1)(c – 1)

r = 5

c = 2

df = (5 – 1)(2 – 1)

= (4)(1)

= 4

Decision Rule

Checking the chi-square table of df = **4** under level of significance of **0.05** we will get our critical path to be **9.488 (see appendix II).**

Therefore the critical value **9.488** is less than the calculated **71.45** so we are going to **reject** the null hypothesis which states that there is no Significant Relationship between E-Banking and Customers Relationship and **accept** the alternative hypothesis which states that there is Significant Relationship between E-Banking and Customers Relationship.

Hypothesis Two

H_0: E-Banking is an ineffective tool in enhancing customer's satisfaction

H_1: E-Banking is an effective tool in enhancing customer's satisfaction

Table 4.16

	Staff	**Customer**	**Total**	**Percentage**
Strongly Agree	117	148	**265**	37.6
Agree	146	108	**254**	36.1
Undecided	26	129	**155**	22.0
Disagree	19	3	**22**	3.1
Strongly Disagree	5	3	**8**	1.1
Total	**313**	**391**	**704**	**100**

Source: Questionnaires Administered, 2011.

Using the formulae: - $X^2 = \sum \frac{(fo-fe)^2}{fe}$

Table 4.18

Respondent	**Responses**	f_o	f_e	$f_o - f_e$	$(f_o - f_e)^2$	$\frac{(f_o - f_e)^2}{f_e}$

Strongly Agreed	**Staff**	**117.82**	-0.82	0.67	0.01	**117.82**
	Customer	**147.18**	0.82	0.67	0.00	**147.18**
Agreed	**Staff**	**112.93**	33.07	1093.69	9.68	**112.93**
	Customer	**141.07**	-33.07	1093.69	7.75	**141.07**
Undecided	**Staff**	**68.91**	-42.91	1841.56	26.72	**68.91**
	Customer	**86.09**	42.91	1841.56	21.39	**86.09**
Disagreed	**Staff**	**9.78**	9.22	84.99	8.69	**9.78**
	Customer	**12.22**	-9.22	84.99	6.96	**12.22**
Strongly Disagreed	**Staff**	**3.56**	1.44	2.08	0.59	**3.56**
	Customer	**4.44**	-1.44	2.08	0.47	**4.44**
Total						**82.26**

df = (r – 1)(c – 1)

r = 5

c = 2

df = (5 – 1)(2 – 1)

= (4)(1)

= 4

Decision Rule

Checking the chi-square table of df = **4** under level of significance of **0.05** we will get our critical path to be **9.488 (see appendix II)**

Therefore the critical value **9.488** is less than the calculated **82.26** so we are going to **reject** the null hypothesis which states that E-Banking is an ineffective tool in enhancing

customer's satisfaction and **accept** the alternative hypothesis which states that E-Banking is an effective tool in enhancing customer's satisfaction.

4.4 Summary of Findings

In the test of hypothesis for this research it is seen that the null hypothesis of the first hypothesis was rejected which states that there are no significant relationship between E-banking and Customer and also the null hypothesis of the second hypothesis was rejected which state that E-banking is an effective tool in enhancing customer's satisfaction. This concludes that the there is a significant relationship between E-banking and customer and E-banking is an effective tool in enhancing customer's satisfaction.

The study also reveals that e-banking product have improved the quality of service delivery in the bank. E-banking products meet the needs or wants of the customers. E-banking has helped in reducing time spent in the banking hall. E-banking has improved efficiency in the bank's system of operations. E-banking is more reliable than the traditional banking services. E-banking has improved customer's satisfaction. The introduction of e-banking has positively affected service delivery.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Financial services offered through the Internet are more frequently described as "virtual banking". This is simply because there is no physical contact between the customer and banks' personnel. In fact, some market watchers are beginning to argue that such transactions are real indeed and can no longer be described as "virtual". Given the overwhelming success of e-banking, banks in Nigeria are gradually embracing Internet banking and radical changes are beginning to take place in Nigerian financial landscape.

Chapter one of this study begun with the introduction of the study which set out to assess the impact of e-transaction as it affects customer satisfaction in Zenith Bank. Two hypotheses (a null – which states that e-transaction has not made any impact on customer satisfaction in Zenith Bank and an alternative – that e-transaction has impacted positively on customer satisfaction in Zenith Bank) were formulated.

Chapter two focuses on existing literature (the work of others) in respect of this study area. Under this chapter, the definition of concepts, the historical development of bank in Nigeria, Commercial Banking perspective in Nigeria, Structure of the Nigerian Banking System, . Similarly, the Financial Services in the Nigerian banking system, origin and operations of e-transactions, the concept of e-banking, the evolution of e-banking in the Nigerian banking system, e-banking products/services in the Nigerian banking system, benefits of e-banking to bank and customer, merits and demerits of e-banking in Nigeria,

impediment to e-banking in Nigeria, elements of customer satisfaction in bank and relationship of e-banking to customer satisfaction.

In chapter three, the research methodology used for this research work was discussed. The research design was highlighted while the population of the study, the sample size and sample technique which was based on random sampling - where 350 customers and 150 bank staff were selected, was discussed. Sources of data, method of data collection and analysis techniques were areas of focus for this chapter.

In chapter four, the data collected from the field were presented and analyzed with appropriate interpretation given. The questionnaires were further analyzed and the hypothesis tested using Chi-square method. Chapter five summarizes all the succeeding chapters. Here the study was summarize and conclusion is drawn and made while recommendations were proffered.

5.2 Conclusions

Expectations have a central role in influencing satisfaction with services, and these in turn are determined by a very wide range of factors - lower expectations will result in higher satisfaction ratings for any given level of service quality. This would seem sensible; for example, poor previous experience with the service or other similar services is likely to result in it being easier to pleasantly surprise customers. However, there are clear circumstances where negative preconceptions of a service provider will lead to lower expectations, but will also make it harder to achieve high satisfaction ratings - and where positive preconceptions and high expectations make positive ratings more likely.

Technology is undoubtedly a very important tool of every bank's competitive strategy. It could draw the line between success and failure. Internet banking, which has resulted from the blossoming Internet technology, obviously has many benefits for the financial system. Unfortunately, Nigerian banks cannot immediately reap the digital dividend because of poor telecommunications infrastructure.

Since Internet banking is targeted, in most cases, at the public by way of mass marketing, users must have access to cheap, fast and easy telecommunication tools. The poor in Nigeria are financially forbidden from participating. The roll-out of GSM cannot solve telecommunications problem given the high cost of tariff.

In the test of hypothesis for this research it is seen that the null hypothesis which states that there are no effective marketing strategies of banks retail products is being rejected and the alternative hypothesis which states that there are no effective marketing strategies of banks retail products is being accepted. This concludes that the marketing strategies of banks in retailing their products are effective.

Other finding is that the bank has enough good retail products for the needs of customers. The study also reveals that banks nowadays, because of competitive nature of their service they come up with fantastic and effective marketing strategies that will position them at an advantage over other banks. In a bid to operationalize all these marketing strategies, the marketing department in banks have been highly consolidated and solidified by making use of the core marketer in the department and employing other field marketer through outsourcing arrangement.

Today, e-banking means developing new relationships with customers, regulatory authorities, suppliers, and banking partners with digital age tools. For example, it requires an understanding that customer/bank relationships will be more personalized, resulting in novel modes of transaction processing and service delivery. This in turn calls for substantial investment in IT platforms by bank.

This study has revealed that e-transaction has an overwhelming impact on customer satisfaction. In fact, it is quite important that banks should transcend from the most popular ATM window and focus more on strengthening other e-banking services like transfer of funds, payment of bills and other e-banking platforms, which shall in the near future be a critical success factor for their continued existence and success. Apart from committing more resources in upgrading those services there is also an attendant need for the banks to invest in creating customer awareness on the existence of other value added e-banking services for their utilization.

Particular importance in this drive should be the existence of round the clock complaint handling desk that should be staffed with qualified and courteous staff to provide efficient and responsive way-forwards to customers. And, given the high level of concern with internet security, banks need to emphasize the measures they have taken to ensure confidentiality of transactions and to also protect their customers from fraud and other attendant internet vices that their subscription may subject them to.

The quality of Web sites too has a direct and an indirect impact on both satisfaction and trust. Banks should redesign their Web sites with a view to enhancing usability and usefulness. Amongst the many factors that account for the perceived quality of a Web

site, the avoidance of downtimes seems to be extremely important to online banks. Furthermore, based on findings I recommend making the sites easy to navigate and giving them an uncluttered look. Sufficient information should be given on how to conduct transactions and, most importantly, on how to get help should unforeseen events happen.

Trust and overall satisfaction can be seen as major antecedents of e-loyalty. I would therefore recommend that trust-building actions are paid more attention in to, focusing for example on pay-back guarantees or quality certificates, which are seen as helpful steps in increasing electronic customer retention. It seems obvious that the results of many surveys suggest incorporating trust-building measures into online customer relationships. As far as this research is concerned, the pre-eminent importance of trust can be explained by both the core products of the financial industry, which can be seen as the transmission and processing of highly confidential information, and trust in the medium as such, which again stands for the bank's capability to securely transfer and store confidential personal information. Unless customers establish personal contacts in a bank branch, users of Internet banking in many cases do not have well-known contact persons and must rely completely upon the capability and trustworthiness of the bank. Therefore, the bank must build a strong brand in order to signal competence to its customers.

Another important issue is that of continuous survey which might be an adequate instrument for online banks to learn about their customers' attitudes. The comparatively

high response rate for an online survey can be taken as an indicator that customers of Zenith Bank are actually willing to give feedback and get in touch with their supplier.

5.3 Recommendations

Electronic banking has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. Today, the click of a mouse offers bank customers services at a much lower cost and also empowers them with unprecedented freedom in choosing vendors for their financial service needs. No country today has a choice-whether to implement E-banking or not given the global and competitive nature of the economy. Banks have to upgrade and constantly think of new innovative customized packages and services to remain competitive. The invasion of banking by technology has created an information age and rendered banking services more appealing.

In view of the findings of this study it is concluded that electronic banking in Nigeria is yet to create any significant impact on service delivery, which will consequently lead to improved customer satisfaction.

Based on the findings of this research, it is recommended that:

1. Much need to be done in the area of creating awareness about the availability of electronic banking products and services, how they operate and their benefits. Banks should organise public exhibitions and talk shows and make products accessible to all customers. In addition, they should improve their service delivery to justify the benefits of electronic banking products and services. This way, customers' interest would be aroused.

2. Banks should try to win customers' confidence by providing adequate security of transaction back up of critical data files and alternative means of processing information. They should also ensure good connectivity and power base that will enable them serve customers faster and more conveniently. The banks should ensure that at no time should service cease as a result of network problem

3. Government should provide adequate regulatory framework that will ensure customer protection, and security of transaction. That way, bank customers' confidence in electronic banking would be secured.

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Appendix I

Introduction Letter

Department of Business Administration,
Faculty of Administration,
Ahmadu Bello University,
Zaria.

Dear Sir/Madam,

I am an MBA Student in the above Department of Ahmadu Bello University, Zaria. As one of the requirement of partial fulfillment for the award of master degree in business administration (MBA) I am required to submit a researchable project.

In this regard, I have chosen your organisation to be one of my case study.

To enable me collect the data necessary for writing the project, I am requesting you to please fill the attached questionnaire by simply ticking the provided boxes.

I assure you that any information collected will be used for academic purpose only, and be strictly confidential.

Thanks for your co-operation

Researcher

Questionnaire

1. For how long have you been working experience or being a customer in the bank?

a. 1 – 3 years ☐

b. 4 – 6 years ☐

c. 6 years and Above ☐

2. E-banking has improved the quality of service delivery.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

3. The E-banking products meet the needs or wants of the customers.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

4. E-banking has helped in reducing time spent in the banking hall.

a. Strongly Agree ☐

☐

☐

☐

☐

b. Agree

c. Undecided

d. Strongly Disagree

e. Disagree

5. E-banking has improved efficiency in the bank's system of operations.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

6. E-banking is more reliable than the traditional banking services.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

7. E-banking has improves customer's satisfaction.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

☐

☐

d. Strongly Disagree

e. Disagree

8. How will you rate the impact of E-banking on customer satisfaction?

a. Very Effective ☐

b. Effective ☐

c. Not Effective ☐

d. Undecided ☐

9. Introduction of E-banking has positively affected service delivery.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

10. There is a Significant Relationship between E-Banking and Customers Relationship.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

11. E-Banking is an effective tool in enhancing customer's satisfaction.

a. Strongly Agree ☐

b. Agree ☐

c. Undecided ☐

d. Strongly Disagree ☐

e. Disagree ☐

Appendix II

Chi-square table.

Df	0.995	0.99	0.975	0.95	0.90	0.10	0.05	0.025	0.01	0.005
1	---	---	0.001	0.004	0.016	2.706	3.841	5.024	6.635	7.879
2	0.010	0.020	0.051	0.103	0.211	4.605	5.991	7.378	9.210	10.597
3	0.072	0.115	0.216	0.352	0.584	6.251	7.815	9.348	11.345	12.838
4	0.207	0.297	0.484	0.711	1.064	7.779	**9.488**	11.143	13.277	14.860
5	0.412	0.554	0.831	1.145	1.610	9.236	11.070	12.833	15.086	16.750
6	0.676	0.872	1.237	1.635	2.204	10.645	12.592	14.449	16.812	18.548
7	0.989	1.239	1.690	2.167	2.833	12.017	14.067	16.013	18.475	20.278
8	1.344	1.646	2.180	2.733	3.490	13.362	15.507	17.535	20.090	21.955
9	1.735	2.088	2.700	3.325	4.168	14.684	16.919	19.023	21.666	23.589
10	2.156	2.558	3.247	3.940	4.865	15.987	18.307	20.483	23.209	25.188