THE IMPACT OF E-BANKING ON CUSTOMER SATISFACTION IN ZIMBABWEAN COMMERCIAL BANKS

PERPETUA RASHIRAI  (B1749534)

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The undersigned certify that they have read and recommended to Bindura University of Science Education (BUSE) for acceptance, a Dissertation with the title: “The impact of e-banking on customer satisfaction in Zimbabwean commercial banks” by Rashirai Perpetua in partial fulfillment of the requirements of the degree of Masters in Business Leadership.

Rashirai Perpetua  Signature...................................... Date......................................

Student

Dr. D. Maravanyika  Signature...................................... Date......................................

Supervisor

Programme Coordinator  Signature...................................... Date......................................

Faculty Chairperson  Signature...................................... Date......................................

External examiner  Signature...................................... Date......................................
RELEASE FORM

NAME OF AUTHOR : RASHIRAI PERPETUA
DISSE TATION TITLE : THE IMPACT OF E-BANKING ON CUSTOMER SATISFACTION IN ZIMBABWEAN COMMERCIAL BANKS

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Signature...................................... Date.................................................................

Permanent Address : 8294 Cold Comfort, Harare

Email : brashirai@gmail.com

Cell phone Number : 0778 813 029
DECLARATION

I, PERPETUA RASHIRAI do hereby declare that this dissertation is a result of my own investigation and research, except to the extent indicated in the Acknowledgements, Bibliography and comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.

………………………………    ………………………
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DEDICATION

I dedicate this thesis to my parents, husband and family. I appreciate your support so much.
ABSTRACT

Technological advancement is causing the world to become one global village and this in turn has significantly become a game changer in terms of increased competition for customer retention within commercial banks through the introduction and implementation of e-banking to enhance customer satisfaction. Prior literature shows that customer satisfaction is considered as the enduring success aspect for an organization’s competitiveness. Further, literature indicates in that spite of the importance of customer satisfaction in banks, no empirical studies have examined the importance of customer satisfaction on e-banking in the Zimbabwean commercial banking sector. It is against this background that this study investigated the impact of e-banking services on customer satisfaction in the Zimbabwean commercial banking sector. On methodology, the study was a cross-sectional case survey that involved the use of self-administered structured questionnaire and interviews to collect primary data from the customers of commercial banks. Data was analyzed using SPSS analytical software. It was revealed that customers are satisfied with e-banking services and customer experience has improved as customers are enjoying the convenience of transacting in the comfort of their offices and homes. It was concluded that security, technology complexity and technology relative advantage were the factors affecting enhancement in customer satisfaction as a result of pitiable risk awareness and not as much of user training. It was recommended that training of customers; adequate security regulations and investment in IT security systems are the top measures necessary to help sustain customer satisfaction.
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1.1 Introduction

E-banking is a broad term used to describe the various banking products and services that require the use of digital, internet and mobile technology (Kim et al., 2011). Kaseke, et.al (2012), states that e-banking applications were initiated around 1995 in Zimbabwe. In the Zimbabwean Commercial Banks, from 2001 online banking features grew exponentially enabling banks to offer better services and features such as balance inquiry, bill payment and money transfers and it has also provided a way to enable people access banking facilities without having to visit the bank (Olivia, 2011).

According to Daniel, (1999) electronic banking is the provision of banking to end users through automated technology platforms that makes use of different terminal devices such as computers, mobile phones, telephone or digital television. It is tailored to offer customers easy access to the bank while adding more value such as convenience; this has led it to become not only a competitive advantage but a competitive necessity (Gan and Clemes, 2006).

But however, in a competitive banking sector where e-business compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy (Gitman, et al., 2005). According to Hom (2000), customer satisfaction refers to a short term positive attitude that can change owing to various circumstances. Bruhn, (2003) stated that it is based on experience on how far his/her expectations of the overall functionality of services are fulfilled and in the banking sector customer satisfaction on e-banking can be determined by the ease of use, security and convenience among other factors.

Today’s economy is very competitive and with the customer getting more and more aware, customer satisfaction is considered to be the core of success and online technology can be used to improve service quality for customer satisfaction (Jamal and Naser, 2002).
However prior literature suggests that customer satisfaction is extremely important for a bank to do well and is considered as the enduring success aspect for an organization’s competitiveness, no studies have been done in Zimbabwean banking sector. Also, analyzing the past literature studies have found that although customer satisfaction is performed as a vital role for the e-banking (Chen et al., 2012), there has been no recent data available related to the growth of customer satisfaction in the Zimbabwean commercial e-banking sector. The researchers of the customer satisfaction such as Heskett, Sasser and Schlesingler (1997) said that customer satisfaction is a transitional on-going process. Therefore, this study aimed to answer a general question, is there any customer satisfaction in Zimbabwean banks on E-banking?

1.2 Background

Globalization have increased competition in the banking sector, as nowadays it has become much easier for banks to cross borders and compete internationally. The traditional banking system is gradually fading giving away to electronic banking and in Zimbabwe this is mainly fueled by recent cash shortages and cheaper internet costs. Banks have become more involved in increasing their productivity and still at the same time reduce costs by investing in information technology (Fredriksson, 2003).

The Reserve Bank of Zimbabwe has promoted the widespread use of electronic payments in the country by setting low electronic payments transaction limits charges that banks can offer to their customers. The combined effects of cash export limits, cash withdrawal limits, exports incentives are expected to continue to promote the widespread use of plastic money in Zimbabwe.

The Zimbabwean banking sector is comprised of thirteen (13) commercial banks, one (1) merchant bank, one (1) savings bank, four (4) building societies and two (2) development institutions (Mangudya, 2017). Remarkably, Zimbabwean banks are altering their business strategies to exploit new business opportunities presented by electronic banking. Moreover, most Zimbabwean banks strategies are now digitally focused (ABA Bank Marketing, 2011).
However, in spite of all these technological advancement, many customers in Zimbabwe are still seen waiting long hours in queues doing their banking business using the traditional paper and pen method and the numbers increase during month ends. Banks are firms of a specialized type not simply in terms of the services they provide, but in terms of how and by whom those services are provided (Joby, 2003). Customer satisfaction from banks is a challenge facing many customers today (Sohail, 2003).

The number of online customers is still very low compared to offline customers. According to the Reserve Bank of Zimbabwe (2017) the total offline transactions made by customers amounted to 12 billion as compared to online transactions that counted for 1.5 billion. This indicates a low overall uptake of e-banking products in Zimbabwe. This trend triggered a quest for search of answers in the researcher as to why such a low uptake main thrust being to focus on the degree of extend to which e-banking is contributing to customer satisfaction.

1.2.1 Analysis of industry using Porter’s 5 model

1.2.1.1 Threat of Entry

Capital requirement is a critical factor for the threat of entry into an industry. Although the online banking industry is not capital-intensive, the major financial commitments for banks that desire to enter the market include research and development. Banks cannot decide that they want to offer an online banking product to their customer and have the product up and running the next day. Most industries differentiate their product by making their product better, cheaper, or faster. In the online banking industry, all of these aspects are critical in order to differentiate a product from a competitor’s product. Online banking products can be made better by making it easier to use and having up-to-date information available and addressing security issues involved with the e-banking.

1.2.2.1 Bargaining Power of Buyers

The traditional banking relationship is slowly changing and a large part of that is the impact of online banking. People who are dissatisfied with their online services cannot easily switch to
another bank. They will have to physically close the old account and open a new one at another bank hence it takes time and is inconvenient.

1.2.3.1 Bargaining Power of Suppliers

In the online banking industry the bargaining power of suppliers will be low. There is no noticeable differentiation between the products offered by the larger institutions and the smaller local banks. Customers will be seeking the lowest cost of financing available as the economy is in a recessionary period. However, customers will be more likely to stick with the banks they are familiar with or that have good reputations.

1.2.4.1 Substitutes

Online banking has substitutes such as traditional banking. Not everyone is comfortable using the Internet for their financial needs, largely due to security concerns such as card cloning, phishing and identity theft. Others simply prefer talking to a real person for example the elderly.

1.2.5.1 Intensity of Competition

Customers appreciate online banking because it is time saving and convenient, and simplifies life. Online banking services are conveniently available for customer’s 24 hours a day, 7 days a week. Customers are slowly recognizing the benefits offered by online banking. Banks attempt to attract and retain customers by cross-selling many of their products and services. Customers want the simplicity of having all of their financial assets on one screen at one location. Brand identity is one major determinant of competitive rivalry within the industry.

1.3 Research problem

As cited in Section 1.1 above literature states that if customers are satisfied through e-banking the bank’s ability to fulfill the business, emotional and psychological needs of the customers are met and this enhances customer loyalty, customer retention and referrals. Today’s customers are
more knowledgeable and the banking industry is faced with huge competition and most customers are not looking for banks but for banking. In the times of advanced and intense competitive pressures, many banking firms are focusing their efforts on maintaining a satisfied customer base.

According to (Kiang et al., 2000), the benefits of electronic banking encompasses the low fees brought about by less paper work, convenience, few human errors and little human involvement. Electronic banking is a unique way offering services to customers who could be in different locations thus forgoing long queues, physical branch expenses and extra expenses that comes with visiting the bank.

The Background section 1.2 shows that e-banking is not being fully utilized as expected since it was launched. Reserve Bank of Zimbabwe has promoted the widespread use of electronic payments in the country by setting low electronic payments transaction limits charges that banks can offer to their customers.

However, regardless of accelerations in ICT technologies and increased investments in ICT by banks in recent years, e-banking adoption still seems to be low and trailing behind the traditional manual banking. When banks introduced online banking services, their aim was to decongest the banking halls, but with the continued long queues visible in the branches especially towards the month end and as such, it is important to find out why the online banking services are not eliciting the desired effect.

The state of customer satisfaction with internet banking service quality has not received much attention in the literature (Abor, 2004). In recent times many of the studies have looked at customer satisfaction in different industry context (Abor, 2004). There is the need to examine customer satisfaction in internet banking industry in Zimbabwe in order to provide feedback to management and have empirical evidence on the phenomenon for better understanding. The research problem is therefore to evaluate the extent to which customers are satisfied with internet banking in the Zimbabwean Commercial Banking Sector.

1.4 Objectives of the study

The following are the objectives of this study:
Specific objective

1.4.1 To establish the impact of e-banking on customer satisfaction in Zimbabwean commercial banks.

Sub-objectives

1.4.2 To examine the factors which enhances the adoption of E-banking in Zimbabwean Commercial Banks?

1.4.3 To find out important qualities of E-banking to ordinary customer in Zimbabwean Commercial Banks.

1.4.4 To investigate the accessibility and security of E-banking services to customers in Zimbabwean Commercial Banks

1.5 Research Questions

For achieving the above objectives, the following questions have to be answered.

- What can be done to enhance electronic banking adoption in the Zimbabwean Commercial Banking sector?
- What are the qualities of e-banking that are most important to customers in the Zimbabwean Commercial Banks?
- Are the services offered by commercial bank accessible and secure?

1.6 Hypothesis

H0: There is customer satisfaction on e-banking in Zimbabwean Commercial banks.

H1: There is no customer satisfaction on e-banking in Zimbabwean Commercial banks.

1.7 Justification for the study

Top service researchers state that customer satisfaction is the key to development and strategy for organizations that want to grow and be contenders in the economic arena (Kemunto 2011).
The outcome of this study would educate the general and enhance the public knowledge of customers not only of the commercial banks but all the customers in general. The information from the research could further expand the Zimbabwean banking sector and help those in the banking sector perceive issues such as cyber security as an opportunity that could enable them expand their businesses globally.

1.8 Significance of the study

The research enables the government to make coordinated efforts to help succumb e-banking challenges in the country. Knowledge of the challenges facing the banking sector would enable government to priorities making policies that might help reduce its impact in Zimbabwean commercial banks. The study provides insights to law makers and regulators in Zimbabwe in passing laws that help in protecting e-banking services by Zimbabwean commercial banks.

1.9 Limitations of the study

- In terms of literature review and secondary data, the researcher faced challenges gathering sufficient information since most of the writings on the research under study are textbooks and they are not locally available.
- Researcher had challenges of sufficient time to carry out the research. The researcher had to balance work, other scholarly and personal commitments as well as the research study.

1.10 Delimitations of the study

The study covered nine commercial banks because some of the respondents’ from other banks did not entertain the researcher. Although it was the researcher's desire to have a larger sample, which would be representative enough, this was not possible due to the problems.
1.11 Ethical considerations

a) Equipped with an introductory letter from Bindura University of Science Education, the researcher asked for the approval and consent of the Zimbabwean commercial banking section to carry out the research. The researcher further sort the consent of each individual research participant.

b) The academic scholar provided sufficient information to the commercial banking Industry on the purpose and nature of the research. The questionnaires presented to the researcher, explained the research purpose and offered responders the right not to participate if they do not feel like. This was done ensure participants voluntarily take part with a full picture of any benefits or risks.

c) The academic scholar made use of an anonymous questionnaire to collect data from respondents which protected the privacy and confidentiality of the whole research process. Hence, the researcher stressed that it was important for the respondents to openly express opinions without being subject to undesired repercussions

d) The academic scholar maintained honesty during the research process by inputting the data as collected and generating results that are have not been fabricated.

e) The work of other authors were acknowledged and properly referenced.

1.12 Organisation of the study

Chapter 1

The first chapter serves to give a general view of the background of the problem and defines what the research problem is about. The research tries to determine the impact of e-banking on customer satisfaction in Zimbabwean commercial banks by looking at the summary of the literature review, objectives of the study, research questions, significance of study.