

Customer Satisfaction towards E-Banking Service offered by Prabhu Bank Limited¹

Pradip Timilsina

Abstract

In recent times, the internet has become very important in human life. Due to the hastily growing technology in the global market, banking sector has provided the e-banking services to minimize their cost, and digitization strategies in today's competitive market. This study aims to analyze the association between e-banking service quality and customer satisfaction; and measuring the impact of e-banking service quality on customer satisfaction. The sample size of the study was 100 customers of Prabhu bank operating in Kailali district. Data was collected using a structured five point Likert scale questionnaire conveniently surveyed the customers of Prabhu Bank Limited from study area. Pearson's correlation and regression analysis was used to analyze the data with the help of statistical package for social science (SPSS-29). The findings of the study concluded that, there is statistically significant positive association between e-banking service quality and customer satisfaction. Furthermore, all the e-banking service quality factors i.e., perceived cost, security and privacy, perceived ease of use, computer self-efficiency and responsiveness has significant positive impact on customer satisfaction. Out of these e-banking service quality factors, perceived ease of use (PEU) has highest impact on customer satisfaction (CS). The findings of this study will help the bank management in improving the e-banking service quality focusing on development of easy and understandable e-banking service for increase their customer's satisfaction. This study covered only e-banking service quality, future researchers can conduct their study

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Pradip Timilsina, MBS Researcher, Ghodaghodi Multiple Campus, Kailali, Nepal

Email: timilsinapradip1995@gmail.com

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concentrating on overall banking service quality and its impact on customer satisfaction and loyalty.

Keywords: Customer Satisfaction, E-Banking, Perceived Cost, Privacy, Responsiveness, Security

Introduction

Customers are real assets in any organization. Their satisfaction plays an energetic role in the success of any organization in the world. Quick and well-organized service will improve public relations, reduce customer complaints, grow business, and increase business (Adeyemi & Oyewole, 2014). Excellent customer service is important in the banking industry because it makes customers feel valued, helps meet their needs more effectively, and improves overall customer retention (Alam & Yasin, 2010). Similarly, Customer satisfaction is a measure of how well an organization's products; services, capabilities, and overall customer experience meet customer expectations (Alabar, 2012).

Customer satisfaction is a measure of how well a company's products, services, capabilities and overall customer experience meet customer expectations. An organization's main focus must be to satisfy its customers. This applies to industrial firms, government bodies, service companies, nonprofit organizations, and every subdivision within an organization. Customer satisfaction is an important factor in helping banks to sustain competitive advantages. Therefore, the purpose of this research is to search and examine the factor that influences customer towards e-banking. Kotler et al. (2000) defined satisfaction as "a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations". It is very important to remember that customer satisfaction is an indication that the existing customer base of a bank approves of and is satisfied with the bank's offerings and operations. That helps the evolution from customer satisfaction to customer loyalty and helps brand building immensely. Research shows that the higher the number of such approving customers, the greater the brand reputation of the bank. Some easily discernible results leading to customer satisfaction in an e-banking setup are increased productivity, reduction in cost of banking operations, fast settlement, and high volumes of banking transactions.

E-banking refers to financial activities that involve the use of electronic technology ranging from the new universal automatic teller machines (ATMs) to other

services such as direct deposit, utility bill payment, electronic funds transfer, telephone banking, and online Banking Lee (2000) cited by wisdom (2012). E-banking includes the systems that enable financial institutions, customers, individuals, or businesses, to access accounts, execute business, or obtain information on financial products and services through a public or private network, including the Internet (Sakhaei & Esmaili, 2014). E-banking is also called Internet banking, online banking, or personal computer. E-banking includes Automated teller machines (ATM), wire transfers, point of sale, quick response codes, telephone banking, electronic funds transfers, and mobile transfers using various banking apps and cards (Toor et al., 2016). According to Pradhan (2019), Electronic Banking (E-Banking) is defined as the automatic delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. Banking in Nepal has a relatively short history compared to other countries around the world. The banking system in Nepal began to develop in the early 20th century, with the establishment of the Nepal Bank Limited in 1937 A.D. as the first commercial bank in the country. Currently; there are 18 commercial banks, 17 development banks, 17 finance companies, 63 microfinance companies, 17 other financial institutions, and 1 infrastructure development bank operating in Nepal. (Nepal Rastra Bank, 2023). The banking sector is the major financial services industry in Nepal that offers several banking services, such as acceptance of deposits, granting of credit facilities, and management of loans, exchange of foreign currency etc. The Nepalese financial market is a late adopter of information technology including electronic payment and electronic banking. However, many Nepalese public banks at present are providing electronic banking and electronic payment. In response to competitive pressure in the banking industry, banks continued to make significant investments in upgrading information technology platforms by automating and centralizing various back-office activities to enhance the quality-of-service delivery to their customers.

Prabhu Bank Limited previously known as Kist Bank Limited incorporated in 2002 A.D. as a finance company and upgraded to class A commercial bank in May 2009, was renamed after the merger of five financial institutions on 15th September 2014. Before the merger, the banks were Kist Bank Limited (Class A), Prabhu Bikas Bank (Class B), Gaurishankar Development Bank Limited (Class B), and Zenith Finance Limited (Class C). Recently Prabhu Bank Limited has acquired Century Commercial Bank Limited and currently Prabhu Bank Limited is the top 5 commercial bank in Nepal

in terms of its capital. It currently has a presence through 301 branches, 71 extension counters, and 309 ATMs throughout the country. This bank is providing e-banking facilities to its customers from all the branches to increase customer satisfaction and create loyalty. Are the customers of Prabhu bank satisfied by these services or are the e-banking service quality factors playing the role in customer satisfaction? These are crucial issues for the study. To address these issues, this study purposed to analyze the association between e-banking service quality factors i.e., perceived cost, security and privacy, perceived ease of use, computer self-efficiency and responsiveness and customer satisfaction, in addition to determine the impact of e-banking services on customer satisfaction.

Literature Review

Madu and Madu (2002) stated that responsiveness means willingness to support the bank's customers and provide them a quick service. This kind of service can be designed into four forms. First, E-Banking system can control and operate the service properly. Second, E-Banking channels can guide customers toward proceeding properly in case of any failing operations. Third, it can also cover a quick solution for any possible error that occurs in E-Banking transactions. Fourth, it can support the customer's questions with on-the-spot responses. By the view of this research, Prabhu Bank Limited needs to develop a problem-solving quick response team for customers' queries and problem-solving that can obviously satisfy the customers. Kumbhar (2011) stated that the higher the assurance level of security provided by Internet banking service providers, the greater the benefits that can be received by customers. This research supports the view that convenience and security in Internet banking are positively related to customer satisfaction. By this view, Prabhu Bank Limited must provide a high level of security to e-banking users for better customer satisfaction. Bismark (2015) mentioned in the study majority of the respondents have computer and internet access and they are also mostly proficient in using them. The users of internet banking, tele-banking and mobile banking are in general found to be spending more hours using computers and the internet than nonusers of these services. The hours of computer usage, the frequency of internet usage, and hours of internet browsing were found to be significantly higher among users as compared to non-users of technology-enabled banking self-service. It concludes that banks can target those customers whose usage of computers, the internet and other technology products is relatively on the higher side by this view Prabhu Bank Limited

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must focus on technology user customers for the increment of e-banking users by conducting different programs, meetings, awareness related programs.

Sohrabi et al. (2013) showed that the majority of customers accept online banking as low cost. Similar findings supported by Abubakar and Tasmin (2012) showed the connotation between the cost of e-banking directly linked with the use of Internet banking services. Both researchers recommend that customers who accept e-banking are aware of the fee charges. By these findings, Prabhu Bank Limited needs to provide e-banking services to its customers at the lowest cost possible. Ingle (2016) pointed out several advantages of E-Banking firstly, some banks that offer services on the net currently are very few, thus those who offer such services would be perceived as leaders in technology implementation thus they would enjoy a better brand image. Furthermore, the costs incurred during the time of delivering banking products and services would be reduced. Thirdly, banks that enter initially will be able to get a better handle on the services and products that the consumers want. Also, these banks will require less time to develop and deliver products to their customers. Finally, the banks can use their websites to sell their own as well as other third-party products to their customers. The diverse range of products and services that can be sold through websites will lead to increased revenues for the banks.

Research Hypothesis

Six hypotheses have been drawn for the purpose of identifying the relationship between dependent and independent variables in this study. These hypotheses were drawn from the theoretical framework of the study.

) H₁: There is a significant relationship between the perceived cost of e-banking and customer satisfaction;

) H₂: There is a significant relationship between the security and privacy of e-banking and customer satisfaction;

) H₃: There is a significant relationship between the perceived ease of use of e-banking and customer satisfaction;

) H₄: There is a significant relationship between the computer self-efficacy of e-banking and customer satisfaction.

) H₅: There is a significant relationship between the responsiveness of e-banking and customer satisfaction.

) H₆: E-banking services have a statistically significant positive impact on customer satisfaction.

Research Methodology

The research design used in this study is descriptive. Descriptive research design includes surveys and fact-finding inquiries of different kinds (Sekaran & Bougie, 2016). It was selected for the study to describe the customer’s satisfaction towards e-banking services offered by Prabhu Bank Limited. This study is based on survey research designed to understand consumer response towards the e-banking service of Prabhu Bank Limited. Hence, for this, the questionnaire was used. For the collection of primary data, a set of questionnaires was prepared and distributed to the customers of Prabhu Bank Limited branches in the Kailali district. Non-probability sampling method has been used to select the sample from all the customers of Prabhu bank in Kailali district. To collect the data 100 respondents are selected from different branches of Prabhu Bank Limited customers in the Kailali district by using a five point (1=strongly disagree to 5=strongly agree) Likert scale questionnaire. Pearson’s correlation and regression analysis was used to analyze the data with the help of statistical package for social science (SPSS-29).

Results and Discussion

Association between e-banking, service quality and customer satisfaction

Pearson’s Correlation has been conducted to analyze the association between the independent variable e-banking service quality factors (perceived cost, security and privacy, perceived ease of use, computer self-efficiency and responsiveness) and dependent variable Customer satisfaction. The result of correlation is shown in Table 1.

Table 1

Correlation Analysis between Customer satisfaction and Independent Variables

	PC	SP	PEU	CSE	RS	CS
PC	1					
SP	.836**	1				
PEU	.862**	.752**	1			
CSE	.919**	.821**	.861**	1		
RS	.900**	.776**	.855**	.909**	1	

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CS	.906**	.863**	.849**	.911**	.912**	1
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** Correlation is significant at the 0.01 level (2-tailed).

The Table 1 shows the correlation analysis between Customer satisfaction and perceived cost. The Pearson’s Correlation coefficient between the independent variable perceived cost and the dependent variable Customer Satisfaction is 0.906, indicating that the positive relationship between two variables. The Pearson’s Correlation coefficient between the independent variable security and privacy and the dependent variable Customer Satisfaction is 0.863, which indicates that the two variables are highly positively correlated. The high positive coefficient of correlation is 0.863 at a 1 percent significant level. The Pearson Correlation coefficient between the independent variable perceived ease of use and the dependent variable Customer Satisfaction is 0.849, which indicates that the two variables are highly positively correlated. The high positive coefficient of correlation is 0.849 at a 1 percent significant level. The Pearson Correlation coefficient between the independent variable computer self-efficacy and the dependent variable Customer Satisfaction is 0.911, indicating that the two variables are highly correlated. The very high positive coefficient of correlation is 0.911 at a 1 percent significant level. The Pearson Correlation coefficient between the independent variable responsiveness and dependent variable Customer Satisfaction is 0.912, indicating that the two variables are highly correlated. The very high positive coefficient of correlation is 0.912 at a 1 percent significant level.

Impact of e-banking service quality on customer satisfaction

To determine the impact of independent variable e-banking service quality factors (perceived cost, security and privacy, perceived ease of use, computer self-efficiency and responsiveness) on dependent variable Customer satisfaction, multiple regression analysis was done. The result of regression is shown in Table 2.

Table 2

Regression Analysis for determining the impact of e-banking service quality on customer satisfaction.

	Beta	t	p-value
(Constant)	0.544	0.799	0.000

Perceived Cost	0.238	2.084	0.001
Security and Privacy	0.106	1.358	0.000
Perceived ease of use	0.312	2.792	0.000
Computer self-Efficacy	0.258	2.048	0.001
Responsiveness	0.201	2.041	0.000
R-Squared	0.695		
F-Value	154.90		
P-Value	<0.001		

In Table 2, the R square is called the coefficient of determination and tells us how customer satisfaction with the e-banking service offered by Prabhu Bank Limited (Dependent variable) varied with Perceived cost, security and privacy, perceived ease of use, computer self-efficacy and responsiveness (independent variables). From the regression model summary above, the value of the R square is 0.695. It means the predictors/independent variables explain the variation in dependent variable by 69.5%, i.e., 69.5% variation in customer satisfaction is explained by perceived cost, security and privacy, perceived ease of use, computer self-efficacy, and responsiveness. The remaining 30.5% is still inexplicable in this research. ANOVA was used to establish the appropriateness of the regression model in giving reliable results. The regression model is deemed appropriate when the confidence level is 95 percent. The f-significance value generated by the multiple regression table is found to be 154.90 and its p-value is below 0.001 or less than 0.05. This means that the overall multiple regression model is significant in predicting the impact on overall customer satisfaction.

The beta coefficient indicates how e-banking service factors such as perceived cost, security and privacy, perceived ease of use, computer self-efficacy, and responsiveness influence customer satisfaction towards the e-banking service of Prabhu Bank Limited. It has been found that the beta value of perceived cost is 0.238. It means that if one unit changes in perceived cost; customer satisfaction is positively changed by 0.238 units. Similarly, the beta value of security and privacy is 0.106. It means that if one-unit changes in security and privacy, customer satisfaction is positively changed by

0.106 units. Likewise, the beta value of perceived ease of use is 0.312. If one-unit changes in perceived ease of use, customer satisfaction is positively changed by 0.312. Similarly, the beta value of computer self-efficacy is 0.258. It means that if one-unit changes in computer self-efficacy, customer satisfaction is positively changed by 0.258 units. And the beta value of responsiveness is 0.201. It means that if one-unit changes in responsiveness, customer satisfaction is positively changed by 0.201 units.

Table 3

Summary of Hypothesis Testing

Hypothesis	Pearson's "r"	Beta	p- value	Result
H ₁ : There is a significant relationship between the perceived cost of e-banking and customer satisfaction	.906	0.238	0.001	Supported
H ₂ : There is a significant relationship between the security and privacy of e-banking and customer satisfaction	.863	0.106	0.000	Supported
H ₃ : There is a significant relationship between perceived ease of use of e-banking and customer satisfaction	.849	0.312	0.000	Supported
H ₄ : There is a significant relationship between computer self-efficacy of e-banking and customer satisfaction	.911	0.258	0.001	Supported
H ₅ : There is a significant relationship between the responsiveness of e-banking and customer satisfaction	.912	0.201	0.000	Supported
H ₆ : E-banking service has a statistically significant impact on customer satisfaction.				Supported

Discussion and Implication

The results of the correlation and regression analysis provide support for six hypothesized relationships. The statistical analysis has shown that there is a significant positive relationship between the e-banking of Prabhu Bank Limited and customer satisfaction. The study found that the e-banking service offered by Prabhu Bank Limited has a significant positive effect on customer satisfaction. The results of this study are

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consistent with Yee and Nathan (2013) and Aliyu and Tasmin (2012). It concluded that customers of Prabhu Bank Limited are satisfied with the security and privacy of e-banking compared to other variables. Similarly, the study found that perceived cost, perceived ease of use, computer self-efficacy, and responsiveness have a significant positive effect on customer satisfaction. It indicates that Prabhu Bank Limited has satisfied its customers by improving its Internet banking service. In today's highly competitive market, Banks should be aware of all five variables that highly affect customer satisfaction and should initiate and re-construct their strategies accordingly to sustain in the extremely competitive business environment. These variables are acting as customer feedback for e-banking service, what exactly customers feel, and what customers need. This study acts as an important part of evaluating and enhancing their performance. This study will be useful to commercial banks manager to understand customer needs and wants in changing environments as well as facilities the higher level employees to take appropriate decisions for improving their business activities towards digitalized service quality.

Limitations and Directions for Future Research

This study has focused on e-banking service quality factors and their impact on customer satisfaction in Prabhu banks Limited of Kailali district. Future researchers can conduct their study concentrating on overall banking service quality and its impact on customer satisfaction and loyalty. Mediating and moderating effect of other variables on satisfaction is also unanswered in this study so, further study can be done including moderating and mediating effect of other variables on customer satisfaction. Similar study can be conducted in the area of other service sector to measure customer satisfaction.

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