The Impact of E-Banking on Customer Satisfaction in Pakistan

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ARTICLE DETAILS

ABSTRACT

This study presents the current status of E-banking in Pakistan and its effect towards the practice and also explains its impression on the customer satisfaction of the financial institutions. The main purpose of this study is to point out those outcomes which are measured to be the main players in raising the customer satisfaction in Pakistan. Using a qualitative research approach, this study collected primary data through interviews to describe the results of interviews conducted on the level of arrangement in the minds of the customers. In the previous years, many banks have initiated to proposal as well as to provide the customers and support their appearance as a friendly organization and to ease their customers whereas to allow them to do banking services without visiting the branches of the bank. Through this research, it has been perceived that customers who have taken the services are getting benefits however they feel a little bit uncomfortable after using e-banking services quality. Many of the customers have upraised the complaint that no services of utilities have been registered in E-Banking. Although customers have very much awareness but not in a very large scale. Awareness is very high among the customers which are using the services, but internet usage or mobile banking is a new technique and customers are hesitant to work easily within this new atmosphere. Electronic banking has many benefits in improving customer satisfaction like reduced frequency of bank visits, reduced waiting time for customers etc. It facilitates users to manage their bank account transactions and there is a great exposure for banking industry to increase these online services in Pakistan.

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1. Introduction

The development of technology in telecommunications and information technology are revolutionizing in the banking sector. Due to this transformation and development of this technology, electronic commerce plays an important role for this new revolution. A numerous study has observed the development of electronic banking or called E-banking and its processes and procedures (Aliakbar, Soleimani, Delafrooz, & Taleghani, 2019). It is strongly believed that the effect of e-commerce helps
banks to offer a cheap and direct way to buy and sell the products, exchange information and other services.

Banking industry all over the world has become competitive and turbulent. The banks of United State of America like Citibank are obtaining more than half of their income from the overseas operations, many international banks (e.g., Hong Kong Bank, Banque de Paris) have been doing business in the American market. Similarly, banks from Europe (e.g., London-based Standard Chartered Bank) have taken control over the banks in Australia New Zealand and Thailand in recent time. There are many companies who are willing to do business in the banking sector by offering financial products and services like, Toyota’s credit card, GM’s auto financing. This has given innumerable opportunities for customers in selecting banking services. Assisted by technological developments, banks have retorted to the challenge by implementing a strategy, which emphases on endeavoring to build customer satisfaction by providing better products and services and at the same time to decrease operating costs. E-banking services has been extensively used and an understanding of the customer inclinations will have important suggestions for the banking sector (Khatoon, Zhengliang, & Hussain, 2019).

The history of E-Banking explains very strong technological revolution in the banking area. In 1970s, banks-initiated home banking via touch telephone. This improvement not only makes easy the customers to communicate with each other but also facilitate the visual display (David & Amy, 2000). Customer satisfaction is calculated of how goods and services provided through a company convene or exceed customer hope. It is also described as how many customers or total number of customers in percentage, whose knowledge is reported with the firm, its goods and services improve particular satisfaction objective (Farris, Bendle, Pfeifer, & Reibstein, 2010).

E-Banking is an on-line banking service that is being done through a computer, customer financials and mobile app with the internet connection. E-Banking is processed through a computer which contains the data, bank statement, detail of transactions and the transactions are initiated through payments, funds transfer which is linked with a bank and other financial institutions through telecommunication networking. Different authors have been described the concept of E-Banking in different ways, Drigă and Isac, (2014) describes E-Banking is the information given by banks and the services delivered to customers by different sources which can be used with different devices like mobile phone, computers, television and desktop software.

The definition of Business Dictionary defines Customer Satisfaction as how much a company is provided the degree of satisfaction through the goods or services as calculated by the number of replicate customers. Customer satisfaction concept is very new to number of companies that have been determined on price and accessibility of goods. Thus, it is very significant to be clear the exact meaning of the exact word customer satisfaction. Customer satisfaction is an approach that what is in the mind of the customers after using the goods and services that is provided by a company (Li, Ye, & Law, 2013).

Customer satisfaction can be defined as an indicator of how well a company's goods or services meet the demands and specifications of its customers. Whether an organisation is in the industrial, service, or other sectors, achieving client satisfaction has become a fundamental goal of working in that industry (Hill and Alexander, 2006). Another definition of customer satisfaction is an organization's capacity to meet the psychological, commercial, and emotional needs of potential customers (Pairot, 2008). Numerous studies pertaining to customers’ attitudes and their use of online banking services have revealed that a variety of factors, including motivation level, behaviour, and demography, have an
impact on the customers' point of view when it comes to using these services (Laforet and Li, 2005). However, when elements like trust, privacy, and security are considered in relation to the adoption of Internet banking, they are shown to be highly significant from the perspective of the customer (Benamati and Serva, 2007).

In early ages, a bank was reflected four wall protected structure which was projected to protect the customer money. In the early eighties, when the technology updated and banking area also modernized itself, although providing new types of services which completed electronically through only one-word terminology which is called as E-banking. It is also known as a branchless banking presented as a new idea. The idea itself is a self-explanatory. Sayye and Wolfe (2007) explained that the branchless banking encompasses such type of banks which do not exists actually and now are capable to offer their facilities electronically through the internet. E-Banking in short is an umbrella of number of banking activities which are presented by a bank to be executed in electronically.

Mwiya et al., (2017) accomplished the study on E-banking on the customer point of view. E-banking is very much beneficial for the growth of the banks particularly in the poor countries because it is very cost efficient and broaden approach of its financial services for the customers of financial institutions. (Harahap, 2020) explained E-banking activity is also called internet portal that supports the clients to pay different type of banking performances that is bill payment and investment etc. On line banking is good for both the customers and the financial institutions. Banks can take benefits in the form of low operational cost and as per customer point of view E-Banking services provide ease of handiness, the access of account from anywhere to everywhere and swiftness.

Ahmad and Kaleem (2008) explained because of some security issues in Pakistan, some foreign banks introduced credit cards and ATMs in the mid of 90s, some of the leading financial institutions get lined while in Pakistan the domestic banks start it in late 90s to control it with the business activities. Kazmi (2002) also stated even late activities of E-Banking were initiated. These efforts were being done to compete with international level. MCB Bank organized Pakistan E-Banking Conference for the endorsement of E-banking that was jointly financed by Teradata, IBM, ABN AMRO and local newspaper. One more step was taken in the form of putting in places of ATMs in 90’s to oppose the appearance of international banks. Whereas several other banks have their own ATMs established outside from their branches, number of banks mutually initiated a devoted network consuming a leased line through the internet to get better procedures and decreasing the cost. This is called as One Link method in Pakistan which allocates ATM card holders to approach the account. The card holder or customer can use it through the parent banks or from the other partner banks to access to the account by using this line.

Customer satisfaction is the gauge of measurement about the goods and services that was issued by a company to get the customer anticipation. Customer satisfaction is also explained as how many customers or total customers in percentage who have experienced with a company by using its products and services go above particular satisfaction target (Farris, Bendle, Pfeifer, & Reibstein, 2010). Plastic money is composed of plastic and is very simple to use. By using plastic money, a customer can buy goods and services. Plastic money certifies transaction safe and decreases menace because there is no as such requirement to get hard cash in your pocket for payment. Plastic money contains credit card, debit, smart and ATM card etc. (Kutten, 2019). The procedure of credit card is not so easy it has become tougher while the other firms have started to sell the processing services to visa and Master card. This decreased the cost of financial institutes to issue the credit cards. These companies developed the rules and regulation for different problems to decrease them is treatment and frauds by this card. These
companies also introduced the rules for clearing the difference between customers and financial institutions (Giebmann, 2018).

Due to the competition among the banks they thrust to practice credit card and propose same rates on loan and credit card. By introducing the policy of loan the banks have achieved revenue (Rostamkalaei & Freel, 2016). The factors which effect the acceptance of services are quiet vary from one place to another because of geographic restrictions. There are many elements like, ease of use, usefulness, privacy, convenience, trust, cost, word of mouth, security, faithfulness, content of web page, speed, design and quality of net provider which is related to the specific observation. In this particular research, we would be observing some issues which leaded a person to sit back home or in office and continue their daily actions by saving the time, saving energy and finance. The cost of transaction can be reduced with the commencement of E-Banking and both the financial institution and the customer end (Kombe & Wafula, 2015).

Undoubtedly, e-banking is very powerful networking of financial organizations and banking sector and it is considered the main element in order to help the people and economic growth at local and international level. This is the demand of shifting of traditional banking channel to provide products and services via E-Banking. It has been examined that the people who belong to the advanced countries are suitable in implementation of electronic banking supply channel of the products of banking industry and deal with the elements that are barriers for acceptance of these network in the under developed countries like Pakistan. Hence, the main purpose of the study is to explore the major variables which effect the customer satisfaction of E-Banking industry in Pakistan.

This paper creates an exceptional influence to the literature of Pakistan, being a pioneering effort to examine the customer satisfaction in the banking sector of Pakistan by consuming this statistical technique.

On the basis of our assessment of the literature related to the customer satisfaction and other interconnected factors, and many research questions can be elevated.
- What is the effect of E-Banking on customer satisfaction in Pakistan?
- What are the major factors which effect the customer satisfaction in E-Banking in Pakistan?

2. Literature Review

Some bankers of the leading bank described the term that E-banking can be characterized as an umbrella that have number of banking practices and by these practices customer perform number of banking transactions through electronic banking without accessing a brick and mortar branch (Narteh, 2018). (Ramanathan, Subramanian, & Parrott, 2017) explained one click operation and transaction. He explained further about the success which relies on the behavior of the customers and to satisfy their clients and compare with their competitors who are providing better opportunities. (Nduta, 2020) stated about the ethics of E-banking that it is strongly depends on the innovations and convincing techniques to enhance the efficiency of processes, cost reduction, whereas for new market point of view. While on the other hand E-banking provide facilities between two or more parties by using combined network and these combined networks may be a differentiate through telephone system, cable TV, and leased lines, etc.

Zahres, (2012) investigate in his study about the electronic money that it facilitates like a consumer can even send the payment in a very secret and a cheaper cost. For example, payment by credit card. Schemes that depend on electronic money can identify themselves as healthy challengers
particularly in situation at the time of delivery payment electronically using Internet. Till now electronic money is not using in a very large scale. Possibly the difficulties of electronic money might be possible is one of the main causes of its growth. The standard of quality must be higher to retain its attraction for the clients and must be save from frauds as well as threats. Due to the technological growth and improvement would affect on the banking industry very commonly in access with the services and products to the customers. It is predicted that the developing world is obtained good benefits from these E-Banking services because of massive portion of the population of the world using this kind of technology (Richard & Alemayehu, 2007; Hussain, Ahmad, & Mia, 2023).

Inma and Antoni (2010) explained E-Banking and internet is still growing distribution network for supply of different commodities and services in the field of banking in the developing countries. It is also hypothetically observed that E-Banking would possibly carry significant advantages to the financial industry and financial organization in the developing world and this would be absolutely helpful for the easiness and momentum of their commercial and local activities (Ogutu, 2018). Gill (2008) explained the institutions should stress on customer’s reply, related to the notifying systems which is focused to classification of different components. According to the Gill’s model, the key objective of making the design to establish a massive structure is always to appeal the clients and consequently inspiring them to be the essential portion of this updating procedure by using E-Banking and internet.

According to Pearce and Robinson (2009) Electronic banking is a process through a customer can execute number of on-line activities like funds transfer, payments of bills and balance enquiry methods. Bliff (2012) explained in his study that different type of accounts producing different facilities to the customers. It depends on the customer which method is more suitable and he will select that method which would be simpler and more convenient.

Financial organizations are needed to create such services that are registered with easy to process the transaction, cost cutting, a user-friendly atmosphere, very good quality and customer services (David-West, Iheanachor, & Umukoro, 2020). Debit card is like a plastic card. It is initiated by the financial organization. It is a replacement of cheque and cash the customers buy the commodities. Through ATM debit card could be used now a days without delivered any cost to the customer. It is good facility and also good on-line payment method. Due to debit card, you can buy things by deducting payment from your bank account. It is very simple to use and you can pay without any delay (Rovidad, 2020).

In early days, you can easily preserve credit card in your wallet and were suitable to use in number of places. In 1970, in credit card electronic component incorporated and a chip was embossed in credit card which is also called smart card. The very first card delivered in United State and at that time only two hundred cards were distributed, and these cards can only use in New York. First card was issued by Bank of America in 1956, after that financial institutions were introduced it in 1960 (Batiz-Lazo, & Del Angel, 2018).

In 1966 all financial industry was made a group to use credit card systematically at the national level. The association of inter bank card also called Master card that were acceptable in the world level. These days master and visa card firms issued card by its other members. These cards are retained by the board of directors and all the other members which belong to the banking sector (Husz, 2018).

Mostly Smart card is used for small transactions and it has the capacity to preserve the cash in an electronic chip and through this smart card there is no need of signature. If you want to purchase
some goods, there is certain amount would be deducted from your card. These days smart cards are launched in developed countries like USA (Nevil Surani, 2010). In early days some hurdles were faced due to security problem, bank robbery and machine break down but due to modern technology some difficulty arise and may be tough to realize (Gezahegn, 2016).

In initial stage, when ATM was not launched account holders had no other choice except, they visit the bank and receive cash. The customers used to deposit the cheques for withdrawal cash but after getting the ATM, the customers are capable to get cash while the bank is closed and most of the banks take necessary steps for restocking the ATM but some time on special events some ATM got out of order and out of cash. Some representatives of banks negate this argument. Their argument about this, it is only because of more withdrawal from ATM machine. ATM can hold round about Rs. three million. This amount is sufficient in a normal day but in a exceptional day like Eid, people use ATM more and this amount is not sufficient to meet the requirements of the customers (Shamsul, 2011).

In the United States, credit and debit cards are typically used for payments since they are quick and easy to use. There is on average a person was hold four cards but some people have more than ten cards of different banks due to this, they have some technical issues but they made very quick transactions through these cards (Hoffman & Brinker, 2011). Hussain, Jafary, and Bokhari, (2017) stated that E-banking is a use of technology through you can get information and it is a technology through you can communicate with banks and it is also an electronic source by a bank to create the transactions. It is also way of communication with the shareholders.

A typical definition of customer satisfaction is when all expectations are fully met. The way a customer feels and views a product or service after using it is known as customer satisfaction. Based on an analysis of the existing research, it is possible that there are multiple customer satisfaction experiences because the dimensions and fundamental satisfaction findings are global rather than local (Hussain, & Ul Islam, 2022; Khaliq et al., 2022). It is often acknowledged that the quality of the products or services provided frequently determines how satisfied customers are (Shahzad et al., 2023).

The type of relationship that exists between the consumer and the banks that provide the goods and services is a crucial factor in determining customer satisfaction in the banking industry. As a result, it is common knowledge that providing high-quality goods and services is essential to keeping and pleasing loyal clients. Numerous variables have been identified by prior research as defining customer satisfaction in the retail banking sector, and it has been shown that there are cultural and national differences in the way consumers view services. Customers in Pakistan's banking industry now hold their banks to higher standards of customer satisfaction when it comes to the quality of service they receive. The following are some examples of the key elements that have a big impact on customer satisfaction: prompt and efficient service; bank secrecy; personable bank employees; transaction speed; billing timeline; accurate billing; competitive pricing; clear and understandable billing; and high-quality services (Hussain, Mia, Ahmed, & Prommee, 2023; Hussain et al., 2024).

The relationship between customer satisfaction and the functioning of Internet banking was elucidated by Ahmad and Zu'bi (2011). The study was conducted at Jordanian banks. Utilising a random selection technique, 185 respondents were selected. Customer happiness has been discovered to be significantly impacted by the characteristics that make up privacy, design, accessibility, content, convenience, and security. Out of all these criteria, client satisfaction is most frequently impacted by three: content, privacy, and security.
The impact of E-banking service quality on Malaysian customers' satisfaction level was studied by Kadir et al. (2011). 500 respondents who are bank account holders and students at Malaysian institutions make up the study's sample size. Customer satisfaction is positively and significantly impacted by reliability and accessibility, but responsiveness and sympathy are determined to be unimportant concerns. It is recommended that online bank managers prioritise enhancing their empathy and responsiveness in order to better meet the needs of their customers.

From Pakistan's perspective, Raza and Hanif (2013) draw conclusions on the mechanisms that influence the assumption of internet banking between internal as well as external customers. The research factors include perceived risk, convenience, governmental support, observable usefulness, online banking information, security, and privacy. The study had 151 respondents, whereas the sample size for internal consumers is 210. The research findings indicate that the variables of perceived usefulness and governmental support have the highest coefficients in the internal customer's model. This suggests that these variables have a significant and positive impact on the adoption of online banking among internal customers.

3. Methodology

In a case study, data sources play very important role as a means to make sure complete results that reveal the understanding of the members as perfectly as possible. We interviewed because we want to know the other customer’s point of view. Telling of stories is basically a process from which you can get information. When people explain their stories, they choose facts from their understanding, experience and knowledge (Seidman, 1991).

According to the scope of this paper, we selected the primary data collection, for this we conducted interviews to ensure reliable results. The interview is frequently observed as a discussion between both the researcher and respondent in which the interviewer raises questions and the interviewee gives answers according to his question (Esterberg, 2002).

The objective of interview is to check the customer's feelings and observations about your questions. We interview customers to examine those things which we cannot notice (Patton, 1980). Listening and lenient attitude are two of the general techniques that should be focused when interview is conducted for research. Interview gives access of customer's attitude and thus gives trend for researchers to know the meaning of attitude.

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3.1 Interviews

Interview is to be taken to know the people thinking. The purpose of the interview is to examine all these things. Purpose sampling technique was used. Six participants were interviewed for this
research. Main customers are those people who are especially knowledgeable about this. For convenience all the interviews were held in participant's home. All the interviews were taken face to face. With the approval of participant, we recorded the audio of the interviews to make sure correct transcription. We obtained handwritten transcripts during every interview that facilitated us to remind main ideas in the interview and to show up thoughts of specific ideas and significance. We used the structured interview approach and select the questions open ended to get knowledge on the participant's observations and experience with analyzing, collecting and using data for the reason of customer satisfaction. Interview guide were in the form of open-ended questions that were used during the interviews to support customers to react liberally and cooperatively to the questions. After taking interviews we start the transcription process and to make sure transcription accuracy. We assessed each transcription after listening to the audiotapes. Furthermore, the records were sent to every participant for their more assessment to make sure for accuracy.

4. Data Analysis

This chapter analyses the data that were collected through interviews form that individuals who have the experience of using banking systems. The results of the interviews are presented in line with the research questions of the study. The technique applied Tag Clouds in which the answer of every question of the participants were uploaded which are described in figures below and the results are shown in a descriptive format supported by the graphical presentations.

4.1. Knowledge about E-Banking

![Figure 1](image_url)

This question is about the knowledge about that customer are well aware about this. Mostly customers who are in urban areas they are much more aware rather than rural areas. One of the respondents said:

“Yes, as a customer, service is relatively a new service that been implemented and the people are now becoming aware of it more and more, people are using it and gradually getting awareness. It is very good service, and we should use ease and should further development on it”.
4.2. Access of E-banking services

This question is about the access of all Services whether these services are available for each and every customer. Majority of the customers response that they don’t have all the services of because they only prefer those services which are mostly, they used.

One customer’s words are “As such I never used all the services of but most frequently used like, transfer of money, balance checking inquiry and like credit card and debit card. These services which I mostly using”

4.3. Frequently usage

Mostly customer said that they are using both conventional and services but the most suitable services which are easily available in are using frequently. One of the respondents says that.

“It is difficult to answer but I mostly used the services like conventional banking. I mostly using parallel services, whenever I need to use and I feel that services are more convenient, then I use conventional banking services, mean use one both of these but frequently, whatever I used the
transactions, one of these used 50% through at least”. Another respondent said.

“I normally used ATM for withdrawal of cash, but I used rest of the services too. I used Debit card to pay my utility bills and Credit card also used for shopping. I also used conventional banking but not more as compared to”.

4.4. Convenient in use

This question is facilities given by the banks through and how they are convenient to use it. Mostly respondent agree on this point that these services are easy to use. One respondent same like that

“I feel this is more convenient, mean when I deposit, you don’t have any idea about balance inquiry or you are in your home or wherever you are, you want to issue the cheque, you have the knowledge about your balance, and you have also known if you want to transfer the money and without going anywhere, sitting in a room you can transfer, mean it is very easier for us to use the services as compared to traditional banking services, so this is better and more convenience”.

4.5 Recommendation

In this question I asked from the respondent do you recommend others to using these types of services. So, most of the customers shows a positive response in recommendation to others. One of the respondents says
“My answer is yes of this question; actually, the reason is this because it is very convenient system and latest development in the banking system. I feel all the people should use this because this is very cost effective and convenient, cost effective is not only for us but also for banking sectors as well, rather than focusing on traditional branches, they should focus on the service because of this we can get all banking services at the door steps and would better banking services. So, it is simple and easy comparatively. I feel everyone should use these services”.

4.6. Challenges with E-Banking

Customer’s responses regarding challenges are services that they are not well aware about the using of services. Further they said that the services of are not easily available every places. One the customer words are

“Challenges mean hurdles that are facing by customers, yes. I think the services are provided by the banks are very good but due to limited awareness the people are not using it, First they should aware your product second the services should be easily approachable to the customers and the third the incentives should be given to the clients for motivation”.

4.7. Methods
Most of the respondents replied different answers of this question because they like the methods most which are mostly suitable for them and also have easy access. One of the respondents said that

“Yes, I like this method, but I like the method very much is balance inquiry method because you can check your account balance on a single click, and you can get more and more things through this. Yes, it is very good inquiry method. Mostly I used it for inquiry and also get the services of SMS alert”. Another respondent also give comment on this question “Yes I like it especially ATM and Debit & credit card services because I am using this on a regular basis, and I get very ease and confident through this.

5. Conclusions

The main aim of this research is to examine those variables which are calculated as major factors that creates the satisfaction to the customers in Pakistan. The result of this study conclude that online system quality and customer awareness have strong effect in creating the enthusiasm between the customers and have solid significant effect on successful execution of E-banking and on customer satisfaction.

In this paper it has been concluded that the customers that have gained the facility are appreciating the benefits, but they feel a little bit uncomfortable concern with the terms of online service quality but some time the customers have questions about the response. Mostly the customers have upraised the complaint about the utility services because all the services regarding utilities have not been registered, customers have awareness about these services but not in a very large scale. Awareness is quite high between the customers who are using these services but Internet and use of mobile banking is a new technique and the customers feel hesitant to work with this new environment. At the end of the discussion, the results of this study are cleared that due to some important tools which play not only important role for the implementation in Pakistan but also will increase the satisfaction level between the customers regarding the practice of this. Therefore, In order to captivate customers towards any new product introduced in Pakistan's banking industry, it is imperative that customer satisfaction be positively correlated with factors such as customer awareness, online service quality, system credibility, and individual and collective concerns about E-banking.

It is suggested that the management of e-banking has to emphasis on the social networking which could be attract to existing and new customers. The management of e-banking should provide more security and safety for online transactions and usage and also provide more reliable services to the clients which they can use more confident and comfortably and also develop one click operations for customers.

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