The Impact of Electronic Banking on Customer Service Delivery in the Malaysian Banking Industry: Using Kano’s Model

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Abstract
Electronic banking nowadays is gaining worldwide acceptance due its convenience and comfortability. Unlike in the past where customers suffered seriously before depositing or withdrawing money from their account, electronic banking minimize all these laborious activities. Many researches were conducted in this very important aspect of banking services. Most of the existing literatures identified several indicators that have a positive and direct impact on electronic banking services. However, most of the previous researches employed limited number of data and sample as well. It is against this background that this paper seeks to examine the impact of electronic banking on customer service delivery in the Malaysian Banking industry with the ultimate aim of either accepting or rejecting any preconceived idea of the researcher. The paper also addresses the issues emanating from the customer viewpoint regarding the impact of electronic banking on customers’ performance. The study, thus, employed some hypotheses in order to guide the research in achieving the overall aim of the research as well as testing the stated hypotheses. The conceptual framework for the research is postulated in both figure 1 and 2 through the use of Structural Equation Modelling as a tool and instrument for data analysis. Furthermore, the article highlighted the mutual relationship that exists between electronic banking, behavioral factors and customer service delivery in the banking industry. It could be established through the findings of this study that based on the extensive review of existing literatures, the expected and likely outcome as well as the research gaps identified in the research could also provide some direction for future research.

Keyword: Behavioral factors, customer service delivery, electronic banking, Kano’s Model and Malaysian banking industry.

1 Introduction

A strong banking industry is important in every country and can have a significant effect by supporting economic development through efficient financial services Salehi, et al., (2008a), Salehi, et al., (2008b). Similarly, Electronic Banking Service (EBS) is an important driver in the banking industry and is critical for economic development in developing nations. As the banking industry is becoming global in nature and faces a competitive environment as well, banks are forced to balance the goals of outreach and sustainability.

Electronic Banking Services (EBS) may be the instigator of this new environment and the prime mover in terms of providing the potential solution for bank's survival in the near future Anyasi, et al (2009), Musiime, (2010) Hazlina, et al (2011a), Hazlina, et al (2011b). Research has proven that, Electronic Banking Services (EBS) are the wave of the future banking by providing enormous benefits to consumers in terms of ease and cost of transactions, either through Online Banking, Mobile Banking, ATM or other electronic delivery channels (Nsouli, et al., 2002).
2 Electronic Banking

The term Electronic Banking Services refer to "the provision of information or services by a bank to its customers, via a mobile phone, ATM, computer or television (Allen, et al., 2001). The concept of Electronic Banking has been defined in many ways. Daniel, (1999), Defines Electronic Banking as the delivery of banks’ information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as Mobile Banking, ATM, and Online Banking etc.

Robinson, (2000), noted that the supply of EBS enables banks to establish and extend their relationship with the customers. There are other numerous advantages to banks offered by EBS such as customer’s loyalty, market segmentations, innovation of new products and services, more effective marketing and communication at lower costs/fees (Tuchila, 2000). According to Wise, and Ali, (2009) many banks want to invest in EBS to reduce branch cost/fees since customers prefer to use EBS instead of a branch to transact business. The financial impact of EBS is a marginal increase in cost/fee income substantially offset by the cost of significant increases in the number of customer transactions. Thus, EBS has a significant increase in the intangible item of “Customer Service Delivery”. Hence, this translates into improved customer service delivery that results in higher customer loyalty, customer retention and growing organization value. EBS has become one of the most important factors in the business economy today due to its lower cost/fees delivery channel and it is a way to increase sales in the future.

Today, those banks that are able to harness on the capability of the EBS in making strategic decisions in terms of enabling better alignment of business, enhancing organizational capacity/capability and risk management have an upper hand in building better customer service delivery. Thus, attention at the highest management level is therefore vital to ensure the formulation of the most appropriate electronic banking strategies for banks to remain competitive and to break through in the future (Bank Negara).

3 Behavioral Factors Inhibiting Electronic Banking Adoption

Behavioral factors are the important determinants of Electronic Banking adoption as disclosed by (Rahmath, et al., 2011). Behavioral factors pertaining to convenience, security and cost/fees were the focus of this study as they have a reciprocal influence on customer service delivery (Suganthi, 2010; Ombati, 2010 and Ahmad, 2011) reveals that there is a direct relationship between technology and behavioral factors in the banking industry. Consequently, the electronic banking customers seem to be quite satisfied with the security, efficiency, accurate records, convenience and accurate transactions. Therefore, the level of Electronic Banking or its innovations in the banking sector will directly impact on the degree to which the bank customers are satisfied, in terms of customer service delivery Musiime, (2010). Subsequently, users find the electronic banking system useful, convenient, and easy to use, while privacy of data and security measures of the Electronic Banking service is the issues that bother the minds of users Adesina, (2010), Khan, (2010). This means that, effective customer service delivery has a higher impact on customer loyalty (which impacts their future consumption patterns) in relation to other factors just like it has on customer satisfaction. Nevertheless, behavioral factors have a direct bearing on a long term customer service delivery Nek, et al (2009), Shirshendu and Sanjjitkumar, (2011). Thus, banks should give high priority to customer service delivery and should consider behavioral factors as important key drivers towards successful implementation of customer service delivery (Khong, et al., 2006). The explanations below highlight on the benefits and significance of using electronic banking services.

4 Customer Service Deliver in the Banking Industry

According to Parasuraman et al., (1985), the study of customer service delivery has gained interest just after the concern on improving the quality of products appeared, and services are increasingly
important in the globe. Today, information and communication technology has changed the banking industry in such a way that it becomes characterized based on services (Fitzsimmons, 2000)

Fierce competition has obliged banks to look for an effective way to differentiate in the market and augment the likelihood of customer service delivery, even though customer service delivery in banks was not always targeted when looking for mediating factors towards financial performance (Mukherjee, et al., 2003). Additionally, banks struggle to find or develop instruments to measure the quality of their customer service delivery (Bahia and Nantel, 2000; Bhat, 2005). Delivering customer service is indeed an important marketing strategy (Berry and Parasuraman, 1995), but the difficulty in defining customer service delivery and customer satisfaction, as well as problems in deploying to specific contextual instruments for measuring such constructs, represent important constraints for the banks to approach their markets.

However, contemporary factors like more demanding and informed customers, the emergence of new technologies, and the competition increase (Cooke, 1997), modified the relationship between banks and customers. Strategies for survival and business expansion started to approach this seriously (Global Finance, 2000) and target customer service delivery as well (Fri et al., 1997). Hence, customers who are satisfied with service delivery are less likely to shift to other banks, therefore increasing such things as loyalty and retention (Al-Hawari, et al., 2005).

Interestingly, information and communication Technology (ICT) in particular play an important role (Shoebridge, 2005) and this is one reason why the banking industry is among the most intense in deploying information systems (Drucker, 1985a; Drucker, 1999b). With the increase of Electronic Banking services the most recurring problems have been mitigated (and, in some cases, solved); as an effect, the volume of services increased, service fulfillment became easier, and the customer experience turned out to be more comfortable. It is noticeable that the new technologies, particularly in Electronic Banking, enabled banks to service customers not only in branches and other dedicated services sites, but also in domiciles, work places and stop-and-shop stores, as well as in a myriad of other channels (Lovelock, 1996; Al-Hawari, et al., 2005).

5 Benefits of Electronic Banking Services

Electronic banking provides benefits for the bank and for the customers using it Suganthi, 2010; Obasan, 2011; Uppal et al., 2007; and MsMalarvizhi, 2011).

- Electronic Banking has reduced the cost of doing business and made organizations more profitable.
- E-base Banks are offering more than banking services; they are offering services on the bank website.
- Electronic Banking eliminates geographical and time differences/constraint.
- Electronic banking may be more cost effective for banks, which can then lower the fees for the customers.

6 A Conceptual Model and Hypotheses

For the purpose of understanding the factors influencing electronic banking services, towards customer service delivery, this paper proposes a conceptual model (figure 1). This conceptual model is developed based on several previous studies related to electronic banking, behavioural factors, banking application, and customer service delivery.
However, from the literature review and the conceptual model, the following hypotheses are, thus, stated:

- Ho1 There is a significant relationship between cost and online banking in Malaysia.
- Ho2 There is a significant relationship between convenience and online banking in Malaysia.
- Ho3 There is a significant relationship between security and online banking in Malaysia.
- Ho4 There is a significant relationship between cost and mobile banking in Malaysia.
- Ho5 There is a significant relationship between convenience and mobile banking in Malaysia.
- Ho6 There is a significant relationship between security and mobile banking in Malaysia.
- Ho7 There is a significant relationship between cost and ATM in Malaysia.
- Ho8 There is a significant relationship between convenience and ATM in Malaysia.
- Ho9 There is a significant relationship between security and ATM in Malaysia.
- Ho10 There is a significant relationship between online banking and customer service delivery in Malaysian banking industry.
- Ho11 There is a significant relationship between mobile banking and customer service delivery in Malaysian banking industry.
- Ho12 There is a significant relationship between ATM and customer service delivery in Malaysian banking industry.
- Ho13 Effective customer service delivery enhance customer’s satisfaction in Malaysia banking industry.
The research framework of this study is based on the adaptation of Kano’s Model first developed by Professor Kano (1984). The Kano Model of customer satisfaction seeks to explain how assigning priorities to operational objectives may result in lasting improvements in customer service delivery. Essentially, the Kano’s model is used for the classification of product and services based on understanding wishes and the way it affects customer’s satisfaction. Kano (1984) suggests a model that helps researchers distinguish between three types of product/service requirements which influence customer satisfaction in different ways when met. Thus, the Kano’s model is viewed in the perspective of electronic banking services on customer service delivery. In fact, Kano’s diagram (Figure 2) shows customers’ satisfaction in relation to the product/services level and the quality of service delivery. In addition, Professor Kano believes that for effective customer service delivery, banks should make sure that the level of service delivery such as security, convenience and cost/charges should meet all of the customers’ requirements and not only what the customer states (Bhattacharyya and Rahman, 2004). In addition, Kano’s model could provide a unique opportunity to understand the impact of electronic banking on customer service delivery and identify the categories of behavioral factors to be managed and to support Malaysian Banks in strategising their decision toward enhancing effective and efficient customer service delivery. Hence, this model shows the best way for putting the fundamental principles of good behavioral factors in place and continually expanding and enriching that set of principles.

Research has proven that, one of the economic methods to achieve customer service delivery in the banking industry for electronic banking services is through Kano’s model which has been registered (Ardhiyani, 2012). The study considers Electronic Banking in terms of Mobile Banking, Online Banking and ATM, while behavioral factors such as security, convenience and cost/fees are classified as banking capabilities at the root of effective customer service delivery in the banking industry.
8 Research Methodology

Research methodology constitutes a process of how research hypotheses are operationalized and measured to achieve the overall research aim and objectives (Brewerton and Millward, 2001). The methodology and approach adopted in this paper is quantitative in nature, while research hypotheses are stated in clear terms and will be subjected to empirical test to verify them through rejecting or accepting any preconceived idea which the researcher has in mind from the onset of the research process. Because of the fact that this study involves a structural model, the use of structural equation modelling techniques becomes imperative and essential and are suitable way to evaluate the fit of the proposed model (Hoyle, 1995). The decision to adopt a quantitative approach in this instance is aimed squarely at the need to gain a deep understanding of an area that has previously received little research.

In addition, the research design will consist of compilations of relevant literature. It will also include the use of a structured questionnaire. Thus, the quality of data collected for a research is one of the prerequisites of any meaningful framework.

9 Conclusion

This is a research in progress paper which provides an overview of the impact of electronic banking services on customer service delivery in the Malaysian banking industry: using the Kano’s model. The paper addresses a number of issues identified from the literature. An extensive review of the existing literatures on the impact of electronic banking services on customer service delivery in the banking industry were discussed. The paper, therefore, addresses issues related to electronic banking services and behavioral factors as well as customer service delivery. The hypotheses postulated in this write up will be empirically tested and validated in order to identify customer satisfaction and loyalty in Electronic banking services. The research will be guided by the conceptual model presented in figure 1 and figure 2 above.

10 References

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