Customer satisfaction on online banking services

Finance, Banks

2. Background

My study is concerned with the pattern of online banking services in UK and the customer satisfaction towards these services. A number of different approaches were applied to collect crucial information on this topic. I will collect data through questionnaires, discussed with different groups of people and take help from the relevant books and websites.

I believe that this study will assist in-

Making accurate decision.

Experience for further study.

Helpful for my future career.

The main reasons of taking initiative to undertake this project are-

1. Preparing my MBA dissertation paper a part of my syllabus of 2nd semester.

2. Now a day's online banking has brought about a revolution in the entire world.

3. The practice of online banking is increasing UK.

4. Since I am the student of Master of Business Administration, I need to acquire an in-depth understanding of online banking which will assist me in future career.

3. Preliminary Review of the Literature

The focus of this chapter is to provide a selective review of the past research works related to the present study. A lot of researches will ve done but (as a sample) very few are related with this unique one. Among the researches done the following are mentionable:

" A short review of the literature on electronic banking briefly illustrates the major issues that researchers and practitioners have dealt with in recent years. Security turned out to be a major obstacle for many customers who were otherwise willing to switch to the online world [Martin 1998]. Besides assuring customers that their privacy is protected, Hamlet [2000] suggests that banks should not over-animate or clutter their Web sites with too much advertising. In addition, care should be taken not to over-personalize the online-experience in order to avoid the impression that personal financial information is freely available. Bhattacherjee [2001] uses online banking customers to test his expectation-confirmation model of IS continuance. His results suggest that users' continuance intention is determined by their satisfaction and perceived usefulness of the application. Table 1 shows a number of research papers that empirically validate models in the context of e-banking. Tan and Teo [2000] found that attitudinal factors such as Internet experience, the relative advantage of online banking and perceived risk, and perceived behavioral control factors predict the intention to adopt Internet banking services. The survey by Karjaluoto et al. [2002] showed that prior experience with computers and technology as well as people's attitudes toward computers influences both their attitude toward online banking and their actual behavior. Mukherjee and Nath [2003] found that communication

had a moderate influence on trust, while opportunistic behavior had a significant negative effect and trust in general led to a higher level of commitment in online banking. Information sharing and distrust in the Internet were identified as the two major drawbacks for Thai Internet banking adoption by Rotchanakitumnuai and Speece [2004]. Based on a survey amongst Finnish banking customers, Pikkarainen et al. [2004] found perceived usefulness and information on online banking on the Web site to be the main drivers for the acceptance of online banking. A recent study by Lassar et al. [2005] showed that Internet related innovativeness is positively related to the adoption of online banking."

"…Our results confirm that loyalty of e-banking customers is directly affected by satisfaction and trust in an online bank, which in turn are determined by Web site quality and service quality. Moderating variables such as gender, age, involvement, variety seeking behavior and technophobia exert a significant influence on some of the proposed relationships." (Journal of Electronic Commerce Research, VOL 7, NO. 2, 2006, by Arne Floh & Horst Treiblmaier)

McKnight et al. (2002) suggest that " Disposition to Trust", " Institution-base Trust", " Perceived Site Quality" affect customers' trusting beliefs in the e-commerce context. In addition, they suggest that " Disposition to Trust", " Institution-based Trust", " Trusting Beliefs" and " Perceived Site Quality" affect customers' intention to engage in trust related behaviors with a specific web vendor."

Similar to McKnight et al. (2002), Gefen et al. (2003) suggest that " Institution-based Trust" affect customers' trust with an e-vendor. However, they separated " Institution-based Trust" into two constructs namely " Structural Assurance" and " Situational Normality" in their research. In addition, they suggest " Knowledge-based trust" is an antecedent of trust, it defined as familiarity with the e-vendor. Contrary to the previous research (Gefen, 2000), " Knowledge-based Trust" did not significant increase trust in an e-vendor. Gefen et al. (2003) believed that the effect was mediated by other constructs. They still believe that familiarity does increase trust, but this effect is channeled through other constructs only. Similar to McKnight et al. (2002), they suggest trust in the e-vendor will affect customers' intention to shop online."

" Online banking vendor can focus on research & development determining the factors affecting users' perceived site quality. They should also increase the structural assurance, such as increases security and provides detail terms & conditions. It can reduce the perceived risk. In addition, interacting with users can increase the familiarity, such as provides online opinion sections, provides immediate enquiry answered by the online customer service representative. Finally, making a typical login system and providing similar services with other e-banking vendors can increase the situational normality. For instance, if some banks adopt two-factor authentication in the login system, other banks should follow. Otherwise, users will confuse about why their banks do not provide them with this system. Increased situation normality would increase trust. I hope the results provide insights for e-banking vendors by increasing their understanding of factors affecting trust

in online banking." (Factors affecting Customer's Trust in Online banking- by Yeung Kit Man)

"…The Online Bank allows you to deal with almost all your finances. Do it yourself, whenever it suits you." "…One of the advantages of banking online is the overview it gives you. You get a complete picture of your finances and can easily go back and find the information you need." "…In some ways, the Online Bank is just like any of our branches where you carry out your transactions. In other ways it is completely unique. As well as being open around the clock, you also get access to a number of exclusive services which are not available elsewhere within the bank."

(www. swedbank. se/idc/groups/public/@i/@sc/@all/@kp/…/fm_505014. pdf)

" It is argued by Ravi et al .(2001) that there are two types of online banking, namely e-banks and e-branches, an e-bank exists only on the Internet where paper record is not kept and it operates all over the world without any geographical boundaries and it is available round the clock and without any opening and closing hours, while e-branch bank is a brick-and-mortar bank that provides internet banking to its customers because customers prefer more e-branch service than e-banking service. It is further added by De Young (2001) that in online banking any type of transaction can be done except cash withdrawals with only mouse click at home or office. This type of accessibility is considered a key benefit for those who use this facility; it avoids the customers to go personally to a bank branch and to stand in the lines (ibid.)."

" DeYoung (2001) and Wang (2006). The last author argues that their little success is due to the complementarily between brick-and-mortar and online channels; While standardized products are easily distributed through the online channel, specialized products require a branch presence. As a result, internet-only banks are found to have on average a lower return on assets. Delgado et al. (2004) _nds similar evidence for European banks attributed, however, to their lack of economies of scale due to their smaller size."

" Internet banking refers to systems that enable bank customers to access accounts and general information on bank products and services through a personal computer (PC) or other intelligent device. Internet banking products and services can include wholesale products for corporate customers as well as retail and fiduciary products for consumers. Ultimately, the products and services obtained through Internet banking may mirror products and services offered through other bank delivery channels." (Internet Banking-Comptroller's Handbook, October 1999)

" New forms of online communication offer a host of new and promising opportunities for customer retention on the World Wide Web, while at the same time intensifying competition [Vatanasombut et al. 2004]. In particular, this applies to company-controlled communication, giving companies the ability to customize information with regard to the individual needs of a particular customer and to optimize the customer's feedback opportunities [Kierzkowski et al. 1996]. At the same time, companies also face completely new challenges arising from customer-controlled Internet communication, such as the growing importance of brand strength, economies of scale and

size [Gallaugher 1999]. In view of these changed circumstances in the buyer-seller interaction, researchers and practitioners have to rethink previous concepts of loyalty [Luo and Seyedian 2003/04]. Empirical studies comparing customer satisfaction and loyalty in online and offline environments show substantial differences in terms of customer attitudes and behavior [Shankar et al. 2003]. At the same time, the integration of Internet technology into the customer loyalty concept is rarely discussed in the relationship marketing literature [Wirtz and Lihotzky 2003]."

"…The findings suggest that satisfaction can be generated through improving courtesy, content, timeliness and product and services offered. The latter being the most important factor in driving internet banking satisfaction. The findings suggest that the majority of the customers in the sample are satisfied or very satisfied with the service and online systems attributes. The investigation does not support previous findings that more satisfied customers tend to use more product and services or that using internet banking for a longer period is associated with higher levels of satisfaction. It appears that companies that offer a wide product portfolio and relevant website content accompanied by prompt and courteous response create satisfaction online. (JIBC August 2009, Vol. 14, No. 2, by Hernan E. Riquelme, PhD, Khalid A. Mekkaoui & Rosa E. Rios).

Technology has been the one of the prime movers in transforming the mortgage banking industry. By John Roberts.

Dramatic new developments on the economy by online banking. By Wolf Blitzer.

Online Payments in the new retail environment. By Don Lemon and Connell Mcshane.

What to Look for When Selecting a Bank. By Andrson Cooper adn Alexis Glick.

Should I Use a Local or National Bank for My Business? By Campbell Brown.

Ways to improve customer experience. By Kiran Chetry.

4. Research Questions and Objectives

Before any work, setting up objectives is half of completing the job. The reasons behind conducting this study are clear and were motivational towards the achieving of goals. Objective is given special emphasis on the customer satisfaction on online banking services in UK.

The major objectives of the study are given below-

1. To observe the present scenario of online banking practice in UK.

2. To identify the strength and weakness of online banking services.

3. To know the expectations of customers and reality of online banking services.

4. To make recommendation on the basis of customer's demand.

5. Research Plan

All the information incorporated in this report has been collected both from the primary sources and as well as form the secondary sources. The details of these sources are highlighted in the following.

Research Design:

The research is exploratory in nature because, the relavant data were collected from within the Sylhet region and form a small sample. The paper is being conducted to get a deep insight and understanding about the satisfaction of customer on online banking.

Population of the Study:

The customer s of the HSBC bank in Sylhet region have been considered as the population of the study.

Sources of Data:

There are two types of data used in preparation of the paper. These are primary data and secondary data.

1. Primary data: " In primary data collection, you collect the data yourself using methods such as interviews and questionnaires. The key point here is that the data you collect is unique to you and your research and, until you publish, no one else has access to it. There are many methods of collecting primary data and the main methods include: questionnaires, interviews, focus group, interviews, observation, case-studies, diaries, critical incidents, portfolios etc." Collecting data directly from the practical field is called

primary source of data. The methods that were used to collect the primary data are as follows:

Discussion with officials of the HSBC bank.

Face to face conversation with the client.

Open-ended & close-ended questionnaire method is used.

Observation method used in some cases.

2. Secondary data: " Secondary data is data that has already been collected by someone else for a different purpose to yours. For example, this could mean using: data collected by a hotel on its customers through its guest history system, data supplied by a marketing organization, annual company reports, and government statistic." The secondary data has been collected form different publication of different banks. To clarify different conceptual matters, Internet and different articles published in the journals & Magazines have been used. The secondary sources are:

Annual Reports of HSBC Bank.

Other published documents of HSBC bank.

Internet.

Newsletters of HSBC Bank.

Various brochures on the products and services offered by the bank.

Sampling Design:

Sampling is a tool which halps to know the characteristics of population by examining only a small part of it. The data is collected randomly from 100 bank customers as a sample. Stratified sampling procedures is used while collecting data.

Data Collection:

Data will be collected from primary and secondary sources respectively. Primary data will be collected though questionnaire. Questionnaire will be used for data collection because it is the most appropriate way for getting information about the satisfaction of the customers on online banking of HSBC Bank.

Analysis:

The data collected from survey is analyzed with applicable tables, graphs, charts etc. And necessary written information will be used.

Limitations of the Study:

The limitations of the study are the followings:

Most of the customers dislike disclosing information.

Many individuals are not familiar with this type of work.

Lake of experience in research work.

Time and budget are limited.

In case of reliability will try to ensure that there is no subject or participant error or bias, and no observer error or bias.

6. Ethical Considerations

In considering ethical issues in this study, I will try to:

Respect the privacy of possible and actual participants

Ensure voluntary nature of participation.

Data processed fairly and lawfully.

Data kept securely.

In case of plagiarism, in this study it is very cautiously taken. There is no plagiarism involved with this study. Whenever there is a use of secondary data references is made. Data will not be used directly.

7 Timetable and any special resources required

Research Timeline

July 15-July 17

July 18-July 19

July 20-July 22

July 23-July 31

Aug 01-Aug 05

Aug 06-Aug 08

Aug 09-Aug12

Aug 13-Aug 14

Aug 14-Aug 15

Aug 15-Aug 16

Aug 09-Aug12