

Online Banking and Customer Satisfaction in Ethiopia

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Abstract. Due to emergence of global economy, online banking has increasingly become an inevitable tool of banking business strategy and a strong catalyst for economic development. This study attempts to identify the major challenges and opportunities faced by online banking development and customer satisfaction in Ethiopia. An exploratory research design is utilized by gathering information from selected banks within Ethiopia. The study reveals that there is a direct relationship between online banking usage and customer satisfaction in Ethiopian banks. Due to the technological changes taking place all over the world, many institutions, including the banking sector have taken giant steps to move in tandem with these changes. The purpose of this research is to assess the contribution of Online Banking to Customer Satisfaction in Ethiopian banks to this end some customer satisfaction factors were set for the study.

1. Introduction

In modern economy a strong financial system is a pillar of economic growth and development. The availability of banking facilities and unfolding banking service outreach are the major facilitators of developmental and expansionary activities. In this regard, information technology plays a key role in promoting inclusive financial system as it is the only way to reduce the cost significantly and reach the masses. In the last decade, online phone technology has emerged as the most potential and well suited channel for financial inclusion. Use of online banking for inclusive finance is very popular in countries where most of the population is under banked.

In sub-Sahara Africa, developments in information and communication technology (ICT) are radically changing the way business is done. Online commerce is now thought to hold the promise of a new commercial revolution by offering an inexpensive and direct way to exchange information and sell or buy products or services. This revolution in the market place has led to a a revolution in the banking sector for the provision of payment systems that are compatible with the demands of the online market place. Technology has increased in importance in Ethiopian banks. Traditionally, banks have always sought media through which they would serve their clients more cost-effectively as well as increase the utility of their clientele. Their main concern has been to serve clients more conveniently, and in the process increase profits and competitiveness. Online and communication technologies have been used extensively in banking for many years to advance the agenda for banking . The remarkable progression of online sector globally has made an exclusive chance for delivering financial as well as social services through online network . Online Banking eliminates the time as well as space shortcomings from banking operations like, balance inquire and fund transfer from one account to another account without visiting bank branches. It enhances efficiency, offers access to financial and banking services, generates new opportunities for income generation and improves governance and gives poor people a voice. The Ethiopian commercial banking system is composed of a state owned commercial bank and 16 private banks. Though it is true that traditional banking has grown steadily over the years, in terms of technological based financial service/ product the Ethiopian banking sector didn't fully benefit from ICT in general and online banking in particular. The study will attempt to explore the major challenges facing online banking outreach and identify the existing opportunities for creating inclusive financial system through online banking and customer satisfaction on the service.

There are currently over 100 million Ethiopians dispersed across 1.2 million square kilometers of land, 80 percent of which are living in the rural areas. Financial institutions have not been able to reach a majority of those people. The penetration of online banking among the population continues to grow in significant numbers year on year. Furthermore, to the best knowledge of the researcher, a study related to online banking and customer satisfaction in Ethiopia has not been done in an in-depth and organized way. Hence, the outcome of the research would help to fill the existing gap by reviewing the existing service and customer satisfaction. Moreover, the main objective of this study is to examine the online banking and customer satisfaction in Ethiopia. In this study exploratory research design is used. Since the development of online banking in Ethiopia is a new phenomenon an exploratory research design helps the researcher to identify the major challenges on customer satisfaction for online banking development service and customer satisfaction on related literatures from the banks and other related literatures. Secondary data is reviewed from banks, Ethio-Telcom and other sources. The data is analyzed using qualitative approach. The study is delimited to usage of online banking and customer satisfaction in Ethiopia. Hence, any conclusion drawn from the finding merely reflects online banking service and customer satisfaction.

Satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire. Most research confirms that the confirmation or disconfirmation of pre-consumption expectations is the essential determinant of satisfaction. This means that customers have a certain predicted product performance in mind prior to consumption. Today, several financial institutions are endeavoring to emphasize customer-oriented services. For this sake, it is crucial to implement new banking services in order to develop and keep better relationships with customers. Hence building up competitive predominance almost depends on customers' satisfaction with banking service. It is recognized that banks gaining higher customer satisfaction will have a conspicuous marketing ascendancy because the higher customer satisfaction is associated with greater revenues, increased cross-sell ratios, higher customer retention and bigger market share.

The study will be useful for Ethiopian commercial banks in order to see the impacts of e-banking on customers' satisfaction. It helps in understanding what attitude customers' have towards e-banking and what actions should the banks take in order to benefits from the opportunities and how to overcome the challenges in the business management practice. It will alert bankers tomorrow's problems today in order to get the intended customers satisfaction as this service can be said it is at infant stage in the country in relation with the marketing theory.

2. Literature Review

2.1 Concept of Online Banking. Online Banking refers to provision of banking and financial services with the help of online telecommunication devices. The scope of offered services may include facilities to conduct bank transactions, to administer accounts and to access customized information [7]. In the broader sense online banking enables the execution of financial services in the course of which - within an online procedure - the customer uses online communication techniques in conjunction with online devices .

Online Banking can be said to consist of three inter-related concepts viz: Online Accounting, Online Brokerage and Online Financial Information. Online Accounting is sometimes characterized as transaction based banking services that revolve around a bank account using online devices. Not all Online Accounting services are, however, necessarily transaction based. Online Financial Information refers to non-transaction based banking and financial services of informational nature. It includes subsets from both banking and financial services and is meant to provide the customer with anytime, anywhere access to information.

The information may either concern the bank and securities accounts of the customer or it may be regarding market developments with relevance for that individual customer. The information may be customized on the basis of preferences given by the customer and sent with a frequency decided by him [7].

Online innovation in banking industry can be traced back to 1980, when the computerization of financial institutions gained momentum [5]. Innovative banking has grown since then, aided by technological developments in the telecommunications and information technology industry. The early decade of the 1990s witnessed the emergence of automated voice response (AVR) technology. By using the AVR Technology, banks could offer telephone banking facilities for financial services. With further advancements in technology, banks were able to offer services, through PC owned and operated by costumers at their convenience, through the use of intranet propriety software. The users of these services were, however, mainly corporate customers rather than retail ones. The security first network bank was the first Online banking in the world that was built in 1995 in USA. After that some famous banks introduced their online banking one after another, such as Citibank and bank of America. The concept of online banking has been defined in many ways; [3] defines online banking as the delivery of banks' information and services by banks to customers via different delivery plat forms that can be used with different terminal devices such as personal computers and mobile phone with browser or desktop software, telephone or digital television. Online banking defined as any use of information and communication technology and online means by a bank to conduct transactions and have interaction with stakeholders. Magembe BAS and Shemi AP defined online banking is nothing but online business in banking industry. Online banking is a generic term for delivery of banking services and products through online channels, such as the telephone, the online, the cell phone, etc. The concept and scope of online banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. In simple words, online banking implies provision of banking products and services through online delivery channels.

2.2 Theory of Customer Satisfaction. Satisfaction is defined as an overall customer attitude towards the service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire. [6] defines satisfaction as a judgment following a consumption experience-it is the consumer's judgment that a product provided (or is providing) a pleasurable level of consumption-related fulfillment. [4] defines satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Most research confirms that the confirmation or disconfirmation of pre-consumption expectations is the essential determinant of satisfaction. Customers evaluate product performance by comparing what they expected with what they believe they received. Customer satisfaction is also found to have strong positive association with word-of mouth communication. Responsiveness, easy to use, cost effectiveness and compensation are predictors of brand perception in online banking and fulfillment, whereas efficiency, security/assurance, responsiveness, convenience, cost effectiveness, problem handling and compensation are predictors of perceived value in e-banking. The quality of the service is one of the major determinants of customer satisfaction and many researchers and experts mentioned that, service quality can be enhanced by using advanced information and communication technology (ICT). Kumbhar expressed that today almost all banks are adopting ICT as means to enhance service quality of banking services. They are providing ICT based e-service to their customers which is called as e-banking, online banking or online banking etc. It brings convenience, customer centricity, enhance service quality and cost effectiveness in the banking and increasing customer satisfaction in banking services. [2] describesd that online commerce is now thought to hold the promise of a new commercial revolution by offering an inexpensive and direct way to exchange information and to sell or buy products and services. This revolution in the market place has set in motion a revolution in the banking sector for the provision of a payment system that is compatible with the demands of the online marketplace. The success of online banking depends squarely on customer' satisfaction of the e-products and e-services. Study conducted in Nigeria revealed that 47% of the respondents that use online banking products and services are satisfied with the quality of the products and efficiency of the delivery. The study also find that influence of online banking on customer satisfaction would differ according to the personal variables such as gender, age, marital status, educational level, computer literacy, and online accessibility. Although waiting for service is a fact of life, excessive

waiting can impair significant satisfaction and economic impacts. Bank professionals also experience adverse effects of long queues and waiting time including a growing frustration associated with the inability to provide timely and appropriate service delivery.

3. Data Analysis and Interpretation

In order to identify the major challenges and prospects of addressing financial inclusion through online banking and customer satisfaction in an explorative research design is used. The appearance of online banking technology in Ethiopia goes back to the late 2009 introduced by the South African company ivory. According to the agreement, ivory Payment Technologies has licensed its Gateway and MiCard online payment processing solution to Dashen Bank. Dashen's Modbirr users can transfer 500 birr to other Modbirr users in 24 hours a day. This would make Dashen Bank the first private bank in Ethiopia to acquire online commerce and mobile merchant transactions. Although Dashen's new technology is one step ahead in that it allows transfer of funds from one's account to others, the first ever online banking gateway was signed between Ethiopian Commodity Exchange (ECX) and Dashen Bank and CBE. The online banking system being developed with both banks is designed to give a secure online data sharing gateway between clients, banks and ECX, by facilitating a smooth transaction [1] .

3.1 Online Banking Development in Ethiopia. At the end 2013/14 FY, there were eighteen commercial banks operating in Ethiopia, of these sixteen are private commercial banks while the other two are state owned. Despite a rapid increase in the number of financial institutions since financial liberalization, the Ethiopian banking system is still underdeveloped compared to the rest of the world. The Ethiopian banking industry as a whole had a network of 2,323 branches as at September 30, 2014, in which the number of population being served by a single branch was around 37,861.8. Commercial bank branch (per 100,000 adults) ratio in 2012 was 2.94 which is lower than Sub Saharan Africa, 3.71[8]. With urban skewed branch network it is hard to ensure efficient flow of financial resources and optimize the contributions of the entire financial system to the development processes. The online banking development in Ethiopia is at its starting stage. Currently Online banking practice in Ethiopia can be considered as accessing the core banking system within the bank. There are only six commercial banks that have got license to operate online and agent banking services as per the Directives No. FIS /01/2012. As of December 2014 there are about 151,425 active number of online subscriber customers in these six banks. The online banking development in Ethiopia is not full-fledged in terms of exhaustively utilizing all the online services one can get. Currently, of all the types of online banking services, most customers of the bank use notification or alarm inquiry Five Micro-Finance Institutions (MFIs) render M-Birr online money service in their respective regional states. M-BIRR aims to develop a online banking services, allowing people to conduct basic financial transactions from their online phone, including sending and receiving money, Paying bills, receiving salaries and other government or non-governmental and repaying loans.

4. Conclusion

Customer satisfaction is the major factor contributing to the success of the service sector especially online banking in this case. Online banking has become a major facility sought after by the existing and potential customers. The entire service sector depends on customer and their satisfaction. One of the ways for achieving high customer satisfaction and gaining the loyalty of customers is for banks to offer high quality services. In general, the findings of this study offer additional insights into the current Online banking adoption situation and its implications for Online banking growth in Ethiopia as an example of a developing country. Furthermore, the understanding of the barriers to Online banking adoption and customer satisfaction identified in this study may help to identify the best course of actions to promote its development. It will also be valuable to all banking industries of the country to increase their awareness and understanding of online banking benefits and customer satisfaction.

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