

EFFECTS OF MOBILE BANKING ON CUSTOMER SATISFACTION.

A CASE OF EQUITY BANK OF ELDORET TOWN

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Abstract

The study sought to find out the effects of mobile banking on customer satisfaction with specific interest on Equity bank of Eldoret town. The study adopted a descriptive research design on a sample size of 213 respondents who were selected through stratified and purposive sampling from a target population of 2,130 consisting of employees, bank customers and agents. Data was collected by use of questionnaires and interview schedules and the data analyzed by the aid of Statistical Package of Social Scientists Program (SPSS). The findings were summarized using statistical measures of central tendency and measures of dispersion while data was presented using tables, charts and figures. Based on the study findings it was concluded that close to all those using mobile banking services at the moment were satisfied that indeed it was efficient and reliable. However a bigger part of those not using it doubted it citing security measures and reliability. This shows that as people adopt mobile banking it becomes more useful. Thus, it is fundamental to develop m-banking services that have great functionality as well as usable to consumers such as font sizes, colours and understandable languages. The study recommended that Equity bank in its provision of mobile banking services should make huge efforts towards building trust with customers. They ought to convince its customers of their ability to disseminate value adding services that are guaranteed of security, their ability to provide services with ultimate honesty especially with regard to customer's expectations, and prove without reasonable doubt that they really have good intentions towards empowering its customers. Considering that consumer trust does impacts on their loyalty to a banking facility, Equity bank should make sure that they meet all the promises delivered to customers during marketing advertisements.

Keywords: Mobile banking, customer satisfaction

1.1 Background of the study

The banking sector in the Kenyan community has been diversified with the introduction of technology and the projects initiated by some of the banking institutions. The projects provided commercial banking services to remote rural communities in Kenya. These financial services are provided at village satellite centre, which are mobile banking units attached to existing branches. They provide customers with the same financial services as in normal branches, such as deposits and savings, money transfers, remittance processing and loans. The service helps to reduce congestion in banking institutions, as well as increase the banks' penetration. Mobile banking customers pay the same rates for their transactions as at branches plus a small fee for the mobile access. The mobile units use solar power to run a computerized transaction processing system that is directly linked to the home branches via global positioning system (GPS) and satellite. Mobile banking (m-banking) in turn is a subset of e-banking in which customers access a range of banking products, such variety of savings

and credit instruments, via electronic channels and the customer is required to hold a deposit account to and from which payments or transfers may be made (Macharia, 2001).

According to Wordpress (2009) Equity bank in Kenya has introduced M-Kesho, a form of mobile banking strategy which is a bank account introduced by both Equity and Safaricom where customers can earn interest from as little as Ksh. 1. Customers can withdraw cash from their Equity Bank Account to their M-PESA accounts and can also deposit through their M-PESA accounts to their M-KESHO Bank account. Other features of the account included Micro credit facilities (emergency credit availed through M-PESA), Micro insurance facilities as well as a personal accident cover that translates into a full cover after 1 year. For one to open this account, the person must be an M-PESA subscriber. Another mobile banking strategy introduced by Equity is Eazzy 24/7 which is an independent and “purely Equity” way for Equity customers to manage and take action on their Equity bank accounts. With Eazzy 24/7 you can look up your account balance, purchase airtime (for your own phone or someone else’s), transfer money to another person’s bank account, pay bills, request a mini statement and even apply for a short-term loan.

Mobile banking is an important aspect since the transaction costs of payments are greatly reduced when there is an electronically accessible store of value in most regulatory regimes (Karjaluo, 2002). The question of who may hold the deposit balance turns out to be a crucial issue affecting the development of these models (Salim, 1999). Even if the focus is on the wider aspects involved in m-banking, the spread of m-banking depends to a large extent on developments in the technology and regulation of m-payment. In Kenya, m-banking and m-payments first began generating significant attention in 2005, but industry interest and investment capital waned with the subsequent internet bust. In the past two years, however, companies, investors, and industry observers, encouraged by full-scale implementations abroad and limited but successful domestic pilots, have once again begun to treat the various forms of micro financial services (MFS) as a compelling business opportunity. This is because the banking process and procedure in the Kenyan banking institutions is very tedious especially with the increasing number of bankers in the industry. The customers are required to follow a pre-determined process to get the services offered by the bank. For instance services such as depositing, withdrawals, checking statements, balance inquiry as well as transfers within and outside the country requires verification, authentication and finally transaction (InfoDEV, 2006).

A mobile phone based banking solution could cover at least 60% of those currently with bank accounts. Such a service would be used for storing cash securely and for making money transfers – people currently carry cash, use the post office services, and make use of airtime transfers through a mobile phone (Porteous, 2006). Various initiatives use mobile phones to provide financial services to “the unbanked.” These services take a variety of forms—including long-distance remittances, micropayments, and informal airtime bartering schemes—and go by various names, including mobile banking, mobile transfers, and mobile payments. Taken together, they are no longer merely pilots; in the Philippines, South Africa, Kenya, and elsewhere, these services are broadly available and increasingly popular.

Scholarly research on the adoption and socioeconomic impacts of m-banking/m-payments systems in the developing world is scarce (Maurer, 2008). Even less attention has been paid to the social, economic, and cultural contexts surrounding the use of these systems. Since

1990, mobile phones have become an indispensable feature of life in Kenya and the entire world as tools for communication, entertainment, and information retrieval (Salim, 1999).

For the millions of Kenyans who have downloaded paid games and ring tones using mobile phones, the phones also serve as a de facto payment mechanism. Because of their ubiquity, accessibility, and ever-increasing functionality, mobile phones promise to become a gateway to financial services far more complex than these small-scale payments. Internationally, consumers are already using their mobile phones to access bank accounts (known as mobile banking, or m-banking) and to load, transfer, and spend money (mobile payments, or m-payments). However the trend in development has not been soft as the challenges posed by the technology and the rapidly changing trends in the field bring in the picture of fraud and malicious software that leaves a gap for counterfeit (Maurer, 2008).

2.0 Literature review

As perceived service quality portrays a general, overall appraisal of service that is, a global value judgment on the superiority of the overall service, it is viewed as similar to attitude. Prescriptions of service quality could occur at multiple levels in an organization, for example with the core service, physical environment and interaction with service providers (Bitner and Hubert, 1994) on the other hand customer’s overall satisfaction with the service organization is based on a function of all the encounters or experiences of the customers with that of the organization. Similar to service quality, customer satisfaction can occur at multiple levels of an organization for example with the contact person, satisfaction with the core service and satisfaction with the organization as a whole. The diagram below illustrates the determinants of service quality.

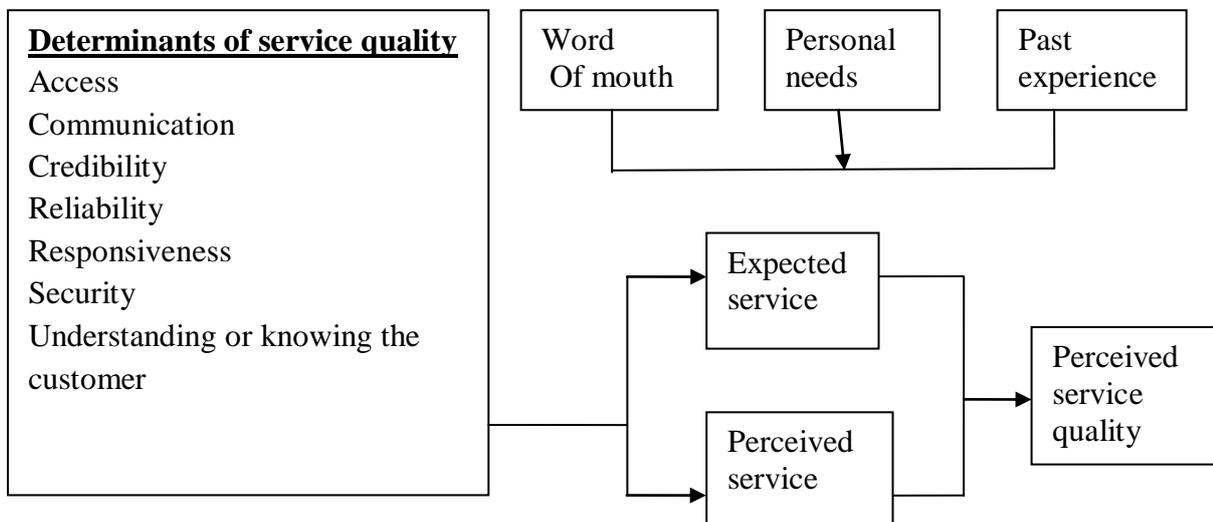


Figure 2.1 Determinants of service quality

Adapted from: Relationship marketing for competitive advantage: winning and keeping customers by Payne et. al (2001)

2.2.1 Service delivery

Quality is a comparison between expectations and performance. Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis (Lewis and Booms,

1983). The comparison of expected and perceived service is not like that performed by consumers when evaluating goods, what differs with service is the nature of the characteristics upon which they are evaluated. Regardless of the types of services consumers use basically similar criteria in evaluating service quality. These criteria seem to fall into seven key categories which are labelled service quality determinants as described in the table below (Parasuraman et al. 1985).

Table 2.1: Determinants of service quality

- 1 **Reliability** involves consistency of performance and dependability. It means that the firm performs the service right the first time. It also means that the firm honours its promises. Specifically it involves: accuracy in billing, keeping records correctly and performing the service at designated time.
 - 2 **Responsiveness** concerns the willingness or readiness of employees to provide service. It involves timeliness of service: mailing a transaction slip immediately, calling the customers back quickly and giving prompt service.
 - 3 **Access** involves approachability and ease of contact. It means the service is easily accessible by telephone; waiting time to receive service is not extensive, convenient hours of operations and convenient location of service delivery.
 - 4 **Communication** means keeping customers informed in language they can understand and listening to them. It may mean that the company has to adjust its language for different consumers - increasing the level of sophistication with a well-adjusted customer and speaking simply and plainly with a novice. It involves: explaining the service itself, explaining how much the service will cost, explaining the trade-offs between service and cost and assuring the customer that a problem will be handled.
 - 5 **Credibility** involves trustworthiness, believability, honesty. It involves having the customer's best interest at heart. Contributing to credibility are: company's name, company's reputation, personal characteristics of the contact personnel and the degree of hard sell involved in interactions with the customer.
 - 6 **Security** is the freedom from danger, risk or doubt. It involves: physical safety, financial security and confidentiality.
 - 7 **Understanding/knowing the customer** involves making the effort to understand customer's needs. It involves: learning the customer's specific requirement, providing individual attention and recognizing the regular customer.
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Adapted from: Relationship marketing for competitive advantage: winning and keeping customers by Payne et. al (2001).

2.2.2 Convenience

Strategic implications and customer perception of m-banking services are explored (Laukkanen, 2005) with a focus on the consumer value creation and a better understanding about the customer-perceived value of m-banking services. For instance, mobile internet service has been quite popular in Japan (over 60 million users in 2003) especially for those young and single consumers (Scornavacca, 2004).

The terms m-banking, m-payments, m-transfers and m-finance refer collectively to a set of applications that enable people to use their mobile telephones to manipulate their bank accounts, store value in an account linked to their handsets, transfer funds, m-banking or even access credit or insurance products. This paper uses the compound term M-Banking/M-Payments systems to refer to the most common features. The first targets for these applications were consumers in the developed world. By complementing services offered by

the banking system, such as check books, ATMs, voicemail/landline interfaces, smart cards, point-of-sale networks, and internet resources, the mobile platform offers a convenient additional method for managing money without handling cash (Karjaluo, 2002).

For users in the developing world, on the other hand, the appeal of these m-banking/m-payments systems may be less about convenience and more about accessibility and affordability (Cracknell, 2004; infoDEV, 2006). An exploration is underway—between banks, mobile operators, hardware and software providers, regulatory agencies, donors, and users—to determine the shape of m-banking/m-payments services in the developing world (infoDEV, 2006; Ivatury, 2006; Ivatury & Pickens, 2006; Porteous, 2006).

Mobile phone operators have identified m-banking/m-payments systems as a potential service to offer customers, increasing loyalty while generating fees and messaging charges (infoDEV, 2006). There is no universal form of m-banking; rather, purposes and structures vary from country to country. The systems offer a variety of financial functions, including micropayments to merchants, bill-payments to utilities, transfers between individuals, and long-distance remittances. Currently, different institutional and business models deliver these systems. Some are offered entirely by banks, others entirely by telecommunications providers, and still others involve a partnership between a bank and a telecommunications provider (Porteous, 2006).

The new services offer a way to move money from place to place and present an alternative to the payment systems offered by banks, remittance firms and pawn shops. The uptake of m-banking/m-payments systems has been particularly strong in the Philippines, where three million customers use systems offered by mobile operators Smart and Globe (infoDEV, 2006); in South Africa, where 450,000 people use Wiz it (“the bank in your pocket”) (Ivatury & Pickens, 2006) or one of two other national systems (Porteous, 2007); and in Kenya, where nearly two million users registered with Safaricom M-Pesa system within a year of its nationwide rollout (Ivatury & Pickens, 2006; Vaughan, 2007).

2.2.3 Cost effectiveness

Mobile banking is indeed effective on cost and dispenses services to the unbanked due to the fact that there is no need for branches physical establishment to aid the customers. It is simply a branchless bank model that has the capabilities of handling limited bank dealings through the mobile phone (infoDEV, 2006).

M-banking is a cost effective way to provide banking services to the unbanked because there is no need to set up physical branches to facilitate customers it called as it is ‘branchless banking’. It is branchless bank model includes enhanced ability to carry out limited banking transactions via mobile phone (Porteous 2006).

Banks should develop their m-banking system and register their customers electronically for m-banking. It is noted that, initial cost for establishment of m-banking system may be high but marginal cost for additions of new customers in m-banking wills declines continuously till full utilization of existing installed capacity. Connectivity for mobile device is not the part of banking service it is duty and part of business of telecommunication department and cellular service providers. Hence, banks should only lease the telecommunication lines provided by telecommunication department to provide access to the customers (Vaughan, 2007).

2.2.4 Security

A crosscutting issue involves the introduction of “trust” as a factor in the analysis of m-banking/m-payments use. Early evidence and intuition alike suggests that “trust” plays a role in use (Ivatury, 2004; Porteous, 2007). For example, users feel more comfortable with at least some face-to-face contact and assistance while using an m-banking/m-payments system like Wiz it (Ivatury & Pickens, 2006). Ling (2005) proposed a modified technology acceptance model that included a trust variable—perceived credibility—to predict m-banking adoption in Taiwan. Yet their modification also included another variable, self-efficacy, and a form of trusting one’s self. Indeed, trust itself is a multifaceted concept, which must be handled carefully in any analysis of m-banking/m-payments use (Benamati, 2007). Trust is a crosscutting concept in that people can trust (or mistrust) their own skills. They can trust the interface, the network across which their funds travel, the representatives of the institutions (channels) who control their money, and/or trust the institutions themselves (Maurer, 2008). And, of course, they can differentially trust various people in their networks: some might be eligible as exchange partners using m-banking/m-payments systems while others might not. These forms of trust may change over time with use of the system. People might become more or less trusting along any of these dimensions as their experience of the system changes, relative to friends, family, and others in the community.

The role of trust is a crosscutting issue because multiple research traditions examine economic transactions in their social context—not as discrete acts but as markers and reinforcements of a set of interrelated responsibilities, roles, and transactional networks in which trust plays a central role (Geertz, 1978; Granovetter, 1985). Often these transactions are seen as either being structured by or creating a form of “social capital” (Coleman, 1988).

These transactions need not be face-to-face; researchers have used social-capital/social-networks lenses to explore how the information technologies generate and reinforce social/economic relationships in ways that provide “returns” to actors (Huysman, 2004) For example, Horst (2006) described the practice of “link up” in Jamaica, where mobiles are used quite strategically to build and maintain networks of resources for future assistance or loans.

Initial reports from an ongoing ethnographic project in Kenya elaborate these dimensions, distinguishing the complexities of trust in the local m-banking middleman from trust in the Telcom that runs it and from the government that (presumably for many users) controls the whole operation (Morawczynski & Miscione, 2008). However, there is room for more work that assesses which forms of trust support or is supported by m-banking/m-payments use, particularly among low-income users.

Studies from the adoption perspective are sometimes criticized for requiring theoretical models that reduce use/non use to a binary condition. Nevertheless, complementary research on use can help refine both the independent and dependent variables in such models. Ling (2004) made a similar point, arguing that concepts or findings from domestication, uses and gratifications, and diffusion models can all be applied to inform traditional adoption models for advanced mobile services.

3.0 Research methodology

3.1 Research design

A research design helps to control the experimental, extraneous and error variables of a particular research problem being investigated. According to Kerlinger (1978) research

designs are invented to enable answering the research questions as validly, objectively, accurately and as economically as possible.

The study applied a descriptive research design. Descriptive research design is a systematic, empirical inquiry into which the researcher does not have direct control of independent variables as their manifestation has already occurred or because they are reflecting the state of happenings and qualify the obtained findings through the use of quantitative analysis (Mugenda & Mugenda, 1999). It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection and often uses visual aids such as graphs and charts to aid the reader in understanding the data distribution. Because the human mind cannot extract the full import of a large mass of raw data, descriptive statistics are very important in reducing the data to manageable form. When in-depth, narrative descriptions of small numbers of cases are involved, the research uses description as a tool to organize data into patterns that emerge during analysis. Those patterns aid the mind in comprehending a qualitative study and its implications. This design was appropriate as the variables in this study were varied in different properties and degrees.

3.2 Target population

The study was confined to Equity branch of Eldoret town. The target population for the study was to be 2,130. This constituted 2,000 customers of the bank, 120 employees and 10 agents dealing with mobile banking.

3.3 Data collection

Both quantitative and qualitative approaches were used in collecting data. Two questionnaires were prepared one for bank customers and another one for bank employees. Once the questionnaires were structured effectively, they were then self administered by the researcher herself to ensure high level of accuracy and data collection was accurate as there was equal opportunity of participation by the respondents.

The researcher also involved two bank managers who were interviewed and their responses taken down.

3.4 Data analysis

Data analysis is a process of inspecting, transforming, and modelling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making.

The research first established if adequate data had been collected through the administration of the described instruments. Once ascertained, data duly collected was analyzed using descriptive statistics. Statistical Package for Social Scientists Program (SPSS) was then used to generate frequency tables, charts and figures. Research findings were then presented thematically on account of the research objectives.

4.0 Findings

4.1.1 Rating of mobile banking according to bank customers

The findings revealed that majority (80) of the customers rated mobile banking as being very effective followed by those who rated it as being effective (70) with a few of them rating it as being unreliable. This was evident from the mean of 1.72 given and since the likert scale was 1 to 5 any mean from 0.5 to 1.4 meant very effective rate, 1.5 to 2.4 effective, 2.5 to 3.4 undecided, 3.5 to 4.4 unreliable and 4.5 to 5.0 meant very unreliable rate. This affirmed that according to customers mobile banking was effective as any person could access the service

with availability of network, a mobile phone and a bank account. Customers could even check their account balances over their phones without having to travel to the bank.

4.1.2 Mobile banking rating according to bank employees

According to the study findings majority of the bank employees rated mobile banking as being effective that is, three (27.3%). Only two (9.1%) employees rated mobile banking as being unreliable and very unreliable. The employees affirmed that indeed mobile banking was effective as it had eased their work reducing the normal long queues seen in banks.

5.0 Conclusions and recommendations

From the findings it was concluded that Equity bank in its provision of M-banking services should make huge efforts towards building trust with customers especially those in the age bracket of 50 years and above. They ought to convince its customers of their ability to disseminate value adding services that are guaranteed of security, their ability to provide services with ultimate honesty especially with regard to customer's expectations, and prove without reasonable doubt that they really have good intentions towards empowering its customers. Considering that consumer trust does impacts on their loyalty to a banking facility, Equity bank should make sure that they meet all the promises delivered to customers during marketing advertisements.

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Graphs **Rating of mobile banking according to bank customers**

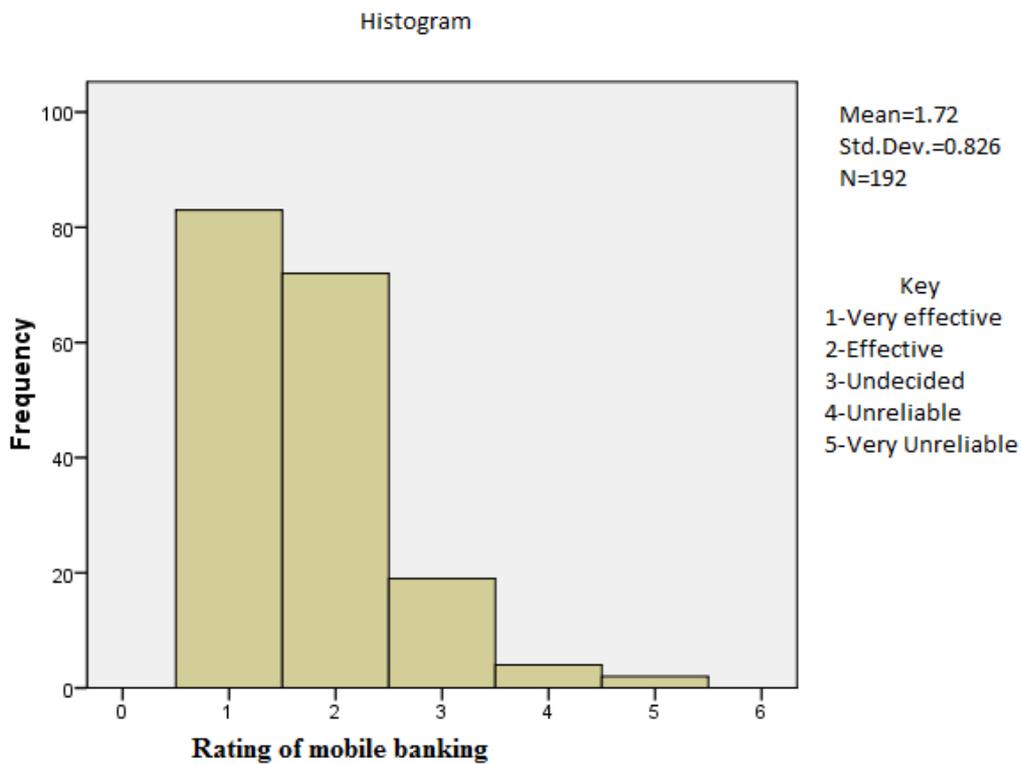
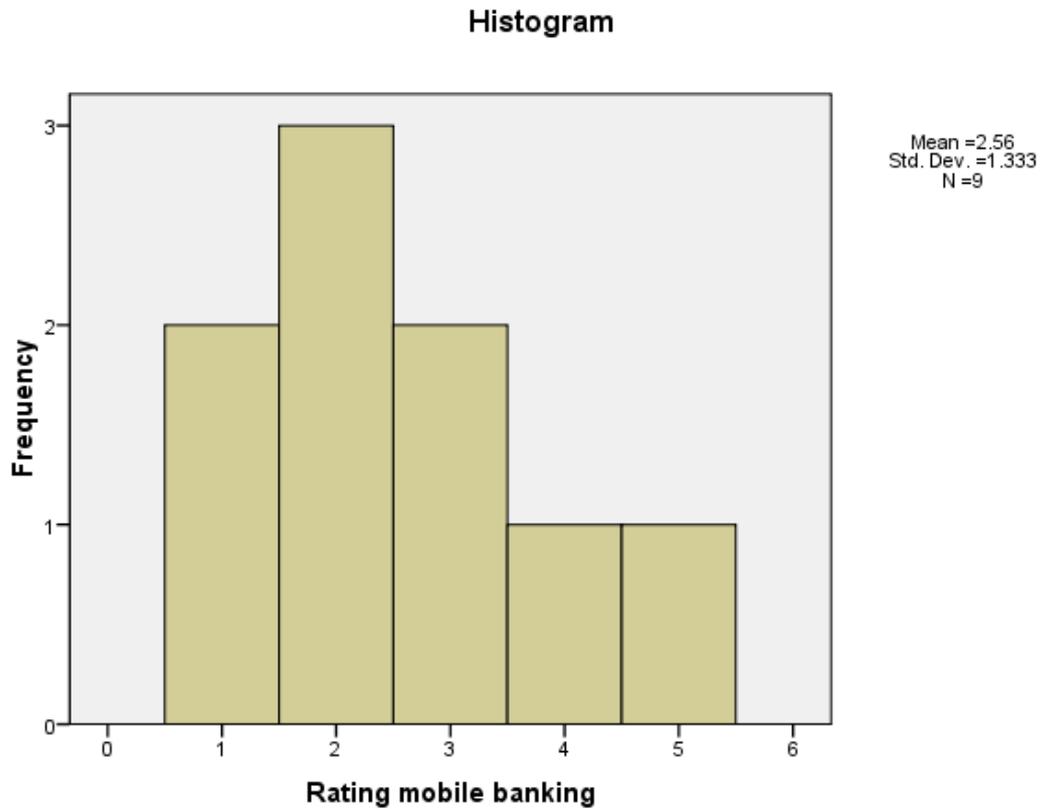


Figure 4.1 Rating of mobile banking according to customers

According to the figure above showing the rate of mobile banking according to bank customers majority (80) of the customers rated mobile banking as being very effective followed by those who rated it as being effective (70) with a few of them rating it as being unreliable.

Mobile banking rating according to employees



Source: Field data, (2012)

Figure 4.2 Rating of mobile banking according to employees

Figure 4.2 above showing the rating of mobile banking according to bank employees is explained by the table 4.17 below showing that majority of the bank employees rated mobile banking as being effective that is, three (27.3%).