



Impact of Electronic Banking Quality Service on Customer Satisfaction: A Case Study of District Nowshera Khyber Pakhtunkhwa, Pakistan

Dr. Safia Begum^{a*}, Humaira Bibi^b, Dr. Nasiha Begum^c, Aneela Rustam^d, Sabeena Rustam^e

^aAssociate professor/BS Coordinator at GGDC, Nowshera-Pakistan. ^bDepartment of Economics, Government Girls Degree College, Nowshera Pakistan. ^cPrincipal at WFGS system, KP, WWB. ^{d,e}Ph.D Scholar in Education.

*Email: safiakakakhail@gmail.com

Abstract: Electronic banking has become a vital component of modern banking, providing clients with efficiency, convenience, and accessibility. The purpose of this research is to analyze the impact of electronic banking quality service on customer satisfaction in district Nowshera of Khyber Pakhtunkhwa. The study estimates several dimensions of the quality of service in electronic banking that is, Reliability, Efficiency, Safety, satisfaction, and quality service and estimates the dimension that has the strongest influence on customer satisfaction. The researcher used primary data and used the sampling procedure to collect the data. The correlation coefficient and Anova test were used to estimate the data and compare the results through statistical software SPSS (23). The estimated result shows that all the target dimensions of electronic banking quality service have a positive impact on customer satisfaction, with safety having the strongest influence. The result also shows that among the targeted banks, that is, The banks of Khyber, Alfalah and Meezan Bank. The customers of The Bank of Khyber are highly satisfied from the electronic banking quality service. It is concluded that the electronic banking quality service is secure, efficient, and dependable for the customers of District Nowshera.

Key words: Safety, Reliability, Efficiency, Satisfaction and Quality Service

1. Introduction

Electronic commerce provides a direct, low-cost means of exchanging information as well as means of buying and selling goods, it is currently seen as holding the potential to usher in a new era of commerce. The banking industry is undergoing a change because of the market revolution, with the goal of providing a payment system that can meet the needs of the modern electronic marketplace. Customers can conduct banking transactions more quickly and easily with the help of electronic banking which is seen as a new revolution in traditional banking service. Over the past few decades, all the banks—especially the major banks—have progressively expanded the range of online banking services they offer to clients (Momeni, 2013). New methods of managing financial transactions have been made possible by advancements in the electronic banking technology, particularly when it comes to internet banking. Globally, the banking sector has been characterized by a growing tendency of globalization, mergers, acquisitions, and industry consolidation. These factors have made the sector more volatile and competitive (Muhammad, Akin & Abdul, 2015).

The executives of the financial institutions across the country are under pressure to hold on to market leadership as well as customer satisfaction while maintaining lower costs in the wake of recent financial crises and worldwide economic downturn. Bank leaders have leveraged their excellent service quality and information technology infrastructure to maintain market leadership while keeping lower the costs. The banks must adapt to modern

banking to communicate with customers' needs. ICT or information and communication technology has altered how many different businesses operate and do their businesses. Online banking encompasses all electronic and non-traditional banking methods which includes debit cards, credit cards, internet banking, phone banking, and cash machines. The physical absence of customers seeking banking services both off-site and on-site including overseas, is a unique aspect of online banking.

The introduction of advanced and sophisticated electronic banking services aimed to improve customer happiness and service delivery, ultimately fostering consumer loyalty towards the banks. Al-Madi (2010) states that the availability of cards, phone banking, internet banking, personal computer banking, and automated teller machine (ATMs) is a modern feature of electronic banking system. The world of today depends on a great deal on technology. The financial industry of Pakistan has changed because of globalization and the internet, which has also compressed the global economy.

1.2 Types of Electronic Banking in Pakistan

Automated teller machines, mobile banking, and online banking are the three main ways that electronic banking—also referred to as E-banking—has expanded dramatically in Pakistan. Cash machines enable users to perform standard banking tasks like cash withdrawals, balance inquiries, and fund transfers, making them a vital component of the country's computerized banking system. They are always operational around-the-clock, allowing customers to access their accounts at any time.

1.2.1 Online Banking

Online banking, also known as internet banking, allows users to access and manage their accounts through internet-based platforms provided by individual banks. It allows checking balances, transferring money, paying bills, and reviewing transaction histories, enabling users to manage their accounts from any location with an internet connection.

1.2.2 Mobile Banking

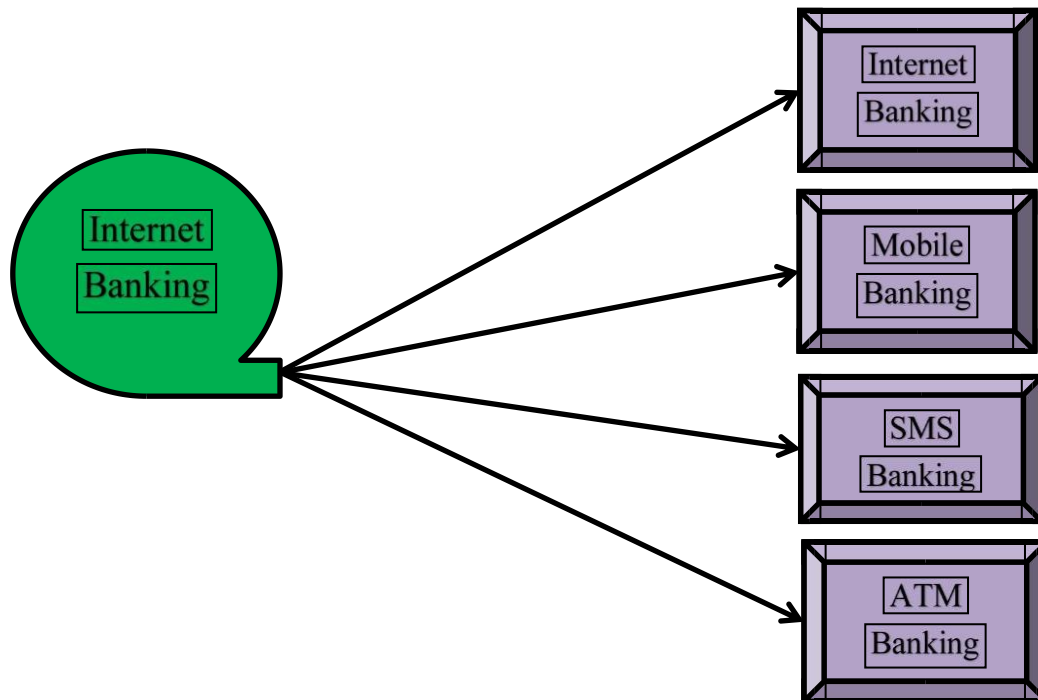
Mobile banking involves financial transactions using portable electronic devices like tablets and smartphones. Customers can securely access their accounts by installing mobile banking software from their banks. This allows them to check their account balance, make transfers, pay bills, and use mobile wallet services, allowing them to manage their money while active.

1.2.3 SMS Banking

SMS banking allows consumers to transfer and receive money on their phones, confirm account balances, view transactions, and transfer funds between accounts, making it convenient for those without internet or mobile access.

1.2.4 ATM Banking

Automated teller machines (ATMs) are widely used in Pakistan for banking services, providing round-the-clock access to various tasks such as cash withdrawals, deposits, fund transfers, account statements, and balance inquiries. These devices enable customers to manage their accounts conveniently, even outside of the bank's regular office hours.



1.3 Research Objectives

- To examine and determine the impact of Electronic Banking on customer satisfaction in Banking Industry of Pakistan with reference to district Nowshera.
- To explore which variables, contribute more towards customer satisfaction regarding electronic banking.
- To make the required recommendations for steps banks should take to improve the effect of electronic banking on customer satisfaction.

1.4 Research Questions

- What is the impact of electronic banking service on customer satisfaction in district Nowshera?
- E-Banking services are efficient and reliable for customers or not?
- E-Banking services are secure or not?
- Which dimension of the quality service has strongest influence on customer satisfaction?

1.5 Research Hypotheses

Hypothesis 1

H₀: Reliability has no significant impact on customer satisfaction.

H₁: Reliability has a significant impact on customer satisfaction.

Hypothesis 2

H₀: Safety has no significant impact on customer satisfaction.

H₂: Safety has a significant impact on customer satisfaction.

Hypothesis 3

H₀: Efficiency has no significant impact on customer satisfaction.

H₃: Efficiency has a significant impact on customer satisfaction.

Hypothesis 4

H₀: Satisfaction and quality service have no significant impact on customer satisfaction.

H₄: Satisfaction and quality service have significantly impact on customer satisfaction.

2. Literature Review

The article by Sumra.S.H, Manzoor. K, Sumra.H.H, et al (2011) explores the impact of ebanking on the profitability of banks in Pakistan. The study investigates twelve banks in the country and examines various goals that affect banks' profitability. It also explores the impact of clients' literacy on service delivery and the reasons

banks implement e-banking services. Interviews with bank managers reveal that e-banking has improved bank profitability by allowing them to cover expenses and quickly turn a profit. The primary goal of banks implementing e-banking is to grow their clientele and retain existing customers.

The study by Toor et al. (2016) investigates the impact of e-banking on customer satisfaction in Pakistan. The research, which used a quantitative research design and data from 264 respondents, found a significant association between customer satisfaction and service quality characteristics in Pakistani e-banking. The study found that assurance, responsiveness, and dependability were the most important aspects, indicating that banks can gain a competitive advantage by providing higher-quality services to their clients. This study highlights the importance of customer satisfaction in e-banking.

Haq & Awan.T.M. (2020) conducted a study on the impact of e-banking service quality on loyalty during the COVID-19 pandemic in Pakistan. The study involved account holders of three domestic banks and used structural equation modelling to analyze the data. The results showed that website design and dependability increased e-banking loyalty, particularly during the pandemic. The study also found that e-banking satisfaction mediated the relationship between e-banking happiness, privacy, security, and loyalty, with the indirect relationship between e-banking loyalty and website design being only partially mediated. The findings can help policymakers develop e-banking systems and regulatory agencies develop safety roadmaps. Customers value secure e-banking platforms due to the mediating effect of satisfaction between privacy, security, and loyalty. The study also applied cognitive motivational relational (CMR) theory to understand the behavioral changes during COVID19.

3. Research Methodology

3.1 Study Area

The researchers have conducted the study in the district Nowshera, Khyber Pakhtunkhwa. With a population density of five hundred people per km², the district has a total area of 1,748 km² and 120,131 residents as of 2017.

3.2 Data Type

The researchers used primary data to determine assess the impact of electronic banking quality service on customer satisfaction.

3.3 Sample Size

The researcher drew a sample of three hundred customers (100 in each bank), i.e., Meezan Bank, Alfalah Bank, and The Bank of Khyber.

3.4 Sampling Procedure

The data inculcated in this study was collected using Convenience Sampling methods. It is a research methodology that involves the collection of market research data from a readily accessible sample of respondents.

3.5 Data Collection Source

A structured questionnaire was used to gather primary data on digital banking usage. The questionnaire included questions about gender, age, occupation, and frequency, as well as four variables (reliability, safety, efficiency, quality service, and satisfaction), each containing four questions about quality service.

4. Data Analysis

4.1 Demographic Profile of Respondents

A form of demographic analysis known as a demographic profile involves gathering information about a group to understand its composition or behaviors. A few factors determined the respondents' demographic profile in this study: gender, age, occupation, and frequency of use of digital banking.

Table: 4.1 Demographic Profile of Respondents

	Categories	Percentage
Gender Of Respondents	Male	64.3%
	Female	35.3%

Age of Respondents	Less Than 25	27.3%
	26-35	53.3%
	Older than 36	19.3%
Occupation Of the Respondents	Employee	34.7%
	Merchant	37.0%
	Worker	23.7%
	Others	4.7%
E-Banking Transaction	Once per Month	23.0%
	Twice per Month	31.7%
	Three times per month	45.3%
Professional Experience	For Three years	53.7%
	For four years	11.3%
	Since more than five years	35.0%

The gender of the respondents that were part of the study. Out of three hundred respondents, 67.3% were male and 35.3% were female. It is pertinent to say that most of the respondents were male. It shows that majority of the customers are those whose age is between 26-35(54%), followed by the age which lies less than 25(27%), followed by the age group older than 36(19%). Most of the customers are Merchant (37%), followed by employee (34%), followed by worker (24%), and followed by others occupation (5%) and the majority of clients transact electronically three times a month (45%), once a month (23%), and twice a month (32%). The above table shows the respondents professional viewpoints who took part in the study. Out of three hundred respondents, 54% had three years of experience, 11% had four years' experience and, of them, 36% had worked for more than five years. The average response time was three years of experience.

4.3.1 Testing First Hypothesis

H0 = Reliability significantly impacts customer satisfaction.

H1 = Reliability has an imperative impact on customer satisfaction.

Table: 4.2 Pearson Correlation Coefficient of Reliability and Customer Satisfaction

		Reliability	Customer satisfaction
Reliability	Pearson Correlation	1	.858**
	Sig. (2-tailed)		.000
	N	300	300
Customer satisfaction	Pearson Correlation	.858**	1
	Sig. (2-tailed)	.000	
	N	300	300

** . Correlation is significant at the 0.01 level (2-tailed).

The outcome of the correlation coefficient shows that the customer satisfaction is positively impacted by the electronic banking quality service dimension Reliability. As a result, the researcher accepts H1 while reject H0.

4.3.2 Testing Second Hypothesis

H₀ = Safety has does not substantially impact customer satisfaction.

H₂ = Safety significantly impacts customer satisfaction.

Table: 4.3 Pearson Correlation Coefficient of Safety and Customer Satisfaction

		Safety	Customer satisfaction
Safety	Pearson Correlation	1	.902**
	Sig. (2-tailed)		.000
	N	300	300
Customer satisfaction	Pearson Correlation	.902**	1
	Sig. (2-tailed)	.000	
	N	300	300

** . Correlation is significant at the 0.01 level (2-tailed).

The outcome of the correlation coefficient indicates that the customer satisfaction is positively impacted by the electronic banking quality service dimension Reliability. As a result, the researcher accepts H1 while reject H0.

4.3.3 Testing Third Hypothesis

H₀: efficiency does not substantially impact customer satisfaction.

H₃: Efficiency has an imperative impact on customer satisfaction.

Table: 4.4 Pearson Correlation Coefficient of Efficiency and customer satisfaction

		Customer satisfaction	Efficiency
Customer satisfaction	Pearson Correlation	1	.895**
	Sig. (2-tailed)		.000
	N	300	300
Efficiency	Pearson Correlation	.895**	1

Sig. (2-tailed)	.000	
N	300	300

** . At the 0.01 level, correlation is significant (2-tailed).

The findings shows that customer satisfaction suffers when the efficiency of the quality service dimension is high. Consequently, the researcher accepts H_3 and reject H_0 .

4.3.4 Testing fourth Hypothesis

H_0 : Satisfaction and quality service have no substantial impact on satisfaction of customers.

H_4 : Satisfaction and quality service have significantly impact on customer satisfaction.

Table: 4.5 Pearson Correlation Coefficient of Satisfaction and Quality Service and customer satisfaction

		Customer satisfaction	Satisfaction & quality service
Customer satisfaction	Pearson Correlation	1	.849**
	Sig. (2-tailed)		.000
	N	300	300
Satisfaction & quality service	Pearson Correlation	.849**	1
	Sig. (2-tailed)	.000	
	N	300	300

** . Correlation is significant at the 0.01 level (2-tailed).

The findings indicates that the quality service of electronic banking has significantly impact on customer satisfaction. As a result, the researcher accepts H_4 and reject H_0 .

4.4 Overview of Findings

This study looked at the connection between the quality of E-banking services and happiness of customers. The study found a strong connection between the features of electronic banking—reliability, efficiency, satisfaction, safety, and high-quality services—and satisfaction of consumers. Correlation coefficient, an econometric approach, has been used to assess the data and provide answers to the stated hypothesis. SPSS (version 23) was used to analyze the results of the study. Given the finding of this study, it shows that, among the four components of quality service features in the electronic banking system of Pakistan, there was a substantial correlation between customer safety and happiness.

5. Summary, Conclusion and Recommendations

5.1 Main Findings

The main findings of the study were as follows.

- a) All the target dimensions of electronic banking had a positive impact on customer satisfaction.
- b) The study found that the safety of electronic banking has the strongest influence on customer satisfaction.
- c) It was projected that customers in district Nowshera find electronic banking to be dependable and efficient.
- d) The research revealed that among the targeted banks the Bank of Khyber customer satisfaction level is high.

5.2 Summary

The principal objective of this research paper was to analyze the impact of E-banking quality service on customer satisfaction in district Nowshera of Khyber Pakhtunkhwa (Pakistan). The researcher estimates several dimensions of the quality service of electronic banking in district Nowshera. The study was based on primary data, using sampling procedures to collect information. The analysis was done through the statistical tool SPSS (version 23). The estimated result shows that all the target dimensions of the electronic banking quality service have imperative impacts on customer satisfaction. The safety dimension of the quality service has the strongest influence on customer satisfaction in district Nowshera as compared to other dimensions of E-banking quality service. This research paper also showed that the bank of Khyber has a high degree of customer satisfaction among the targeted banks.

5.3 Conclusion

The purpose of this study is to add valuable insights to the body of knowledge by examining how customer happiness in Nowshera district of Khyber Pakhtunkhwa, Pakistan, is affected by the effective quality of electronic banking services. While authoring this research paper, the following aspects of quality electronic banking services were taken into consideration, efficiency, safety, contentment, and quality of service. The study found that the primary integral factors of the quality of electronic banking services are safety, efficiency, contentment, quality service and reliability. The empirical statistic of the study demonstrates that, in the banking sector, customer happiness and the quality parameters of the electronic banking service are directly correlated. Understanding the characteristics of found in the study would help bank managers and policy makers use full efforts and resources in the most efficient and effective ways to attain long-term growth in their banks' business and client retention.

5.4 Recommendations

5.4.1 Recommendations for Future Researchers

- To make the study's conclusions more universally applicable, more studies with bigger sample sizes ought to be conducted.
- By giving access to a list of Pakistani customers who use e-banking, the probability sampling technique can assist ensure that the sample being surveyed is more representative of the population.
- For additional study, more service quality variables that influence customer satisfaction can be included.
- Research focused on individual banks, such as public and private, domestic, and international, could produce more conclusive findings about client satisfaction in Pakistan's e-banking market.

5.4.2 Recommendations for Banks

- It is recommended that banks endeavor to provide e-banking services to diverse account holders beyond the existing channels of distribution.
- They should also introduce new channels for the delivery of e-banking services, such internet and mobile banking, to encourage customers to use POS devices like cash machines. To reduce bank hall visits and achieve investment cost advantages, e-banking services should be made available to as many clients as possible, as opening a bank hall now costs much more in rent annually than buying an ATM.
- It is imperative that all customers are informed about the existence of an e-banking service charge. Rather than only providing debit cards, banks must provide formal training sessions for their clientele to enhance their comprehension of e-banking.

- Since current account holders are business owners who occasionally need money, it is an innovative idea to encourage them to use e-banking services as this will boost the revenue the service receives from their usage.
- The banks ought to guarantee that service is never interrupted by a network problem, a power outage, or other technological problems, exceedingly rather than falling short of their promise to offer round-the-clock availability. Should work harder to keep customer satisfaction levels above the current ones and conduct a poll to collect factual information on customer satisfaction.
- By removing barriers, banks may capitalize on the potential growth of electronic banking. Additionally, the range of services provided by electronic banking can be enhanced, including the ability to receive deposits. In the end, the banks should pay more attention to the factors that most affect how happy their clients are with online banking.

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