

## CUSTOMERS' PREFERENCE FOR E – BANKING SERVICES: A CASE STUDY OF SELECTED BANKS IN SIERRA LEONE

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### ABSTRACT

*The development and the increasing progress that is being experienced in the Information and Communication Technology have brought about a lot of changes in almost all facets of life. In the Banking Industry, it has been in the form of online banking, which is now replacing the traditional banking practice. Online banking has a lot of benefits which add value to customers' satisfaction in terms of better quality of service offerings and at the same time enable the banks gain more competitive advantage over other competitors. There are some associated risks identified in the study that seem to hinder the success of e-banking services and thus constitute major concern to both financial institutions and customers. This paper therefore, examines, if customers' choice of banks is influenced by the quality of e-banking services provided. Stratified sampling was used; while the survey Instrument was a developed Questionnaire comprising open ended and Likert type of questions. The Likert type questions have a 4 point scale (indicating 1 = very comfortable and 4 = uncomfortable) divided into two (2) sections: personal details and customers' e-banking preference in Sierra Leone. The instrument contained 36 items and was administered to about 400 respondents, while 360 completed and returned their Questionnaire. The statistical techniques used for the analysis were the Chi-Square and correlation. The Chi-Square analysis revealed that the quality of e-banking services offered by banks have significant influence on their customers at 95%, 3 degree of freedom. The paper recommends that various measures should be put in place to ensure more security such as installation of encrypted software, verification system of customer's identification cards, frequent change of password, examining test questions and using mixed password such as the use of alphanumeric amongst others. The paper concludes that e-banking has become important phenomenon in the banking industry and it will continue as more progress and innovations are made in information technology.*

**Keywords:** *Stratified Sampling, Sierra Leone, Customers' Preference, E-Banking, Competitive advantage and Pharming.*

### 1.0 INTRODUCTION

The economy of most developing countries is cash driven; meaning that monetary transactions are basically made through the exchange of bank notes and coins for goods and services. However, this trend is now giving way to a modern and sophisticated payment system where the currency and notes are converted to data, which are in turn transmitted through the telephone lines and satellite transponders. This is as a result of rapid technological progress and development in the financial market (Ozuru et al. 2010; Johnson, 2005).

There is faster delivery of information from the customer and service provider, thus differentiating Internet enabled electronic banking system from the traditional banking operation (Singhal and Padhmanabhan, 2008; Salawu et al. 2007). This transfer process makes money to be carried in information storage medium such as cheques, credit cards, and electronic means than its pure cash form. E-banking has thus become important channel to sell Products and Services; leading to a paradigm shift in marketing practices, resulting in high performance in the banking industry (Christopher et al. 2006; Brodie et al 2007; Singhal and Padhmanabhan, 2008).

The banking industry has been undergoing changes since the mid 1990s, in the form of innovative use of information technology and development in electronic commerce (Kalakota and Whinston, 1996). This development made e-banking pose as a threat to the traditional branch operations, despite the fact that electronic commerce is still developing and is rapidly changing (Harris and Spence, 2002; Turbin et al. 2002). According to Ozuru et al. (2010) "The importance of electronic payment system in any country can never be over emphasized, due to the dramatic transformation in technological advancements that is being experienced by the global financial industry". They further argued that this new technological development may result to digital money replacing fiduciary currency in some developed countries, for instance, e-money has become legal tender in Singapore since 2008; while the contrast is the situation in many African countries, which are still cash based.

The general objective of this paper is to examine whether or not customers' bank choice is influenced by the quality of e-banking services and/or products provided. Other specific objectives are to determine if customers' long term relationship is influenced by the bank's service offerings; and finally to examine the effect of education on customers' adoption of e-banking.

## 2.0 MATERIALS AND METHODS

E-marketing is described as the achievement of marketing objectives through the use of electronic communications technology. It is further identified that the key success factors in e-marketing is achieving customer satisfaction through the electronic channel in terms of the ease of use, performance and quality of service (Smith and Chaffey, 2001). This idea of e-marketing concept is seen as broader in scope. An alternative perspective was provided on e-marketing by Chaffey et al. (2006) by the term "Internet Marketing"; which they described as the "Application of the Internet and related digital technologies to achieving marketing objectives". Digital marketing is another term which has similar meaning to "electronic marketing" and now increasingly used by Specialist Marketing Agencies (Chaffey et al, 2006). Therefore, the terms E-Marketing, Internet Marketing and Digital Marketing can be described as synonymous.

Internet banking, however, is now used as the term for new age banking system (Singhal and Padhmanabhan, 2008). Internet banking is defined as the use of the Internet to deliver banking activities such as funds transfer, paying bills, viewing current and savings account balance, paying mortgages and purchasing financial instruments and certificates of deposits (Singhal and Padhmanabhan, 2008; Ahasanul et al, 2009).

Internet banking is also called Online banking, e-payment and e-banking (Ozuru et al, 2010; Singhal and Padhmanabhan, 2008; Beer, 2006; Jun and Cai, 2001; IAMAI, 2006). E-payment is described as a means whereby banking businesses are transacted through automated processes and electronic devices such as personal computers, telephones, and fax machines, Internet card payments and other electronic channels (Turban et al, 2006; Ozuru et al, 2010). The electronic communications used in Internet banking includes: Internet, e-mail, e-books, data base and mobile phones (Chaffey et al, 2006). Cell phone banking apart from Internet banking is considered the way of the future (Fisher – French, 2007; Masocha et al, 2011).

In the recent time, the development in technology has affected business organizations in several ways, most especially in terms of management and control; marketing and research; operations and decision making. It is therefore, the vogue that every organization wants to tap the benefits accrue from technology development. In other word, most organizations find means of enjoying the advantages encapsulated in the new technologies (Larpsiri and Speece, 2004; Durkin and Howcroft, 2003; Masocha et al, 2011). There was reduction of cost through substantial improvement in efficiency by business organizations. This resulted in banks diverting their focus towards extensive computerization and electronic operations (Masocha et al, 2011). The electronic delivery of banking service has become ideal for banks in meeting customers' expectations and building close customer relationship (Ching, 2008; Lamb et al, 2002). It is therefore, no doubt that e-banking will definitely overwhelm traditional banking in the near future; since more developing nations seem to direct their focus on

building up their infrastructure with specific attention on e-banking, e-commerce and e-learning (Kamel, 2005; Masocha et al, 2011).

Internet banking started with simple functions such as real time access to information about interest rate, checking account balances and computing loan eligibility. However, these services have graduated to online bill payment, transfer of funds between accounts and cash management services for corporate organizations and individuals (Khan et al, 2009; Singhal and Padhmanbhan, 2008). The development experienced in Internet and other global online networks have thus created new commercial opportunities for e-commerce and creation of completely new sets of global and national trading relationships. This consequently, led to the perception that e-banking and e-commerce are now an inevitable aspect of financial services (Harris and Spencer, 2002).

The use of e-banking has brought many benefits amongst which include: there are no barrier limitations; it is convenient; services are offered at minimal cost; it has transformed traditional practices in banking; the only way to stay connected to the customers at any place and any time is through internet applications; it results in high performance in the banking industry through faster delivery of information from the customer and service provider; customers prefer the use of e-banking because it saves time; it makes possible the use of innovative product or service at a low transaction fees and it encourages queue management which is one of the important dimensions of e-banking service quality (Gonzalez et al, 2008; Singhal and Padhmanbhan, 2008; Brodie et al, 2007; Williamson, 2006; Beer, 2006; Cooper, 1997; IAMAI's, 2006 and Joseph et al, 1999).

Basically, there are certain issues raised in current literature on e-banking that are considered as major problems of Internet banking amongst which include: the case of Internet criminals and fraudsters attempt to steal customer information through various methods such as phishing and pharming. In other word, there is increased concern about privacy and security of customers' information as a result of the fragility of information collected and held electronically and transferred via computer – mediated communications (Singhal and Padhmanbhan, 2008; Harris and Spencer, 2002). Other problems are: fund transfers make it very easy for criminals to hide their transactions; there is inaccessibility to e-banking due to poor internet penetration, customer inflexibility to new technology, low educational level, poor computer literacy and constructive use of Internet services; language, cultural and logistical barriers; different legislation and information overload to customers (Williamson, 2006; Singhal and Padhmanbhan, 2008; Masocha et al, 2011; Harris and Spencer, 2002). As a result of the aforementioned problems, online banking services have thus become a crucial concern of financial institutions during this era of sophisticated technological breakthrough (Williamson, 2006). The fact therefore remain that the various electronic banking services and products have no doubt exposed customers to new ways of convenience rather than the conventional banking.

## **2.1 Research Methodology**

This study was conducted as a survey that examined customers' preference of e-banking in Sierra Leone. Until about four (4) years ago, there were only four (4) commercial banks in Sierra Leone; the recent influx has led to the number increasing to about thirteen (13) commercial banks. This financial revolution has brought about the introduction of various new electronic banking services and products.

This study was conducted in Freetown as this is the location where most of the commercial activities take place and commercial banks are also concentrated; with regular access to Internet facility. Notwithstanding, some of these commercial banks have spread across major provincial cities but access to e-banking facilities are very limited and/or not existent. The survey was conducted between the 10<sup>th</sup> to 24<sup>th</sup> March 2011. The survey Instrument was a developed Questionnaire comprising open ended and Likert type of questions. The Likert type questions have a 4 point scale (indicating 1 = very comfortable and 4 = uncomfortable) divided into two (2) sections: personal details and customers' e-banking preference in Sierra Leone. The instrument contained 36 items and was administered to about 400 respondents, while 360 finally completed and returned their Questionnaire.

Stratified sampling was used in the conduct of the research study; four (4) banks were randomly selected from the total of thirteen (13) banks in operation in Sierra Leone as at the time of carrying out this study. The banks were divided into indigenous banks and foreign banks. One (1) bank was selected from the three indigenous banks while three were selected from the 10 foreign banks operating in Sierra Leone. The respondents were further divided into the following strata: male/female; resident/nonresident and foreigner/indigene. A simple random sampling of each stratum was then taken for the study. In other word, we take randomly selected individuals from all the strata that constitute our sample. The statistical techniques used for the analysis of data collected were the Chi-Square and correlation.

### 3.0 RESULTS AND DISCUSSIONS

This section considered the discussions on respondents' profile, quality of e-banking services by banks, effect of customers' relationship on bank services and customers' level of education as it influence the adoption of e-banking services.

The survey data revealed that about 61% of the respondents were male while 39% were female. This tends to indicate that there are more male customers than the female customers or probably males have more banking culture than their female counterpart during the period of study. Also, the survey data revealed that 69% respondents are married; while 27% are single or never married and 3% are widow. Men normally have more reasons to save than their female counterpart and thus develop early saving culture in order to meet with most of their desire and wants. This consequently results to most men having an account with the banks and benefiting from other services provided by the banks. It was also revealed that greater proportion (67%) of the respondents are between 31 – 50 years age bracket, while 5% are above 50 years old and 28% are 30 years and below. The majority of the bank customers are therefore adult, some of whom are still in their prime age and have many productive and useful years to serve in their places of work. 59% of the respondents are of nuclear family background, with 33% from extended family and 8% from single female parents. The reason for having single female parents among the banks' customers may be due to the effect of the war on the people. The war came to an end about a decade ago. This war affected most men and this consequently made many women become widows and many children - orphans. In the survey it was revealed that 86% of the respondents were employed while 14% are unemployed. The few unemployed respondents are students, spouse of foreigners and pensioners who had retired from work. These set of people are captured in the study thus making the sample present a fair representation of the population under study. The proportion of respondents that are resident in Freetown under the survey was 60% compared to 40% that are not residing in Freetown but came from Provinces to do their banking transactions in Freetown. These are mostly businessmen and self employed individuals that daily shuttle from the provinces to Freetown for business or engage in one economic activity or the other. This has revealed that nonresident customers also constitute significant category of banks' customers in Freetown and hence, they should be offered efficient services as e-banking facilities are not very efficient in the provinces due to inefficient Internet facilities. The indigenes constitute a significant proportion (57%) of customers under surveyed; with only 43% being foreigner and 92% indicated doing business with the bank while 8% kept their money at home. This might explain the reason why the greatest percentage (61%) of the respondents bank with Sierra Leone Commercial Bank; followed by 20% banking with Ecobank Sierra Leone; 11% with Guaranty Trust Bank and 8% with the Standard Chartered Bank. The foreigners are largely Lebanese and they control major commercial activities in the city. There are also other foreigners such as Chinese, Indians, Arabs, American, British, Africans and other nationals who are mostly staff of Non Governmental Organisations, Foreign Missions, Banks and Multi-national Companies. They all make use of banks for most of their money transfer and financial transactions.

#### 3.1 Quality of E-banking Services

This study attempts to examine whether customers' choice of banks is influenced by the quality of e-banking services and products provided. Out of the 360 respondents under surveyed, 75% indicated they do e-banking service with their banks compare to 25% that do not. It was also revealed that 9% are not aware of the e banking services provided by their banks while 15% preferred the face to face or conventional banking. This means that 85% prefer e-banking to the traditional banking system. The major types of e-banking services enjoyed by the customers in the following order are ATM banking (60%); Money Transfer (30%); and all Internet banking facilities (10%). The reasons given by the respondents for preferring e-banking to traditional banking practice include: availability of banking facility anytime and anywhere (27%); it is easy to use (23%); it saves time (19%); it offers a convenient way of operating banking transactions (17%); there is no need for queuing (8%) and it is a very flexible virtual banking system (6%). A greater proportion (82%) of the respondents is very comfortable with the e banking choice while only very few of them are not comfortable (18%). The reasons given by the respondents that are not comfortable are: security concern (37%); lack of knowledge (25%); unreliability (20%) and preference for face to face contact (18%). The survey further revealed that greater proportion (74%) of the respondents do e-banking themselves while 26% sort help when doing e-banking. There are 71% respondents that indicated they were satisfied with the e-banking services provided by their banks while 29% are not satisfied. The reasons given by those respondents who are satisfied include: easy access (69%); customer friendly environment (20%); faster than conventional banking (13%) and password protected (8%); while those respondents not satisfied with the e-banking services gave the following reasons: slow response of Internet connection (63%) and inaccessibility (37%). The following benefits of e-banking are identified from the study: speedy transfer (30%); efficient transactions (24%); regular check of transaction and

statement details (15%); easy access (12%); saves transaction costs (10%); lower transaction fees (6%) and offers third party facility of fund transfer (3%). The expected associated risks of e-banking identified by the respondents from the study are: cyber fraud (25%); cyber theft (20%); security concerns (12.5%); risk of hackers (9%); Leaked customer information (6.5%); making closed system open up (5%); third party intervention (4.7%); transaction process (4.3%) and wrong information/code from sender (4%) and others such as card retrieval problem, delay due to wrong codes, unreliable power supply, slow Internet connectivity, system failure/error and lack of knowledge (9%).

In examining whether or not customers’ bank choice is influenced by the quality of e-banking services and/or products provided, a hypothesis was raised thus:

H<sub>1</sub>: The quality of e-banking services offered by banks have significant influence on its customer.

The four banks selected for the study are: Sierra Leone Commercial Bank; Standard Chartered Bank; Guaranty Trust Bank and Ecobank Sierra Leone. The survey as shown in Table 1b, revealed that 61% of the respondents bank with the Sierra Leone Commercial Bank; followed by 20% who bank with Ecobank Sierra Leone; 11% of the respondents bank with Guaranty Trust Bank and 8% bank with Standard Chartered Bank. The survey revealed that 86%, 33%, 100% and 57% of the banks’ customers are satisfied with the e-banking services offered by Sierra Leone Commercial Bank; Standard Chartered Bank; Guaranty Trust Bank and Ecobank Sierra Leone respectively. This indicates that the customers are satisfied with the e-banking services provided by these banks except in Standard Chartered Bank where the number of those that are unsatisfied are more than those that are satisfied with the bank services. All the respondents banking with Guaranty Trust Bank during the period of the study are satisfied with the bank’s services. This trend if sustained, may give Guaranty Trust Bank a competitive advantage over others in the nearest future. The reason for many of the respondents banking with the Sierra Leone Commercial Bank may be because it is one of the indigenous banks largely owned by Sierra Leone Government and the people believe that they should do business with their own bank. The Chi-Square analysis was employed to test the hypothesis at 95%, 3 degree of freedom. The result of the analysis as shown in Table 1a revealed that the quality of e-banking services offered by banks have significant influence on their customers. The calculated Chi-Square = 72.3 is greater than the tabulated Chi-Square at 95% confidence level and 3 degree of freedom = 7.815. Therefore, we accept our Null hypothesis that there is significant difference and reject the alternative hypothesis that there is no significant difference. The quality of e-banking services in terms of effective delivery, reliability, easy access and low fee charges significantly influence customers’ choice of banks and patronage.

This result is in conformity with other past studies conducted by Scholars such as Williamson,2006; Beer,2006 and Singhal and Padhmanabhan,2008 who agreed that a 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.67.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	72.342(a)	3	.000
Likelihood Ratio	72.335	3	.000
Linear-by-Linear Association	16.293	1	.000
N of Valid Cases	360		

**Table 1a: Chi-Square Tests**

**Table 1b: E-banking Services and Customers’ Satisfaction**

Banking Institutions	Are You Satisfied		Total
	Yes	No	
Sierra Leone Commercial Bank	190	30	220
Standard Chartered Bank	10	20	30
Guaranty Trust Bank	40	0	40
Ecobank SL	40	30	70
<b>Total</b>	<b>280</b>	<b>80</b>	<b>360</b>

Online Banking offers Customer such benefits as convenience and flexibility at a lower cost.

### 3.2 Customers’ Relationship with the Bank

This study attempts to examine the effect of customers’ relationship on banking services and we therefore

formulate a working hypothesis which states thus:

H<sub>2</sub>: There is no significant relationship between customers' satisfaction and the number of years customers have been with the bank.

In the survey it was shown that 42% of the banks' customers have been with their banks for the period between 1 – 5 years while 58% of the respondents have been with the bank over the period of 5 years and above. This reveals that a larger proportion of the customers have been for long period of time with the bank. The survey further reveal that 80% of the customers expressed satisfaction with their bank's services for both periods between 1 -5 years and more than 10 years while 82% also expressed satisfaction for the period between 5 – 10 years. This presents a good picture that customers with long time relationship with the banks are satisfied with the banks' services. There are lot of factors that may account for this customer loyalty amongst which include: prompt and effectively delivery of services, good customer's relationship, conducive environment, good public image and financial capability of the bank.

**Table 2a: Customers' Relationship and E-bank Services**

How long have been with your bank?	Are the bank's customer service efficient?		Total
	Yes	No	
Between 1-5 Years	120	30	150
Between 5-10 Years	90	20	110
More than 10 Years	80	20	100
Total	280	70	360

**Table 2b: Correlation Coefficient**

	Value	Asymp. Std. Error(a)	Approx. T(b)	Approx. Sig.
Interval by Pearson's R Interval	-.002	.053	-.045	.964(c)
Ordinal by Spearman Ordinal Correlation	-.004	.053	-.068	.946(c)
N of Valid Cases	360			

a Not assuming the null hypothesis.

b Using the asymptotic standard error assuming the null hypothesis.

c Based on normal approximation.

The Pearson correlation coefficient was the statistical technique employed to further test the hypothesis at Probability value of 0.01. The correlation coefficient = 0.964 which indicates a strong positive correlation with 0.053 Sum of Squared Errors (SSE). The smaller the Sum of Squared Errors the better; because this makes the original set of points fits the line of best fits. In other word, the correlation coefficient indicates that there exists significant relationship between customer satisfaction and how long the customer has been with the bank; therefore, we reject the null hypothesis that there is no significant relationships and accept the alternative hypothesis of having significant relationship.

### 3.3 Customer's Level of Education

There are three categories of respondents considering their level of education and they are: 6% attained primary school education; 11% attained secondary education while 83% attained tertiary education; as shown in Table 3a. This presents an interesting information because the data could not captured the category of those without formal education, however despite the limitation; a reasonable and logical conclusion was still drawn from our analysis. The survey indicates that all respondents have acquired one type of knowledge of western education or the other. Therefore, for customer to be able to enjoy the use of e-banking service(s) there is need for him/her to be educated. This means that education is one of the important factors for access to e-banking services. The greatest proportion (83%) of the respondents are graduates of university/polytechnic while fewer proportion are either those with secondary education (11%) and primary school certificate (6%). Out of the 270 respondents that are doing e-banking, 83% are graduates while 17% are secondary school leavers, none of respondents with primary school certificate indicate doing e-banking. The reasons for this may be due to lack of knowledge of computer, preference for face to face banking, lack of information or awareness of e-banking services, not comfortable with e-banking services and security concern about the e-banking services. The survey also indicated that 27% of the respondents rely on the help of others for the e-banking process. This further shows

that some of the educated respondents, may be as a result of their lack of knowledge of computer finds it difficult to enjoy the e-banking services. In order to determine the effect of education on the level of adoption of e – banking services, this hypothesis is therefore stated:

*H3: Customer’s level of education has no significant effect on their level of adoption of e –banking.*

This hypothesis was tested with the Chi-Square Statistical technique at 2 degree of freedom and 99% confidence level. The result indicates that a significant effect exist between customer’s level of education and adoption of e-banking services (Table 3b). The tabulated Chi-Square at 2 degree of freedom and 99% confidence level equals to 9.210 and calculated Chi-Square equals to 84.4. The calculated Chi-Square (84.4) is greater than the tabulated Chi-Square (9.210), hence we therefore, reject our null hypothesis that there is no significant relationship and accept the alternative hypothesis that a significant relationship exist.

**Table 3a: Customers’ Level of Education and E-banking Services**

		Level of Education			Total
		Primary Level	Secondary Level	Tertiary Level	
Do you do e-banking?	Yes	0	20	250	270
	No	20	20	50	90
Total		20	40	300	360

**Table 3b: Chi-Square Test**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	84.444(a)	2	.000
Likelihood Ratio	79.093	2	.000
Linear-by-Linear Association	83.246	1	.000
N of Valid Cases	360		

0 cells (.0%) have expected count less than 5. The minimum expected count is 5.00.

**4.0 CONCLUSIONS AND RECOMMENDATIONS**

This study has shown the various benefits accruing to Internet banking; and that many people are increasingly using this service. The service ranges from bill payments, online deposits and account opening, ticket booking to fund transfer. This facility has made it easy for people to arrange for their travel bookings and tickets online, without going to the book reservation centre or office any more (Singhal and Padhmanbhan, 2008). There are lot of issues raised in the study which border on security, theft and fraudulent practices with regard to the use of e-banking services. These issues if not addressed can jeopardized the success of this innovative and laudable financial services in the banking industry. The paper therefore, recommends the following measures to abate the current level of decadence and difficulty being experienced in the utilization of e-banking services in our financial institutions and banking industry. These measures include:

- There should be proper maintenance of the system used by the banks in order to forestall cases of complete breakdown of the system, which can result to loss of material or information that are of vital importance to the customers and the organisations concerned;
- E-banking should be easily accessible by the users; this should be in terms of approach or convenience, availability, understanding and suitability. The users should not need the service of a specialist to conduct their transaction using e-banking. It should also be suitable for all categories of customers even the physically challenged;
- Improved Internet connectivity is very essential for the success of e-banking. The banking industry therefore, needs to ensure regular Internet connections with sustained power supply for this objective to be achieved;
- E-security serves as a serious concern not only to the banking industry but also the e-commerce. There are various measures that can be put in place to ensure more security using e-banking services such as installation of encrypted software, verification system for customer’s identification cards, frequent change of password, examining test questions and using mixed password such as the use of alphanumeric;
- Customers need to be given more sustained public education concerning the use of e-banking services

such as proper maintenance of ATM cards, how to make various online transactions without giving room for Internet fraudsters, and ensuring more security for their online transactions; and

- Financial institutions and banks should endeavour to renew lost materials most especially where there is loss of material due to corruption of data in the system. They should have back up storage for their data because there may be problem anytime; which can result to loss of material and information.

E-banking has become important phenomenon in the banking industry and it will continue as more progress is made in information technology. The financial industry thus is gradually experiencing transformation from cash based system to a “paperless” system, that is more convenient and reliable.

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