

Analyzing Effective Factors on Loyalty of Banks' E-Customers (A Case Study: Eghtesad Novin Bank in Behbahan, Iran)

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Abstract

Banks as financial-economic institutions are always looking for meeting the needs and expectations of their customers. As a daily increasing tendency to use electronic banking (e-banking) services because of its unique properties and the presence of bank for transferring the financial sources, e-banking becomes an inseparable part of e-commerce and has essential role in executing that. On the other hand, the studies show that customer's satisfaction affects the customers' retaining and finally the profitability and success of banks in the field of competing. Information technology (IT) sets the stage for improving the performance and service innovation by facilitating the relationship with customers and by increasing its speed and affectivity. In this article, the concepts of loyalty and e-banking were first investigated. The relationship between the modern banking services with the rate of customers' loyalty has been investigated by means of field research and the intended results. Eghtesad Novin Bank in the city of Behbahan (Ahwaz, Iran) has been the case study in which the population consists of Eghtesad Novin's customers. The results suggest that the electronic services of Eghtesad Novin which are presented via various channels such as ATMs, Phone Bank, and Internet Bank are the functional needs of customers. This means that the relationship between their improvement and the customers' loyalty is a straight linear relationship. Therefore, increasing the number and quality of these services will cause the increase in satisfaction and loyalty of banks' customers.

Keywords: E-Banking, E-Service Quality, E-Satisfaction, E-Trust, E-Loyalty.

1. Introduction

Nowadays, the Internet has been turned into a wide context for executing the business trades and a strong medium for marketing the companies. The widespread use of IT has been influenced the various spheres of human life. IT as modern achievement of the information era has enormously changed the global business arena and mutated the rules of the game. It positively means that it has created surprising benefits in doing business manners for consumers and retailers. Millar et al. (2005) believe that e-commerce has been converted to a vital tool in doing business and it seems that there is no withdrawal to the traditional forms of trading due to the opportunities it presents [1].

Gremler and Brown (1996) state that today a customer is accounted as a valuable possession for organizations and the companies have to do the necessary efforts to increase the number of purchases by their current customers in contrast to the traditional marketing focusing on just doing the exchanges and not on retaining the customers. In other words, prerequisite for survival in the cycle of competition and today's saturated markets is not only to attract and satisfy the customers, but also to create the long-term relationships with them. This issue becomes more important in the online world which accompanies increasing competition and in which customers are able to compare the competing products and services just by clicking a button, all of which is the passkey to competitive advantages. In this regard, comparing the banking industry and financial services with other industrial sectors in the developing countries such as Iran may inform the great influence of new technologies such as the Internet in facilitating the banking service delivery and innovation in this field so that the market's share will be increased. On the other hand, besides the efforts carried out in the various countries in the case of persuading the customers to use the Internet banking services, it seems that the effective factors for continuation of these services have been overlooked. To bear the mentioned cases in mind and to consider the relative recency of e-banking services and the advantages in contrasting with the traditional ones in Iran, it can be surely stated that identification of effective factors on the loyalty of customers who use the e-banking services should be among the necessary priorities of banks [2].

2. The Basics and Framework of the Research

The statistics represent the daily sticking improvement of the e-banking in the world, and the dominancy of this technology causes the development of the infrastructures, the pervasive growth of related technologies, and regulation the standards at the international level. On the other hand, e-banking has been drawn the attention of many scholars in presenting better service-delivery and improving the efficiency indices in the banks. Customer satisfaction is one of the important and vital discussion for today organization. Nowadays, failure or success of an organization is determined based on their customers' satisfaction with the products or services. Customer satisfaction increases their loyalty and loyal customers purchase more for products and services of the organization, encourage others to buy from that organization and may pay more for buying the products of that organization. Meanwhile, customer satisfaction will bring about increasing the re-purchases and decreasing the customer complaints. Happy customers have little sensitivity to prices. They buy accessories and are less influenced by the competitors and are loyal [3]. Reaching the customer's request may make him/her happy [7]. Dabholkar et al. (2008) have investigated the relationship between the quality of e-banking service and customer loyalty. Based on a mediating model and dependent factors, they

showed that quality of e-banking service is the frontline of customer satisfaction. In another study done by National Institute of Telecommunications in France in collaboration with University of Zilina, Slovakia, the role of effective elements in attracting customers for e-banking services has been investigated. Based on the studies of this group, recognizing the behavior of customers and their expected factors are influential in enhancing the quality of electronic services [3].

Electronic Banking (E-Banking): Providing bank services via a public computerized and accessible network (the Internet) that possesses high degree of security [1].

Quality Electronic Services: One of the primary definitions of quality electronic is presented by Zeithaml, Parasuraman, and Malhotra. They say: the quality of electronic services is a field that the possibilities of efficient and effective purchase for customers and service and goods delivery are provided with the channel of providers' website [1].

Electronic Satisfaction (E-Satisfaction): Beerli et al. (2004) have defined e-satisfaction as following: customer satisfaction is a result of comparison of expected performance with the real conceived performance and prices before purchasing [8].

Electronic Trust (E-Trust): Mears et al. (2003) define trust in the electronic world and especially in the Internet as following: "Equipping organization to the internet databases and services in favor of beneficiaries in the proper time and place" [8].

Electronic Loyalty (E-Loyalty): It is the optimum mentality of a customer about electronic retailing that leads to repetition of buying behaviors [8].

2-1. Effective Factors on Loyalty

The effective factors in e-loyalty classified into eight clusters. The important point is that the sum of these factors is to achieve the e-loyalty. Each of them does not have a significant effect on making the customers loyal. We select three of them to analyze their effect on e-loyalty.

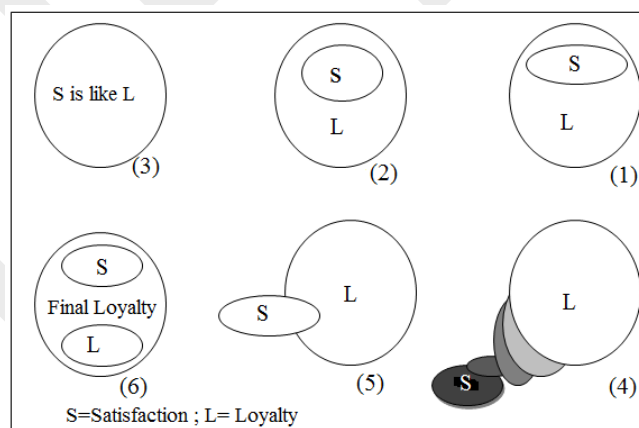
Satisfaction and loyalty: The customers' satisfaction is one of the loyalty prerequisites especially in the field of services that most researchers have pointed to it. Heskett et al. (1994) have explicitly stated that loyalty is the direct result of customer satisfaction. Some scholars such as Ostrowski, O'Brin and Gordon (1993) have even moved steps forward and related that a happy and satisfied customer naturally becomes a loyal customer. Cunningham (1967) has considered the satisfaction as a necessary and sufficient component for enhancing the services' loyalty. Based on these thoughts, many service-related organizations have focused on satisfaction of customers as their major aim in the recent years. Satisfaction means what we are looking for to achieve until it is completely reached. The satisfaction of customer is a feeling or emotion about a product or after-sales services. The satisfaction of customer is a key factor in framing the purchase tendency in the future. Satisfied customers probably share the pleasant experiences with others which causes the positive oral advertising. In the opposite side, the unsatisfied customers may cut their relationship with the company and bring about the negative oral advertising. Moreover, behavior such as re-purchasing and oral advertising can directly influence the survival and profitability of an organization [6].

There are various definitions in the case of customer satisfaction; Cutler related the customer satisfaction to the performance of the product or the service according to the expectations the customer have about the product or the service [7].

Tse and Wilton define the satisfaction as following: the customer response to evaluation of conceived difference between the previous expectations or some real performance-related

norms of the product that is perceived after using the product. According to the definitions, this is understood that satisfaction depends on the mental evaluation of the emotions. Emotion is a function of mismatch and proportion of output to data. The final conclusion is also the negative or positive feeling about prosperity. High satisfaction of people is the safety against mistakes that there is no escaping way because of continuity of changeability with the service production. Thus, achieving the customer satisfaction has been preoccupied the mind of the CEOs due to its direct relationship with retaining the customer, market share and interest [5]. E-satisfaction, one of important subjects in the domain of e-marketing and e-commerce, can be accounted as the gratification feeling of customer about the e-services. The positive effects of satisfaction is the outcome of oral advertising and re-purchasing. The results of Casalo et al. (2008) presage the successful experience of using e-banking playing a positive role in enhancing the loyalty and oral advertising. The results of opinion poll in 2005 show that the probability of extra purchase and other services among the satisfied customers of e-banking is 39% more than unhappy customers. Finding a relationship between satisfaction and loyalty is yet of interest for researchers. Oliver has presented six possible states for the association of satisfaction and loyalty. The first state represents that satisfaction and loyalty are the manifestation of the same notion. The second state represents that satisfaction is a central concept for loyalty to there is no loyalty without it. In the third state, the central role of satisfaction dwindles which shows that satisfaction is a constituent part of loyalty and in fact it is one of the components and dimensions for creating loyalty. The fourth state represents the final loyalty which is composed of simple satisfaction and simple loyalty. This assumption is in the fifth state that what amount of shares is effective on creating the loyalty. The sixth state considers the satisfaction as the beginning of successive stages. This state also presents that loyalty may be independent of satisfaction so that dissatisfaction may not affect attainment or non-attainment of the loyalty [1].

Table 1. Six States of Relationship between Satisfaction and Loyalty



Identifying Customers' Expectations: The most important and necessary process in the process of attracting customer's satisfaction is to identify expectations and probably the requirements of users and this important issue cannot be realized based on conjecture and suspicion but on referring to the customers and receiving their feedback. In this respect, organizations and producers both use statistical techniques and poll the customers and simultaneously utilize the various posting or phoning or in person methods. The following

factors are involved in satisfying the customers: needs, beliefs, previous experiences of customer in relation with the same producer or provider, the messages the user receives through bilateral relation and organization's advertisement, previous experiences of customers in relation with other producers of the same product or service, opinions and views and comments of friends and relatives of customer in relation with that product or service, situational factors related to the customer's conditions such as financial status and the way of payment as well as its time, the needed time for receiving the goods or services and etc. In fact, a program is executed for identification of customer's expectations by utilizing the mentioned factors [1].

Designing a product or service based on customer's expectations and needs: Since an organization, provider or producer of a service is fully aware of the expectation of their users, it can provide the views of customers very well and satisfy them by means of expert personnel and the available technical knowledge. Two important points are worth mentioning here; first, the specifications and properties of the product has to be in proportion to the various aspects of the customer's expectations and the design has to be carried out based on that. Second, informing and making the users aware of some special services or products because some customers often have wrong beliefs that are not based on the principles of science, engineering and technology. In this respect, if we want to answer these wrong beliefs, we should sacrifice the technical quality of the product. In some cases, inadequate information about the product, improper consumption pattern or undesirable condition of product usage may bring about inefficiency of the product and finally lead to dissatisfaction of the customer [1].

2-2. Hypotheses and Conceptual Model of the Research

The following hypotheses are intended for this research:

- 1- E-Banking services quality has a positive impact on the trust of customers to the services.
- 2- E-banking services quality has a positive impact on customer satisfaction.
- 3- Satisfaction with e-banking services has a positive impact on customers' loyalty.
- 4- Trust in e-banking services has a positive impact on customers' loyalty.

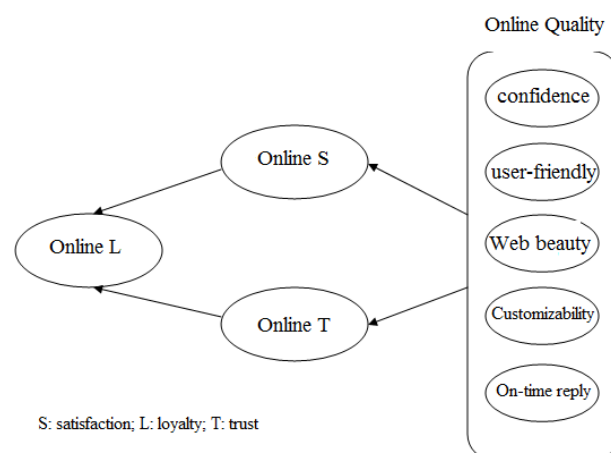


Diagram 1. Conceptual Model of the Research

3. Methodology

Based on the aims of this study, the applied method has been adapted because there have been achieved some results by utilizing the theories of management and statistics sciences that are usable for organizations and companies in the field of numbers and values. The aim of this research is an applied one; descriptive in respect of the method and is located in the field branch. But this is a causative research in regard to the method because it is to investigate the effective factors on e-customers' loyalty. In this regard, SPSS software has been used to analyze the causative relationship between the variables. The sample includes the limited numbers of population which they represent the main features of the population. Since the opinion poll was not executable for all population because of their diversity, so sample selection has been adjusted. In this research, the sample size has been calculated through the following relation.

$$5q \leq n \leq 15q$$

For data collection, a questionnaire used. Because the number of questions are 21, the sample has be between 105 and 315. All 120 questionnaires have been answered and the data analyzed based on them. Meanwhile, the samples are selected based on available sampling method. First, the theoretical discussions are collected by referring to the books, articles and studies. Then, as there was no standard available questionnaire for the present research, the questionnaire has been prepared based on the theoretical principles. 21 items including 14 items in regard to e-service quality (1, 2, and 3 items about confidence; 4, 5, and 6 about user-friendliness; 7, 8, and 9 about website beauty and arrangement; 10, 11, and 12 about customizability variable; 13, and 14 about on-time responses; 15, and 16 about e-satisfaction; 17, 18, and 19 about e-trust; and finally 20, and 21 about e-loyalty). The questions of questionnaire have been regulated based on ordinal scale and five-level spectrum Likert including 'very low, low, medium, high, and very high'. Grading scale is 1 to 5 respectively for above-mentioned scales.

4. Data Analysis and Findings

Descriptive statistics are a series of statistical tools with a limited number of values that make possible the accurate description for the large number of data. The common indices are measures of central tendency (mean, median, and mode) and measures of distribution (variation range, minimum and maximum, standard deviation and variance). The descriptive statistics are used for providing information about samples to readers and describing the data before executing the inferential tests.

4-1. Descriptive Findings for Variables

Table 1. Variables' Findings

Statistical Indices Variables	Responding Percentage	Score Sum	Maximum Score	Minimum Score	Variance	Standard Deviation	Mean
Quality	100 %	5891	63	27	63.78	7.986	49.092
Satisfaction	100 %	891	10	3	2.465	1.75	7.425

Trust	100 %	1341	15	6	4.129	2.032	11.175
Loyalty	100 %	859	10	2	3.344	1.829	7.1583

4-2. Inferential Findings

Correlation Coefficient of First Hypothesis

E-Banking services quality has a positive impact on the trust of customers to the services.

Table 2. Correlation Coefficient between Components of First Hypothesis (P<0.5)

Statistical index Variables	Meaningfulness Level (p)	Correlation Coefficient (r)
Trust Quality	0.0005	0.539

According to Table 2, as the correlation coefficient and the meaningfulness level are 0.539 and 0.0005 respectively, and due to the less amount of meaningfulness level of 0.5, it can be said with confidence level of 95 % that quality of e-service has positive effect on the trust of customers.

Correlation Coefficient of Second Hypothesis

E-banking services quality has a positive impact on customer satisfaction.

Table 3. Correlation Coefficient between Components of Second Hypothesis (P<0.5)

Statistical index Variables	Meaningfulness Level (p)	Correlation Coefficient (r)
Satisfaction Quality	0.0005	0.670

According to Table 3, as the correlation coefficient and the meaningfulness level are 0.670 and 0.0005 respectively, and due to the less amount of meaningfulness level of 0.5, it can be said with confidence level of 95 % that quality of e-service has positive effect on the satisfaction of customers.

Correlation Coefficient of Third Hypothesis

Satisfaction with e-banking services has a positive impact on customers' loyalty.

Table 4. Correlation Coefficient between Components of Third Hypothesis (P<0.5)

Statistical index Variables	Meaningfulness Level (p)	Correlation Coefficient (r)

Satisfaction Loyalty	0.0005	0.559
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According to Table 4, as the correlation coefficient and the meaningfulness level are 0.559 and 0.0005 respectively, and due to the less amount of meaningfulness level of 0.5, it can be said with confidence level of 95 % that satisfaction with the e-services has positive effect on the loyalty of customers in relation to the services.

Correlation Coefficient of Forth Hypothesis

Trust in e-banking services has a positive impact on customers' loyalty.

Table 5. Correlation Coefficient between Components of Fourth Hypothesis (P<0.5)

Statistical index Variables	Meaningfulness Level (p)	Correlation Coefficient (r)
Trust Loyalty	0.0005	0.576

According to Table 5, as the correlation coefficient and the meaningfulness level are 0.576 and 0.0005 respectively, and due to the less amount of meaningfulness level of 0.5, it can be said with confidence level of 95 % that satisfaction with the e-services has positive effect on the loyalty of customers in relation to the services.

4-3. Results and Discussion

Hypothesis 1: E-Banking services quality has a positive impact on the trust of customers in the services.

According to the results, the above hypothesis has been accepted and confirmed with 95 % confidence. It can be stated that the quality of services is an effective factor in the case of customers' trust due to the positive correlation between these two factors.

On cyberspace (the Internet), the users are able to access the important data from all over the world which are transferred online. For this reason, e-banking has possessed a dangerous nature. Another factor increasing the customer's mistrust of the e-banking is its independence from a spatial dimension. The customer has to feel that doing collaboration with the organization via the Internet has both organizational and personal benefits and the mutual benefits for both parties are the base of online transactions. The customers has to feel sure that the information they give to the organization is appropriately protected and used. Trust requires that the organization define explicitly the norms and conventions in the case of trust and privacy of people, then develop strategies based on these concepts to realize their perspectives. Although many scholars in the field of electronic trust and e-banking consider such various dimensions of online service quality effective as confidence, website graphic, ease of accessibility, customization, and fast replying in order to create online satisfaction, it should be stipulated that the optimum degree of quality is nowadays of utmost importance in order to attract the customers and encourage them to continue the relationship. On the other hand, most of the e-banking services which are currently provided by the various banks to the customers are similar from many aspects and they could not be accounted as superior to the

similar competitors. For this reason, the high-quality services can be considered as moving barrier that they can deliver extra and significant added value to the customers [1].

Hypothesis 2: E-banking services quality has a positive impact on customer satisfaction.

According to the results of correlation test which is the result of two quality and satisfaction components, it can be with 95 % confidence stated that the quality of services has a positive impact on satisfaction and this hypothesis is confirmed.

Paying due attention to the qualitative aspects of online services is one of the essential factors in framing the online satisfaction because the expectations of the customers increase simultaneously by increasing the consciousness of customers about the accessible services from the banks and financial institutions and by enhancing the service-related standards. This issue especially in the online world is more sensible where accessing the information is easily and rapidly viable. The previous results in the literature also show that however the customers are simultaneously use the services of several institutions and organizations, the most share is allocated to an organization which win the highest level of satisfaction. On the other hand, the foundation for online trust is that the banks have to make the mutual benefits possible when the customer uses the services and also the banks are able to keep their promises. Because of these cases, it can be concluded that the perceptions of the customers about the e-banking services (online satisfaction with these services) are influential on their mentality about the experience of using services and finally about the judgment of promise-keeping by the banks [1].

Hypothesis 3: Satisfaction with e-banking services has a positive impact on customers' loyalty to these services.

According to the results, this hypothesis is accepted and confirmed with 95 % confidence. It could be stated that the satisfaction with e-services has been accepted as an effective factor on the customers' loyalty to these services due to the positive correlation between two components.

Although the satisfaction is accounted as a good criteria for measuring his/her satisfaction, based on the result of the statistical tests, it does not lonely prove his/her loyalty. As the results of the previous literature (Thomas, 1996) show, many of the customers change their providers in spite of the satisfaction with their current providers. In addition, Lowenstein (1996) shows that 65% to 85% of the customers who joined to new providers have had satisfaction with their previous providers (even full satisfaction). Thus, it can be truly stated that satisfaction does not lonely lead to success of providers of financial services. To put it simply, depending purely on customers' satisfaction in order to make them loyal can associate disastrous consequences for the managers; of course this does not mean to overlook the customer's satisfaction. In fact, the customers become loyal ones only if they feel full satisfaction with the products or services [1].

Hypothesis 5: Trust in e-banking services has a positive impact on customers' loyalty.

By developing the Internet, the survival of online businesses will depend to a large extent on the number of users and their revisiting to the website. By and large, the results in the domain of e-commerce show that mistrust of maintaining the personal and secure information is the preventive factor for the online customers to revisit the websites and not the operational procedure per se. Therefore, utilizing trust-enhancing procedures can boost the sense of trust among users and at the same time keep the number of current customers. These procedures may consist of the following such as increasing the confidence of customers, paying attention to the private zone of people, website security, illumination, and avoiding complex

operational processes, keeping the promises for customers in optimally satisfying their needs [1].

5. Conclusion

According to the results of the hypotheses, it should be said that presenting the banking services via ATMs, Internet Bank, Mobile Bank and Home-line Bank has the most acceptability among the customers of this study. In this interpretation paying attention to some issues is necessary. First, the populations in this study are the customers of Eghtesad Novin Bank in Behbahan (Ahwaz, Iran). A feature of research's statistical population is true logically about the sample of the research. The feature is that the people in the daily life faced the problems such as time shortage, traffic, busy offices and organizations. These problems not only waste so much time of the people, but also increase the living costs. All these cause a citizen to be tired, and be mentally and energetically corrosive in the end of day. Therefore, if there presented some facilities in the places that people refer them more often than not, they are mostly welcomed because they save time and costs for people.

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