

Link between the Expectations of Retail Banking Customer and Electronic Banking Solutions

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Abstract—Asian banks are continuing to introduce innovative electronic banking solutions to their customers as a means of increasing accessibility of banking services and service levels and also offering multiple financial benefits. However, the question is, can banks rely on the strategy of providing innovative electronic banking solutions to increase their customer base? This study was conducted to identify the level of acceptance of electronic banking solutions as a replacement to traditional branch banking. A survey was conducted and data was collected from a sample of 404 banking customers living in the Western province of Sri Lanka. Results of the study reveal that retail banking customers expect banks to provide high service levels through traditional branch-based banking in comparison to electronic services; i.e., banking customers do not feel that a bank branch could be replaced by electronic-based solutions per se.

Keywords: *Electronic Banking, Retail Banking Customer, Customer Expectation*

I. INTRODUCTION

The banking industry across the globe has witnessed a revolution in the last two decades in its efforts to meet ever growing consumer demands. The advancement of technology has encouraged many sectors to move across markets to position themselves as multinationals and banks across Asia are no different. Due to ever-growing demands of customers and the continuous analysis of customer demands in order to anticipate future needs, segmentation of markets to exploit niches have driven banks to rely heavily on technology, thereby crowding the markets with many products and services.

Asian banks are continuing to introduce innovative electronic banking solutions to their customers as a means of increasing accessibility to banking services, service levels and also offering multiple financial benefits. Several banks have invested heavily in speedy electronic delivery systems, convenient plastic cards and several new innovative savings and investment vehicles [1]. These banks are of the view that although technology has a heavy start up cost, in the long run this would ensure cost savings [2]. As a result, banks offer many different channels to access their banking and other services such as Automated Teller Machine (ATM), telephone banking, online banking and mobile banking to the extent of providing SMS banking [3].

However, the question is, can banks rely on the strategy of providing innovative electronic banking solutions to increase

their customer base? This study is aimed at identifying the key expectations of retail banking customers.

II. LITERATURE REVIEW

Current competitive scenarios, formulating and implementing marketing strategies, aggressive marketing of financial service products as well as retaining commercially important customers have become a major challenge to banks. Managing rising customer expectations are even more challenging. It is very important for the banks to understand how customers choose their banks to identify what a customer expects from a bank. In order to identify customer needs, it is important to study how customers choose their banks. Criteria used for selection of a bank will act as an indicator for what customers expect from the bank [4].

A. Expectations of Retail Banking Customers

A study conducted to identify consumer-banking habits in Poland identified bank selection criteria under four headings, names reputation, price/cost, convenience and service aspects. Results of the survey identified reputation as the top most important aspect influencing the selection of a bank, followed by rates, convenience and service [5].

Similar research was conducted in Sweden with the intention of identifying the major attributes customers use in determining the overall perception of a given bank. The study analyses the determinants of bank selection under five criteria, namely service quality, credit availability and price competition, delivery system, promotion and reputation and differentiation [6]. Results of the study concluded that how a customer receives service, (i.e., friendliness and helpfulness of personnel, account accuracy and efficiency) has more importance than what the customer receives, (i.e., performance of contact personnel, word-of-mouth/reputation, and electronic based services) [6].

In terms of Asia, similar studies conducted in Sri Lanka identified “customer experience factors” [7] broadly categorised under customer needs [8] such as any time (speed), any place (convenience), right at first time (accuracy), no paper (electronic access) and custom made products.

Determinants of bank selection by Pakistani retail banking customers also listed twenty factors derived from similar studies. The level of importance given to each factor was measured using lickert type scaling. The most important factor