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Effective Factors on Loyalty of E-Banking Customers

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Abstract: Nowadays, nature and retain loyal customers, an important factor in the success of the organization in the competitive space is available because no business cannot survive without their loyal customer. With the advent of electronic banking customers to use new generation came into the scene.

Banks in order to gain a greater share of competitive market, it should attract this generation customers and their loyalty to act. This study with the purpose in investigating factors influencing customer loyalty toward electronic banking.

The study also seeks to identify the most essential components such as: service quality, trust, reputation, habit, satisfaction. The data were collected using a questionnaire, and data analyze was done using SPSS software. A questionnaire survey was conducted with the sample consisting 224 customers of electronic banking users. In this study, for data analysis the Kolmogorov-Smirnov test and the Spearman correlation test was used.

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

I. INTRODUCTION

Electronic banking refers to the banking services provided via a secure website operated by the bank provider, thus facilitating the use of the Internet as a remote delivery channel.

Electronic banking allows bank customers with appropriate access to manage their finances with minimal inconvenience as it provides a fast and convenient way to undertake various banking transactions via the electronic banking website from home. Creating and maintaining customer loyalty is a key element of sustainable competitive advantage for organizations. Therefore, we must identify the most valuable customers and offer them the best service to the satisfaction of the customers for their loyalty can be maintained and commercial profits ensured.

Given that relevant research on loyalty in the electronic banking context is limited, the purpose of this study is to investigate the

1. What factors are effective in customer loyalty in the electronic banking?
2. What is the effect of each factor on e-loyalty?

II. REVIEW OF LITERATURE

Customer e-loyalty is a new concept and is considered to be a branch of concept of loyalty, which is implemented in the e-commerce domain. This was introduced first by Reichheld and Schefer. Additionally Sohn and Lee defined e-loyalty as “customer behavior to visit and revisit to specific the website and make transaction comfortably.

E-banking is defined as the automated delivery of new and traditional banking products and services directly to customers through electronic, interactive communication channels. E-banking includes the systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and

services through a public or private network, including the Internet. The effective factors which are important, like: service quality, trust, reputation, habit, satisfaction.

Service Quality:

In online environments, service quality is defined as a website make possible efficient and effective shopping, purchasing, and transport of product and services (Zeithaml et al., 2002). Service quality is a comparison of expectations with performance. The quality is part of anything in nature. Comparison of business services in an electronic environment is very easy and customer easily can search in other organizations simultaneously and with comparing service levels can choose an organization with best service. Service quality has a lot of underlying dimensions of electronic banking which that including: Reliability, responsiveness, security, ease of use, access and etc. A relationship between observed quality and customer loyalty is positive, relationship between service quality and customer shows that service quality has an impact on individual consumer behavior, where superior service quality leads to favorable behavioral aims, while unfavorable behavioral aims are a result of minor service quality.

However, according to Manhaimer (2007), consumer loyalty is not remarkable effected by the observed product quality in the retail industry for products with low levels of participation, and the purchase decision effected by other factors. The dimensions related to service quality include reliability, responsiveness, security, Ease of use, access.

RELIABILITY:

It is included correctness of order fulfillment, prompt delivery, and billing accuracy.

RESPONSIVENESS:

It concerns the willingness or readiness of employees to provide service.

SECURITY:

It is included security of information and minimal online purchase risks.

Ease of use:

It is related to easy-to-remember URL address, well-organized, well structured and easy-to-follow a catalogue, site navigability, and concise and understandable content, terms and conditions.

ACCESS:

It is included the list of the company s street and e-mail address, phone and fax number, accessibility of service representatives, availability of chat room, bulletin board and other communication channels.

TRUST:

Trust has a vital and central role in increasing loyalty which that will follow maintain and increase market share. A set of specific beliefs deals essentially with the strength, humanitarian, and ability of another party (Doney and Cannon, 1997; Gefen and Silver, 1999). Affect reflected in “feelings” of faith and protection in the caring response of the other party (Rempel et al., 1985).

Indeed trust is a desire of the customer to individual experience one person is sure. Trust is a specific set of beliefs which considered being an important to developing long-term customer relationships. It’s as a set of specific beliefs which includes strength, ability, and predictability to be applied in e-commerce. Nowadays, people Privacy which is one of the main indicators of reliability in decisive factor in creating electronic loyalty.

REPUTATION:

Reputation is an approximation of the consistency in during the time of an attribute of an entity. Therefore an organization can have numerous reputations such as price, product quality and innovativeness reputations and/or global reputation. According to the Malaga (2001) reputation defined "overall quality or character as seen or judged by people in general". The reputation of the bank is very important element of trustworthiness. It creates from the strength of a particular brand name, endorsement from trusted third parties and previous interactions. When customers process information on an online bank, they would consider the bank reputation.

Gefen (2003) defined habit is what an individual usually does when there is a behavioral preference in the present. Habitual behavior leads to the continuation of the same type of behavior (Aarts et al., 1998; Gefen, 2003).

HABIT:

A habit is a routine of behavior that is repeated regularly and tends to occur subconsciously. It is defined which a more or less fixed way of thinking, willing, or feeling acquired through previous repetition of a mental experience. Habit is guided by automated cognitive processes, rather than by elaborate decision making processes.

SATISFACTION:

According to Oliver (1999), satisfaction is defined as "pleasurable fulfillment. A consumer senses that consumption fulfills some need, desire, goal, or so forth which this fulfillment is pleasurable. That's an overall evaluation based on the purchase and consumption experience which focused on the perceived product.

Costumers often for their needs, selects the suppliers that in exchange for the paid price, costumers have the great sense of satisfaction. Electronic satisfaction Means Preference Goods or services an electronics firm toward Competitors in buying them.

CUSTOMER LOYALTY:

Customer loyalty has great importance in electronic commerce. Customer loyalty defined as a deeply held commitment to re-purchase or re-patronize a product/service consistently in the future. Customer loyalty is vital to the continuing occupation of competitive markets, and banks will not be an exception in this regard. Therefore, commercial banks should implement different management strategies as ways to improve customer loyalty. Customer loyalty is an important factor in the success of the organization and it has a large impact on the profitability. Usually customers continue to buy from a specific organization. Great attention is given to marketing and customer service to retain current customers by increasing their customer loyalty.

The term customer loyalty is used to describe the behavior of repeat customers, as well as those who offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, and adding them to the number of loyal customers. Customer loyalty includes much more, however; it is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

III. RESEARCH METHODOLOGY

Based on the literature review, the model focused on the factors influencing customer loyalty which consists of the relationship of service quality, trust, reputation, habit and satisfaction with respect to customer loyalty towards electronic banking. The model is summarized in Figure 1.

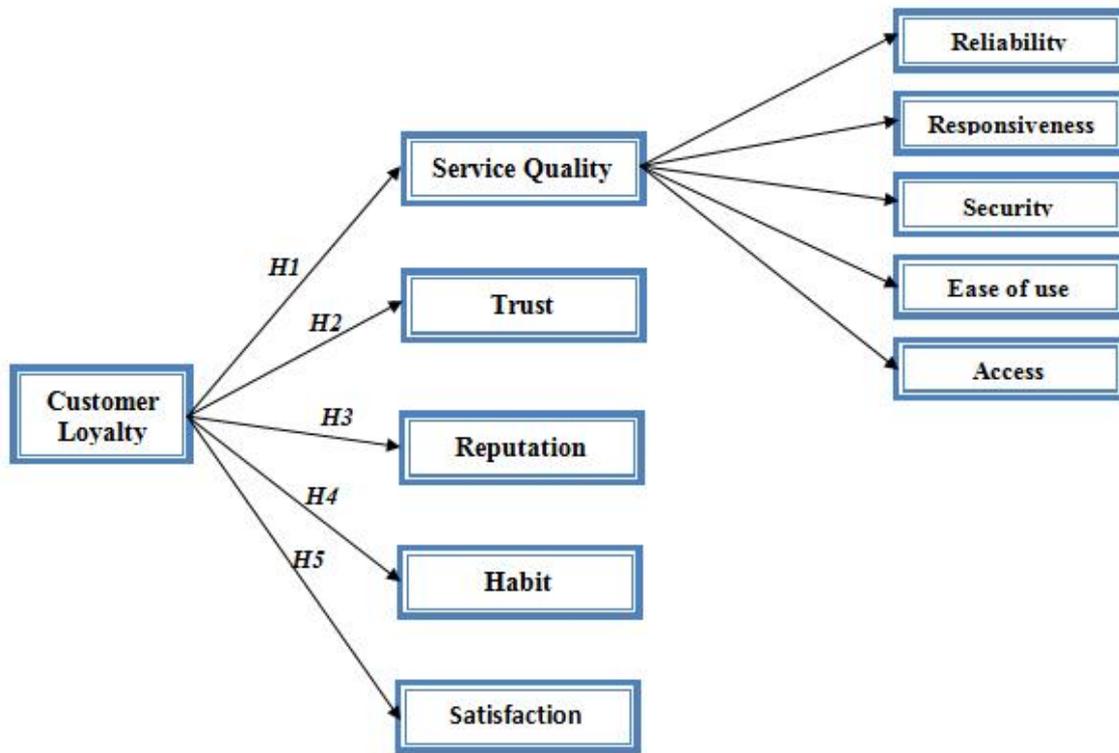


Fig 1 . Conceptual Framework

Research Hypotheses:

Research hypotheses based on the research model include:

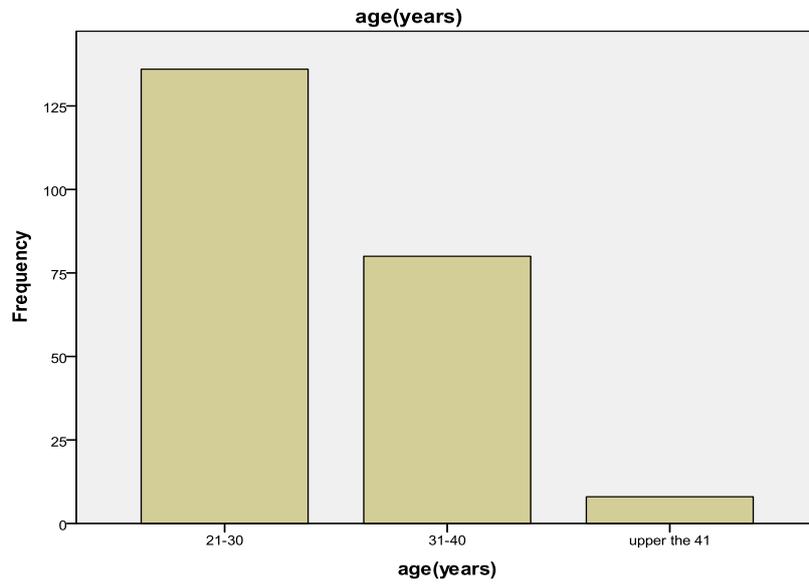
- H1: Service quality has a significant relation on customer e- loyalty towards e- banking.
- H2: Trust has a significant relation on customer e- loyalty towards e- banking.
- H3: Reputation has a significant relation on customer e- loyalty towards e- banking.
- H4: Habit has a significant relation on customer e- loyalty towards e- banking.
- H5: Satisfaction has a significant relation on customer e- loyalty towards e- banking.

In this study, we collected data through questionnaires with a sample size of 224 respondents. Overall, from the total of 250 questionnaires distributed during a two month data collection period, there were only 224 valid questionnaires received that could be used for further analysis.

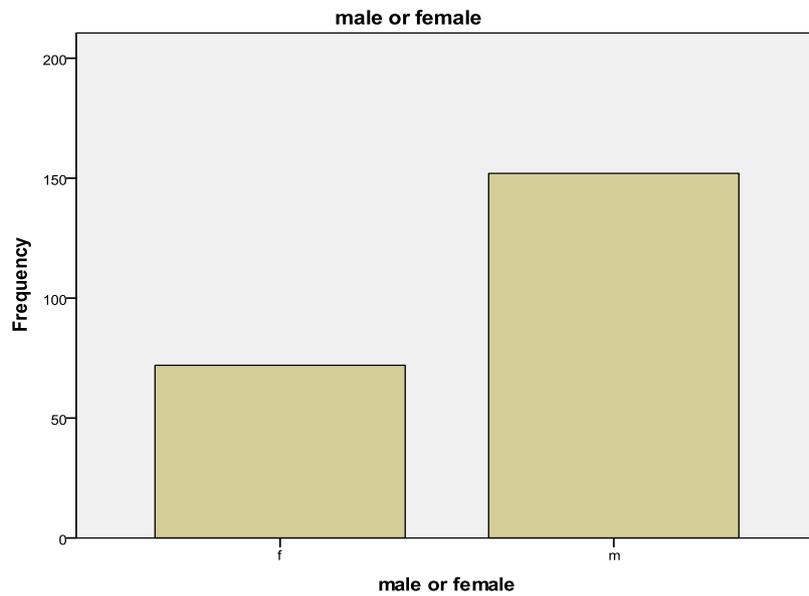
IV. DATA ANALYSIS AND FINDING

This Tables and bar chart indicates the presents descriptive profiles of the sample (N=224), including major items demographic profiles such as gender, age group, education level, income level.

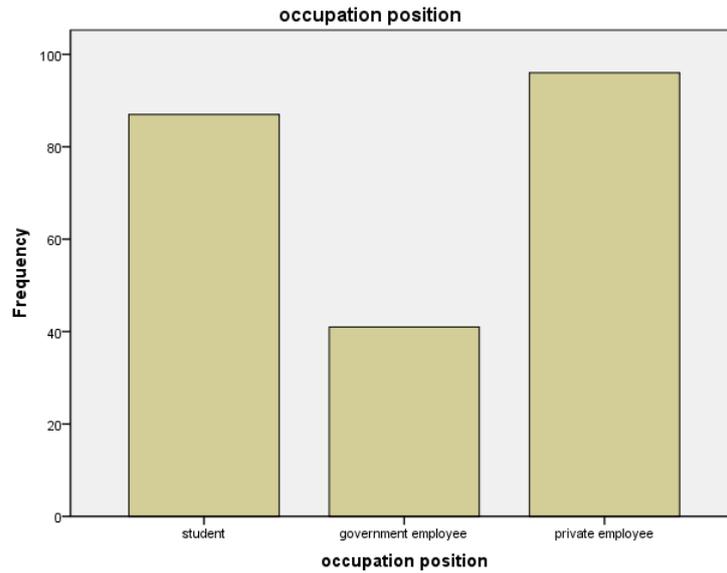
Age (years)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	136	60.7	60.7	60.7
	31-40	80	35.7	35.7	96.4
	Upper the 41	8	3.6	3.6	100.0
	Total	224	100.0	100.0	



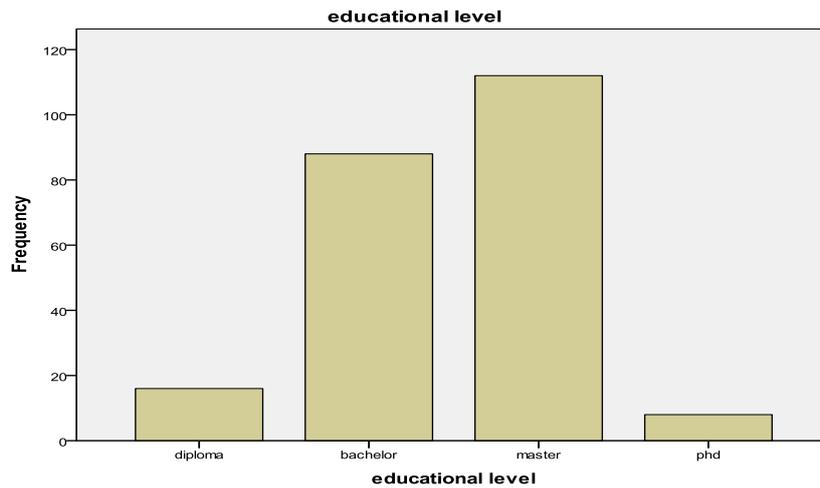
Male or Female					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	F	72	32.1	32.1	32.1
	M	152	67.9	67.9	100.0
	Total	224	100.0	100.0	



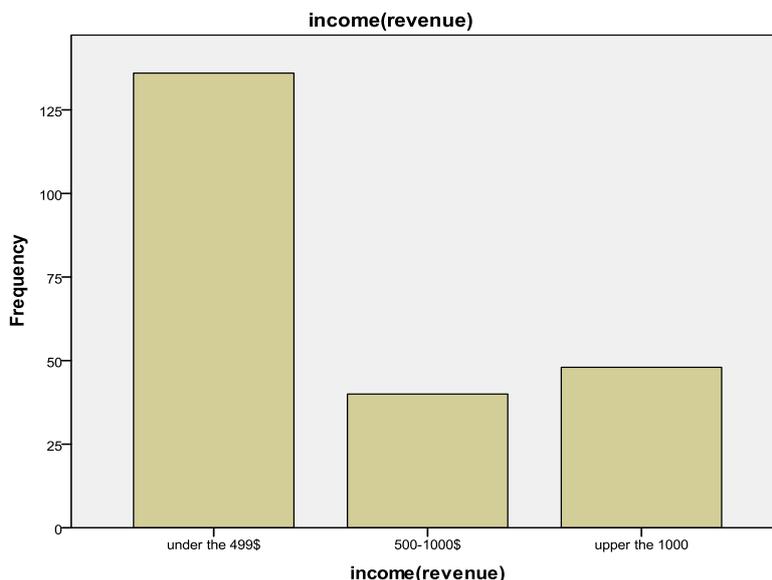
Occupation position					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Student	87	38.8	38.8	38.8
	Government employee	41	18.3	18.3	57.1
	Private employee	96	42.9	42.9	100.0
	Total	224	100.0	100.0	



Educational level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	16	7.1	7.1	7.1
	Bachelor	88	39.3	39.3	46.4
	Master	112	50.0	50.0	96.4
	PhD	8	3.6	3.6	100.0
	Total	224	100.0	100.0	



Income (revenue)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under the 499\$	136	60.7	60.7	60.7
	500-1000\$	40	17.9	17.9	78.6
	Upper the 1000	48	21.4	21.4	100.0
	Total	224	100.0	100.0	



In this research hypothesis, Spearman correlation test is being used. First, to examine the condition of normal distribution of data, Kolmogorov-Smirnov test used and the results are shown in Table 2.

	N	Mean	Std. Deviation	Minimum	Maximum
SQ	224	62.3438	14.19255	20.00	88.00
Trust	224	10.6384	2.97502	3.00	16.00
Reputation	224	6.3527	1.62262	1.00	8.00
Habit	224	5.1339	1.87021	1.00	8.00
Satisfaction	224	13.7723	2.56694	9.00	20.00

		SQ	Trust	Reputation	Habit	Satisfaction
N		224	224	224	224	224
Normal Parameters a ^b	Mean	62.3438	10.6384	6.3527	5.1339	13.7723
	Std. Deviation	14.19255	2.97502	1.62262	1.87021	2.56694
Most Extreme Differences	Absolute	.133	.150	.235	.127	.197
	Positive	.061	.120	.155	.100	.197
	Negative	-.133	-.150	-.235	-.127	-.118
Kolmogorov-Smirnov Z		1.987	2.239	3.523	1.894	2.945
Asymp. Sigh. (2-tailed)		.001	.000	.000	.002	.000
a. Test distribution is Normal.						
b. Calculated from data.						

By the overall looking at this table above, we can see the significant in all of the variable are 0.000 and are lower than $\alpha=0.05$, as a result, it is indicated the data distribution isn't normal.

Therefore, it must used of nonparametric tests. So, here Spearman correlation test is being used.

TESTING THE FIRST HYPOTHESIS

There is a significant relation between service quality and customer loyalty.

H0: There is a significant relation between service quality and customer loyalty.

H1: There is no significant relation between service quality and customer loyalty.

Table 1: Correlation between service quality and customer loyalty

Correlations				
			SQ	CL
Spearman's rho	SQ	Correlation Coefficient	1.000	.707**
		Sig. (2-tailed)	.	.000
		N	224	224
	CL	Correlation Coefficient	.707**	1.000
		Sig. (2-tailed)	.000	.
		N	224	224
**. Correlation is significant at the 0.01 level (2-tailed).				

As a can be seen in the correlation table 1, we can see the significance is 0.000 and is lower than $\alpha=0.05$, H0 is rejected.

It can be said that at 0.01 level, There is a significant relation between service quality and customer loyalty with a correlation equal to 0.707.

TESTING THE SECOND HYPOTHESIS

There is a significant relation between trust and customer loyalty.

H0: There is a significant relation between trust and customer loyalty.

H1: There is no significant relation between trust and customer loyalty.

Table 2: Correlation between trust and customer loyalty

Correlations				
			CL	Trust
Spearman's rho	CL	Correlation Coefficient	1.000	.550**
		Sig. (2-tailed)	.	.000
		N	224	224
	Trust	Correlation Coefficient	.550**	1.000
		Sig. (2-tailed)	.000	.
		N	224	224
**. Correlation is significant at the 0.01 level (2-tailed).				

As a can be seen in the correlation table 2, we can see the significance is 0.000 and is lower than $\alpha=0.05$, H0 is rejected.

It can be said that at 0.01 level, There is a significant relation between trust and customer loyalty with a correlation equal to 0.550.

TESTING THE THIRD HYPOTHESIS

There is a significant relation between reputation and customer loyalty.

H0: There is a significant relation between reputation and customer loyalty.

H1: There is no significant relation between reputation and customer loyalty.

Table 3: Correlation between reputation and customer loyalty

Correlations				
			Reputation	CL
Spearman's rho	Reputation	Correlation Coefficient	1.000	.573**
		Sig. (2-tailed)	.	.000
		N	224	224
	CL	Correlation Coefficient	.573**	1.000
		Sig. (2-tailed)	.000	.
		N	224	224
**. Correlation is significant at the 0.01 level (2-tailed).				

As can be seen in the correlation table3, we can see the significance is 0.000 and is lower than $\alpha=0.05$, H_0 is rejected.

It can be said that at 0.01 levels, there is a significant relation between reputation and customer loyalty with a correlation equal to 0.573.

TESTING THE FOURTH HYPOTHESIS

There is a significant relation between habit and customer loyalty.

H_0 : There is a significant relation between habit and customer loyalty.

H_1 : There is no significant relation between habit and customer loyalty.

Table 4: Correlation between habit and customer loyalty

Correlations				
			Habit	CL
Spearman's rho	Habit	Correlation Coefficient	1.000	.526**
		Sig. (2-tailed)	.	.000
		N	224	224
	CL	Correlation Coefficient	.526**	1.000
		Sig. (2-tailed)	.000	.
		N	224	224
**. Correlation is significant at the 0.01 level (2-tailed).				

As can be seen in the correlation table4, we can see the significance is 0.000 and is lower than $\alpha=0.05$, H_0 is rejected.

It can be said that at 0.01 level, There is a significant relation between habit and customer loyalty with a correlation equal to 0.526.

TESTING THE FIFTH HYPOTHESIS

There is a significant relation between satisfaction and customer loyalty.

H_0 : There is a significant relation between satisfaction and customer loyalty.

H_1 : There is no significant relation between satisfaction and customer loyalty.

Table 5: Correlation between satisfaction and customer loyalty

Correlations			Satisfaction	CL
Spearman's rho	Satisfaction	Correlation Coefficient	1.000	.601**
		Sig. (2-tailed)	.	.000
		N	224	224
	CL	Correlation Coefficient	.601**	1.000
		Sig. (2-tailed)	.000	.
		N	224	224
**. Correlation is significant at the 0.01 level (2-tailed).				

As can be seen in the correlation table, we can see the significance is 0.000 and is lower than $\alpha=0.05$, H_0 is rejected.

It can be said that at 0.01 level, There is a significant relation between satisfaction and customer loyalty with a correlation equal to 0.601.

V. CONCLUSION

E-banking has created a revolution in the banks' way of managing their business. In this study we explain the loyalty concept and their dimensions. In this research to examine effective factors such as service quality, trust, habit, satisfaction on loyalty of e-banking which all of the variables have a significant relation with customer loyalty. Table 6 shows some descriptive results for the research variables in this study.

Table 6: Summary of hypothesis testing

Hypothesis	Coefficient	Result
H1: between service quality & customer loyalty	0,707	Significant relation
H2: between trust & customer loyalty	0.550	Significant relation
H3 between reputation & customer loyalty	0.573	Significant relation
H4 between habit & customer loyalty	0.526	Significant relation
H5: between satisfaction & customer loyalty	0.601	Significant relation

Factors influencing loyalty described above are very important in electronic banking and for the customer retain and satisfaction should be detailed and explicit information on customers and pay attention to their needs and desires.

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