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FACTORS THAT ENCOURAGE AND DISCOURAGE THE ADOPTION OF ONLINE BANKING IN ISRAEL AND THEIR EFFECT ON CUSTOMER SATISFACTION, FROM THE POINT OF VIEW OF BANK MANAGERS

Original
Research

Keywords

Service quality;
Customer satisfaction;
Online banking;
eBankQual;

JEL Classification

O30, O53, G21

Abstract

The technological revolution has moved the provision of banking services from the branch to the Internet and, due to growing competition, focused the banks' attention on customer satisfaction and the factors influencing it. The purpose of this article is to examine – from the perspective of bank managers – the factors that encourage or discourage the adoption of online banking services in Israel and their effect on customer satisfaction. Although the topic of adopting online banking services and categorizing relevant factors as either encouraging or discouraging has been studied before, such research has never been conducted in Israel and never from the bank managers' point of view. The data for this research was obtained by means of semi-structured interviews with bank managers employed in the innovation and digital divisions of two of Israel's leading banks. The findings revealed connections between encouraging and discouraging factors in adopting online banking in Israel, perceived value and brand perception of online banking, service quality and customer satisfaction.

INTRODUCTION

The digitalization and technological revolutions have made online banking accessible to everyone, thus transforming banking processes from face to face transactions to digital ones (Bitner, Brown & Meuter, 2000; Karjaluoto, Mattila & Pentto, 2002). Due to the increased number of mobile users, competition among banks has been growing worldwide, and customer satisfaction has become their main concern. Online banking provides various advantages and disadvantages to both the banks and their customers, which customers can easily assess; banks must, therefore, understand how their customers perceive the value of their online banking services (Santos, 2003; Ganguli & Roy, 2010). Consequently, it is important to recognize and understand the factors that affect customer satisfaction.

Whereas researchers tend to focus on the need to understand the customer's approach to online banking, they often ignore the attitudes of bank managers in this regard, or the relationship between service quality dimensions and customer satisfaction (Beigi, Jorfi, Tajarrood, Salemi, & Beigi, 2016; Busuioc & Luca, 2016). In their studies, Parasuraman, Zeithaml, & Malhotra (2005) and Jayawardhena (2004) introduced various models to evaluate the service quality of online banking. These models were later studied in India by Kumbhar (2012), who expanded on Jayawardhena's (2004) eBankQual model to create a new model, which examines the quality of internet banking services in India. The aim of the present study is to examine and present the perspective of bank managers regarding factors that encourage and discourage the adoption of the online banking services and the digitalization of banking services in Israel, and how they affect customer satisfaction. This will be done by expanding the eBankQual model and adapting it to the Israeli banking industry.

REVIEW OF THE LITERATURE

Digitalization and mobile technological have revolutionized banking and made online banking accessible to everyone. Since there are millions of mobile users worldwide and the competition among banks is growing, it is very important for them to focus on customer satisfaction. Online services have made it possible for banks to gain a competitive advantage by improving their service quality and thus enhancing customer satisfaction. Online banking allows customers to perform transactions without having to go to the branch, and has advantages and disadvantages for both banks and customers. Research indicates that the most

significant advantages are low fees, the saving of time, and the ability to carry out bank transactions anywhere and at any time (freedom of place and time). Other advantages that encourage the use of online banking are ease of use, speed of service delivery, convenience, and compatibility with lifestyle. The disadvantages that were found to inhibit the use of online banking are complexity of the service, perceived financial cost, unfamiliarity with electronic services, and security risks (Karjaluoto et al., 2002; Black, Lockett, Winklhofer, & McKechnie, 2002, Butnariu, Luca & Apetrei, 2018).

The relationship between service quality, customer satisfaction, and customer trust and loyalty have been examined in relation to customer perceptions of online banking service quality (Wu, Chang, Yang, & Chen, 2008; Asad, Mohajerani, & Noursresh, 2016). It is important to pinpoint what determines service quality, from the customer's perspective (Johnston, 1997). Indeed, a strong correlation exists between service quality and customer satisfaction (Parasuraman, Zeithaml, & Berry, 1985). High perceived service quality increases customer satisfaction while low perceived service quality decreases customer satisfaction (Jain & Gupta, 2004). SERVQUAL includes the dimensions of reliability, responsiveness, competence, courtesy, credibility, security, accessibility, and communication with and understanding of the customer (Parasuraman, Zeithaml, & Berry, 1985; 1988).

On the basis of SERVQUAL research, Zafar, Zaheer, Ur Rahman, & Ur Rehman (2011) identified six service quality dimensions, which were also mentioned by other researchers (Jun & Cai, 2001; Yang & Fang, 2004; Liu & Arnett, 2000): efficiency, reliability, responsiveness, fulfillment, privacy, and assurance. Efficiency is the ability of the customer to get to the website, find their desired product or information, and logout with minimal effort (Jun & Cai, 2001; Saha & Zhao, 2005). Reliability has to do with performance's uniformity and dependability, meaning that the company honors the commitments it makes to its customers (Saha & Zhao, 2005). Responsiveness is the employees' willingness to provide service (Zeithaml, Parasuraman, & Malhotra, 2002). Fulfillment is meeting service commitments (Saha & Zhao, 2005). Privacy refers to the guarantee that the customer's shopping activity and account information is never shared (Yang & Fang, 2004; Saha & Zhao, 2005). Assurance refers to the knowledge, courtesy, and ability to instill confidence of the company's employees (Wang & Huarng, 2002). All of these service quality dimensions, particularly assurance, were found to produce higher customer satisfaction in online banking services (Zafar et al., 2011).

The adoption of internet banking is associated with individual differences in consumer behavior (Zmud, 1979; Nelson, 1990; Crisp, Jarvenpaa, & Todd, 1997), while demographic factors greatly impact consumers' perceptions and intentions regarding online banking (Daniel, 1999; Sathye, 1999; Jayawardhena & Foley, 2000). Older bank customers link bank transactions with human interaction. In their view, using a keyboard to carry out a bank transaction is insecure and impersonal. This perception inhibits the use of online banking services among older customers and points to the need for new, easy-to-use methods for communication in digital channels. Other factors such as convenience, speed, freedom of time and place, perceived usefulness, perceived ease of use, and trustworthiness were factors that encouraged the adoption of online banking (Karjaluoto, Mattila, & Pento, 2002; Mwiya et al., 2017).

In their research, Tan & Teo (2000) investigated attitude, subjective norms, and perceived behavioral control in the context of opting to use online banking. They found that the willingness to use online banking services can be predicted by attitude and perceived behavioral control factors. Significant attitude factors include relative advantage; compatibility with customer's values, experience, and needs; trialability and risk. Gan, Clemes, Limsombunchai, and Weng (2006) claim that a customer's decision to adopt online banking is influenced by the following factors: perceived risk, service quality, user input, product service characteristics, and price. Other important factors affecting the decision to adopt internet banking are: cost effectiveness, i.e., the cost of computer and internet access (Li and Worthington, 2004; Sohail & Shanmugham, 2003; Li & Zhong, 2005; Zheng & Zhong, 2005); security concerns, which have been found to be one of the main inhibitors when it comes to adopting online banking (Mattila & Mattila, 2005; Khalfan, AlRefaei, & Al-Hajry, 2006; Al-Sabbagh & Molla, 2004); and lack of trust, unavailability of infrastructure, security and service charges (Abid & Noreen, 2006; Busuioc & Luca, 2015).

Parasuraman et al. (2005) used the E-S-Qual scale to evaluate e-service quality in general, and Jayawardhena (2004) presented the development of the eBankQual scale, which measures the service quality of internet banking, and includes five dimensions: access, web interface, trust, attention, and credibility. Both scales were further researched by Kumbhar (2012), who expanded the eBankQual scale to encompass fourteen dimensions: system availability, e-fulfilment, accuracy, efficiency, security, responsiveness, ease of use, convenience, cost effectiveness, problem solving, compensation, and contact, which are independent variables, and brand perception and perceived value of overall customer satisfaction in internet banking service,

which are dependent variables. Kumbhar (2012) notes, however, that the model may lack some important dimensions, which are necessary for evaluating of internet banking service quality and customer satisfaction. Furthermore, increasing service quality can help assure and develop customer loyalty, and ultimately, customer retention (Khan, 2009).

METHODOLOGY

Research Methods

The aim of this study is to examine the perceptions of bank managers regarding the factors that encourage and discourage the adoption of online banking services and digitalization of banking services in Israel, and their effect on customer satisfaction. The study relies on existing models that have been adjusted to the digitalization of the banking industry in Israel. This study is based on the qualitative research method. Bank managers' perceptions and opinions were obtained by means of semi-structured interviews conducted with ten bank employees, who hold managerial positions in two of Israel's largest banks. The data were analyzed using content analysis. The researcher fully acknowledges the assumptions of postpositivism.

Research Sample and Sampling Method

The sample includes ten bank managers from two of Israel's leading banks, who are involved in the digitalization of the banking industry in their day-to-day work. The researcher works for one of these banks and is acquainted with an employee from the other bank. This facilitated the process of contacting the bank managers and asking them to participate in the research. The interviews were conducted on-site. The researcher began by interviewing the participants with whom she was familiar, and they in turn recommended other colleagues, who agreed to take part in the research.

Research Instruments

This qualitative research study used in-depth, semi-structured interviews to investigate internal sources of knowledge and expertise within the organization (Bryman, Bell, Mills, & Yue, 2011). When conducting a semi-structured interview, the researcher follows an interview guide, which is a list of questions or general topics to be addressed. The researcher does not have to ask the questions in any specific order. The questions are open-ended, which enables a discussion between the participant and the researcher (Doyle, 2019). Moreover, semi-structured interviews allow moderately high interpretative and measurement validity (Zohrabi, 2013). These are the reasons why the semi-structured interview was chosen as the

research instrument in this study. In order to standardize the research instrument, a trial interview was held with an additional participant, not included in the research sample, before the ten actual participants were interviewed. This individual was a bank employee designated for promotion to management in the researcher's work setting. The responses of the trial interview were not included in the final research data, but on the basis of this trial interview, the researcher made several amendments to the interview guide, and added new and relevant questions.

DATA COLLECTION AND ANALYSIS

The research was planned and conducted according to Shkedi's (2007) seven stages of qualitative research. During the data collection phase of the research, an interview schedule was prepared, the semi-structured interviews were conducted, the research and researcher were presented to the participants, and active listening was practiced. The researcher also recorded and transcribed the interviews. During the data analysis phase, the researcher thematized the participants' responses in order to enable their analysis, the data was analyzed according to a systematic content analysis procedure, in which the researcher organized all themes in a table and computed the frequency of their repetition. Later on content analysis validation was carried out to verify that the results were in line with the themes determined by the researcher.

RESULTS

According to all the participants, going to the bank branch and waiting in line for service is old-fashioned. They claim that bank customers do more transactions digitally nowadays, and that any service can be made available online. They use online banking mainly because it is convenient, and claim that online banking is accessible, convenient, and timesaving. On the one hand, most of them believe that availability and accessibility are important factors contributing to customers' use of online banking services. They believe that customers who choose not to bank online do so because of low motivation to learn how to use these services, since they are generally not accustomed to using digital or technological devices and applications. Most participants considered online banking services to be less adjusted to the older population. On the other hand, most of the participants described several actions taken by the banks to adjust online banking to the older population and make it more accessible, such as providing guidance by representatives who specialize in digital services in the branches, and

changing the interface of the bank's website or application.

Most of the participants stated that the banks receive few complaints about online banking services themselves, but the ones they do receive come from the older customers and relate to the banks' increasing transition to online banking. According to the bank managers, the main complaints are about the digital services' lack of response or human touch, and the bank website or mobile application. Participants noted that the actions taken by the banks, such as providing guidance by representatives in the branches and changing the interface of the bank's website or application, are also meant to deal with the complaints of older customers about the lack of human touch or response in the digital environment. In addition, two of the participants stated that the banks deal with complaints by changing internal processes according to customer feedback, with the aim of increasing customer satisfaction.

The participants suggested that a few changes could be made in the existing online banking services to increase the level of its use and customer satisfaction as well. The most frequently repeated suggestion was to provide services suited to the customer's needs, that is, personalized service. In accordance with their personal views about banking developments over the next two decades, they mentioned a website chat bot, more digitally executed transactions, and digital services adjusted to customers' needs as a means of increasing the level of customer use of online banking services and customer satisfaction. In addition, all of the participants think that in the future more services will be added to what already exists online, and most of them believe that increasing customers' use of online banking services leads to increased customer satisfaction and retention.

DISSCUSION AND CONCLUSIONS

The results of the present study contribute to the understanding about which factors encourage or discourage the adoption of online banking, and thus affect customer satisfaction, from the bank manager's point of view. According to the participants' responses, the following factors can be considered as encouraging the adoption of online banking: availability, accessibility, speed, efficiency, timesaving, saves resources, saves going to the branch, price, convenience, ease of use, and security and privacy. The following factors are among those that discourage the use of online banking: convenience of current situation, which includes low motivation to learn, not being used to digital technology, and low level of technology use;

conservativeness, which includes concerns regarding data security; lack of human touch, which includes inability to negotiate with the branch; and accessibility. Convenience, accessibility, and security and privacy can be considered as both encouraging and discouraging factors.

Furthermore, the brand perception of online banking by most of the participants is influenced by their belief that online banking services are less suited to the older population than to the younger generation, which is related to the abovementioned factors (convenience of the current situation, conservativeness, lack of human touch and accessibility) that affect the service quality of online banking. As noted by Zeithaml et al. (2002), service quality is connected to customer satisfaction, as seen in the service quality dimensions of the SERVQUAL model. In addition, since this study supports the existence of a relationship between service quality dimensions, perceived value, brand perception, and customer satisfaction, the results were analyzed in terms of Kumbhar's (2012) expanded eBankQual model, as seen in Figure 1.

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LIST OF FIGURES

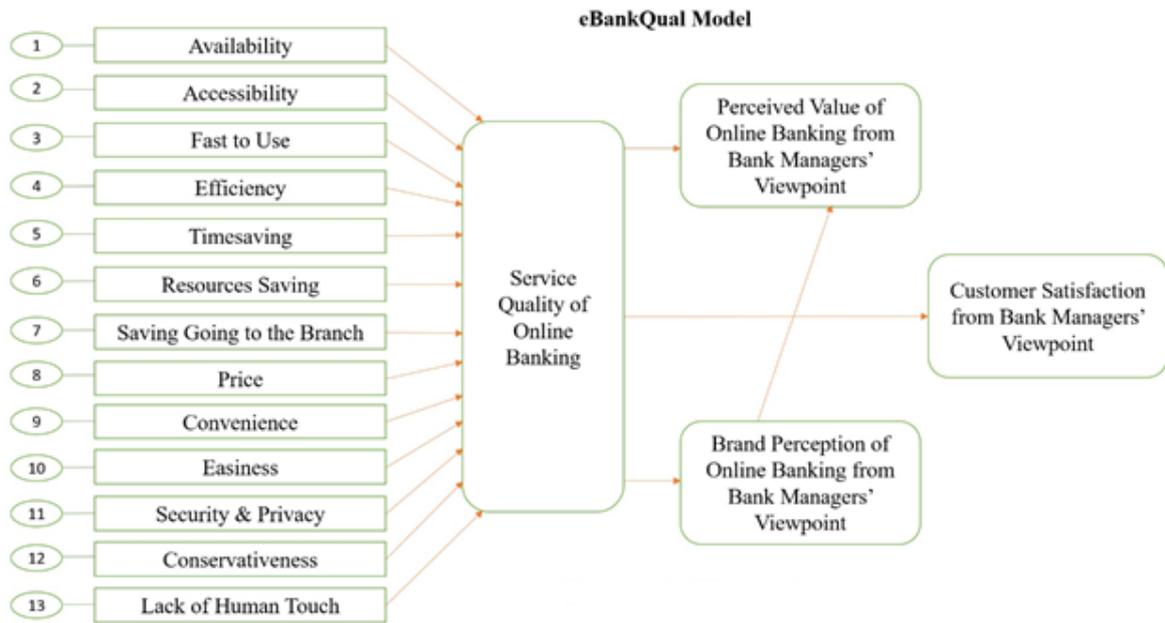


Figure 1
eBankQual Model as designed by author

APPENDIX 1
Interview findings

Written Question	Theme	Frequency f	Total F
1. A. Do you use the digital services that the bank offers to its customers?	Yes	10	10
1. B. If yes, why?	Convenient	15	46
	Efficient, saves time and resources	9	
	Available, at any time, accessible	8	
	Easy, simple, understandable	7	
	Saves going to the branch, improves life quality, "a freak of digital"	7	
2. A. What services do you use and why?	The bank's mobile application	9	28
	Money payment applications PEPPER Paybox / BIT	5	
	ATM, self-service machines	7	
	The website	4	
	Credit cards	3	
2. B. What do you not use and why?	ATM / self-service machines	6	7
	Credit cards	1	
3. A. How satisfied are you as a bank employee with the services and why?	High satisfaction	6	8
	Moderate satisfaction	1	
	Is not satisfied	1	
3. B. How satisfied are you as a customer with the services and why?	High satisfaction	6	10
	Medium satisfaction	2	
	Unsatisfied	2	
4. A. Why do you think some of the bank's customers choose to use the bank's digital services? (For reasons of accessibility, safety, ease of use and price).	Available anytime, accessible	13	47
	Fast, efficient, saves time and resources	8	
	Saves going to the branch	7	
	Price (cheaper)	7	
	Convenient	6	
	Easy	4	
	Privacy & Security	2	
4. B. Why do you think some of the bank's customers do not choose to use the bank's digital services? (For example: lack of technological orientation, lack of accessibility, difficulty in changing habits).	The current situation is convenient for them: lazy to learn, not used to digital, less technological	15	22
	More conservative, data security concern	5	
	You cannot negotiate with the branch	1	
	Accessibility	1	
5. A. To what extent do you think the use of digital services is suitable to all customers?	Suited to all customers	3	21
	More suited to the young population	5	
	Less suited to the older population	7	
	Less suited to disabled people	1	
	Not suitable to all customers	5	

Written Question	Theme	Frequency f	Total F
5. B. how?	Broad	4	6
	Simple and basic	2	
5. C. If not, what actions are being taken by the bank to adapt them and make them accessible?	Guidance at the branch or <i>at the customer's</i>	5	8
	Encouraging the customer's feeling that he is not alone	2	
	Making interfaces simpler	1	
6. A. Are there many customer complaints following the transition to digital services?	Few complaints follow the transition to the digital services	7	9
	Many complaints follow the transition to the digital services	2	
6. B. If yes, from who mainly?	Older customers	6	11
	Customers who are having difficulties understanding the system / did not receive guidance	4	
	Customers who tend to compare service standards with other service providers	1	
6. C. On what service?	Lack of response or human touch in digital services	2	4
	Website / mobile application	2	
6. D. How do you, the bank's employees, deal with them?	Guidance by representatives who specialize in the digital services in the branches	3	9
	Changing the interface of the website / application	3	
	Changing internal processes according to customer feedback	2	
	Set up a guidance meeting with a digital representative	1	
7. A. To what extent do you think that the digital services can replace the services provided by the bank?	Can replace to a high extent	7	8
	Can replace to some extent	1	
7. B. To what extent do you think they can replace the service experience that customers receive at the branches?	Can replace to a high extent	9	10
	Can replace to some extent	1	
7. C. Why?	Coming to the branch and waiting is outdated, time saving, availability, convenience	7	15
	People do more transactions in the digital services, even in digital you can get personal service, any service can be digital	7	
	Cheaper	1	
7. D. In what way they can?	Doing standard, routine and relatively simple transactions	7	10
	Everything	3	
7. E. In what way they cannot?	Doing non-standard transactions	7	10
8. What changes would you make to the digital services to increase the level of use and satisfaction of customers?	To provide service that is suited to the customer's needs	3	
	Consulting services	2	
	Make it easier for the customers on the	2	

Written Question	Theme	Frequency f	Total F
	login to the website		
	Expanding the BIT application	1	
	Improving processes in the bank's mobile application	1	
	Improving the capital market website	1	
	New technologies of face recognition	1	
	Accessibility of services	1	
9. A. How do you think the service to the bank's customer should be like in the 21 st century?	More transactions will be performed digitally, chat bot in the website, customer-suited digital services	8	16
	Low branch layout	4	
	The establishment of service centers, there will be almost no officials	4	
9. B. Do you think the staffed branches of the banks will have a role in the provision of service to the customers in the future?	Yes, there will be a role to the staffed branches in the provision of service	9	13
	There will be a role to the staffed branches, but not in the provision of service	1	
	There will be no role to the staffed branches, service will be provided in a different format	3	
9. C. What services will these branches offer?	Non-standard transactions (mortgages, non-standard loans, consultation)	7	9
	All services like today	2	
9. D. Do you think that services will be added to the digital services in the future?	Yes, additional services will be added to the digital	10	10
9. E. Why?	Efficiency	2	5
	Saving of manpower	2	
	Improving Satisfaction	1	
10. In what way do you think the level of the digital services at the bank and their quality today exceed the level of the digital services of the competing banks?	We are first in the digital in many aspects	7	18
	Many resources are invested for that, investment in the availability of the digital services	6	
	Same as the main competitor	1	
	There are aspects in which the competitors have an advantage over us	1	
	Investment in the speed of the digital services	1	
	Investment in the security of the digital services	1	
	The quality of the employees	1	
11. As a result of the bank's transition to increased use of digital services, there is a contribution to: retention of existing customers, customers' attrition to banks with better digital services, customers' attrition to banks that do not use digital services, or no change?	Retention of existing customers	5	6
	Customers' attrition to banks with better digital services	0	
	Customers' attrition to banks that do not use digital services	0	
	No change	1	