

**THE INFLUENCE OF ELECTRONIC BANKING ON SERVICE DELIVERY  
SATISFACTION TO CUSTOMERS THE CASE OF NMB BANK IN  
TANZANIA**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER IN BUSINESS  
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**2014**

**CERTIFICATION**

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania titled, **“The Influence of Electronic Banking on Service Delivery Satisfaction to Customers, the Case of NMB Bank in Tanzania”**, in partial fulfilment for the award of Master Degree in Business Administration of the Open University of Tanzania.

.....  
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(Supervisor)

.....  
Date

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Signature

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Date

**DEDICATION**

I dedicate this thesis to my lovely parents, Mr. and Mrs. Mazwile without whose love and parental guidance I would not have made it this far.

## **ACKNOWLEDGEMENT**

The process of this master thesis writing is a wonderful learning experience in our academic life which is filled with challenges and rewards. The completion of the present study leads to a new beginning and a step forwards to our future.

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## **ABSTRACT**

Financial liberalization and technology revolution have allowed the developments of new and more efficient delivery and processing channels as well as more innovative products and services in banking industry. The study investigated the influence of electronic banking on service delivery satisfaction to customers. The study employed a case study design using quantitative and qualitative approach.

The study found variety of electronic banking services that are available at NMB bank, this includes ATM services, SMS (mobile) banking and debit cards. Also there was a degree of variation NMB subscribers in terms of age, sex, level of education and longevity of staying with the banks. Also the findings show that there was a positive perception of the respondents influenced by the establishments of electronic banking products at NMB banks in terms of usage, convenience, time saving and transportation cost as well as quickness of service delivery.

Lastly the research found that satisfaction of customers on the establishments of electronic banking was not a maximum degree as customers were less dissatisfied with the insufficient of electronic banking products such as online banking system and VISA card, education and training of established system as well as cost charges of electronic banking such as service charges.

It's been recommended that management of NMB Bank invest massively in IT in order to further promote efficient and smooth service delivery. There is also the need to broadly develop more E-banking products and to do extensive customer education to enable more customers to utilize the service and reconsideration of service charges and cost for maximum satisfactions.

## ABBREVIATION

|         |   |
|---------|---|
| ATM     | Automatic Teller Machines                         |
| DAWASCO | Dar es salaam Water and Sewerage Company          |
| DTPB    | Decomposed Theory of Planned Behaviour            |
| IDT     | Diffusion of innovation theory                    |
| EFT     | Electronic Funds Transfer                         |
| ICT     | Information Communication Technology              |
| IT      | Information Technology                            |
| LUKU    | Lipa Umeme Kadri Utumiavyo                        |
| MBA     | Masters of Business Administration                |
| NMB     | National Microfinance Bank                        |
| OUT     | Open University of Tanzania                       |
| PC      | Personal Computer                                 |
| SI      | Security Indicators                               |
| SMS     | Sending Message System                            |
| SPSS    | Statistical Package for Social Science            |
| TRA     | Tanzania Revenue Authority                        |
| UK      | United Kingdom                                    |
| UNCTAD  | United Nation Conference on Trade and Development |
| USA     | United State of America                           |
| WOM     | Word of mouth                                     |



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## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background of the Study**

The contemporary world is faced by a rapid development in technology; such advancement (ICT) has introduced a number of new systems in all the aspect of life and the economy in general. Science has lately joined the world through the use of internet systems which were in the early 20th century used for mail communication and advertisement plans by several companies in the world. The 21st Century, shaped by the Technological Revolution, is the age of globalization. The Internet massively impacts all aspects of business. In the 21st century, electronic business is no longer an option for businesses; it is a need. Steven, 2002 cited by Wisdom, (2012)

In recent times electronic banking has been adopted in various commercial activities, advancing services such as sell and purchase of items through the use of internet systems. Despite the risks associated with this technology, market economy, and the need to make the world a one village has necessitated commercial and financial institutions adopting electronic banking to link banking activities or affairs more easily than it was in the past. This is to say with electronic banking it is even easier for a holding bank to control its subsidiary bank allocated at a distant as a result of technological improvement. (2003) cited by Wisdom, (2012)

E-banking refers to financial activities that involve use of electronic technology ranging from the now omnipresent automatic teller machines (ATMs), to other

services such as direct deposit, electronic bill payment; electronic funds transfer (EFT), telephone banking, and on-line Banking Lee (2000) cited by wisdom (2012).

According to Chang (2003) e-banking contributes significantly to the distribution channels of banks such as automated teller machine (ATM), Phone –banking, Tele-banking, PC-banking and now internet banking.

These financial electronic technologies are in differing stages of development. ATMs, a mature e-banking product, have existed for approximately 30 years and have been widely accepted among consumers. On the other hand, telephone banking, electronic bill payment, online banking and mobile banking represent more recent additions to e-banking services. (Chang, 2003).

In addition, transfer of funds, viewing and checking savings account balances, paying mortgages, paying bills and purchasing financial instruments and certificates of deposits processes have improved significantly as a result of internet banking (Mohammed et al., 2009). This implies that, e-banking has resulted in efficiency in service delivery in the banking sector because customers can transact business from one side of the country to another and from both long and short distance.

Further researchers disagreed that, e-banking has transformed traditional banking practices to the extent that it has been found to create a model shift in marketing practices resulting in positive performance in the banking sector (Gonzalez, 2008; Maholtra & Singh, 2007).

Banking activities in Tanzania could be influence to the 1900s, banking practices are result of the colonialists who for the purpose of facilitating their economies in



Tanzania and East Africa at large introduced Banks, and the earlier banks were a product of the Germany regime in Tanganyika. A great deal of banking regulations were made by the British regime in 1919s in Tanzania, apart from introducing more banks than ones held by Germans, enacted a number of laws to regulate banking activities in Tanzania. After independence banks carried colonial banking legacies, the Arusha declaration of 1967 nationalized all the banks owned privately. Come early 1990s a report on the inquiry into Monetary and banking systems in Tanzania by the Nyirabu Commission was delivered. Its major contribution in banking development is substantial; it is the cause of the various laws on banking business such as the Banking and Financial Institution Act, 1991. Despite its remarkable contribution the latter did not point out a thing on electronic banking, the same is because ICT had not ventured into use by most Financial Institutions in the country though its impacts were felt already by the developed countries such as USA and the UK. (Robert, 2011: online)

Since then financial service providers have been using electronic message transmitted through proprietary software system (intranets) for some time before ICT introduced internet. Come the 21st century and introduction of internet caused a dramatic revolution in the old traditional methods of transactions which has necessitated most banks and financial institutions in most countries introduce the use of such technology in most commercial activities. Electronic banking in Tanzania is in its early stages, though a great response of use is witnessed. The adoption of Automated Teller Machines by various banks and financial institutions is of pride, the adoption of m-banking by various communication Companies such as Tigo,

Vodacom gear habits for deposits and quick transfers of money or payments via electronic payments services. The adoption of electronic banking by CRDB bank evidently indicates the role played by electronic banking in the country. ( Robert 2011)

Banks in Tanzania have been working hard to establish mobile banking to facilitate the provision of financial service to their customer .This included mobile banking services such as NMB mobile (NMB) SIM banking (CRDB) and TPB popote (TPB) Mol's et al. (1999) stated that the diffusion of electronic banking is more determined by customer acceptance than by offerings. Not enough is known as regarding how customers perceive and evaluate electronically delivered services. Therefore the study seeks to explore the impact of mobile banking establishment on customer satisfaction in terms of customer s perception on reliability, convenience and security of the services.

E-banking is critical in the transformation drive of banks in areas such as products and services and how they are delivered to customers. Thus, it is seen as a valuable and powerful tool in the development, growth, promotion of innovation and enhancing competitiveness of banks (Gupta, 2008; Kamel, 2005). Given the significant role of e-xi banking in the developmental drive of banks, information technology has been found to lead to improvement in business efficiency and service quality and hence attract customers as well as retain those (Kannabiran & Narayan, 2005).

Other scholars argued that, e-banking has transformed traditional banking practices to the extent that it has been found to create a paradigm shift in marketing practices resulting in positive performance in the banking sector (Gonzalez, 2008; Maholtra & Singh, 2007).

This shows that the delivery of efficient and quality service is facilitated by information technology. Similarly, Christopher et al. (2006) indicated that e-banking provides an important channel to sell products and services of banks and is perceived to be a necessity for banks to be successful. Therefore, service quality and efficiency in the banking industry has increased tremendously worldwide in the world due to the integration of information technology into banking operation. The present study seeks to investigate the extent to which the e-banking concept has influence service quality in the service delivery of Tanzanian banks.

## **1.2 Statement of the Problem**

In the olden times, customers' demand for banking services was ambitious essentially by safety of their monies as well as interest accruing from such savings. Nevertheless, the present day customers' demand has shifted from just safety of money to how banks deliver their services. The motive is that the present day customer requires efficient, fast and convenient services (Wisdom, 2012). NMB is the leading retail bank in Tanzania, with 150 branches, 1.8 million customers and close to 500 ATMs. NMB pioneered major innovations in the Tanzanian market including mobile banking and Pesa Fasta, an ATM based remittance product targeted at the unbanked. NMB is also making inroads in corporate banking, treasury, and

transactional services such as corporate payments, collections and trade finance. NMB plays an important role in the agricultural value chain and pioneered warehouse receipt financing for the country's Saccos and Amcos. London Based Super Brand council that run research across 84 countries has named NMB among top 20 brands in Tanzania (NMB, 2011).

Since its establishment, the bank has remained a bank of choice for urban and rural dwellers, rich and poor, ordinary and privileged, and active workers and pensioners. It is of little wonder that the bank has a presence in virtually every district of the country. These numerous branches coupled with its predisposition and the needs of the poor in particular have increased exponentially its customer base throughout the country. So big is the customer base of the bank that daily visits to the banks banking halls reveal long winding queues of people waiting to transact business of all kind? (NMB, 2011).

Occasionally, many of the customers out of frustration and unnecessary delays do complain of the bank's operations. Some customers who are in need of quick and fast service delivery leave NMB for other banks which they usually described as providing fast-track banking services. It appears operational challenges in the form of delay in service delivery made the bank unattractive to the Tanzanian public. In response to this concern, the bank began automation in order to remain competitive.

The financial market has become so competitive in recent times due largely to the liberalization of the banking industry. Also due to information communication

technology (ICT) advancement, the bank has seized the opportunity to automate its processes and introduce E-banking products. The launching of e-banking system by NMB was strategy of so many target including customers; it enables the customers to perform different banking services from their NMB accounts 24-hours access to cash through an automated teller machine (ATM) or direct deposit of pay checks into checking or saving accounts also it provides enormous benefits to consumers in terms of ease and cost of transaction either through internet, telephone or other electronic delivery. Furthermore it helps the clients to do their real-time transfer and get the feedback of money transfer processes wherever they are (NMB, 2011).

Notwithstanding the described benefits of establishing e-banking system at NMB but dissatisfaction of customers is what attracted the desires to conduct this study. Therefore the study seeks to investigate the influence of E-banking on services delivered to customers satisfactions at NMB Bank.

### **1.3 General Objective**

The general purpose of the study is to investigate the influence of e-banking on service delivery to customer's satisfaction at NMB bank.

### **1.4 Specific Objectives**

The following were the specific objectives of the study

- i. To identify the electronic banking services offered by NMB bank.
- ii. To assess the usage behavior of the service of NMB subscribers

- iii. To examine the impact of e-banking on service delivery to customer satisfaction at NMB Bank
- iv. To identify customers level of satisfaction with service delivery given the introduction of e-banking services.

### **1.5 Research Questions**

Based on the research objectives, the study will test the following questions:

- i. What are the electronic banking services offered by NMB bank?
- ii. What are the behaviors of the service of NMB Bank subscribers?
- iii. What are the impacts of e-banking on services delivery to customer satisfactions at NMB bank?
- iv. To what level does NMB bank customers satisfies with service delivery given the introduction of e-banking system?

### **1.6 Significance of the Study**

The introduction of ICT into the banking industry has affected service delivery satisfaction in the service industry. Every banking industry are concerned with the best possible strategy into introducing ICT so while improving performance as a result as to guarantee sustainable growth that will lead to the achievement of other goals.

Many banks are shifting step by step from the traditional way of banking and are gradually introducing ICT into their service delivery. This study assessing the influence of the using e-banking on service delivery satisfaction to customers and it

would be of great significance to the banks, the narrow body, and the consuming public and to business world at large.

The study will help the bank to identify the perception consuming public have about the electronic banking services they are providing. The satisfaction of the customer is the prime occupation of the bank, thus this study will provide evidence for the upgrading of these services. Also, the study through the examination of service quality will enable the bank judge its performance in the light of how customers judge it.

It is further expected that the study will provide the needed evidence to the Bank of Tanzania, the regulatory body and the Consumer Protection Agency to further strengthen their resolve in ensuring that customers or the banking public enjoys the best of services.

The study is also of significance to the customer and the business world in general. The result of the study will provide evidence for banks to improve the performance of customer care units and their service delivery which are mechanism towards the satisfaction and comfort of the customer.

To end with, the study will add knowledge to the existing literatures in the area of marketing, customer satisfaction and quality service delivery in the banking industry.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

In the second chapter of this thesis presents a review of previous studies related to the present study. The chapter constitutes examination of studies related to service delivery and customer satisfaction in the service industry. It also examines the relationship between customer satisfaction, customer retention and service delivery. The chapter also outlines the Electronic banking services available in the NMB bank.

#### **2.2 Conceptual Definition**

##### **2.2.1 Service Marketing**

Wide varieties of activities labelled as a service are practiced by both profit-oriented organizations and non-profit oriented organizations. The success of these organizations depends on delivery of delivering excellent services quality and creating value customers (Kasper et al., 1999:13)

Gronroos (1990) identifies a service as an activity or series of activities of a more or less intangible nature that normally, but not necessarily, takes place in interaction between the customers and service employees and/or physical resources or goods and or system of service providers, which are provided as a solutions to customer problems

Zeithaml and Bitner (1996), claim that in the simplest terms services are deeds, processes and performances. Their broader definition states that service includes all



economic activities whose output is not a physical product, is general consumed at a time is produced and provides added value in forms that are essentially intangible concern of the purchaser.

Kotler (1996) defines service as an activity or series of activities that one party offer another that is essentially intangible and does not result in the ownership of anything. Its production may not be tied to physical products.

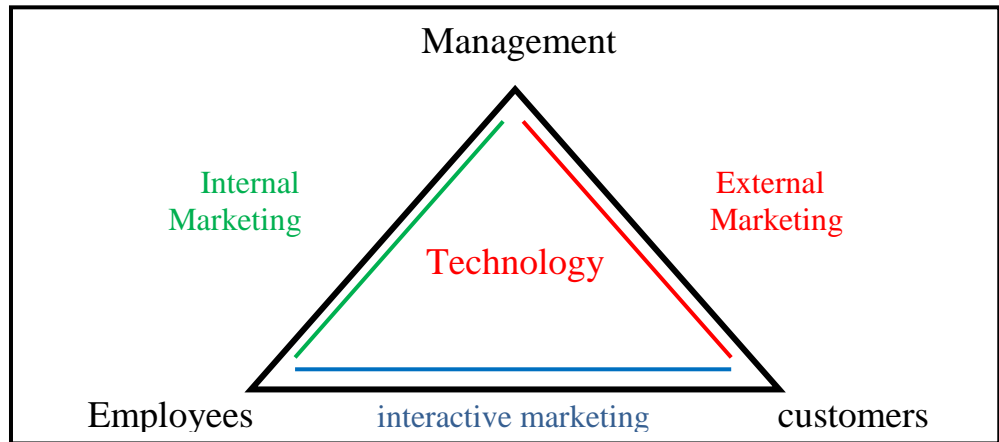
The above definition gives as the room to synthesis the concepts of services. Things we can derive from the above definition is that service deal with intangible components. The purchase of services does not necessarily result on physical transfer of ownership but still creates a bundle of benefits during or after the service interaction or experience. The study is set to deal with tangible and intangible products offered by NMB bank to its customers, as e-banking comprises of both physical and non physical products relying only from the above definition perhaps may lead as into a very wrong direction.

Therefore distinguishing between the tangible and intangible components of a service is extremely difficult perhaps what can be done is separating the core service from the augmented service to simplify this task. The core service represents the fundamental benefits the services provide to satisfy the customer's needs. The augmented service incorporate the core service in addition to the tangible elements and all additional benefits of the service employed to satisfy customer needs. The core service are mostly intangible because of their lack of physical attributes, while

the augmented service provide the customer with the impression of the service tangibility component, because it can be seen, touched and transferred to the customers such as ATM machines, debit cards, ATM cards, receipts mobile phones and money. To support this augments Kasper et al. (1999:139) and Palmer (1994:126) stated that “mostly the result of service interaction is a product of tangible nature”.

### **2.2.2 Technology and Service Marketing**

The impacts of technology on all dimension of service delivery have brought about the expansion of the services triangle to include technology. This expansion will turn a triangle into a pyramid. This pyramid suggests that interactive marketing can be the result of interactive relationships between employees, customers and technology to produce the desired services. Changes in information technology offer opportunities to organization to perform service in such ways that the customers physical presence is not always compulsory for stance the invention of NMB mobile phones services has reduced the congestion of customers at NMB centers as a customer can access and do all transaction while at home (NMB, 2011). Technology driven services may hinge upon introducing more technology in service delivery processes that can either extend the service process or shorten the actual delivery process. Technology can be used to create new services, which enable the organization to serve the customers better and distinguish themselves from their competitors (Zeithaml and Bitner, 2000:49). Researcher accrued with the arguments and it can be used to support the study.



**Figure 2.1: The service marketing triangle (pyramid)**

Source: Adopted from (Zeithml and Bitner, 2000:23)

### 2.2.3 Customer Satisfaction and Outcomes of Satisfaction

Satisfaction has been considered as one of the most important theoretical as well as practical issue for most marketer and customer researchers (Jamal, 2004). Oliver (1981 pg.29) defined it in the consumption context as the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the customer's prior feelings about the consumption experience in other words we may say that satisfaction reflects a post-purchase evaluation of a product quality given pre-purchase expectation (Kotler,1991).

On one hand, within literature on service marketing, satisfaction has traditionally been defined as a cognitive-based phenomenon (Westbrook, 1987). Cognition has been studied mainly in terms of the expectations or disconfirmation paradigm: also known as the confirmation/disconfirmation paradigm which state that expectation originated from the customer's belief about the level of performance that a product or

service would provide (Oliver, 1980). Marketing scholars indicates that customer satisfaction is related to the size and direction of disconfirmation which is defined as the difference between the post purchase and post-usage evaluation of the performance of the product/service and the expectations held prior to the purchase Sharma and Ojha, (2004) cited by *ibid.* Pg. 54 the implication of customer satisfaction enhance customer loyalty to the organization and word of mouth (WOM). In particular loyalty may be defined as a customer's intention or predisposition to purchase from the same organization again (Edvardsson et al, 2000) that result on the conviction that the value received from one seller is greater than the value available from other alternatives. Therefore it is hypothesized that loyalty has positive impact on WOM is an informal mode of communication between private parties concerning the evaluation of goods and services (Sigh, 1998). Marketing literature has consistently shown its powerful role in influencing customer's attitudes. For example WOM is found to have more influence on product judgments than less vivid printed information.

#### **2.2.4 Service Marketing and Customer Satisfaction**

Service are characterized by the interaction between service providers and customers, therefore the quality and capability of service providers have a direct and significant effect on the delivery processes and customer satisfaction (Lau, 2000: online) customers perceive services in terms of service quality, customer satisfaction and value (Zeithaml and Bitner, 1996:116). Dynamic service organizations realize that these three components help to differentiate them from their competitor and guarantee that they compete more effectively in the marketplace.

Because customers are more knowledgeable these days, they consistently tend to seek out new services that will provide them with more satisfaction. As a result, service providers are expected to increase the value of their service offering to customers to stop them from defecting to other organizations. Research on the customer satisfaction on customer loyalty concluded that customer satisfaction influence purchase intentions and post-purchase attitudes. Customer satisfaction is seen as a combination of service quality, product quality and price in addition to the influences of situation and personal factors. Customer satisfaction can only be assessed after an experience with the service provider (ibid source, 1996:124).

The above arguments are too general does not pin points service marketing on profit oriented organization or in non-profit organization, are not specifically to Tanzania which so far fall at third world zone where challenges of technology are so high in comparison to the first and second world countries. Furthermore argument are not specific to NMB bank customers on how they satisfied with the established e-banking services, therefore this study is set to bridge this gap

### **2.2.5 Electronic Banking**

Electronic banking is the new way of doing business without setting foot outside. It is defined as the automated delivery of new and traditional banking products and services directly to customers through personnel computer. When first introduced electronic banking was used as an informational medium to market banking products and services but with the development of new technology bank uses internet banking both for transactional and informational medium.

Also e-banking has been defined differently by researchers partly because e-banking services vary for instance Salehe and Zalhila, (2008) indicated that e-banking involves an electronic connection between bank and customers in order to prepare, manage and control financials transactions of the customers by the bank. This type of banking has been found to be driven through the following channels:

Internet banking

- Telephone banking
- TV-based banking
- Mobile phone banking (or offline banking)

It also refers to the provision of retail and small value banking products and services through electronic channels. Electronic banking (e-banking) is the provisional of financial services and market using electronic communication and computation. Today banks are switching to multi-channel distribution of financial service in hybrid platforms, where the traditional services of banks are provided through. Such may include deposit-taking, lending, account management, the provision of financial advice, electronic bill payment and the provision of other electronic payments products and services such as electronic money (Basel committee on banking supervision, 2003 cited by IJES, 2013:34)

## **2.2.6 Factors of Adopting E-Banking**

### **Accessibility**

Accessibility defined as the ability of users to access information and services from the web is dependent of many factors. This includes contact format; the user's

hardware, software and settings; internet connections; the environment conditions and the user abilities and disabilities Godwin (2001) cited by Jun et al. (1999) revealed reliable/prompt responses attentiveness and ease of use had considerable impacts on both customers perceived overall service quality and satisfaction. Yang and Jun (2002) redefined the traditional service quality dimensions in the context of online services and suggested an instrument consisting of seven service dimension (reliability, access, ease of use personalization, security, credibility and responsiveness). Joseph et al. (1999) considered banking service quality with the respect to technology use such as ATM's, telephones and the internet and identifies six dimensions. They were convenience/accuracy; feedback/complaint management; efficacy queue management; accessibility and customization. Therefore, it is hypothesised that accessibility has positive effect on customer satisfaction (Ahmad and Hassan, 2011:51)

### **Convenience**

E-banking provides higher degree of convenience that enables customers to access internet bank at all times and places. Apart from that, the ease of access of computers is perceived as a measure of relative advantage Daniel, 1999: Black et al, (2001) cited by Ahmad and Hassan (2011:56). Johnston (1995) revealed that there are some service quality determinants that are predominantly satisfiers and other that are predominantly dissatisfies with the main sources of satisfaction being attentiveness, responsiveness, care and friendliness. The main source of dissatisfaction is integrity, reliability, responsiveness; availability and functionality (ibid source pg. 52).

### **Privacy**

Privacy is an important dimension that may affect users' intention to adopt e-based transaction systems. Encryption technology is the most common features at all bank sites to secure information privacy, supplemented by a combination of different unique identifiers, for instance, a password automatic activate and a memorable date. Thus a combination of smart card and biometric recognition using fingerprints offers a more secure and easier access control for computers than a password method(ibid source, 52)

### **Security**

Assurance about security relates to the extent to which the web sites guarantee the safety of customers' financial and personal information, an area which has witnessed a proliferation for many researchers. A security can be assured by providing a privacy statement and information about the security of the shopping mechanisms and by displaying the logos of trusted third parties.

### **Speed**

Hoffman and Novak (1996) find that there is a significant correlation between speed and user satisfaction. Very often slow response time after any e-interaction leads to delay of service delivery and makes customers unsure about whether or not the transaction is completed. Johnston (1997) illustrates that certain actions such as increasing the speed of processing information and customers, are likely to have an important effects in terms of pleasing customers; however other activities, such as improving the reliability of the equipment, will lessen dissatisfaction rather than delight customers and suggests that it is more important to ensure that the dissatisfies



are dealt with before the satisfiers. Thus it is hypothesized that speed has positive effect on customer satisfaction

### **Fees and Charges**

Service quality attributes in e-banking industry are important since human-internet interaction is the main service delivery and communication channel. Offering high quality services to satisfy consumer needs at lower costs are potential competitive advantage of e-banking. Some studies show that e-banking has successfully reduced operating and administrative cost. Cost saving have helped e-based banks offer lower or no service fees, and offer higher interest rates on interest-bearing accounts than traditional banks. Therefore it is hypothesized that fees and charges have positive impacts on customer satisfaction (Johnston, 1997).

### **2.2.7 Benefits of Electronic Banking: To the Banks and to the Customers**

Banking just like other business are tuning to information technology to improve business efficiency, quality and attract new customers (Nath et al, 2001). Al-Sukkar and Hassan (2005) aver that the most important factors encouraging consumers to use online banking are lower fees followed by reducing paper work and human error. Subsequently electronic channel can lead to lower transaction costs which are very competitive (Claessens and Kliebiel, 2000). Kiang et al. (2000) is of the view that disputes can be minimized between the employees as there is a clear flow of processes. Conducting business outside the normal branch working hours has also been considered convenient for bankers. According to Jayawardhena and Foley (2000) each ATM has the capacity to carry out the same, essentially routine, transaction as do human tellers in branch offices but at half the cost and with a four

to one advantage in productivity. Thus bank can provide customers convenient, inexpensive access to the bank 24 hours a day and seven day a week (IJES, 2013:36) Increased availability and accessibility of more self service distribution channels help bank administration in reducing the expensive branch network and associated staff overheads (Birch and Young1997). A reduction of percentage of customers visiting the banks with an increase in the alternative channels of distribution will also minimize the queues in branches (Thornton and Whit, 2001:13) this is ultimately leads to improved customer satisfaction. Electronic banking also increase the power of the customer to make price comparisons across suppliers quickly and easily and as a consequence this pushes prices and margin downward (Delvin,1995 cited by Thornton and whit (2001).

Karem (2003) observed that banks are responding to the electronic banking differently and that those which see the electronic banking as a compliment and substitute to the traditional channels achieved better communication and interactivity with customers. Online banking extends the relationship with the customers through providing financial services right into the home or office of customers (Robinson, 2000). Al-sukkar and Hassan (2005) support the view that technology can improve service quality for bank and enhance customer satisfaction and loyalty according to Nath et al (2001) provision of high quality services may also lead to high profit consumers for he banks. Polatoglu and Ekin (2001:9) argued that the early adopters and heavy uses of internet banking services are more satisfied with the services compared to the other customer groups. According to Joseph and Stone (2003), the ability to deliver services via technology is positively correlated with satisfaction.

Smith (2006) emphasizes the importance of human and technology based delivery channels in improving the level of bank customer satisfaction, retention and switching. E-banking customers do not face problems of handling a lot of money, submission of utility bills and waiting in a long queue for service.

To synthesis the above aver it can be observed that the e-banking system has great benefits to the banks likewise to customers both economic and social benefits. But there some sought of doubt whether this benefits proclaimed are universally applicable and can be found at NMB banks and optimized by the NMB bank customers and thus the study is set to investigate the influence of the e-banking on service provision to customers satisfactions.

## **2.3 Theoretical Review**

### **2.3.1 Diffusion of Innovation Theory (IDT)**

The process of adopting new innovations has been studied for over 30 years and one of the most adaptation models is described by Rogers in his book “diffusion of innovation” (2003). He offered the following description of an innovation. An innovation is an idea, practice or project that is perceived as new by an individual or other unit of adaptation (Roger, 2003:13). An innovation may have been invented longtime ago, but if individual perceive it as new, then it may still be an innovation for them. The newness characteristics of an adoption are more related to the three steps (knowledge, persuasion and decision) of the innovation-decision process. In addition, roger claimed there is a lack of diffusion research on technological clusters. For Roger (2003), “a technology cluster consists of one or more distinguishable

elements of technology that are perceived as being closely interrelated. In general (IDT) explains individuals' attention to adopt a technology as a modality to perform a traditional activity, it outlines the critical factors that determine the adoption of an innovation: such those of relative advantage, compatability, complexity, trialability and observability. The nominalized factors are complexity, triability and observability. (Moga, 2010: 256).

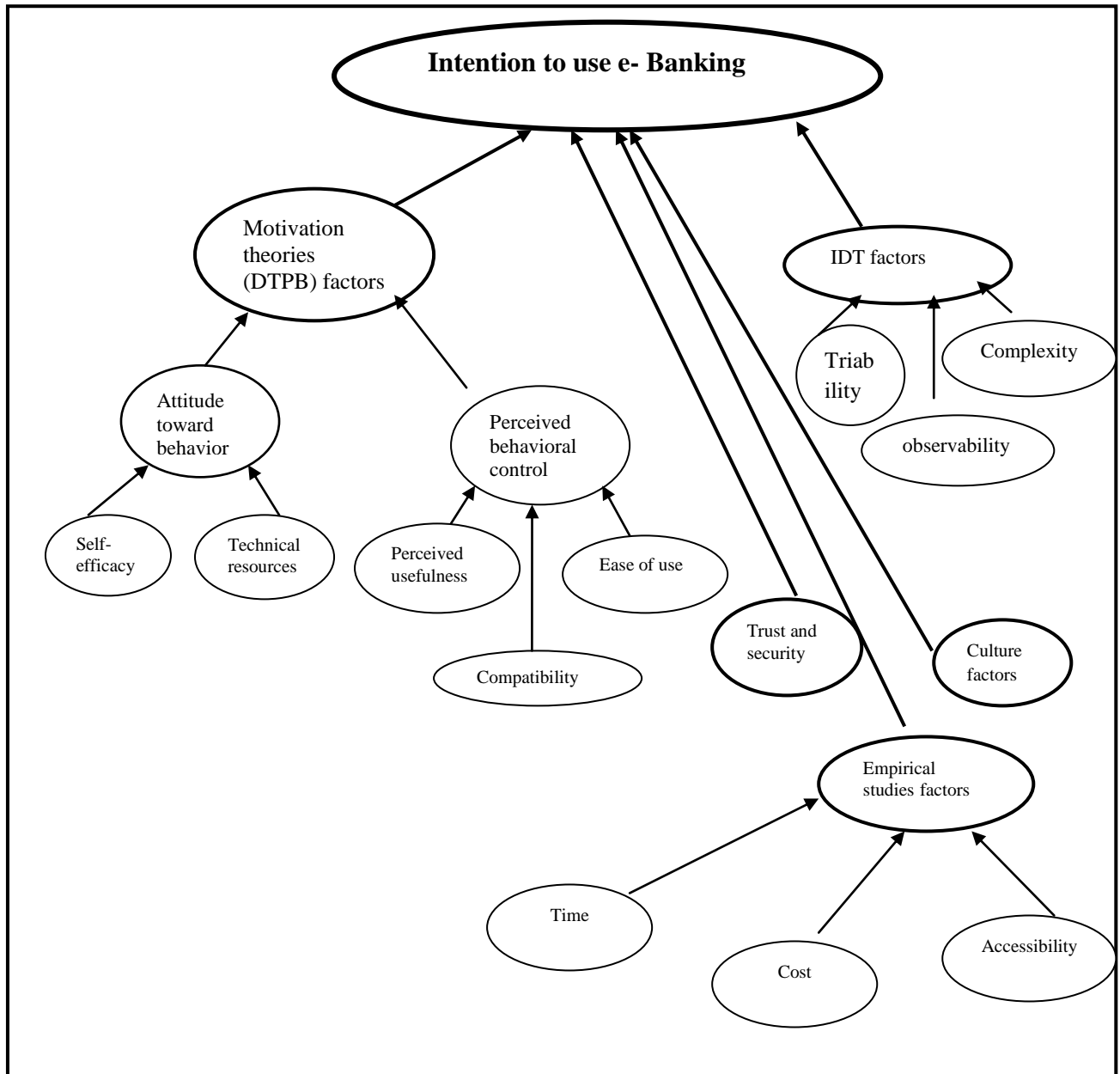
### **2.3.2 The Decomposed Theory of Planned Behavior (DTPB)**

The second reviewed theory is the decomposed theory of planned behavior (DTPB). The theory was developed by Taylor and Todd (1995). The theory postulates that the intention to use a certain technology is influenced by attitude, subjective norm and perceived behavior control. An attitude is defined as an individual's positive or negative feeling about performing the targeted behavior. It's related to behavioral intention because people form intentions to perform behaviors toward which they have positive feeling. Subjective norms refer to the person perception that most people who are important to him think he should or should not perform the behavior in question. It's has been found to be more important prior to, or in the early stages of innovation implementation when user have limited direct experience from which to develop attitudes. Perceived behavior control is concerning with difficulty-especially as it's related to internal constraints is a most important factors. (Moga, 2010).

Dimension of DTPB: it has several dimensions of such those related to attitudes are perceived usefulness of technology, perceived easy to use and security. Those related

to subjective norm course leaders influence and lastly those dimensions related to behavioral control are self efficacy of the user, computing experience, training, technological facilities and computer anxiety (Sarawak,2004).

The purpose of employing the two theories was consequences of the weakness of one theory. For that reason the adoption was altered by the supplementary and complimentary of one theory to another. The IDT theory explain the necessity of adopting technology in an organization to replace the traditional system of management and administration as well as model of service provision if is service orientated company a theory is normative in nature as it aims to establishes structures while DTPB concentrate on the behavioral aspects of adopting certain technology such those of perceiving, attitudes, satisfactions, subjectivity and behavior control of people i.e. training, experience motivations, incentives and awards. NMB bank adopted e-banking system as everyone can observe the presence of ATM cards, mobile phone programs, and ATM machines all over the country. But the question remained on the satisfaction of the users who are the NMB customers with the service and thus was the intention of the study. The study intention was guided by DTPB theory.



**Figure 2.2: Model of e-banking theories**

Source: Adopted from Moga, (2010) and redesigned by the researcher (2014)

## 2.4 Empirical Analysis

The study conducted by Ahmed, and Hassan (2011) on e-banking functionality and outcomes of the customer's satisfaction: an empirical investigation in commercial

banks industry in Jordan found out that the role of the e-banking in enhancing customer satisfaction and loyalty. Factors that pertaining to the accessibility, convenience, security, privacy speed, fees and charges were the study focus and has found enhancing customers satisfaction the empirical conclusion made by the study were multifaceted and as a result, it is vitally that banks managers pay attention to the influence of customers satisfaction. The researchers are therefore encouraged to place more focus on the impact influences stemming from the e-banking functionality and its impact on customer satisfaction with Jordanian commercial banks.

Taking into consideration the huge investments banks make in internet infrastructure, customer satisfaction and retention are turning into the crucial factors for success in e- banking meaning that the generation of positive customer values on the internet requires the establishment of long-term customer relationships. On the way ways to achieve high customer satisfaction and gaining the loyalty of customers is for banks to offer the high quality service. Based on the performed evaluation mentioned above, the following conclusion can be made. First of all, most customers have shown dissatisfaction or indifference with the following aspects of the e-banking services: prompt responses of the bank to the customer request; design of the bank websites quickly solution of the customer's problems the easiness to reach the bank by telephone and the easiness to find what the customer's needs on the websites. Secondly banks seems to perform very well on the service performance and efficiency dimension f the offered online services as those dimension rank highest on satisfaction on customers. Finally the aspects of consistently ranking highest on

dissatisfaction are communication and websites characteristics which should be considered from bank managers for immediate amendment. The study on quality of on lining banking service: quantitative analysis by (Vasya and Patrick, 2006)

Kerem (2003), adoption of electronic banking: underlying customer behavior and critical success factors: a case of Estonia qualitative approach found that factors which fasten the success of electronic banking at Estonia were such as enabling environment, ICT usage promotion initiatives markets characteristics and management aspects as well as the availability of broad range of electronic services. The study concluded that the reason behind the success of electronic banking in general and more specifically on internet banking are complex. It is clear that banks activities alone may not be sufficient in achieving growth if general infrastructure, economic environment and government initiatives are not supportive.

Hosein (2010), study on internet banking: understanding consumer adoption rates among community banks: quantitative approach the study found four (4) independent variables such as quality of incentives, knowledge of the computers, internet usage and internet experience significantly predicts expectation of the customers adoption e-banking as well as perceived easy use (how the system will be free of effort on the IB system is an important in adopting internet banking. Study concluded that in the service environment, consumers are involved in the assembly and consumption of services due to the inseparability dimension of services. In internet banking environment the inference of inseparability is complicated due to the lack of social presence, i.e., the sellers of the service are not available physically at the point of



usage. Thus the consumers have to complete the process without interaction from service providers. Consumers may therefore, find it difficult to use online IB services, leading to a decrease in their intention to adopt IB. In response, companies need to standardize their IB services to make the service as simple as possible for consumer to use

Wisdom (2012), the impact of electronic banking on service delivery to customers of Ghana commercial bank limited: a descriptive analysis the study discovered that after the establishments of electronic banking at Ghana commercial banking the negative perception of customers about bank has significantly changed many Ghana see the Ghana as the most business entity which respects and value of time over 76% of the respondents agreed strongly to this assertion while the rest do not. Also the finding significantly indicates that electronic banking products have impacted positively on the service delivered of Ghana commercial bank and customer perception has greatly changed as a result of these products

Oswald (1999), Liberalization of the banking industry in Tanzania: a critical examination study had analyzed the banking sector and the impacts of banking industry to the economy. It has argued the positive part of the liberalization process. For example the number of projects that were approved, and the number of people who were able to gate employment has been shown. The study emphasizes that the need for regulatory authority not to relax the criteria for entry and suggested that the authority must keep its eyes open to ensure smooth and stable banking system

Ishengoma (2011), Analysis of mobile banking for financial inclusions in Tanzania: a quantitative approach study found out that most respondents registered with the service could find the technology saving them from bank charges (affordable charges with M-banking), time serving the perceived ease use of M-banking was not the same to every respondents, who could read and write seems to find the technology simple and understandable ease to use compared to those who did not go school (illiterate population). The study concludes that there is a close relationship between the problems of not having access to an m-money agent where network agents are on the ground of the representative.

## **2.5 Electronic Banking Services: An Overview**

### **2.5.1 Electronic Banking: Historical Foundations**

Internet banking services was first provided in the early 1980s by Nottingham Building Society and the Bank of Scotland (Tait and Davis, 1989). However, these services were soon discontinued as it was not widely accepted by the banks' customers. In the early 1990s, with the rapid growth of information technology and electronic services, banks began to launch internet banking services again (Daniel, 1998).

In late 1990s many anticipated that internet banking services, such as viewing banking transactions, bill payments and even online loan applications would become industry standards. These expectations were realized in a much shorter time than expected. Furst et al. (2000b) showed that 88.8% of all US national banks were offering "balance inquiry" and "fund transfer" services through their web sites, 78%

of them were offering bill payment services, and 60% of them were offering credit application services. These three services were the most popular services offered by all banks categories (Furst, 2000).

In simple words, e-banking implies provision of banking products and services through electronic delivery channels. Electronic banking has been around for quite some time in the form of automatic teller machines (ATMs) and telephone transactions. In more recent times, it has been transformed by the internet – a new delivery channel that has facilitated banking transactions for both customers and banks. For customers, the internet offers faster access, is more convenient and available around the clock irrespective of the customer's location (Furst, 2000).

For banks, the Internet is a new distribution channel, which offers a lower waiting time and a higher spatial convenience than traditional branch banking, and it is therefore attractive to a large and quickly growing segment of bank customers. Applications of ICT within the banking sector are the development of products and service such as: networked branches, ATM's, internet banking, SMS and Telephone Banking, Electronic Bill Payment among others. NMB bank has under their electronic banking models the following: Internet banking, Mobile banking and Debit Cards and ATM's.

### **2.5.2 Internet benefits for banks and customer**

Internet banking offers many benefits to banks and their customers. The main benefits to banks are cost savings, reaching new segments of the population,

efficiency, enhancement of the bank's reputation and better customer service and satisfaction (Brogdon 1999; Jayawardhena and Foley 2000). The more transactions can be converted online, the more money will be saved. According to Robinson (2000) the cost of an electronic transaction is dramatically less when done online compare to at a branch. He adds that online banking strengthens the relationship between the service provider (e.g. bank) and the customer, because it brings banking services directly to a customer's home or office, or in the mobile phone. This creates customer loyalty. The last point he made was that online services are a must for banks that have to compete with a growing number of services from other financial institutions, investment concerns and insurance companies. A good example of this growing competition is the invasion of foreign Internet banks in Finland. The new technology offers whole new possibilities to the banking sector. Furthermore, banking is no longer tied to time and place. As a result, global competition is expected to broaden (Helve, 2000).

Nancy et al. (2001) viewed the same situation differently and argued that customers like to interact with humans rather than machines. They found more possibilities for asking questions and believe that bank clerks are less prone to errors. It is thus essential that any face-to-face transactions are carried out efficiently and courteously. This increases the possibility of selling the customer another service that they need and also promotes a good image and enhances customer loyalty. The findings obtained by Nancy (2001), suggest that, attitude is an important variable which influence the usage of e-banking services such as telephone banking and ATM services. Therefore, customers who have negative attitude towards e-banking

services especially individuals who cannot read and write, are less likely to use such services than those with positive attitude. (Gerrard and Cunningham, 2003) found a positive correlation between convenience and online banking and remarked that a primary benefit for the bank is cost saving and for the consumers a primary benefits is convenience. Multi-functionality of an IT based services may be another feature that satisfies customer needs (Gerson, 1998).

A reduction in the percentage of customers visiting banks with an increase in alternative channels of distribution will also minimize the queues in the branches (Thornton and White, 2001). Increased availability and accessibility of more self-service distribution channels help bank administration in reducing the expensive branch network and its associate staff overheads. Bank employees and office space that are released in this way may be used for some other profitable ventures (Birch and Young, 1997). This ultimately leads towards improved customer satisfaction and the institution's bottom line (Thornton and White, 2001).

Yakhlef (2001), pointed out that banks are responding to the Internet differently, and that those which see the Internet as a complement and substitute to traditional channels achieved better communication and interactivity with customers. Robinson, (2000) argued that the online banking extends the relationship with the customers through providing financial services right into the home or office of customers. The banks may also enjoy the benefits in terms of increased customers loyalty and satisfaction (Williams, 2000).

Internet banking offers also new value to customers. It makes available to customers a full range of services including some services not offered at branches. The greatest benefit of Internet banking is that it is cheap or even free to customers. However, price seemed to be one factor militating against Internet banking e.g. (Sathye 1999). Two important factors in the price debate are on the one hand geographical differences and on the other hand disparities between the costs of e.g. Internet connections and telephone call pricing.

Electronic banking in general is not tied to time or place. It has also been argued that electronic banks are more likely to change in response to customers' demands (Brogdon, 1999). Internet banking has the advantage that the customer avoids travelling to and from a bank branch. In this way, Internet banking saves time and money, provides convenience and accessibility, and has a positive impact on customer satisfaction. Customers can manage their banking affairs when they want, and they can enjoy more privacy while interacting with their bank. It has been claimed that Internet banking offers the customer more benefits at lower costs (Mols, 1998). To summarize, electronic banking in general and Internet banking in particular offer many benefits to both service providers (whether they are traditional banks or other financial institutions does not make a difference) and their customers. Electronic banking (E-banking) reduces the transaction costs of banking for both Small and Medium Enterprises (SMEs) and banks. SMEs need not visit banks for banking transactions, providing round the clock services (Cheng, 2006).

Customers prefer E-banking for conveniences, speed, round the clock services and access to the account from any parts of the world (Cheng 2006). E-banking offers benefits to banks as well. Banks can benefit from lower transaction costs as E-banking requires less paper work, less staffs and physical branches (Cheng, 2006). E-banking leads to higher level of customers' satisfaction and retention (Poatoglu and Ekin, 2001).

### **2.5.3 Challenges of E-Banking**

An extended study conducted by Daft (1982), revealed that the introduction of E-banking may be a good idea but on the part of customers, they are keener to risk associated with the particular type of innovation. Daft identified what he described Strategic Risk by inference a financial institution's board and management should understand the risks associated with E-banking services and evaluate the resulting risk management costs against the potential return on investment prior to offering E-banking services.

Poor E-banking planning and investment decisions can increase a financial institution's strategic risk. On strategic risk E-banking is relatively new and, as a result, there can be a lack of understanding among senior management about its potential and implications. People with technological, but not banking, skills can end up driving the initiatives. E-initiatives can spring up in an incoherent and piecemeal manner in firms. They can be expensive and can fail to recoup their cost.

The start-up costs of an e-bank are high. Establishing a trusted brand is very costly as it requires significant advertising expenditure in addition to the purchase of expensive technology (as security and privacy are keys to gaining customer approval).

Perhaps one of the greatest banes to customers by embracing to electronic businesses has to do with risk arising from fraud, processing errors, system disruptions, or 30 other unanticipated events resulting in the institution's inability to deliver products or services. This risk could exist in each product and service offered (Earl, 2000).

Earl further commented that banking activities has the likelihood of increasing the complexity of the institution's activities and the quantity of its transaction/operations risk, especially if the institution is offering innovative services that have not been standardized. Since customers expect E-banking services to be available 24 hours a day, 7 days a week, financial institutions should ensure their E-banking infrastructures contain sufficient capacity and redundancy to ensure reliable service availability. Even institutions that do not consider E-banking a critical financial service due to the availability of alternate processing channels, should carefully consider customer expectations and the potential impact of service disruptions on customer satisfaction and loyalty.

Similarly, Agboola (2006) investigated electronic payment systems and teal-banking services in Nigeria. The findings revealed that there has been a very modest move away from cash. Payments are now being automated and absolute volumes of cash



transactions have declined. The result of the study revealed that tele-banking is capable of broadening the customer relationship, retain customer's loyalty and enable banks to gain commanding height of market share if their attendant problems such as, ineffectiveness of telecommunications services, epileptic supply of power, high cost, fear of fraudulent practices and lack of facilities necessary for their operation were taken care of. This translates to the fact; tele-banking has change service delivery patterns of banks positively as direct cash transactions have reduced significantly as a result.

Security and privacy aspect are crucial factors discouraging consumer to use internet banking. Bank must persuade consumer that their web sites are secure and adequate safeguard have been taken to guarantee security at the transaction level. Safeguarding the privacy of individual is essential if the public is to embrace in internet banking. In a study, many online customers still chose pure internet-based suppliers with basic customer services yet demanded various services available through conventional channels (Yang and Fang, 2004). Various researches have been carried out in order to identify conventional service quality dimensions that may significantly impact upon quality assessments (Parasuraman et al., 1985, 1988; Pitt et al., 1995; Zeithaml et al., 1985).

Oghenerukevbe, (2008), internet banking provides alternatives for faster delivery of banking services to a wider range of customers. The increasing popularity of internet banking has attracted the attention of both legitimate and illegitimate online banking practices. Criminals focus on stealing user's online banking credentials because the

username and password combination is relatively easy to acquire and then relatively easy to use to fraudulently access an internet banking account and commit financial fraud. To alert users, many banking sites are now including Security Indicators (SI) to their sites.

Hua (2009), conducted an experiment to investigate how users perception about online banking is affected by the perceived ease of use of website and the privacy policy provided by the online banking website. In this study, it also investigated the relative importance of perceived ease of use, privacy, and security. Perceived ease of use is of less importance than privacy and security. Security is the most important factor influencing user's adoption.

Wise and Ali, (2009) also argued that many banks in Bangladesh wanted to invest in ATMs to reduce branch cost since customers prefer to use them instead of a branch to transact business. The financial impact of ATMs is a marginal increase in fee income substantially offset by the cost of significant increases in the number of customer transactions. The value proposition however, is a significant increase in the intangible item „customer satisfaction. The increase translates into improved customer loyalties that result in higher customer retention and growing organization value. Internet banking is a lower-cost delivery channel and a way to increase sales. Internet banking services has led to the increased retention of highly valued customer segments.

Despite the positive effect of e-banking on service delivery and banking services in general, some major setbacks have been noted by researchers. For instance, (Chiemeke et al.2006) conducted an empirical investigation on adoption of e-banking in Nigeria.

It was observed that, negative effects following adoption of internet banking, a component of e-banking are in security, inadequate operational facilities including Telecommunications facilities and electricity supply, and made recommendations on how Nigeria banks can narrow the digital divide. Also, the report revealed that Internet banking is being offered at the basic level of interactivity with most of the banks having mainly information sites and providing little Internet transactional services.

Customer expectation, in terms of service delivery and other key factors have increased dramatically in recent years, as a result of the promise and delivery of the internet. Jayawardhena and Foley, (2000) posits that e-banking as a new service delivery channel has provided banks with a clear cut solution to the inherent disadvantages of traditional bank service delivery practices. Specifically, large volumes of transactions are successfully carried out because of e-banking in contemporary times. Further, Birch and Young, (1997) intimated that the internet may be exploited as a new delivery channel by the financial services industry to completely reorganize the structure of banks.

Lack of specific laws to govern Internet banking is another important concern for both the bankers and the customers. This relates to issues such as unfair and deceptive trade practice by the supplier and unauthorized access by hackers. Larpsiri et al. (2002) argued that it is not clear whether electronic documents and records are acceptable as sufficient evidence of transactions. They also pointed out that the jurisdiction of the courts and dispute resolution procedures in the case of using the Internet for commercial purposes are important concerns. Disputes can arise from many sources. For instance, websites are not a branch of the bank. It is difficult for the court to define the location of the branch and decide whether they have jurisdiction (Rotchanakitumnuai and Speece, 2003).

Central to the satisfaction literature is the theory of disconfirmation which has been used extensively in marketing research to explain the subject matter of satisfaction. The theory posits that, satisfaction is established when the customer evaluates the gap between suppose performance and his/her cognitive standards such as wishes and expectation of the product or service delivered (McKinney et al., 2002; Liu and Khalifa, 2003).

Customer satisfaction is referred to as an evaluative judgment a customer makes before making a choice on purchase decision (Oliver, 1980; Churchill and Surprenant, 1982). Following from the above definition, customer satisfaction is perceived to be an attitude customer form by making comparison in their pre-purchase expectation to their subjective perceptions of actual performance (Oliver, 1980).

According to Robinson (2000), online banking ensures customer satisfaction as it extends financial services to customers outside the banking hall. Similarly, e-banking has provided banks with a large customer base as it has resulted in increased customer loyalty and satisfaction (Oumlil and Williams, 2000).

Iranian based study investigated the impact of e-banking. Chi-square analysis from the customer's perspective showed that, e-banking contributed positively to Iranians. Further, the result revealed that, Iran banks provided services that the customers are deriving satisfaction from with particular reference to e-banking (Mahdi and Mehrdad, 2010). Other risks associated with electronic banking are job losses, lack of opportunities to socialize and the development of a lazy society (Black at al., 2001).

#### **2.5.4 Electronic Banking in Tanzania Context**

The impact of e-banking on service delivery of banks has also been noted by researchers. In Tanzania long queues which used to be the norm in NMB Bank branches appear to have reduced drastically due to e-banking.

The advancement in Technology has played an important role in improving service delivery standards in the Banking industry. In its simplest form, Automated Teller Machines (ATMs) and deposit machines now allow consumers carry out banking transactions beyond banking hours. With online banking, individuals can check their account balances and make payments without having to go to the banking hall. This is gradually creating a cashless society where consumers no longer have to pay for

all their purchases with hard cash. For example: bank customers can pay for airline tickets and subscribe to initial public offerings by transferring the money directly from their accounts, or pay for various goods and services by electronic transfers of credit to the sellers account. As most people now own mobile phones, banks have also introduced mobile banking to cater for customers who are always on the move. Mobile banking allows individuals to check their account balances and make fund transfers using their mobile phones (Amedu, 2005).

Oghenerukevbe, (2008), internet banking provides alternatives for faster delivery of banking services to a wider range of customers. The increasing popularity of internet banking has attracted the attention of both legitimate and illegitimate online banking practices. Criminals focus on stealing user's online banking credentials because the username and password combination is relatively easy to acquire and then relatively easy to use to fraudulently access an internet banking account and commit financial fraud. To alert users, many banking sites are now including Security Indicators (SI) to their sites.

## **2.6 Research Gap**

The study is set to investigate the influence of electronic banking on service delivery satisfaction to customers the case of NMB banks headquarter Tanzania. The study differ methodologically and area of study with study conducted by Ahmed and Hassan, (2011) who looked on e-banking functionality outcomes of customer satisfaction in Jordan. That used empirical analysis. Also with the study by Varsya and Patrick, (2006) quality of on lining banking services which was narrowly

focused on one aspects of e-banking which is online banking so far not yet adopted at NMB bank right now. Additionally the study gap is obtained by comparing this study with the study conducted by Kerem (2003), in aspects of methodology, area of study as well as broadness i.e. the study adopted qualitative approach versus case study approach, Estonia versus Tanzania, customer behavior versus satisfaction. The study conducted by Wisdom (2012) has some related attributes similar in terms of contents with this study but it was conducted in Ghana using a descriptive analysis whilst the study employed a case study approach allowing the analysis of both quantitative and qualitative approach. Also the study conducted by Ishengoma (2011), was narrow in term of contents and it has concentrated on mobile banking not commercial banking and employed only quantitative approach although it was set in Tanzania context likewise this study.

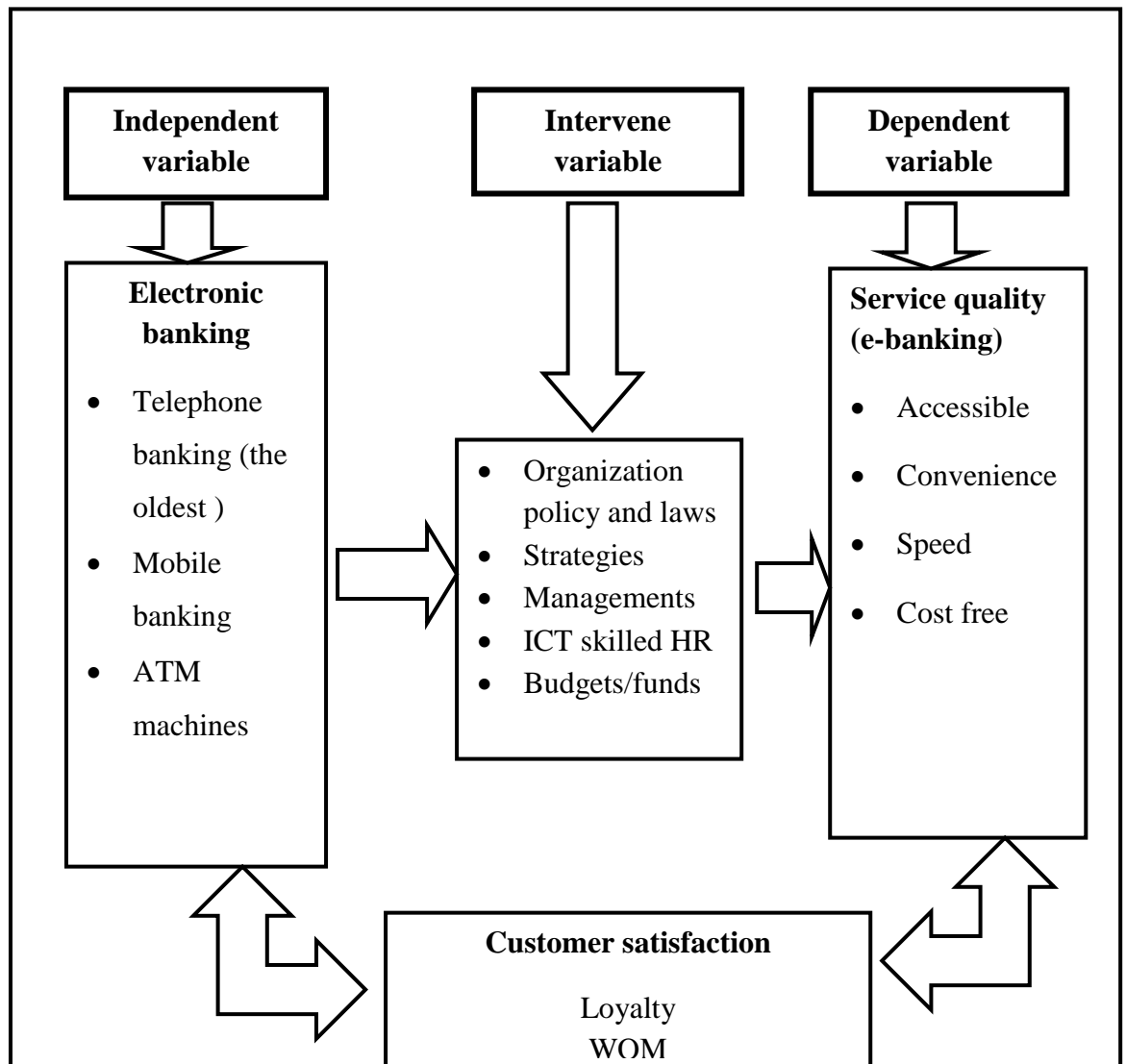
Therefore the paramount importance of this study should not be overstated because it aimed to investigate the influence of electronic banking on service delivery to customer satisfaction a case of NMB bank headquarter in Tanzania using case study approach and 86 sample size neither of the above study has done so.

## **2.7 Conceptual Framework**

Tanzania banking industry has suddenly witnessed a major boom. Being a globalized market, the customers seek and demand world class products. In today's global market, the competitive market, the competitive advantage lies in delivering high quality service to the customers. The need to achieve customer satisfaction lies in its ability to deliver better quality product to the customers, therefore customer's

satisfaction is considered as a pre-requisites for customer retention, loyalty and convenience which ultimately helps in realizing the goals of profitability, market share, growth, return on investment productivity etc. (Business times, September 2013). Customers in developing countries seems to keep the “technological factors” of services as the yardstick in differentiating good and bad service and the human factor-the employee seems to play a lesser role in discriminating the quality of service in banks. Banking is no longer regarded as a business dealing with money transaction alone, but it also seems as a business related to information on financial transaction (Padwal, 1995 cited in online). In Tanzania the use of modern technology in banking system is no so old just like that in developed countries though it’s becoming mushrooming so faster and emerging successful. Several innovative IT based service such as Automated Teller Machine (ATM), Internet banking, smart cards, credit cards, mobile banking, phone banking anywhere anytime banking have provided number of convenient services to customers so as the service quality improves i.e. NMB bank is among of the competitive giant among other banks and the gap is on how this adaptation have yet increased the customer satisfaction thus desires the set of the study to assess in order to bridge this gap. Figure 2.3 show the conceptual framework of the study





**Figure 2.3: Conceptual framework**

Source: Researcher own construction, (2014)

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter will go through the process of the study and outlines the different methodological approaches that have been employed to the study as well as tools that have been used to gain information about the subject. The researcher has stated the data collection method used and how data was collected and analyzed; reliability and validity are considered as well. The chapter is divided into six parts: research design, study area and population, sampling procedure, data collection, data analysis procedures as well as issues of reliability and validity.

#### **3.2 Research Design**

The research design constitutes the blue print for collection, measurement and analysis of data (Kothari, 2004). It is a logical and systematic plan that has been prepared for directing a research study. It specified the objectives of the study, the methodology and techniques adopted in achieving the objectives.

Because of the setting nature of the study was to investigate the influence of electronic banking to the customer satisfaction at NMB house headquarter a case study research design was adopted as seemed to be appropriate and viable. Case study is a research approach that is used to generate an in-depth, multi-faceted understanding of complex issues in its real life context. it can also been defined in a varieties of ways but its central tenet being the need to explore an events in its

natural context. Furthermore case study approach allows the collection of multiple source of evidence using a range of quantitative (questionnaires) and more commonly qualitative techniques such as interview, focus group and observation. (Cowe et al, 2011)

### **3.3 The Study Area and Population**

The research focused on NMB Bank headquarters famous known as NMB house with its all customers. Reason for selecting NMB bank is truth that cannot be unrevealed because despites of the longevity of establishment of NMB Bank but it remained one of the greatest pillars in the banking sector of Tanzania not only that but also NMB bank has a large customer base and more than 150 branches in the country. The services of the bank continue to be felt in every community in the country. With regard to its large deposit base, there is ever-growing pressure on its service delivery across the country. For such reasons the need to introduce e-banking products becomes paramount and NMB Bank like every responsive organization is dynamic to changing trends in business transactions.

### **3.4 Sampling Procedures**

#### **3.4.1 Sample Size and Sampling Techniques**

Sample is a sub set or some part of the larger population. According to Mueller, (1970), the purpose of sampling is to reduce expenses in term of money, effort and time. A total of 86 respondents' were employed in this study, 83 were customers and 3 were managers. These customers were selected using simple randomly sampling technique, a non-probability sampling method. Non-probability sampling is any

sampling method where some elements of the population have no chance of selection, or where the probability of selection cannot be accurately determined. It involves the selection of subjects based on assumptions regarding the population of interest, which forms the criteria for selection (Kothari, 2004).

This strategy was chosen because sampling participants using the list of customers of the bank was a challenge. The accidental sampling (sometimes known as convenience or opportunity sampling) used is a type of non-probability sampling which involves the samples being drawn from that part of the population which is close to hand. That is, a participant is selected because it is readily available and was convenient to be selected. In this study, the participants were approached as they enter the banking hall for business and they agreed to participate in answering the questions on the questionnaire. (Kothari, 2004)

### 3.3.2 Samples distribution and sample framework

**Table 3.1: Sample distribution**

| Sample Population            | Nature of sample         | Sample size |
|------------------------------|--------------------------|-------------|
| Customers                    | Simple randomly sampling | 83          |
| Manager                      |                          |             |
| 1) Head of customers service | Purposive sampling       | 1           |
| 2) Head of retail banking    | Purposive sampling       | 1           |
| 3) Head of finance           | Purposive sampling       | 1           |
| <b>Total</b>                 |                          | <b>86</b>   |

Source: Field data (2014)

### 3.5 Data Collection Techniques

The following methods were used by the researcher to get information from the respondents.

#### 3.5.1 Questionnaires

Kothari (2004), these are questions in printed forms. In order to conduct the study, the researcher used open ended questionnaire and closed questionnaire. A research questionnaire containing carefully framed questions was used to collect data for the study. The questionnaire was in three parts. The first part aimed at the collection of demographic information on the participants. This included age, sex, educational level and number of years transacting business with NMB Bank. This is to determine

the category of individuals who bank with the bank and their academic qualification. Academic level is most important because without minimum education, one cannot access the electronic banking services.

Part two focused on E-banking services provided by the bank. It gathered information on the satisfaction of customers with services delivery quality regarding available E-banking services and the benefits that customers derived from using E-banking services. This was meant to find out whether the introduction of the electronic banking services has influence on service delivery and their satisfaction with the services.

### **3.5.2 Interviews**

Interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral verbal responses. This method can be used through personal interview (Kothari 2004:97). Three (3) NMB managers were purposeful selected and interviewed one concerning with marketing and the other concerning with operations and quality assurance. The criterion of selection was based on the density of information they have to supplements the information given out by the customers. The interview was well structured with all relevant questions clearly written down before the commencement of the interview sessions. The questions which were not included in the interview guide but were considered necessarily were also asked during the interview session

### **3.6 Data Analysis**

Analysis is the application of reasoning to understand and interpret the collected data, (Kothari, 2004). Both quantitative and qualitative data were presented and analyzed reflecting the research objectives and research questions. The analysis of qualitative data was the analysis of themes obtained from the interview, and observations as well as field documents. Also the quantitative data were collected and presented in graphs, charts and tables to explain and answer the research questions using frequency and percentage. In generating the actual results, frequency tables were generated to determine the number of respondents who expressed their opinion on a particular item. In addition to that the computer programs were used as instruments to analyze quantitative data; Statistical Package for Social Sciences (SPSS) version 16.0 for windows and Microsoft excel computer program enabled data coding, editing and entry, plus data analysis. Data analysis refers to the computing of certain measures along with searching for pattern groups (Kothari, 2001).

### **3.7 Reliability and Validity of Data**

An instrument is considered reliable when the outcomes of the measuring process are reproducible according to Zikmund (2000:280) reliability can be defined as the degree to which measures are free from error and therefore yield consistent result. There are two aspects of reliability issues external reliability means that the studied variable does not fluctuate greatly over time which means that it's stable. This kind of reliability can be tested through test reliability, which means measuring the same scale twice in different time frames and see to what extent the two sets of data yield

the same replies of the respondents .this method of measuring reliability is time consuming and tedious for that reason was not used in this study. Furthermore, according hardly and Bryman (2004), internal reliability means that all the constituent indicators of a variable are measuring the same thing which means that variable is coherent this measure was used in this study the structured questionnaires with similar questions were given to the respondents and some of the response were yielded similar to large number of respondents. To insure the concepts of validity the pre-testing, rewording and re-evaluation of the instruments used were approved before gone to the field. An instrument is valid when the outcome of the measuring process has really measured what it was designed to measure. Wiederrchein and Eriksson (1997:38) cited by Patrick and Johnson (2006).



## **CHAPTER FOUR**

### **4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter presents detail research results discussions in response to the research objectives that were set in chapter one as well as research questions. In full filing the study objectives, the researcher formulated questions which were asked in questionnaire for response from the respondents and the followings were the findings obtained

#### **4.2 Electronic banking services offered by NMB**

##### **4.2.1 NMB Mobile**

In enhancing its services to our customer NMB mobile has again responded to our customer requests by adding just another service of Bills Payment for water bills for DAWASCO and for TRA is Property tax and Income tax, Money transfer to NMB account, Money Transfer to non NMB customers via phone number 'Pesa fasta', min-statement, Purchase of prepaid services airtime for Tigo, Airtel, Vodacom and Zantel and Prepaid Electricity purchase (LUKU).

##### **4.2.2 NMB ATM Card**

With the NMB ATM card, you can withdraw money from any NMB ATM throughout the country.

#### **4.2.3 Airtime recharge Service**

ATM Airtime recharge is a convenient that enables a customer to purchase mobile phones top up through extensive NMB ATM network

#### **4.2.4 NMB ATM LUKU Recharge Service**

ATM LUKU Recharge is a convenient service that enables a customer to purchase prepaid electricity known as LUKU through extensive NMB ATM network countrywide.

#### **4.2.5 NMB ATM Money Transfer**

It is an NMB special service that enables you to send money using NMB ATM countrywide.

#### **4.2.6 NMB M-PESA**

NMB has entered an agreement with Vodacom that allows customers to deposit money into their account from M-PESA as well as transferring money from NMB Mobile to M-PESA.

#### **4.2.7 NMB Salary Alert**

NMB salary is a unique new product that allows you to get an SMS message on your mobile phone when your salary has arrived. With the NMB Salary Alert, you will receive an SMS message every .Time your salary has been deposited into your account. You will no longer have to go and visit the bank to make certain that it has

been paid into your account. This will save you a lot of time, money and inconvenience.

#### **4.2.8 NMB Pesa Fasta**

NMB Pesa Fasta is a new money transfer service that enables NMB mobile customers to send money to beneficiaries who don't have bank Account. NMB Pesa Fasta recipients will be able to withdraw transferred amount from NMB ATM anywhere in Tanzania.

#### **4.2.9 NMB Bills Payment**

As a measure towards broadening services offered through NMB mobile, NMB has entered into an agreement with DAWASCO, DSTV, TRA and Vodacom to enable NMB mobile customers to pay their bills and taxes. It is our obligation to take you through the steps of paying NMB mobile Bills payment; you may encounter different customer queries to your attention.

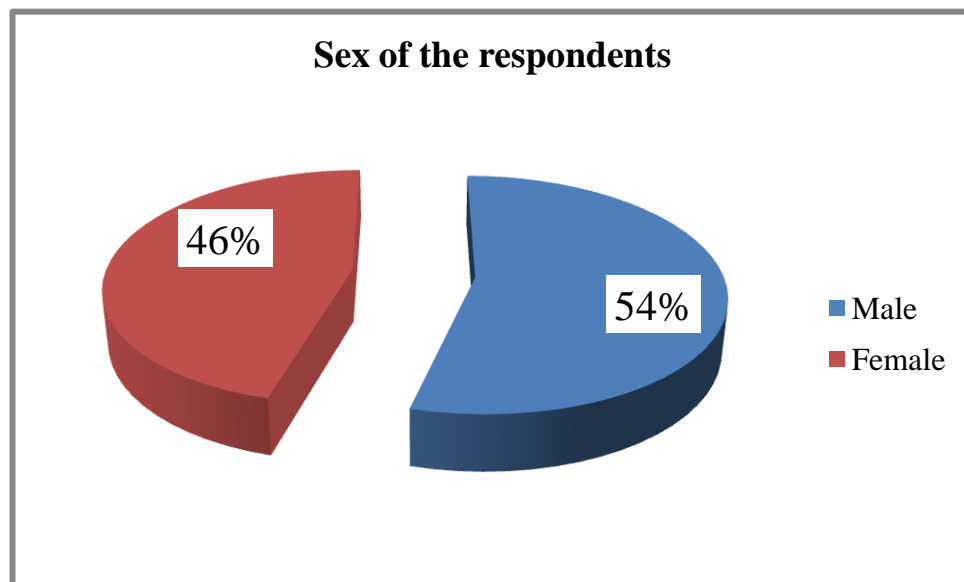
The first aim of this study is to identify the electronic banking products that are available and supported by customers of NMB Bank with specific reference to NMB House branch. The analysis revealed that a number of electronic banking products have been introduced by NMB Bank and are being used by customers. These products include Automated Teller Machine (ATM), Internet banking, SMS banking or Mobile banking and Debit card.

### 4.3 The usage behavior of the service by the NMB customers

The study collected information on demographic characteristics. Detailed results on each of the demographic characteristics are presented.

#### 4.3.1. Sex of the Respondents

In analyzing the gender structure majority of the respondents were Male. In particular, the data showed that 45 (54%) of the respondents were male while 38 (46%) were female. As presented in figure 4.1 below



**Figure 4.1: Sex of respondents**

Source: Field data (2014)

The research findings carried out in Kenya and Tanzania by ODI (2009) show that rural inhabitant save and borrow from financial institution more for an agricultural investment while in urban money is used for starting business where by in Tanzania, men are more likely to save or borrow to invest than women (Ishengoma,2011)

### 4.3.2 Age of the Respondents

The next demographic variable of the participants examined was their age. The results showed that, the majority of respondents were in the age bracket of 18 – 24, 34 (40.9%) This was followed by those who aged between 25 – 34 years 24 (28.9%). Followed by 18 (22%) were between the ages of 35 - 44 years. And 5(6%) were between the age of 45- 54. Interestingly, the number age 55 years plus were only 2 (2%) of all respondents. This could be as a result of the bank being on a tertiary institution campus where majority of the customers are teenagers. As displayed in Table 4.1 below:

**Table 4.1: Age of respondents**

| Age          | Frequency | Percent |
|--------------|-----------|---------|
| 18 – 24      | 34        | 41      |
| 25 – 34      | 24        | 29      |
| 35 – 44      | 18        | 22.0    |
| 45 – 54      | 5         | 6.0     |
| 55 and above | 2         | 2.0     |
| Total        | 83        | 100.0   |

Source: Field data (2014)

### 4.3.3. Educational Level of Respondents

The next sample characteristic examined was the educational level of the respondents. Analysis showed that, the majority of the respondents were diploma holders. There were 42 (50.6%) diploma holders while 15 (18.1%) were first degree holders 13 (15.7%) were secondary education leavers and 8 (9.6%) were certificate earners. In addition, 4 (4.8%) were Post graduates/ Masters 1 (1.2%) illiterate while non was a PhD holder responded to this study as presented in table 4.2 below. For

such assessment the education level of the respondents seemed to be satisfactory to subscribe NMB electronic banking system as Technological Adaptation Model (TAM) illustrates that the perceived easy use of technology brings an intention to use technology, other research findings show that level of education matters in easy understanding of the technology. Therefore, there is a strong relationship between the factor of level of education and use of technology.

**Table 4.2: Educational level of respondents**

|                      | Frequency | Percent      |
|----------------------|-----------|--------------|
| Illiterate           | 1         | 1.2          |
| Secondary education  | 13        | 15.7         |
| Certificates         | 8         | 9.6          |
| Diploma              | 42        | 50.6         |
| Degree               | 15        | 18.1         |
| Postgraduate/Masters | 4         | 4.8          |
| PhDs                 | 0         | 0.0          |
| <b>Total</b>         | <b>83</b> | <b>100.0</b> |

Source: Field data (2014)

#### **4.3.4 Number of years with NMB bank**

The last sample characteristic examined was the number of years that the respondents have been with the bank. The results showed that, 52 (62.7%) have been customers of the bank for the period of 5 years and below whilst 17 (20.5%) with the bank for the periods ranging from 6 to 10 years. It was also found that 6 (7.2%) have been customers of the bank for the more than 11 years and above. And total of 8 (9.6%) have been with bank less than 1 year.

The longevity of staying with the bank also seemed to be satisfactory as several studies concerning with the relationship found that there is a direct relationship between quality service and customer satisfaction: the consequences of satisfaction are loyalty, retention and growth (Hamid, 2012) as displayed in the Table 4.3 below

**Table 4.3: Respondents longevity of staying with NMB bank**

|                    | <b>Frequency</b> | <b>Percent</b> |
|--------------------|------------------|----------------|
| Less than 1 year   | 8                | 9.6            |
| 1–5 years          | 52               | 62.7           |
| 6–10 years         | 17               | 20.5           |
| More than 11 years | 6                | 7.2            |
| Total              | 83               | 100.0          |

Source: Field data (2014)

#### **Respondent's characteristics: managers**

The respondents from the managerial level were found to differ in their characteristics as shown on the Table 4.4. Their differences helped the researcher to find information that comes from managers with satisfactory age, experienced and with adequate education being that justify there response during interview.

**Table 4.4: Respondent characteristic: managers**

| <b>Manager of retail<br/>banking</b> | <b>Manager of<br/>customer</b> | <b>Manager of<br/>finance</b> |
|--------------------------------------|--------------------------------|-------------------------------|
|--------------------------------------|--------------------------------|-------------------------------|

| service                                  |        |        |      |
|--|--------|--------|------|
| Age                                      | 41     | 48     | 39   |
| Sex                                      | Male   | Female | Male |
| Level of education                       | Master | master | CPA  |
| Longevity of<br>staying with the<br>bank | 10     | 8      | 14   |

Source: Field data (2014)

#### **4.4 Impacts of e-learning on service delivery at NMB bank: (NMB house)**

##### **4.4.1 The use of e-banking services**

Further examination revealed that, the bank provides Electronic banking services in the form of ATM services, SMS (mobile) banking and Debit card services. The data revealed that 64 (77.1%) use the ATM services whilst 19 (22.9%) do not use ATM services. Further, it was observed that the use of other Electronic Banking services provided by the bank is equally high. That is the use of internet banking, SMS (mobile) banking and Debit card services, are frequently used by customers. Specifically, while 18 (21.7%) per cent do not use internet banking services, 65 (78.3%) use it. Also, while 35 (42.2%) do use SMS banking services, 48 (57.8) said they use the service. Finally, it was revealed that many customers still utilize Debit card services. The data showed that 68 (81.9%) use the service while 15 (18.1%) do not use the service. From the results, it could be concluded that many of the bank's customers use Electronic Banking service and maximum utilize the electronic banking products offered by the bank but more bank's customers still use Debit



card. Lastly, 65 (78.3%) use Internet Banking services while the rest 18 (21.7%) do not use the service. The results are presented in Table 4.5

Furthermore, research analyst with inter Media's Audience Scopes project as to why they are not using some e-banking products the main reason cited a lack of knowledge about how to use it. At the same time respondents expressed interest in learning about it.

**Table 4.5: The use of NMB bank electronic banking products**

| <b>E-banking products</b>                  | <b>Frequency</b> | <b>Percent</b> |
|--|------------------|----------------|
| <b>Use of ATM services</b>                 |                  |                |
| Yes.                                       | 64               | 77.1           |
| No.  | 19               | 22.9           |
| <b>Use of internet banking services</b>    |                  |                |
| Yes.                                       | 65               | 78.3           |
| No.  | 18               | 21.7           |
| <b>Use of SMS(mobile) banking services</b> |                  |                |
| Yes.                                       | 35               | 42.2           |
| No.  | 48               | 57.8           |
| <b>Use debit card services</b>             |                  |                |
| Yes.                                       | 68               | 81.9           |
| No.  | 15               | 18.1           |

Source: Field data (2014)

All respondents were using one among of the NMB bank electronic banking service by default but the use of one products does not restricting the use of another as products can be used respectively even those who were denying the use of a certain product at table 4.4 were using others in option. For such reason the researcher aimed

to investigate perception those who subscribe e-banking technology and Table 4.6 gives summaries of the finding.

**Table 4.6: Respondents perception on the use of technology**

|                                       | Frequency | Percent |
|---------------------------------------|-----------|---------|
| Easy to use                           | 39        | 46.9    |
| Simple                                | 14        | 16.9    |
| Simple easy to use                    | 10        | 12.1    |
| Simple, easy to use need for training | 9         | 10.8    |
| Simple, need for usage training       | 11        | 13.3    |
| Total                                 | 83        | 100.0   |

Source: Field data (2014)

The interview response with Customer service manager on the question posed what are the intended mechanism do you have to educate your customers about electronic banking was as follows:

*“It’s very difficult to organize all customers for training whenever new version of e-banking invented or adopted by our organization, perhaps for some service like using ATM machine card is simple because the customers who registered to be an NMB member at the time he/she is been given his/her ATM card he/she is being oriented on how to use it by one of our employee on duty for that no problem anymore, but for the collective programs we are using medias like radios TV programs and Newspapers as well as magazines for demonstrations. We are putting so many endeavors to assure the wide coverage of information to our customers though it’s very expensive...” [Response from NMB Customer Service Manager]*

Those use NMB bank electronic technology 39 (46.9%) find the technology just easy to use, 14 (16.9%) it was simple 10 (12.1%) it was simple and easy to use, on other hand another 9 (10.8%) simple easy to use although needed for training usage while 11 (13.3%) was just simple but still need for usage training as shown on Table 4.7 above

**Table 4.7: Frequency of using the service**

|                       | Frequency | Percent |
|-----------------------|-----------|---------|
| Every after three day | 8         | 9.6     |
| Every day             | 6         | 7.2     |
| Every month           | 54        | 65.1    |
| Every week            | 15        | 18.1    |
| Total                 | 83        | 100.0   |

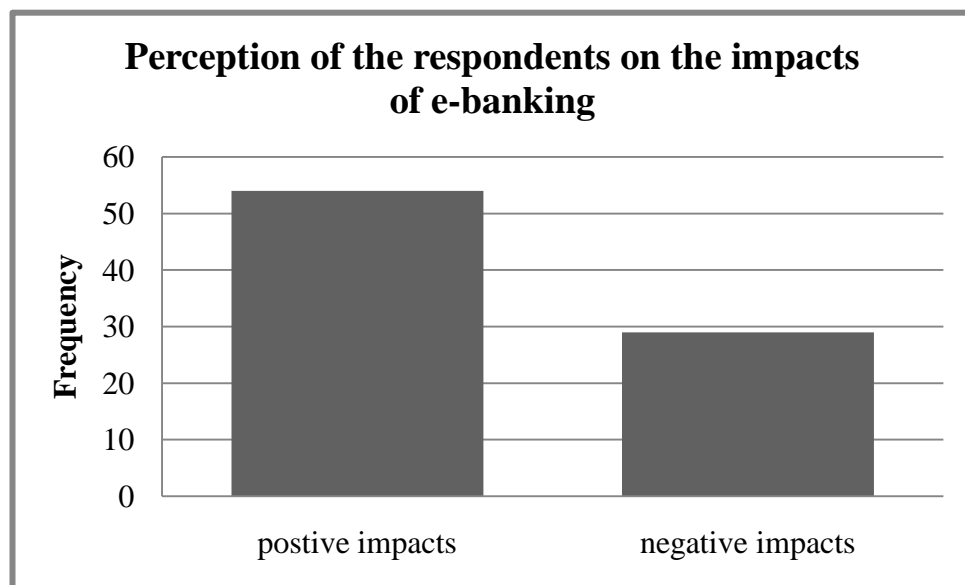
Source: Field data (2014)

As it can be observed from the above Table 4.6 that 8 (9.6%) were using the service every after three days 6 (7.2%) almost every day 54 (65%) every after a month while 15 (18.1%) use the service every week.

The citizen (2011) asserts that mobile mobile-money financial service providers have taken steps to make these services more accessible and convenient where customers could now use to access financial services though the concerning was on mobile money services but there is an interconnections between cellular phone companies dealers such as Tigo, Vodacom and Airtel and financial institution i.e. NMB bank in transaction system for such reason the growth of m-money obviously significantly effects the growth of e-banking system (Ishengoma, 2011).

#### 4.4.2 Respondents Perception on the Impact of E-banking Services in General

The next item examined was the impact of electronic banking on service delivery. The analysis revealed that, e-banking services have positively affected service delivery of NMB bank. Data show that, 54 (65%) indicated that e-banking services had a direct positive effect on service delivery of the bank. However, 29 (35%) affirmed the negative perception between e-banking and service delivery. As it can be observed in Figure 4.2 below



**Figure 4.2: Respondents general perception on the e-banking impacts**

Source: Field data (2014)

Also an interview conducted with Customer Service Manager found out that the impact of electronic banking was good because it has decreased the amount of people crowding in the banks as customers use electronic banking to withdraw and deposit their transactions as alternatives.

*“ ...You know at the beginning, all transactions were being held at the banks building requires the physical attendance of customers to the banks but in today world of technology the situation is quite different as e-banking system took over all traffics as you can observe the fewness of customers here...”*

*[An interview with NMB Customer Service Manager].*

#### **4.4.3 E-banking Save Times and Transportation Cost**

In the first place it was revealed that e-banking services save time. It drastically reduces time that would have been spent in the banking hall to transact business. Specifically, 43 (51.8%) of the respondents per strongly agreed with the assertion 17 (20.5%) agreed less strongly, 14 (16.9%) were in neutral assertion compared with 9 (10.8%) who disagree and 1 (1.2%) strongly disagreed. Generally this results show that the respondents accepted that electronic banking saves time and transportation cost. Table 4.8 below shows in details the response of customers on the benefits of using e-banking in terms of time and transportation cost serving.

**Table 4.8: E-banking save times and transportation cost**

|                 | <b>Frequency</b> | <b>Percent</b> |
|-----------------|------------------|----------------|
| Strong disagree | 1                | 1.2            |
| Disagree        | 8                | 9.6            |

|              |    |       |
|--------------|----|-------|
| Neutral      | 14 | 16.9  |
| Agree        | 17 | 20.5  |
| Strong agree | 43 | 51.8  |
| Total        | 83 | 100.0 |

Source: Field data (2014)

An interview with Customer Service Manager conducted obtained that there are both significant benefits of using e-banking system at NMB bank particularly at NMB bank house on one hand of customers and another hand of the bank itself as the below response describes

*“It’s of un denied facts that the emergency of e-banking system at our organization drastically has altered everything it has served several unnecessarily cost to the bank itself in terms of operating cost and time but also the customers has found satisfying with the services ... that assures banks customer loyalty and retentions” [Response from NMB Customer service manager]*

#### **4.4.4 E-banking Services are Useful**

In investigating the benefits of electronic banking to customers, the research also required to find out whether the services have been useful to customers at all. From the responses, it was observed that the introduction of e-banking services have every useful to customers who subscribe the service. The results showed that on one hand 58 (69.9%) strongly agreed and 12 (14.5%) agreed that the services offered by e-banking have been useful to them. On the other hand, 6 (7.2%) of the respondents disagreed and strongly disagreed whilst 7 (8.4%) remained neutral. Given the result,

it is evident that e-banking services have been useful to customers of NMB bank; especially customers who patronize the service. As displayed in Table 4.9

**Table 4.9: Respondents degree on the usefulness of e-banking services**

|                 | Frequency | Percent |
|-----------------|-----------|---------|
| Strong disagree | 1         | 1.2     |
| Disagree        | 5         | 6.0     |
| Neutral         | 7         | 8.4     |
| Agree           | 12        | 14.5    |
| Strong agree    | 58        | 69.9    |
| Total           | 83        | 100.0   |

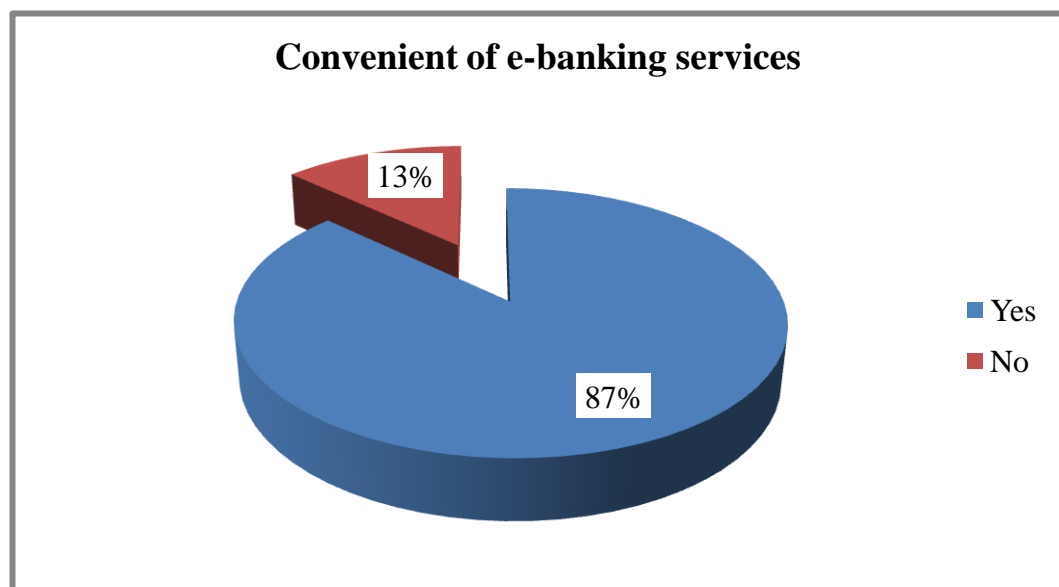
Source: Field data (2014)

The Tanzania survey from research intermedia's suggests that marketers and promoters of electronic services may be underutilizing word of mouth, SMS-text messaging and other information channel beyond mass media that have the potential to reach many more potential users. Combining these channels with mass media campaigns can enhance the effectiveness of raising awareness and use of e-technology (Ibid, 2011)

#### **4.4.5 Electronic Banking Service is Convenient**

Additional, it was found that, e-banking services make banking service very convenient to customers. This view was articulated by majority of respondents. The

result showed that total of 72 (87%) said Yes, that electronic banking have been convenient while 11 (13%) said No, that the E-banking Services were not convenient and quick service. To sum up, it can be evident that electronic banking services have been convenient to customers. As displayed in the Figure 4.3



**Figure 4.3: Respondents assertion of e-banking convenience**

Source: Field data (2014)

Laughtug (2010), stated that the poor has been accumulated in low income countries and money of the lessons learned are relevant for any country wishing to pursue the deliberate policy. The evaluation of public policy has not been different in other developing countries where poverty is so conspicuous. The convenience of e-services payments spares members the trip to the nearest town to pay for supplies is a way to protect the capital and servings. (cited by Ibid source, 2011)



#### 4.4.6 Respondents Rates of Assurance on E-banking Quick Service Delivery

The study revealed that e-banking services ensure quick banking services delivery. The majority of the respondents are agreeing on that e-banking system assure quick service delivery to its customers at cumulative 55 (66.3%) whilst those where neutrally disagree as well as strong disagreed with the assertion were few at a cumulative of 28 (34.7%) though this un assertion should not be overlooked by management.

As described by Prof. Moshi (2010), who stated that the cost of transportation can be barrier to receiving health care but a hospital in Dar es salaam that wanted to figure out a reliable way to cover patient costs has been done using a mobile phone system called Vodafone M-PESA that has simplified payment mechanism as patients can be served as quickly as possible compare to the traditional system. He focused on M-money transaction but likewise his arguments found paying to this study.

**Table 4.10: Respondents assurance on the quick service delivery by NMB bank**

|                 | Frequency | Percent |
|-----------------|-----------|---------|
| Strong disagree | 5         | 6.0     |
| Disagree        | 8         | 9.6     |

|              |    |       |
|--------------|----|-------|
| Neutral      | 15 | 18.1  |
| Agree        | 30 | 36.2  |
| Strong agree | 25 | 30.1  |
| Total        | 83 | 100.0 |

Source: Field data (2014)

When interviewed Customer Service Manager concerning with quality service assurance at NMB bank on the challenges facing them to insure quick service delivery he replied as follows:

*“.... You know we encounter with technological barriers to assures that service are being rendered in efficient and effective ways, the problem of internet has remained significantly unsolved not only at NMB bank but it is also a country wise roadblock, customers are not being given feedback information of their transaction as effective as required due to network problems. We are looking for practical solution to solve this problem as soon as possible” [An interview with Customer Service Manager]*

#### **4.5 Levels of Customers Satisfactions with the E-Banking Technology at NMB Bank**

##### **4.5.1 Electronic banking products**

Respondents were asked if they satisfy with electronic banking products offered by NMB. “A question do you satisfy with the sufficient of electronic banking products offered by NMB Bank” was posed and the response was as follows:

**Table 4.11: Respondents frequency of satisfaction**

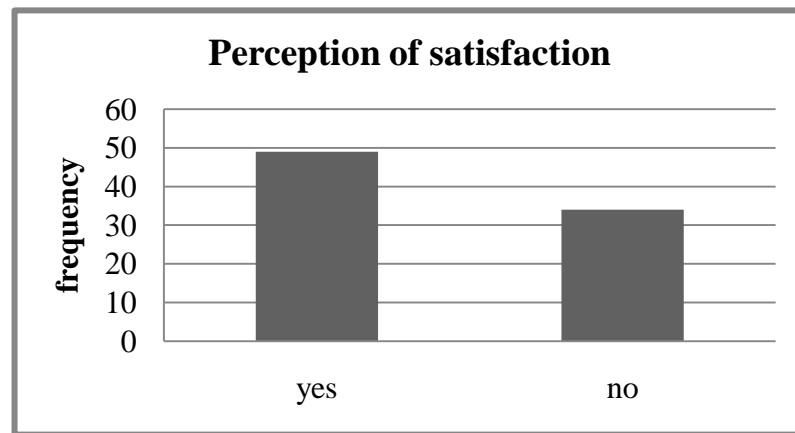
|       | Frequency | Percent |
|-------|-----------|---------|
| Yes   | 17        | 20.5    |
| No    | 66        | 79.5    |
| Total | 83        | 100.0   |

Source: Field data (2014)

Data from table 4.11 show that most of the respondents 66 (79.5%) do not satisfy with the sufficient of the electronic banking that are offered by NMB bank against 17 (20.5%) who satisfy with the sufficient of the technology. Those who do not satisfy with the adequate of products are just because there were in need of other products. As once they were asked to mention some products which when given they will satisfy with the products they mentioned credit card (VISA), and online banking system.

#### **4.5.1. Satisfaction with E-Banking Services**

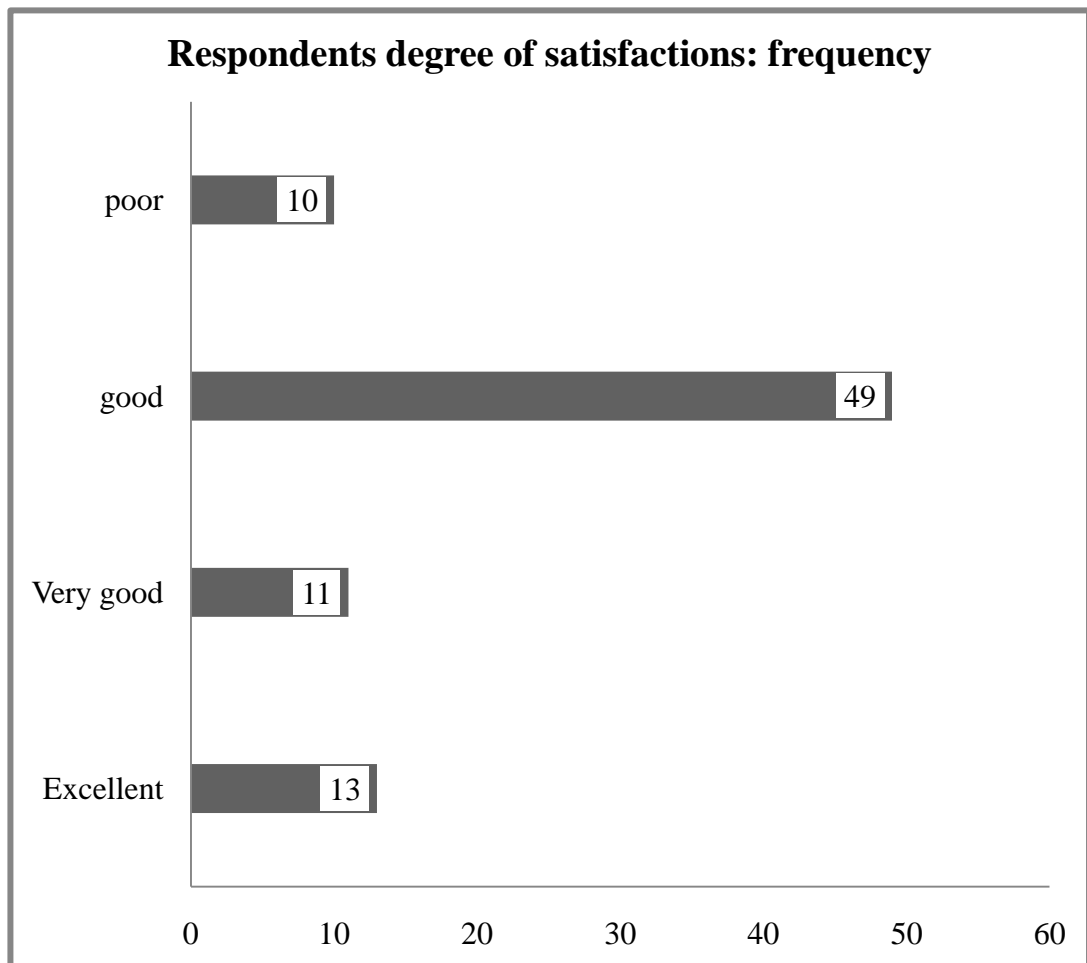
Further, the satisfaction of customers with electronic banking services provided by the Bank was investigated. The study found that, the majority of respondents are satisfied with the services provided by the bank. From the analysis 49 (59.0%) expressed their satisfaction with the e-banking services provided by NMB Bank while 34 (41.0%) expressed contrary views. The result is shown in



**Figure 4.4: Respondents Perception of Satisfaction**

Source: Field data (2014)

Next the researcher, sought to find out the degree of satisfaction expressed by the customers. In the item, satisfaction was graded as excellent, very good and good and the Respondents were requested to indicate their degree of satisfaction. Out of 13 (15.7%) who rate that there excellent satisfied with the e-banking service and 11 (13.3%) other responded majority of the respondents were between good and poor satisfied with the service as 49 (59.0%) said they only good satisfy with the e-banking system while 10(12.4%) said they are poorly satisfied with e-banking service



**Figure 4.5: Degree of Satisfaction with E-banking Service**

Source: Field data (2014)

Also the researcher intended to measure what makes a large number of respondents not satisfied excellent with e-banking service as shown on Figure 4.5. And for that reason she perhaps posed the question requires the respondents to assert satisfaction with the cost of charges and the responses were as follows;

**Table 4:12: Respondent's satisfaction with the e-banking charges**

|       | Frequency | Percent |
|-------|-----------|---------|
| No    | 44        | 53.1    |
| Yes   | 39        | 46.9    |
| Total | 83        | 100.0   |

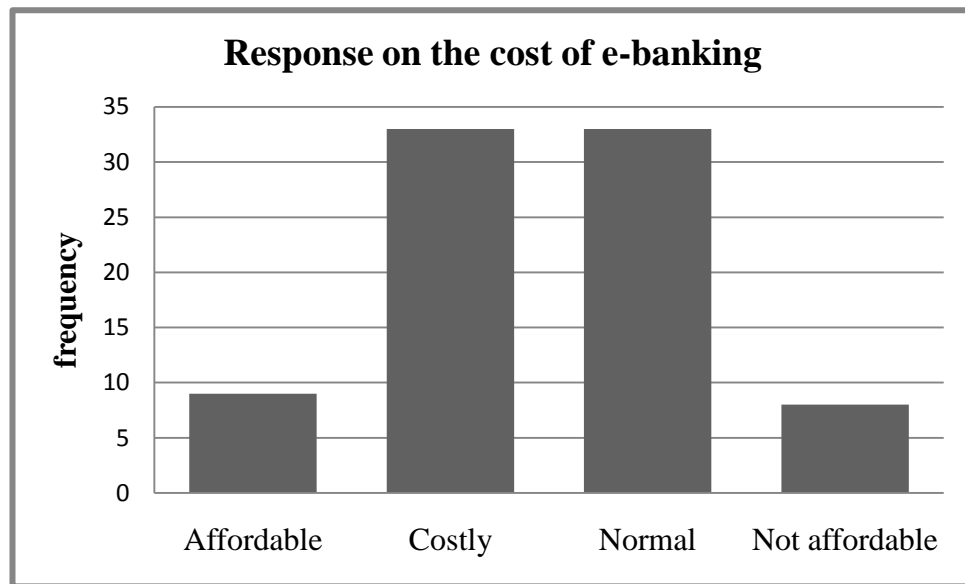
Source: Field data (2014)

As it can be observed that from table 4:12 that 44 (53.1%) denied the assertion that they are satisfying with the service charges and 39 (46.9%) firmly asserted that they are satisfying with the e-banking charges. That gives the half win to win situation and a very small variation between those who satisfied with the cost and charges of e-banking service and those who do not.

The scenarios of satisfaction was the intention of the study: as the study was set to investigate the influence of electronic banking on service delivery satisfaction to the customers for so being due to the nearby half-half assert of those who satisfied with the service charges and those who do not satisfied with the service charges the researcher asked the respondents to rate the affordability of cost charges of e-banking services just because satisfaction is generic and normative thus means there is a lot of aspects to measure as far as customer satisfaction is concern.

When respondent were asked about the affordability of the service charge only 8 (9.6%) of respondents affirmed that the service was at affordable price while 33 (39.8%) respondent said it was costly 33 (39.8%) of the respondents said that the services cost was not normal while 9 (10.8) of the respondents said that the service

unaffordable. It gives the impression that still that there is a doubt on financial costs such as service charge, VAT, and to the customer's satisfactions as it can be displayed on the Figure 4.6 below



**Figure 4.6: Response on affordability of the service charges**

Source: Field data (2014)

Generally large group of respondents seemed to be not interested with the fees charged with the use of the e-banking service at NMB as it can be observed in figure 4.6 above. When respondents were asked to rate the extent of satisfaction with the service charges and cost of e-banking system the following were the responses as displayed in the table 4.8 below for those who said they are very large satisfied with service were 14 (16.9%) the same as large extent 14 (16.9%) and normally satisfied 14 (16.9%) followed by those who little satisfied with the service 7 (8.4%) while majority of respondents 34 (40.9%) were not satisfied anymore with the cost

charges. Implying that cost charges of the invented technology should not be overemphasized or overlooked during reconstructions

**Table 4.13: Respondents Extent of Satisfaction with the Cost**

|                                | Frequency | Percent |
|--------------------------------|-----------|---------|
| Very large extent satisfied    | 14        | 16.9    |
| Large extent                   | 14        | 16.9    |
| Normally satisfied with cost   | 14        | 16.9    |
| Little satisfaction            | 7         | 8.4     |
| Not satisfied at all with cost | 34        | 40.9    |
| Total                          | 83        | 100.0   |

Source: Field data (2014)

During an interview with response from Head of Retail Banking on the issue pertaining fees charges of e-banking system or services he replied as follows;

*“There is no way that we can offer a free of charge (s) services because of existing operation costs, VAT and other taxes, I know that we human being likes a free service even me also, but for such reason it’s very difficult to do so. What we can promise as a company to our customers is to offer a very quality services in lower cost or charges, we are doing all the best day and night to insure that our customers are being offered with quality, reliable and convenience services with a little contribution charges for sustainability”[Response from Head of Retail Banking]*

Several studies assert the influence of price of products to the customer satisfactions though few assert direct relationship between lower price charges of products and customer satisfaction. For stance study conducted by Mahmud A. et al. (2013) on the



effect of service quality and price on satisfaction and loyalty of customers of commercial flight service industry, indicated that the price variable is not significantly negative effect on the level of customer satisfaction but from the side of customer loyalty the price variable proved to be significant influence. But the study conducted by Utari W. (2004) has on aviation services industry serving route Surabaya, Jakarta argued that prices have significant effect on customer satisfaction and loyalty. And that was similar with the obtained finds of this study.

### **Conclusion**

This chapter presented the primary data collected by use of questionnaires and interview granted by customers and management of NMB bank in the two wards as it has been discussed side by side relying on the research objectives and research questions.

## **CHAPTER FIVE**

### **5.0 SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

The study investigated the influence of electronic banking on service delivery satisfaction customers of NMB Bank. In accordance with the general purpose, the study sought to find out e-banking services offered by NMB Bank and their usage, examined the effect of e-banking on service delivery; ascertained whether customers were satisfied with e-banking service delivery following introduction of e-banking services; determined how e-banking has changed customers perception about the bank, and finally, explore the benefits of e-banking services.

This chapter discusses the findings of the study and draw conclusion based on the findings that emerged. Recommendation for improving services delivery to satisfy NMB bank customers has been included in this chapter as well as area for further research.

#### **5.2 General Summary**

The general aim of the study was to investigate the influence of electronic banking on service delivery satisfaction to customers of NMB bank in Tanzania.

The study was guided by four research objectives and four research questions

### **5.2.1 Summary of the Findings**

The analysis revealed that a number of electronic banking products have been introduced by NMB bank and are being used by customers. These products include Automated Teller Machine (ATM), Internet Banking, SMS banking or Mobile banking and debit card. Also the study identify that all products were frequently being used by NMB customers very particularly ATM and SMS banking.

Also the level of education, age, sex and number of staying with bank were determinants of usage behavior of e-banking system. Male respondents were likely to be the most users of e-banking facilities compared to Female. As male were (54%) whilst female were (46%). This is supported by the evidence that Dar es salaam is a city were by men are more likely to invest in banks than women.

General perception of respondents on the use of e-banking found to be positive as (65%) indicated that the use of e-banking system has positive impacts in service delivery perhaps because technology found easy to be used 39 (46.9%) responded so. Also for such reason most of the respondents use technology at least every month 54 (65.1%) for transaction purposes. This is supported by the evidence that e-banking system has provider has taken step to make these services more accessible and convenient where customers could now use to access financial services.

Positive perception of most of the respondents perhaps has been influenced by usefulness of e-banking services as the result showed that 58 (69.9%) respondents agreed strongly with the usefulness of technology, it also serve time and cost of

transportation agreed strongly by 43 (51.8%) respondents and convenient to customers as 72 (87%) asserted. The assurance of quick service as well as reliable service has contributed to positive perception of introduction of e-banking technology.

Despite positive perception 49 (59.0%) of respondents towards e-banking services, the study find out that satisfactions of customers was not very much influenced by the e-banking service charges as 39 (46.9%) denied the assertion that they are being convinced with service charges pertaining e-banking service as they said the e-banking are unaffordable at cumulative frequency of 75 (88%). Furthermore 34 (40.9%) of total respondents when asked to rate the extent of satisfaction with e-banking service charges they responded that they are not satisfied at all with the charges or cost perhaps it may be influenced by the perception of investments if they are investing on the banks and that is part of bank responsibility why are charges the fees or patronized with costs.

### **5.3 Recommendations**

The following recommendations are made based on the findings of the study

The necessity of NMB bank to consolidate ATM and SMS banking: The place of Information Technology (IT) in the financial sector cannot be over stated. It is thus paramount that the management of NMB Bank invests massively in IT in order to further promote efficient and smooth service delivery via e-banking services. E-banking services should be developed extensively in the face of competition in the banking industry to sustain the pressure and maintain profits. There is the need to

educate customers extensively on the use of electronic services such as electronic banking, SMS (mobile) banking and internet banking which are not well utilized fearing that it is not safe to use the electronic banking and that the safe way is using the counter services. It is important that, the bank create an e-banking unit that will monitor progress and challenges of such services. This will ensure effective and efficient e-banking services.

Encourage women membership: women are said to be loyal than men having also the femininity mediates the relationships between gender and satisfaction the place the satisfaction are more prominent to women than men. Women tend to satisfy so easy with little convincing mechanism than men in business. Though several studies concerning gender and quality service and satisfaction found contradicting but some few study for instance Stafford (1996) suggested that service quality may be more important to women than to men when transacting business with a bank while Snipes et al. (2006) found that male customers were more likely to rate the fairness and quality of service higher for given services when compared to the female counterparts. Spathis et al. (2004) found that male clients are of Greek banks have a more positive perception of the quality of service they receive than do women clients. Also there are several other examples in the marketing literature that indicate that female customers tend to rate service quality lower when comparison is made for both genders lin et al.,2001; Tan & Kek, 2004; Juwaheer, 2011 as cited on Mokhlis, 2012:105).

Reconsideration of service charges to satisfy customer so as to increase customer loyalty and retention: Mahmud (2013) on the effect on the effect of service quality and price on satisfaction and loyalty of customers of commercial flight service industry, indicated that the price variable is not significant negative effect on the level of customers satisfaction but from the side of customer loyalty the price variable proved to be significance influence. But the study conducted by Utari W. (2004) has on aviation services industry serving route Surabaya, Jakarta argued that prices have significant effect on customer satisfaction and loyalty.

#### **5.4 Conclusion**

The chapter outlined the objectives and the research questions that were proposed and answered by the evidence gathered through the data collected and analyzed. The findings significantly, indicate that electronic banking products have impacted positively on the service delivery of customer perception. NMB has greatly changed as a result of these products. Clearly, all the objectives stated for the study were achieved. It is thus the expectation of the researcher the recommendations made based on these findings should be implemented by the Bank to increase productivity and become a leader in financial service sector of the Tanzanian economy.

#### **5.4 Suggestions for Further Research**

Future studies should also be done to a large sample of customers in order to determine the success of E-banking in the customer service delivery and the constraints, methods and procedures that must be taken to reduce these obstacles.

This study is limited to influence of e-banking on service delivery satisfaction to customers in Tanzania. During this research different interesting topics have come up for further research. How NMB bank cope up with the challenges come across in the process of E-banking services? How E-banking takes place in the service industry? These are the other areas where further research required with a big sample size.

However, the study covered NMB bank a headquarter branch in Dar es salaam Regions but the researcher wished to expand the coverage of the study by extending to other branches in other region especially non city Regions but time and funds constraints could not allow her to do that, there I recommend other researchers to do a further study of the problem to remote areas such as Rukwa, Kigoma and Dodoma Region where the researcher could not afford to cover for the sake of the study.

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## **APPENDICES**

### **Appendix 1:**

Open University of Tanzania,  
Faculty of Business Management,  
Dar es Salaam,  
Tanzania.

Dear Valued Customer,

I am a MBA student at Open University of Tanzania carrying out a research on the topic “Investigation the impact of Electronic banking in service delivery to customer in Tanzania.

I shall be grateful if you will help my research by answering the following questionnaire. Your cooperation in filling this questionnaire will aid me in achieving the main goal of the research.

If you unsure of any of your answers, please respond to the best of you knowledge  
Should you wish to expand on your answer, please feel free to attach additional sheets.

**Should you have any queries, please do not hesitate to contact me.**

**Mwinga Mazwile**

**P. o. Box 31233 Dar es Salaam,**

**Dar es Salaam.**

**Email: [mwingaz@yahoo.com](mailto:mwingaz@yahoo.com)**

**Mobile:0755 383592**

**Thank you for your time and participation in this research**

**QUESTIONNAIRES****QUESTIONNAIRES FOR CUSTOMERS.**

**Part I: (DEMOGRAPHIC DATA). PLEASE TICK/FILL THE APPROPRIATE.**

1. Sex

Male ( )

Female ( )

2. Which age group do you fall under?

18 – 24 years ( )

25 – 34 years ( )

35 - 44 years. ( )

45-54 years ( )

55 years plus ( )

3. What is your level of education?

Literate ( )

Secondary education ( )

Certificate ( )

Diploma ( )

Degree ( )

Post graduate/Masters ( )

PhDs ( )



4. How long have you been with NMB bank?

Less than 1 years ( )

1-5 years ( )

6-10 years ( )

More than 11 years ( )

**Part II: E-banking services.**

1. Which specific Electronic banking services have you been using?

ATM Services

Yes ( )

No. ( )

SMS (Mobile) Banking Services

Yes ( )

No. ( )

Internet Banking Services

Yes ( )

No. ( )

Debit card

Yes ( ) No. ( )

2. How do you perceive the electronic banking in using them

Easy to use ( )

Simple ( )

Simple and easy to use ( )

Simple easy to use need for training ( )

Simple, need for usage training ( )

## 3. How frequently do use the technology

Every after three day ( )

Every day ( )

Every month ( )

Every week ( )

## 4. What are the impacts brought by the establishments of electronic banking at NM

Positive impacts ( )

Negative impacts ( )

## 5. Does electronic bank save time and transportation cost?

Strongly disagree ( )

Disagree ( )

Neutral ( )

Agree ( )

Strong agree ( )

## 6. Does electronic banking useful in use

Strong disagree ( )

Disagree ( )

Neutral ( )

Agree ( )

Strong agree ( )

## 7. Is electronic banking service easy to use?

Yes ( )

No ( )

8. Does the establishments of electronic banking offers you with quickly service delivery

Strongly disagree ( )

Disagree ( )

Neutral ( )

Agree ( )

Strong agree ( )

9. Do you satisfy with electronic banking service offered by NMB bank?

Yes ( )

No ( )

10. Do you satisfy with the sufficient of electronic banking products offered by NMB Bank?

Yes ( )

No ( )

If no please mention electronic banking products unoffered at NMB bank

.....

.....

.....

11. To what extent do you satisfy with electronic banking service offered by NMB bank

Poor ( )

Good ( )

Very good ( )

Excellent ( )

12. Do you satisfy with service charges lies on the use of technology

Yes ( )

No ( )

13. Is the service charge affordable to you

Affordable ( )

Costly ( )

Normal ( )

Not affordable ( )

14. Respondents extent of satisfaction with the cost

Very large extent satisfied ( )

Large extent ( )

Normal satisfied with cost ( )

Little satisfaction ( )

Not satisfied at all with the cost ( )

**Interview guide for NMB customer's service manager, and head of retail banking**

1. Your age.....
2. Sex.....
3. For how long have you been working with the bank.....
4. Level of education.....
5. What are the electronic banking service that are offered at NMB bank
6. Which mechanism do you employ to train and educate the NMB customers  
due to the establishment of new products
7. How does the establishments of electronic bank system enabled the quickly  
service delivery
8. How do you think that the service charges emanating from the e-banking  
does not yet affects the satisfactions of customers
9. What are the challenges emerged after the establishment of electronic bank
10. What is your suggestions for further improvements of service