Journal of Internet Banking and Commerce

Effects of Electronic Banking Facilities, Employment Sector and Age-Group on Customers' Choice of Banks in Nigeria

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Abstract

The paper aims at investigating the relationships between the effects of electronic banking facilities, customers' employment sector and customers' age-group on their

choice of banks. Both descriptive and inferential statistics were use. Five hundred copies of questionnaire were distributed and eventually 81.4 percent response rate was achieved. A multi-stage sampling design was employed; delivery and collection strategy of data collection was also used. Chi-square statistical test of independence was employed. The results show that there is no significant relationship between electronic banking facilities and customers' choice of banks. It was however found that there is significant relationship between customers' employment sector and customers' age-group on one hand and their choice of banks on the other hand. It was recommended that the management of Nigerian commercial banks should find the relevant factors that are considered important by customers of various age group to appropriately segmenting the target market.

Keywords: **electronic banking, consumer demography, consumer choice of banks, commercial banks, Nigeria**

INTRODUCTION

Developments in Information and Communication Technology (ICT) especially the rapid advances in the usage of internet, improved production capabilities, demanding customers and accelerated flow of capital across political boundaries, create business opportunities and fuel competition as well (Rodie and Martin, 2001). And consequently, the advances in ICT have intensified the international competition, thus, making it difficult or even impossible for firms to satisfy customers (McKenna, 1997). The ability to view all customer interactions is essential to providing the high quality service that today's customers require in the form of Customer Relationship Management (CRM).

All these developments are as a result of the fact that today's customer is better educated and better informed, and has more choices than ever before. In the global business, geographic distance between buyers and sellers is becoming increasingly less relevant (LeBoeuf, 1987). A customer with internet access can browse an internet bookstore such as Amazon.com, twenty-four hours a day, and order the book of his choice at a discount with one click.

ICT is the modern way of handling information electronically which involves its access, storage, processing, transferring and delivery (Ige, 1995). It was found that IT influences the general operations of financial services through easing of enquiry process, speed and effective service delivery (Idowu, Alu & Adagunodo, 2002; Woldie, 2003). Furthermore, in their study Salawu and Salawu, (2007) found among other things that there is a significant relationship between customer choice of banks and implementation of e-business. Hence, Nigerian banks are not left out in utilising IT in order to improve their general service delivery. For example, some of the ICT processes that are being used by banks in Nigeria include: mobile telephony, facsimile, wireless radio phone, very small aperture terminal satellite (VSAT), Automated Teller Machine (ATM), internet banking and local area network (LAN) among others (Idowu, Alu & Adagunodo, 2002; Salawu & Salawu, 2007; Ugwu, 1999).

According to Idowu, Alu and Adagunodo (2002), Nigerian banks have realised that the way in which they can gain competitive advantage over their competitors is through the use of technology. Thus, there is a growing rate of technology adoption in the Nigerian banking operations (Salawu & Salawu, 2007). Among the e-banking processes adopted by Nigerian banks, it seems ATM is the most patronised by customers (Central Bank of Nigeria, 2007). In addition, it was found that attitudinal dispositions significantly influenced their ATM usage. Similarly in their research, KPMG (2009) found that Nigerian bank customers give special consideration to IT particularly ATM. Although, it seems that Nigerian banks customers are increasingly associating quality of bank services with online real time, they are now more alert and meticulous in choosing banks to patronise (Idowu, Alu & Adagunodo, 2002).

Notwithstanding, Idowu, Alu and Adagunodo (2002) investigated the effect of IT on the growth of banking industry in Nigeria, there is still quite limited research that specifically investigates the effects of electronic banking facilities, employment sector and age on customer choice of banks in Nigeria. This study is therefore, an attempt to bridge this gap.   In view of the above, this study aims to investigate the effect of electronic banking facilities, customer age-group and employment sector on customer choice of banks in Nigeria.

LITERATURE REVIEW

To increase market share, individual customers have to come back, time and time again, and spend more with the firm than with its competitors. In fact, "share of customer" is becoming more important than "share of market". The only way to instil customer service into the culture of a business therefore, is through a management-led obsession. In order to attract and sustain customer patronage, firms must get closer to customers. Customer intimacy enables companies to know exactly what customers want. Cram (2001) notes that knowing the customers closely are of paramount importance for relationship marketing because it enables the marketer to appreciate their wants and satisfy those wants accordingly. And this can be accomplished through collecting customer information. The data to be gathered must go beyond address, personal demographic data and product holdings.

In order to identify the determinant factors used by customers in making bank selection decisions, it was suggested to take into consideration two dimensions, (Anderson, Cox, & Fulcher, 1976; Khazeh & Decker, 1992; Laroche & Manning, 1984; Edris & Almahmeed, 1997). First, bank attributes to which customers react in terms of their importance in choosing a bank. Second, the perceived degree of similarity/dissimilarity among banks with respect to each of these attributes. This means that the true underlying determinants of bank selection decisions are functions of both their relative importance and the perceived degree of dissimilarity among banks (Khazeh and Decker, 1992).

Edris and Almahmeed (1997) investigated the relative importance of banking services to business customers' needs and the true determinants of bank selection. Eventually, they found that the highest-ranking determinant factors of selecting a bank in Kuwait are: size of bank assets, efficiency of personnel help in financial emergencies, banking experience, friendliness of staff, reputation, communications with staff, knowledge of

firm's business, prompt provision of services, and availability of branches abroad.

Similarly, Metawa and Almossawi (1998) observe that bank selection criteria have been heavily investigated over the past two decades (Khazeh & Decker, 1992; Metawa & Almossawi, 1998). The various studies named several attributes that were found to play a crucial role in the process of bank selection to include: availability of credit, relatives' advice and recommendations, friends' advice and recommendation, convenient location, variety of bank services, the quality of services, availability of ATM, adequate banking hours, Return On Investment, friendliness of personnel, understanding financial needs, special services for women, and bank reputation.

Given the universally observed practices, factors influencing bank patronage in Nigeria may not be significantly different from the above mentioned attributes. In Nigeria, both males and females virtually require similar financial services and therefore, banks do not offer special services to women. In the complex business environment overloaded with choice and variety, companies will save customers time by focusing on their actual areas of interest. This can only be achieved by recognizing different categories of customers by an organization.

METHODOLOGY

The descriptive survey design was adopted for this study. Cross-sectional survey method was used because the data collected was not longitudinal. The key variables measured in the study were electronic banking facilities, customers' age group and customers' employment sector. Respondents' biographic information such as: sex, age group, marital status, educational qualification and employment sector were measured by using a set of close-ended multiple choice types of questions. Furthermore, respondents were asked to evaluate a set of attitudinal statements based on a 5-point Likert-type rating scale. For individual respondents, bank choice index, electronic banking index were computed by adding up and computing the mean of the scores of responses to the set of relevant questions addressing specific issues.

Multi-stage sampling design was adopted for this study. This is pertinent because there was need to use more than one sampling technique. The population of the study was initially divided into two strata namely: bank customers in the private and public sectors; and then 33 organisations were purposively selected; finally, 500 customers were selected using Convenience sampling method. The Convenience sample selection of the respondents was accomplished by distributing the questionnaires to the available officers of the sampled organisations. However, an attempt was made to achieve gender balance in the selection of the respondents. This sampling technique is similar to the two-stage stratified sampling method used by Olatokun and Bodunwa (2006).

Chi-square test of independence and Cramer's V (where applicable) were used to determine the relationships of the variables under investigation. The chi-square test was employed to ascertain the extent to which each of the above categorical variables is dependent on the other. This analysis was done mainly by using Statistical Package for Social Science software (version 12.0 for windows).

RESULTS

A total of 500 copies of the questionnaire were distributed to the respondents that were involved in the study, and 417 copies were eventually retrieved out of which 10 were rejected on the ground that they were not properly completed. This means that a response rate of 81.4 per cent was achieved.

The research also revealed that 29 (7.1%) respondents were between the age 18 and 25; 151 (37.1%) were between the age range 26 to 35 years; 172 (42.3%) were between 36 and 45 years; 54 (13.3%) were between 46 and 55 years and only 1 (0.2%) respondent was at least 56 years old. A large number of the respondents 390 (95.8%) were gainfully employed and data analysis based on the employment sector revealed that those employed in the public sector (284 or 69.8%) were more than those employed in the private sector (109 or 26.8%). The respondents that were self employed were 9 or 2.2% of the total sample.

A key issue in this research is to ascertain if customers' choice of commercial banks is affected by the availability of electronic banking facilities. Hence, the two variables namely: availability of electronic banking facilities and customers' choice of commercial banks was tested using the Chi-square (X^2) test of statistical independence. The result was $X^2 = 22.114$, n = 407; df = 18, which was not significant at $p < .227$ (see table 1). Based on the result, it can be concluded that there is no statistically significant relationship between availability of electronic banking facilities and customers' choice of commercial banks.

However, it is evident from the results that while older adults tend to choose the erstwhile first generation banks, younger adults prefer the big new generation banks. For instance, among the respondents that chose Afribank, 71.4% were older adults while 28.6% were young adults; among the respondents that went for Union bank 74.2% were old adults while 25.8% were younger adults. On the other hand, 76% of the respondents that chose Intercontinental bank were young adults while 24% were old adults; out of the 29 respondents that opted for Oceanic bank 79.3% were young adults while the balance of 20.7% were old adults.

Again, further analysis revealed a statistically significant relationship between the employment sector of the respondents and their choice of banks. A Chi-square test of independence between the two variables revealed that $X^2 = 56.849$; n = 407; df = 18 and $p < .001$ as shown in the table 1. It is also apparent from the contingency table (see appendix 1) that the ratio of customers that chose new generation banks is generally higher in the private sector (including the self employed) than in the public sector.

Table 1: Chi-square test of statistical independence between each of electronic banking, age and employment sector on one hand and customer choice of banks on the other

Independent variables	Chi-square Value	df	Level of significance	Cramer's V
Electronic banking	22.114	18	.227	.165

| Age | 45.100 | 9 | .000** | .333 |
| Employment sector | 56.849 | 18 | .000** | .264 |

Source: Survey data (2008)   n = 407

** = Significant at $p < .001$

DISCUSSION

Availability of electronic banking facilities such as ATM, online operation and telephone banking do not have significant influence in customers' decision to choose banks. This could perhaps be explain by the fact that presently, almost all the players in the Nigerian banking sector do have electronic banking facilities. Hence, customers do not consider it as a competitive tool among banks.

Age group, on the other hand, has significant influence in their choice of banks. While the older adults are more inclined towards the erstwhile "first generation banks" like Afribank and Union bank, the younger adults seem to prefer the new generation banks such as Intercontinental and Oceanic banks. Similarly, the study has established that there is a significant relationship between the sector in which customers are employed and their choice of banks. While customers in the private sector and the self employed more often than not prefer the so called new generation banks like GT Bank, Oceanic Bank and Zenith Bank; customers in the public sector generally indicated preference for banks such as First bank, Union bank and Unity bank.

LIMITATIONS AND RECOMMENDATIONS

Consequent to the above conclusion the following recommendations are hereby offered. Since customers' age group affect their choice of banks, management of commercial banks should conduct a marketing research in order to identify the factors that are really considered pertinent by customers in specific age groups with a view to establishing basis for effective segmentation and target marketing which will no doubt eventually enhance customer patronage.

Although the research covered all the banks in the Nigerian banking sector, the sample used was however limited to Kano metropolis and basically using non-probability sampling design, as such generalisation should be done with caution. Further studies will incorporate more sample from other parts of the country are hereby suggested. Again, the study restricted to only commercial banks and future research could be directed at other types of banks like micro-finance banks, development banks and mortgage finance banks.

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Appendix 1

Crosstabulation of the Customers' Employment by their Choice of Banks

			Employment Sector			
			Private Sector	Public Sector	Self Employed	Total
Measure of bank choice	Others	Count	29	35	4	68
		% within Employment Sector	26.6%	12.3%	28.6%	16.7%
	Afribank	Count	7	14	0	21
		% within Employment Sector	6.4%	4.9%	.0%	5.2%
	First bank	Count	16	89	2	107
		% within Employment Sector	14.7%	31.3%	14.3%	26.3%
	GT bank	Count	8	17	3	28
		% within Employment Sector	7.3%	6.0%	21.4%	6.9%
	Intercontinental bank	Count	6	16	3	25
		% within Employment Sector	5.5%	5.6%	21.4%	6.1%
	Oceanic bank	Count	9	20	0	29
		% within Employment Sector	8.3%	7.0%	.0%	7.1%
	Union bank	Count	4	26	1	31
		% within Employment Sector	3.7%	9.2%	7.1%	7.6%
	United bank for Africa	Count	13	36	0	49
		% within Employment Sector	11.9%	12.7%	.0%	12.0%
	Unity bank	Count	4	25	0	29
		% within Employment Sector	3.7%	8.8%	.0%	7.1%
	Zenith bank	Count	13	6	1	20
		% within Employment Sector	11.9%	2.1%	7.1%	4.9%
Total		**Count**	**109**	**284**	**14**	**407**
		% within Employment Sector	**100.0%**	**100.0%**	**100.0%**	**100.0%**