



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MSC IN MANAGEMENT

**E-banking Service Quality and Customer Satisfaction in Ethiopian
Commercial Banks (The case of Zemen Bank S.C and Berhan Bank S.C)**

By

Tefera Minuye

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S.C)**

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STATEMENT OF CERTIFICATION

This is to certify that **Tefera Minuye** has carried out his thesis on the topic entitled '**E-banking Service Quality and Customer Satisfaction in Ethiopian Commercial Banks (The case of Zemen Bank S.C and Berhan Bank S.C)**'. This work is original in nature and suitable for the award of Masters of Science (**MSC**) in Management.

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STATEMENT OF DECLARATION

I, the undersigned, declare that this research is my original work, prepared under the guidance of **Tilahun Teklu (PhD)**. All sources of materials used for this research have been duly acknowledged, the researcher further confirm that the research has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Tefera Minuye

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Abstract

This study was conducted to analyze the effect of e-banking service quality on customer satisfaction at Zemen Bank and Berhan Bank. The study has included the e-banking services that are well practiced in the banks. They include ATM, mobile banking and internet banking. The study conceptualized and constructed five dimensions of e-banking service quality: ease of use, reliability, privacy and security, perceived usefulness and relative advantage. The e-banking users were targeted. As a sampling strategy, convenience sampling method was followed that the ATM users were contacted when using the service, mobile banking users were contract at branches and internet banking users were contracted through phone calls. Primary data was collected from the users of e-banking services through questionnaire. The data was analyzed by using descriptive statistics and linear regression. This study reveals that e-banking service quality has effect on satisfaction of the customers.

Key Terms: E-banking service, customer satisfaction, Zemen Bank and Berhan Bank

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The success of any business organization is highly dependent upon the degree to which it is able to satisfy the user of its products (services and goods). The way to ensure this satisfaction is to see that the preferences of the users. To satisfy, attract new customers and retain the existing different customers organizations modify existing products or develop new products. Then the company checks the satisfaction of the users of the product. Therefore, an organization's product policy is fundamental to the whole operation of the business. When an organization determines to release a specific product or group of products, it is the decision which dictates the industry to which it will belong, the market it will serve and the nature and extent of the resources, methods, and techniques it will employ (Akpan, 2012).

According to Falegan (2006) and Ejiogu (2012) a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. To win the competition in the industry and provide quality service banks develop e-banking services for their customers. According to Alabi (2015) banking is the business of providing services to its customers and businesses. The main objective of e-banking service is increasing banking service accessibility by using electronic products that substitute services provided at bank branches. E-banking services are intended to improve performance of the banks through attracting new customers and retaining satisfied customers. Successful e-banking service results in customer satisfaction and competitive advantage. Csillag (2015) shows-banking services increase customer satisfaction in both developed and developing countries by improving service quality.

While reviewing e-banking services, Onalo(2004) identified different benefits the service such as Enhancement of individual banks corporate image, bringing banking services nearer to people, showing up capital base of banks due to increased deposits, provision of qualitative and prompt services to customers, employing state of the art technology and

highly motivated employees in addition to spontaneous response to change in the economy.

According to Ejiogu (2012), introduction of electronic banking products is significantly increasing efficiency in service delivery. Quite a number of them are now in the market and the list includes computers networks, credit cards, smart cards, electronic fund transfer (EFT), internet banking, mobile banking and automated teller machines (ATM). Commercial Banks in Ethiopia are recently developing new products especially electronic banking products such as mobile banking, internet banking, Automated teller machines, point of sales terminals, and agent banking to increase customer satisfaction, service quality, improving competitive advantage and mobilize deposits. These have an ultimate objective of increasing bank performance through satisfied customers. Commercial bank of Ethiopia is prominent in adopting these products.

Therefore, this study intends to identify the effect of e-banking service on satisfaction of customers specifically in the case of Zemen Bank and Berhan Bank.

1.2 Statement of the Problem

Commercial Banks play a significant role in the financial system of a country. They offer a wide range of corporate financial services that address the specific needs of both private and public enterprises. As a service providing industry performance of banks highly depends on number and quality of the customer they have. Currently, commercial banks are setting different strategies to attract new customers and satisfy the existing customers. Among these strategies currently e-banking service provision is taking biggest share. Banks are competing with quality of e-banking services. This service is successful when it is satisfying intended group.

To improve their performance specifically to improve service quality, increase customer satisfaction, attain competitive edge, and reduce operating costs, the commercial banks in Ethiopia have implemented different electronic banking services. Zemen Bank and Berhan Banks are among commercial Banks in the country that have implemented e-Banking services such as Automated teller machine, mobile banking and internet

banking. The banks have continued to deploy huge investments in technology based services and training of manpower to handle the new technologies.

Previous studies like that of Pooja & Singh (2009), Batiz-Lazo & Woldesenbet (2006) and Mwanja & Muganda (2011) analysed effect of e-banking on performance of the banks including service quality. Orji & Garvey(2017) and Moghli et, al. (2012) identified role of online banking on financial performances. These studies gave attention to financial performance not customers satisfaction which is precondition for financial performance. But these studies do not give attention to effect of e-banking on customer satisfaction. In Ethiopia there are few studies that are related to e-banking service quality. These studies include Ayana (2014), Worku (2016), and Tsion (2016) but they are not conducted on concern of the service quality on customer satisfaction. To the knowledge of the researcher there are no studies conducted in identifying effects of e-banking services on customer satisfaction specifically in the case of Zemen and Berhan banks. Therefore, this study was conducted to identify the effect of e-banking services on customer satisfaction in Zemen Bank and Berhan Bank.

1.3 Research Questions

1.3.1 General Question

What is the effect of e-banking service quality on customer satisfaction in Zemen Bank and Berhan Bank?

1.3.2 Specific Questions

- i. What is the effect of ease of use of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank?
- ii. What is the effect of reliability of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank?
- iii. What is the effect privacy and security of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank?

- iv. How perceived usefulness of e-banking service affect customer satisfaction in Zemen Bank and Berhan Bank?
- v. How relative advantages of e-banking service affect the customer satisfaction in Zemen Bank and Berhan Bank?

1.4 Objectives of the Study

1.4.1 General Objective

General objective of this study is identifying effect of e-banking service quality on customer satisfaction in Zemen Bank and Berhan Bank.

1.4.2 Specific Objectives

The specific objective of the study includes;

- i. To identify the effect of ease of use of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank;
- ii. To analyze the effect of reliability of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank;
- iii. To examine the effect privacy and security of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank;
- iv. To assess the association between perceived usefulness of e-banking service and customer satisfaction in Zemen Bank and Berhan Bank; and
- v. To identify the effect of relative advantages of e-banking service on customer satisfaction in Zemen Bank and Berhan Bank.

1.5 Scope and Limitations of the study

Despite number of banks developing similar e-banking services in Ethiopia, the study has used only Zemen Bank and Berhan Bank. Although there are number of users in the country, this study is delimited to users of in Addis Ababa at main branches. The bank has different electronic banking products that include automated teller machine, mobile

banking, internet banking, point of sales (POS) and agent banking, the study includes ATM, mobile banking and internet banking because of better implementation of these services. The researcher used only questionnaire to collect data. The researcher used variables such as ease to use, reliability, privacy and security, perceived usefulness and relative advantages based on common attributes of services used for the study although different studies identified different factors that indicate technological services quality.

1.6 Significance of the study

This study has identified effect of e-banking service quality on customer satisfaction in Zemen Bank and Berhan Bank. Finding of the study will help management of the bank in giving information about effect of e-banking service on the customers' satisfaction of the banks and giving direction on how properly to use and to give the services. This study will also help management of other banks by identifying practices in the selected banks and their importance. This study will also be used as source for further studies.

1.7 Organization of the study

This study has five chapters. The first chapter is about introductory part of the study which includes background of the study, statement of the problem, research questions, objectives of the study, scope of the study, and limitations of the study. The second chapter is about literatures review which includes theoretical literature, empirical literatures and conceptual frame work. The third chapter deals with methodology. The fourth chapter is about data presentation and analysis. The last chapter, fifth chapter is about conclusion and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Introduction

In this chapter, theoretical and empirical articles are reviewed and finally the conceptual framework of the study is presented.

2.1 Theoretical Review

2.1.1 Concepts and Definitions

2.1.1.1 Electronic Banking

Electronic banking is seen as an opportunity to spread for financial institutions and increase an accessibility of services provided by banks. In addition, it is considered as a source of competitive advantage. Thus, it is considered by bankers as a good tool and way to accomplish competitive advantage in the presence of global and strong competition by banks (Flavian et al, 2004; Gan and Clemes, 2006). The concept of electronic banking has been defined in many ways by various researchers.

Electronic banking is the banking services and information provided by a bank to customers by using various delivery platforms. These platforms are provided in different terminal devices. The terminal devices used by the platforms for e-banking service include personal computers, mobile phone, ATM machines and point of sales terminals (POS) (Daniel, 1999).

On the other hand, e-banking is defined by Pikkarainen et al (2004) as an internet portal that provide selected banking services to customer of a bank. According to this definition the service provided by e-banking ranges from bill payment to making investments. In addition, the service provide an access to clients of a bank to make deposits and withdraw funds by using channels such as ATMs or other remote channels provided based on different conditions and considering an administration expense.

According to Timothy (2012) electronic banking is defined as channel that provide administration of accounts of customers of a bank by using internet as a remote service

delivery channel. The service of a bank provided through e-banking include opening a bank account, transferring funds, bill and payments.

Timothy (2012) stated as there are two main methods to provide e-banking services. The first one is by building-up a website. In this approach, the bank offers its services by building up a website based on the conveyance channels for its customers. The second method to setting up a virtual bank. In this method, computer server is located in an office to serves as the privacy location of a bank.

2.1.1.2 Types of E-banking services

Pikkarainen et al (2004) e-banking channels are provided based on based on various considerations; mainly customer demand and administrative expense. Based these foundations there are different channels of e-banking services provided by commercial banks. The number of channels provided by banks vary from bank to bank. But commonly there are three channels of e-banking; POS, mobile banking and internet banking. These products are briefly described as follows.

Point of Sale Terminals (POS):

There are different types of terminals: coin & note, credit card and payroll deduction terminals. The cards are simply inserted into the revaluation terminal and certain programmed instructions are followed, and money is added onto the electronic purse. This can then be used to pay for goods/services by inserting them into the POS terminals. This product is developed with the objective of facilitating trade. Holders of the card are not required to hold cash to purchase products. Instead, funds are transferred from buyer to seller. This product has additional objective of creating cashless society. Banks benefited from this product through retaining deposit because the fund is transferred from one customer to another customer from the bank (Olaegbe, 2011).

Mobile Banking:

According to Porteous (2016), though the mobile banking idea was initially born out of the intention to reach the unbanked poor, it has stretched its tentacles far and wide to captivate the interest of unimagined client segments. Even the prudential banks have

joined the fray and are now acting as agents and outlets of Mobile service provider banking services. Mobile phone operators have identified m-banking / m-payments systems as a potential service to offer customers, increasing loyalty while generating fees and messaging charges. There is no universal form of mobile banking, rather, purpose and structures vary from country to country. The systems offer a variety of financial functions, including micropayments to merchants, bill payments to utilities, transfers between individuals and long distance remittances. Currently, different institutional and business models deliver these systems (Porteous, 2016). Objective of this product is reducing operational cost and improving service quality.

Internet Banking:

The rapid growth and popularity of the internet has created great opportunities as well as threats to companies in various business sectors, to endorse and deliver their products and services using internet as a distribution channel (Chan, Hung, & Wen, 2013). Beside opportunities of this channel, banks and financial institutions across the world face new challenges to the ways they operate, deliver services and compete with each other in the financial sector. Driven by these challenges, banks and financial institutions have implemented services delivery using internet banking (Chan, Hung, & Wen, 2013). The objectives of launching internet banking include cost reduction, performance improvement, wider coverage, revenue growth, and customer convenience.

2.1.1.3 Benefits of e-banking

According to Onalo (2004) highlighted the benefits which are attributed to the growing trend among banks. These benefits include enhancement of individual banks corporate image, bringing banking services nearer to people, and showing up capital base of banks due to increased deposits. The various strategies being adopted by the new banks for survival are as many as there are bankers. These include provision of qualitative and prompt services to customers, employing state of the art technology and highly motivated employees in addition to spontaneous response to change in the economy. Others include specialization in specific areas and the packaging of e-banking products and services, opening of branches in strategic locations, training and retraining of staff, maintaining

contended staff and movement of assets quality through strict control policy. The survival strategies of the deposit money banks have also been reflected in the array of differentiated products and the strong marketing strategies which some have adopted. In fact, banking industry now abounds with very large new products and services, all packaged to attract customers (Ejiogu, 2012).

Some banks have two or more of such schemes either in operation or in the pipeline. Their forms are designed to outwit even the most shrewd investors. In the same manner, there have been more activities in the money market as banks trade in attractive financial investments. The competition ahead no doubt will task the ingenuity of banks management. Apart from the obvious challenges of how to sustain the level of profits that are being declared, banks must give serious thought to improving both the range and quality of their service with the gradual shrinking of the deposit market, occasioned by low savings rates, the scramble for deposits is on the upswing. A veritable instrument in this scramble is the introduction of electronic banking products believed to increase efficiency in delivery. Quite a number of them are now in the market and the list includes computers networks, credit cards, smart cards, electronic fund transfer (EFT) and automated teller machines (ATM).

In the financial services industry, e-banking is viewed as innovations which the act of creating and popularizing new financial instruments, technologies, institutions and markets, which facilitate access to information, trading and means of payment. These technological innovations are the application of better solutions that meet new requirements, in articulated needs, or existing market needs. This is accomplished through more effective products, processes, services, technologies, or ideas that are readily available to markets, governments and society (Azeez, 2011).

The choice of target markets by a bank and its decision about developing a product more energetically or cutting a service will depend on profitability of the service or product. Profits depend on market demand, the price at which services can be sold, their cost and competition from other banks and organizations. Competition is a tool for survival and growth through customer satisfaction and product innovation in an economy where the customer has a choice among producers of goods and services. Another weapon of

competition, which resulted from deregulation, includes the development and employment of various types of financial products and repackaging of existing ones in the same gap by the bankers. These are all aimed at increasing profit. In a nutshell, competition and e-banking services are the means of achieving bank profit. Although portrayed by developers as instruments of exhibiting they care for the growing fold of banking operators, most banking products have been directed towards shoring up the liquidity base of the commercial banks (Ejiogu, 2012).

E-banking service is important to create high image on the bank and enables a bank competitive over its competitive. According to Ejiogu (2012) banks are considered as leaders in implementation and advancement of technology when they provide electronic banking services. Therefore, e-banking enables to build brand image from its clients.

According to Mols (1999), due to internet innovation, transaction through e-banking are much less expensive than branch and even telephone transactions. In line with this advantage, Hawkins (2001) stated another benefit. It is indicated as e-banking has benefit of cost advantage that helps provide the banking service at low-cost. In addition, Hawkins, (2001) revealed that e-banking enables to provision of high value added financial services. The other benefit of the e-banking is promotional opportunity for the banks. This opportunity helps to cross sell products such as credit cards and loans (Hawkins, 2001).

Additional benefits of e-banking are identified by Karjaluoto (2002). Karjaluoto (2002) also suggests as e-banking services help banks through different area. The main benefits include cost efficiency, customer segmentation, service efficiency, reputation enhancement service quality and customer satisfaction. On over all Karjaluoto (2002) indicated that the e-banking strengthens the relationship between bank and customer.

Different from the previous studies, it is indicated as there are different advantages from e-banking to users of the service. The main study indicated advantages to the customers is Cheng, (2006). According to Cheng, (2006), e-banking enabled to make financial transactions easily. In addition, through e-banking customers check balances in an

accounts, makes money transfers and access to products and services of banks. Thus, customers are not needed to visit branch of the bank to make transactions.

Further, e-banking service has a vital role for an economy. According to Cheng (2006) e-banking helps to make financial transaction between buyers and sellers without physically meet for an exchange of goods and services. Another importance of e-banking service is reducing demand for paper money. Cheng (2006) stated that customers shop worldwide without carrying paper money.

Howcroft et al., (2002) stated that e-banking an advantage of minimizing disputes. This study further indicated that customers pay lower fees through e-banking. Customers are encouraged to use e-banking services because it has quality of dropping paper work and reducing human error.

2.1.1.4 Features of E-banking

Different studies in the area of e-banking has identified different factors from the e-banking dimensions affecting satisfaction of the users. Some of the contributing studies are Yang et al., (2004), Cronin & Taylor (1992), Madu (2002), and Santus, (2003). Yang et al., (2004) identified factors that affect quality of online e-banking. According to Yang et al., (2004) online e-banking quality is affected by reliability, accountability, adequacy, ease of use, security and product carrier. Further, Cronin & Taylor (1992) revealed that e-banking quality is determined by the user interface, main services and supplemented services. According to Madu (2002), and Santus, (2003) quality of e-banking service is affected by appearance of the website, ease of using the service, design of the service, contents included, reliability of e-banking service, efficient provision by the bank, support provided on the service by the bank when needed, security of the service, reputation of the bank and empathy of the employees.

Description on relevant factors for the banking sector in Ethiopia is presented as follows. The most common features of the e-banking service includes ease of use, reliability, privacy and security, perceived usefulness and service relative advantages.

Ease of Use

Davis (1986) stated that ease of use refers to the extent to which it is easy for customers to interact with a new product. An individual's perception of ease of use refers to the degree to which they believe that little mental effort is needed in order to learn how to use and work with a specific system. Numerous researches on information systems revealed that ease of use affects the customer satisfaction. Ease of use new products in banks depends on various aspects such as ease of system management for the user, easy to keep basic operations in mind, product design efficiency level, error reduction percentage, and user's overall satisfaction in the management area (Chau, 2007).

Guriting (2006) revealed that the perceived ease of use and perceived usefulness factors are considered to be fundamental in determining the acceptance and use of various information technologies" Dabholkar (1996) supported that most persons are concerned about ease of use in so as to save time and effort but also to reduce social risk.

In the views of the authors, convenience looks to be an essential factor of satisfaction with internet banking.

Reliability

According to Saha and Zhao (2005) Reliability involves two concepts; performance dependability and uniformity.. It also "refers to the correct technical functioning of a self-services technology and the accuracy of service delivery" (Weijters et al., 2005). Parasuraman et al. (1988) also considered reliability of the service as an important factor of service quality. Research on the use of computers or technologies which share similar characteristics also affect performance (or dependability) as it is an important attribute (Davis et al., 1989; Bagozzi, 1990; Davis et al., 1992).

Reliability refers to the degree to which customers rely upon new products in terms of appropriate and timely provision of services. This includes proper technical functioning (accessibility and usability), and fulfillment of promises. Accessibility is a general term which mostly refers to the extent to which a system is usable for most users without need for modification. Usability refers to the extent to which a system is affected by problems

or interference in providing service to citizens as a result of failures in one or more of its sections. Usability of new products can be improved by ensuring 24 hours access, loading speed and transaction speed. Reliability of services refers to the capability of providing promised services in a correct, timely and reliable manner. Reliability means the ability to provide the promised services in a correct, reliable and continuous fashion. For instance, users of banks' new product expect to be provided with appropriate, timely and high-quality services. Reliability is measure of a new products ability to meet such expectations. Another significance of reliability is the fulfillment of primary commitments. That is, if a service bank makes promises towards customers, it should fulfill them (Mansoori& Baradaran, 2007).

Finally, Dabholkar (1996) in his study revealed that reliability and accuracy are appropriate measure for assessing service that has to do with technology. This shows that if there is no technology reliability, the customers may not use it and doing things very well. So, we can conclude that reliability has a positive impact on customer satisfaction using e-banking service based on the literature review assessed.

Security and privacy

It shows the trust of users on the services. Users' trust is defined as intention to trust a business partner who is reliable. Trust involves security and privacy protection and refers to trust of customers in a new product in terms of lack of risks during the interaction process with that website (Das & Teng, 2011). Trust is a strategy which enables the individuals to adapt with a complex social environment thereby benefit from increasing opportunities. Trust is specifically associated with unawareness or uncertainty conditions and involves other individuals' actions' being unidentifiable. Trust consists of appropriate expectations of other individuals' actions that have commitment to select their actions, when they are able to monitor others' actions before selecting the action. Trust is introduced when reliable expectations bring disorders in decisions. Trust is a product of psychological intentions which are beyond immediate control of any public organization. Such permanent intentions are linked to long term social intention to believe in social organizations and that if individuals trust others; better results will occur (Carter &

Belanger, 2008). Since new products are based on Internet which is an open network, security is an important factor in functions of new product.

Despite various technical advancements such as message encoding, and digital signatures and certificates, customers are still concerned about the security of their transactions while using new products. Removing security concerns will lead to higher user satisfaction levels. Reliability is an important element in building relations. Customers are concerned with the security of their personal information when doing e-shopping. Information provided during e-shopping may be abused by hackers (Behjati et al., 2012). Security and privacy protection greatly affects customer satisfaction. Most researchers agree that security-related issues have a strong influence on e-transactions and customer satisfaction.

According to Madu (2002) indicated that security is another common interest of customers to decide usage of Internet banking.

Clotey and Collier (2008) in their study also found out that most individuals had faint knowledge and understanding of online banking security risks though they know of the risks. A further finding shows that individuals are aware that their bank will protect their privacy hence their strong confidence in their bank but have a weak confidence in technology use for online banking.

Finally, Churchill (1982) revealed that fear of higher risks from using Web for banking and financial transaction is main challenge of using e-banking service.

Perceived Usefulness

An individual's perceptions on usefulness of an informative technology depend on the extent to which they believe that using a specific technology leads to the improvement of their professional performance within an organization or helps better performance of tasks. Such a help may be realized through reducing task performance time or timely provision of information (Doll et al., 2008).

This performance refers to the usefulness of user's interaction with the new product and benefits they achieve through this interaction. Horton et, al. (2001) believe that perceived usefulness positively affects the intention to use. In 2008, Carter examined the effects of three factors: perceived usefulness, ease of use, trust, found that the perceived usefulness construct was the most powerful predictor of intention to use new product. Usefulness is important it influences user's satisfaction. The good design of a new products leads to increased profitability and influence the success of new product. Therefore, new products should provide different kinds of services and make needed information available to customers in order to attract them. The main reason why customers use the new product is the usefulness factor. Firms providing more varied products and services have the chance to have more customers. For those who are dissatisfied with the products in real stores, provision of new products may prove satisfaction (Behjati et al., 2012).

Relative Advantages

Relative advantages are the identified merits of using a particular product or service. As compared to other banking channels, e-banking service offer convenient benefits in terms of mobility, which are not availed by traditional off-line banking. Innovations in the finance sector is the arrival of a new or better product and/or a process that lowers the cost of producing existing financial services (Nofie, 2011).

2.1.1.5 Customer Satisfaction

Customers' satisfaction refers to their opinion and judgment on a specific purchase. Satisfaction refers to the customers' judgment of the value they have received. Customer satisfaction has many benefits for economic entities that increased satisfaction leads to reduced customer sensitivity towards price, reduced marketing costs, and increased effectiveness of advertisements and reputation. Customer satisfaction results from a customer's perception during a value-based deal or relation so that the price equals the ratio of performed services to the customer costs and price (Hallowell, 1996). It should be noted that quality of goods/services plays the most essential role in client satisfaction/dissatisfaction. Therefore, pioneering and excellent organizations always try to ensure of their clients' satisfaction because the clients' higher satisfaction levels is some kind of insurance against organization's potential mistakes which are inevitable as a

result of changes related to services production. Constant clients show higher indulgence when faced with such circumstances because, as a result of previous satisfactory experience are prone to easily ignore the organization's small faults. Thus, it is not surprising that clients' satisfaction achievement has become the organizations' most important task (Aali, 2002).

Satisfaction from using e-banking refers to the customer's satisfaction of the support for receiving and sending orders for goods/services; after-sale services; price of goods and services; service content quality; the service loading time; service reliability; ease of use; and security. It refers to a customer's satisfaction with attention to their previous shopping experience at an in bank. Also, it has been defined as the preference for goods/services of a given bank over the competition when banking. Characters existing in the e-banking service introduced the factors determining service satisfaction as: information accessibility level, communication structure, individualization, integrated information and transactions. Ease of information downloading, ease of payment, website structure and alike, all influence e-banking service satisfaction (Azizi & Negahdari, 2012).

2.1.2 Theoretical Framework

2.1.2.1 Bank Business Models

A wide spectrum of branchless banking models are evolving such as bank focused model and bank led model. However, no matter what business model, the business model will depend on banking agents, i.e. retail or postal outlets that process financial transactions on behalf telecoms or banks. The banking agent is an important part of the banking business model since customer care, service quality, and cash management will depend on them. These models differ primarily on the question that who will establish the relationship (account opening, deposit taking, lending etc.) to the end customer, the Bank or the Non-Bank/ telecom Company. This model starts when a traditional bank uses non-traditional low-cost delivery channels to provide banking services to its existing customers. This model is additive in nature and may be seen as a modest extension of conventional branch-based banking. The bank-led model offers a distinct alternative to

conventional branch-based banking in that customer conducts financial transactions at a whole range of retail agents instead of at bank branches or through bank employees.

This model promises the potential to substantially increase the financial services outreach by using a different delivery channel (retailers/ mobile phones), a different trade partner (telecom operators / chain store) having experience and target market distinct from traditional banks, and may be significantly cheaper than the bank-based alternatives. The bank-led model may be implemented by either using correspondent arrangements or by creating a JV between Bank and Telco/non-bank. In this model customer account relationship rests with the banks Non-bank-led Model. The non-bank-led model is where a bank does not come into the picture (except possibly as a safe-keeper of surplus funds) and the non-bank (e.g. telecom operators) performs all the functions (Magutu, 2009).

2.1.2.2 Theory of Reasoned Action (TRA)

According to Theory of Reasoned Action (TRA), beliefs influence attitude and social norms which in turn shape a behavioral intention guiding or even dictating an individual's behavior (Ajzen & Fishbein, 1980). Intention is the cognitive representation of a person's readiness to perform a given behavior, and it is considered to be the immediate antecedent of behavior. TRA has two core constructs: (1) attitude toward behavior (ATB) and (2) subjective norm (SN) associated with that behavior.

The attitude toward the behavior (ATB) is the previous attitude of a person toward performing that behavior. It suggests that people think about their decisions and the possible outcomes of their actions before making any decision to be involved or not involved in a given behavior. This theory views the intention of an individual whether to perform a given behavior or not as the immediate determinant of action, and attitude is determined by the person's beliefs and evaluation of behavioral outcomes. So an individual, who strongly believes that positive outcomes will result from performing a particular behavior, will have positive attitudes towards that behavior. On the other hand, if a person strongly believes that a particular behavior will have a negative outcome, then there will be negative attitudes towards that behavior.

Subjective norm (SN) is the social pressure exerted on the person or the decision maker to perform the behavior. SN refers to an individual's perception about what other people think of his or her behavior in question (Ajzen & Fishbein, 1980). What other individuals or groups will think, agree or disagree about the decision of a person to perform a given behavior and how important these other individuals or groups are to the decision maker play a vital role. So it is normal that sometimes people will consult others before making any decisions.

TRA is a general well-researched intention model that has been applied extensively in predicting and explaining behavior across many domains and virtually any human behavior (Ajzen & Fishbein, 1980). Information science researchers often use this theory to study the determinants of information technology innovation usage behavior. Although current models of technology acceptance have their roots in many diverse theoretical perspectives, much literature related to technology acceptance begins studies with the Theory of Reasoned action (TRA).

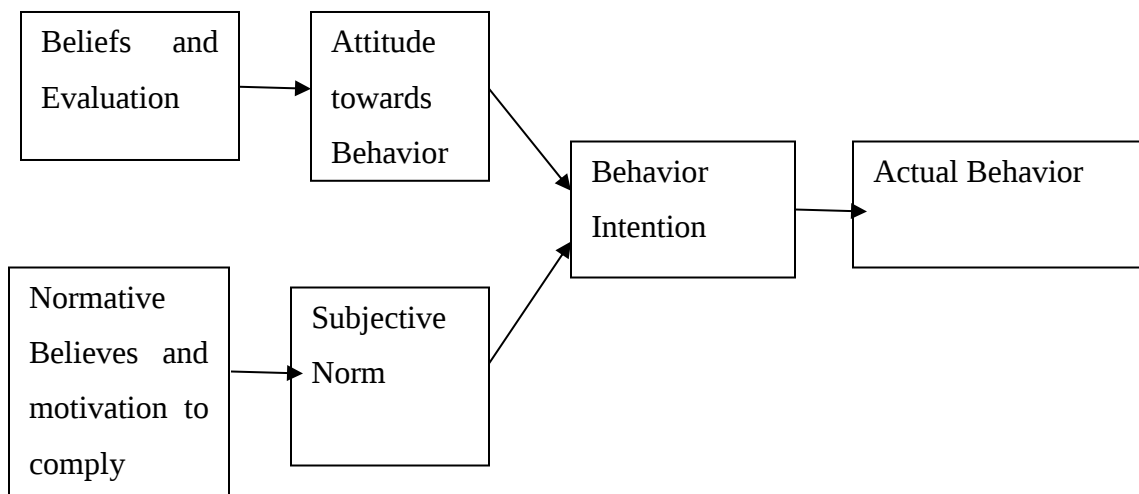


Figure 2. 1 The theory of Reasoned Action (Source: Ajzen & Fishbein, 1980)

2.1.2.3 Innovations Diffusions Theory

The Innovation Diffusion Theory has been used to study a variety of innovations. Rogers identifies five attributes of an innovation that influence the adoption and acceptance behavior: relative advantage, complexity, compatibility, trial ability, and observe-ability.

In the Information Systems field, Moore and Benbasat (1991) expand this attributes set to study information technology products acceptance. The set includes; Ease of use: the degree to which an innovation is perceived as being difficult to use; Reliability: the degree to which an innovation is perceived as being consistent with the existing values, needs, and past experiences of potential adopters; Relative Advantage: the degree to which an innovation is perceived as being better than its precursor; Image: The degree to which use of an innovation is perceived to enhance one's image or status in one's social system; Visibility: The degree to which one can see others using the system in the organization; Results Demonstrability: the tangibility of the results of using the innovation, including their observe-ability and communicability; and Voluntariness of Use: the degree to which use of the innovation is perceived as being voluntary, or of free will.

2.1.2.4 Technology Acceptance Model (TAM)

Davis (1985) developed TAM from TRA. TAM model proposes that using technological product is in response to motivation of the user. Further, the motivation is directly influenced by external factors such as features and capabilities of the product. Accordingly, Davis (1985) upgraded the existing conceptual model to TAM. Davis (1985) TAM is conceptualized as follows.

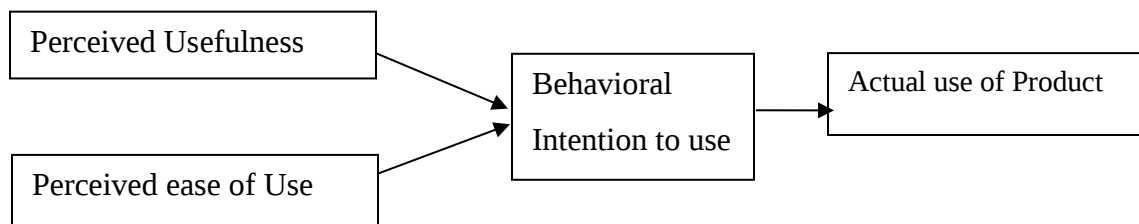


Figure 2. 2 TAM (Source: Davis 1985)

As shown in Figure 2.2 above, TAM suggests actual use of technological product is influenced by three factors: perceived ease of use, Perceived Usefulness, and behavioral intention to use the product. Behavioral Intention to use is affected by two major factors: perceived usefulness and perceived ease of use.

Perceived usefulness and the ease of use are influenced by design feature of the product. The design features through perceived usefulness and perceived ease of use influences attitude and behavior.

2.1.2.5 Refined TAM

Subsequent research by

Refined TAM is Davis (1989) and Venkatesh (1996). It is modification on TAM by excluding mediating effect of attitude. It suggests the attitude does not fully mediate the influence of the usefulness on intent to use a product. Conceptually, Refined model is presented in Figure 2.3.

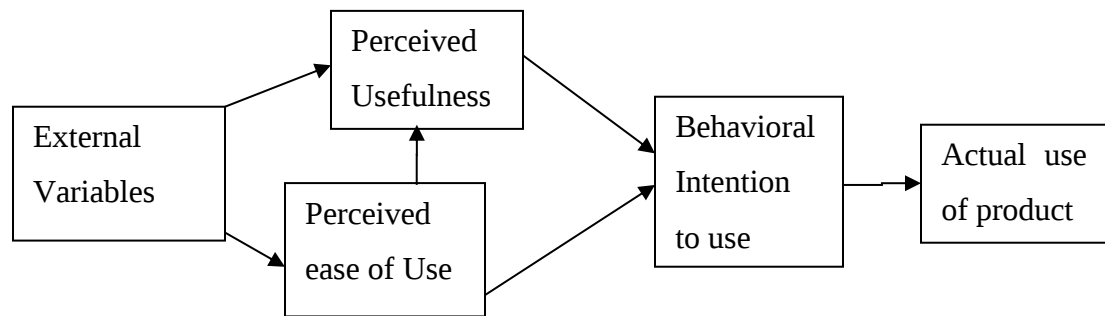


Figure 2. 3 Refined TAM (Davis (1989) & Venkatesh, (1996)

According to (Azeez, 2011), TAM is mainly used in technology product. It is implemented to explain and predict behavior of uses in information technology products. It mainly suggests two factors; perceived usefulness and perceived ease of use intention to use a product.

Further, Davis (1989) suggested technology product acceptance studies to include other factors that influence intention to adopt technology products.

2.1.2.6 The Unified Theory of Acceptance and Use of Technology (UTAUT) Model

Venkatesh et al. (2003) proposed and tested a unified information technology acceptance and use research model, called the Unified Theory of Acceptance and Use of Technology (UTAUT). The model integrates significant elements across eight prominent user acceptance models and formulates a unique measure with core determinants of user

behavioral intention and usage. In this model the original UTAUT aims to explain user intentions to use an IS and subsequent usage behavior. Furthermore UTAUT model suggests that there are a set of factors that influence the intention of the individual user acceptance (Feras, Mohammad, 2012). Venkatesh (2003), four constructs play a significant role as direct determinants of user acceptance and usage behavior: perceived risk and security, reliability, quality, and relative advantage.

As defined by Lee et al (2009), these three risks can be described as follows; Privacy risk: is defined as a potential loss due to fraud or a hacker interfering with the security of a mobile banking user (disclosure of personal and financial information). Financial risk is defined as the potential for monetary loss. System risk refers to deficiencies or malfunctions of mobile banking system. Lastly, physical security risk refers to any exposure to attacks and threats to the user of mobile banking that may result to physical bodily harm or injury and loss of money.

Trust is a variable that has attracted attention of many scholars playing mysterious role in the adoption of technological products (Misra & Wickamasinghe 2004). It is a fundamental component for establishing and maintaining successful relationships between customers and businesses (Garbarino & Johnson, 1999). It can be understood as “the belief that vendors will perform some activity in accordance with customer’s expectations” (Gefen & Straub 2004; Pavlou & Gefen 2004). Basically trust in mobile payment system can be formed by maintaining anonymity, security and most importantly reliability of the service model (Egger, 2001). According to Gefen et al, (2003), it is trust variable that plays crucial role in facilitating adoption of e-commerce adoption. Gefen was the scholar used trust widely to explore behavioral intention or adoption of technologies. When it comes to mobile payments, Pousttchi (2003) arrives at a conclusion after his survey revealed that over 96% of the respondents he surveyed wanted confidentiality of data they exchange with the service provider otherwise trust was very difficult to develop among people.

2.2 Empirical Review

Sathya (2015) investigated effects of e-banking service on customer satisfaction in Odisha. This empirical study investigated the factors that influence consumer's satisfaction when they use e-banking services by extending the renowned framework of Technology Acceptance Model (TAM). Results were subsequently analyzed by using multiple regression and correlation analysis. Factors such as Perceived Usefulness, perceived ease of use, Relative Advantages (RA) and Personal Innovativeness were found positively related with the affecting customer satisfaction. Perceived Risks was negatively associated with the satisfaction of customers by using e-banking services.

Ludfi (2014) examined the relationship between e-banking service; service quality, and relationship marketing on customer satisfaction and loyalty by using Partial Least Square (PLS) to analyze the data and the hypotheses. Results of this study indicate that e-banking in banks, service quality and relationship marketing significantly effected on customer satisfaction.

Belghis (2013) identified the effects that the e-banking services on services users' satisfaction. Data were analyzed by Structural equation modeling (SEM). The research findings supported the positive and significant effect of the ease of use, trust, content and appearance of information and perceived usefulness on e-service users' satisfaction. However, no significant relationship was found between citizens support with the users' satisfaction of e-service quality.

On the other hand different studies identified that e-banking has different benefits to customers. Molina, Jimenez, & Munuera (2011), Chen, Damanpour, & Reilly (2010), Cheng, Chang, & Li, (2013) and Huang, Soutar, & Brown, (2014) e-banking service effect on customer satisfaction. These studies identified factors such ease to use, perceived usefulness, trust and quality have significant effect of satisfaction of customers for using e-banking service by using structural equation model.

Ayana (2014) identified factors that affect satisfaction of customers of E-banking in the Ethiopian banking industry. The result of the study indicated that, the major barriers Ethiopian banking industry faces in the adoption of Electronic banking are: security risk, lack of privacy and security, lack of legal and regulatory frame work, Lack of ICT infrastructure and absence of competition between local and foreign banks.

Worku (2016) found out that perceived usefulness and perceived ease of use have positive relationship with the satisfaction of customers for new banks' products especially mobile banking whereas perceived risk has negative relationship with the satisfaction of customers.

Tsion (2016) indicated that reliability, transaction efficiency, customer support, service security, ease of use & performance of e-banking products have significant effect on customer satisfaction using regression model.

2.3 Conceptual Framework

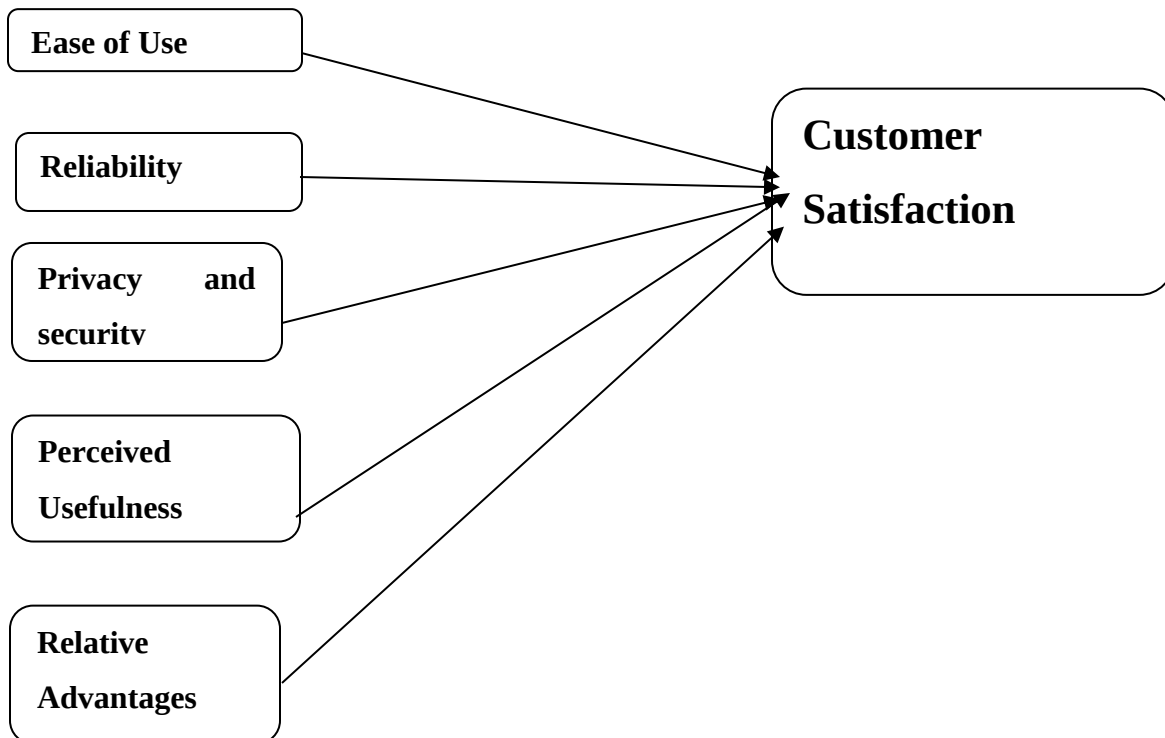


Figure 2. 4 Conceptual Framework (Source: Research Design, 2019)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Approach

The three common approaches used in research include quantitative, qualitative and mixed approaches (Creswell, 2005). Implementation of these method depend objective of study. This study has followed the quantitative approach that it is an educational research in which what to study is determined by the researcher that asks specific and narrow questions. This approach enables to collect numeric data and analyzed by using numbers and statistics. This approach further helps to conduct inquiry in an unbiased and objective manner. Finally, this approach is used for development of knowledge (Creswell, 2009).

3.2 Research Design

This study has followed descriptive and explanatory designs. It is designed based on cross-sectional survey method. The descriptive design was implemented to identify perception of the customers of the banks in using e-banking service. In addition, the explanatory design was employed to make association between e-banking service quality and customer satisfaction. Finally, the study has designed questionnaire as data collection instrument.

3.3 Population and Sampling Methods

3.3.1 Population

The target population of this study was customers of Zemen Bank and Brehan Bank in branches in Addis Ababa that use e-banking service. The e-banking services targeted by the study were ATM, mobile banking and internet banking. Further, the study has targeted users of the services at main branches. Population for the ATM is the number of customers of the bank who use the service at main branch in two weeks. Target population for mobile banking is customers of the bank who have mobile bank and visit the main branch in two weeks. Target population for internet banking is users of the service who are customers of main branch.

The target population of the study is presented in table 3.1 below.

Table 3. 1 Target Population of the study

E-banking Service	Population		Total
	Zemen	Berhan	
ATM	3,112	2,413	5,525
Mobile Banking	1,742	1,058	2,800
Internet Banking	714	561	1,275
Total	5,568	4,032	9,600

Source: Banks MIS Reports, 2019

3.3.3 Sampling Method

The study has used random and convenience sampling methods. Then convenience sampling was used to select sample respondents from selected branches by approaching customers visiting the branch banks with the support of the staffs.

3.3.2 Sample Size Determination

Lowler (1984) revealed as there is no a single and precise way to determine sample size. As a result, there are inadequacy for deciding to determine sample size. Despite the method adopted by the study, Malhotra & Peterson (2006) suggested larger sampling size is more accurate than smaller size.

This study has implemented Yamane's (1967) formula that provides a simplified method to determine sample size for the study.

$$n = \frac{N}{1 + N(e)^2}$$

Where: - n = Sample size, N = population size and e = level of precision

Table 3. 2 Sample Size Determination

E-banking Service	Sample Size		Total
	Zemen	Berhan	
ATM	124	97	221
Mobile Banking	70	42	112
Internet Banking	29	22	51
Total	223	161	384

Source: Own computation, 2019

Based on the formula, the sample size of this study is computed to 384 respondents.

3.4 Data Type and Sources

The study used primary data that was collected through questionnaire. According to Neuman(2003) questionnaire helps to ask large sample the same questions and identify their responses. As method of primary data collection questionnaire helps to cover larger target groups, irrespective to quality and chance of no response. In addition, questionnaire has an advantage that the information is more consistent with the objectives of study.

3.5 Data Collection Procedures

The questionnaire was distributed to sample respondents. The study has used close-ended questions. The questions were prepared by following Likert-type scale measurement. The responses were numerically coded with values ranging from 1 to 5. Accordingly the responses are represented as; Strongly Disagree =1, Disagree = 2, Neutral = 3, Agree = 4, and Strongly Agree = 5.

3.6 Data Analysis

The data was analyzed by using descriptive and inferential statistics. To run the analysis, SPSS 25 computer software was used. The statistical tools were aligned with the objectives of the study. Descriptive statistics such as mean and standard deviations were used to assess perception of the customers about the e-banking product quality. The effect

of e-banking service on customer satisfaction was analyzed by using multiple linear regressions.

3.7 Model Specification

This study used multivariate linear regression model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \varepsilon_i$$

Where

Y is dependent variable which is explained by the independent variables

β_0 is constant

$\beta_1 \dots \beta_n$ are the coefficient of the independent variables X_1 to X_n .

ε_i is an error term

Specifically, model for this study can be expressed as follows;

$$CS = \beta_0 + \beta_1 EU + \beta_2 RL + \beta_3 PS + \beta_4 PU + \beta_5 RA + \varepsilon_i$$

Where CS = Customer Satisfaction

EU= Ease of use

RL=Reliability

PS=Privacy and security

PU= Perceived Usefulness

RA=Relative advantage

3.8 Validity and Reliability

3.8.1 Validity

According to Bryman & Bell (2007) validity indicates how much the study instrument measures what is intended. The measurement validity is related to measuring concepts really intended to be measured. The instrument validity is checked following content validity based on TAM model.

3.8.2 Reliability

Reliability indicates consistency in test, survey and observation. The study instrument reliability indicates the consistency of variables in a study. The most common method to test reliability is a Cronbach's alpha index. This study also has implemented this method

to check reliability of the constructs. It is recommended the value of 0.5 is a sufficient value and 0.7 is a more reasonable value.

Table 3. 3 Reliability Statistics

Variables	Alpha	Number of Items
Ease of Use	.831	5
Reliability	.912	4
Privacy and Security	.812	4
Perceived usefulness	.884	3
Relative Advantage	.851	4
Customer Satisfaction	.817	3

Source: Survey, 2019

As shown in Table 3.3 above, all alpha values are above 0.7. This implies the study included consistent indicators.

3.9 Ethical consideration

The study has entitled right of privacy and dignity of treatment involved for every person in the study. During the study no personal harm were occurred. Information collected is held confidentiality by the study. The study has acknowledged for all assistance and collaboration for information was used.

CHAPTER FOUR

RESULT AND DISCUSSION

This chapter presents results of data collected and discussions on the results. The researcher distributed 384 questionnaires to users of e-banking in Addis Ababa. But 339 questionnaires were returned properly filled. Therefore this study was conducted with a response rate of 88.28%.The data is analyzed through descriptive and explanatory analyses.

4.1 Demographic Information

Table 4.1 below presents demographic information of respondents.

Table 4. 1 Demographic information of Respondents

Indicator	Groups	N	%
Gender	Male	241	71.1
	Female	98	28.9
Age	18 to 30	54	15.9
	31 to 45	150	44.2
	46 to 60	102	30.1
	Above 60	33	9.7
Education	High school	4	1.2
	Diploma	98	28.9
	University degree	154	45.4
	Master Degree and above	83	24.5
E-banking users	ATM	210	61.9
	Mobile Banking	90	26.5
	Internet Banking	39	11.5
Experience	Less than one year	69	20.4
	One year to three	168	49.6
	More than three	102	30.1

Source: Survey, 2019

As shown in the Table 4.1 above, 71.1% of the respondents are males and the remaining 28.9% are females. 15.9% of the respondents are at age category of 18 years to 30 years.

44.2% and 30.1% of the respondents at age ranging from 31 years to 45 years and 46 to 60 years respectively. But only 9.7% of the respondents have an age above 60 years. Only 1.2% of the respondents have completed high school education. 28.9% of the respondents have diploma educational background. 45.4% of the respondents have university degree and remaining 24.5% of the respondents have educational qualification of masters' degree and above.

61.9% of the respondents are use ATM service of the banks. 26.5% of the respondents use mobile banking. But only 11.5% of the respondents are use internet banking. This implies that among the e-payment services ATM service the banks is mainly used by the customers.

20.4% of the respondents have experience of less than a year with the products. 49.6% of respondents have experience with the product from 1 year to 3 years. But 30.1% of the respondents have more than 3 years.

4.2 Description about qualities of E-banking services

This section presents description about qualities of e-banking service that shows the main features of the e-banking services as perceived by the customers. It includes ease for use, reliability on the services, privacy and security, perceived usefulness, and relative advantage.

4.2.1 Ease of Use

Table 4.2 below presents descriptions about the responses of customers about ease of use of using the e-banking service.

As shown in Table 4.2 below, Mean values for the responses indicate that the respondents agreed that e-banking service is easy to find information, easily usable, the languages displays easy to understand, information is clear and easy to understand, and provides clear instruction. The mean value for the responses that language is easy to understand has lowest mean among the constructs of ease of use. This suggests some difficulties with the language of the service are happened.

Table 4. 2 Descriptions about ease of using e-banking services

	Mean	Std. Dev
Easy to find information in the e-banking service	3.8142	.55281
E-banking services easily usable	3.7168	.74344
The languages in the services display easy to understand.	3.4631	.71395
Information in the service is clear and easy to understand	3.8525	.77807
The service provides clear instruction.	3.8201	.88046
Ease of Use	3.7333	.51318

Source: Survey, 2019

4.2.2 Reliability

Table 4.3 below presents descriptions about the responses of customers about a feature of reliability of e-banking services.

Table 4. 3 Reliability of the service

Statement	N	Mean	Std. Deviation
The product completes a task accurately	339	3.7522	.96259
The product delivers the service exactly as promised	339	3.8496	.88265
The product performs the service right at the first time	339	3.4808	.84023
The product performs tasks without errors	339	3.9440	.87357
Reliability	339	3.7566	.71423

Source: Survey, 2019

All mean values for the constructs indicate that majority of the respondents agree that the e-banking service used by the customers completes a task accurately, delivers the service

exactly, performs the service right at the first time and performs tasks without errors. But mean value of responses for performance of the service right at the first time is lower than all responses for other constructs of reliability. This implies that the service is less reliable in performing the service right at first time.

4.2.3 Privacy and Security

Table 4.4 below presents descriptions about the responses of e-banking users about privacy and security of customers for the services.

Table 4. 4 Description about Privacy and Security of the services

	N	Mean	Std. Deviation
The E-banking service keeps accurate record of transaction	339	3.7817	.74945
The e-banking service provide security for transaction data and privacy	339	3.7847	.76398
The e-banking service is secured	339	3.2684	.94614
Privacy and Security	339	3.6873	.59889

Source: Survey, 2019

All mean values indicate that majority of respondents agree that the e-banking service keeps accurate record of transaction, it provides security for transaction data and privacy, and it is secured service. The mean value of security feature is lower than for mean values of the other constructs suggesting that its perceived security performance is lower than performances of keeping accurate record of transaction and proving security transaction data and privacy.

4.2.4 Perceived Usefulness

Table 4.5 below presents descriptions about the responses of customers about a usefulness of the e-banking service.

As depicted in Table 4.5 below, Summaries for the result of perceived usefulness indicate that the e-banking are available every time, accomplishes the tasks of users more quickly, and makes tasks easy.

Table 4. 5 Perceived usefulness of the service

	N	Mean	Std. Deviation
The e-banking is gives 24 hours- 7 days service	339	3.7227	.98500
The e-banking accomplishes my tasks more quickly	339	3.8024	.82805
The e-banking makes ease my tasks	339	3.6903	.90442
Perceived Usefulness	339	3.7384	.75615

Source: Survey, 2019

4.2.5 Relative advantages

Table 4.6 below presents descriptions about the responses of customers about relative advantage of the e-banking services.

Table 4. 6 Relative advantages of the services

	N	Mean	Std. Deviation
I use e-banking service with lesser cost than the cost paid to use the service in bank	339	3.8702	.96429
I get service from the e-banking at the time the bank does not operate	339	3.8378	.83219
The e-banking service operates with better efficiency than the service provided in the bank	339	4.0059	.90362
The e-banking service is less riskier than using traditional banking service	339	3.7611	.91930
Relative Advantage	339	3.8687	.67780

Source: Survey, 2019

Responses summarized in the table 4.6 above shows that e-banking service is cost efficient for the users, the users are getting service of the bank through e-banking when there is no banking service, it operates with better efficiency than the service provided in the bank, and it is less riskier than using conventional banking.

4.3 Description about satisfaction of e-banking users

The results presented in the table 4.7 below about satisfaction of the customers

Table 4. 7 Satisfaction of the customers by using the services

	N	Mean	Std. Deviation
I intend to use e-baking service in the future	339	3.8230	.96596
I will use e-banking services for various types of banking transaction	339	3.9145	.80406
I believe it is worthwhile to use e-banking services	339	3.7168	.74344
Customer Satisfaction	339	3.7670	.71916

Source: Survey, 2019

The result of descriptive analysis about customer satisfaction indicates that the customers in the future also intends to use, currently they are using for various transactions, and they perceive that it is worthwhile to use e-banking services.

4.4 Effect of e-banking service quality on satisfaction of Customers

This section of the study presents results of econometric estimation. Before making interpretation on estimation result, appropriateness of the model was checked by using model tests. The first section presents about the model diagnostic test.

4.4.1 Diagnostic Tests

4.4.1.1 Multicollinearity Test

Gujarati (2004) states that multicollinearity problem arises when there is a linear relationship among explanatory variables that the result could not obtain estimates of all parameters. This causes large variance and standard error with a very low t- ratio and wide confidence interval. Different methods are often suggested to detect the existence of

multicollinearity problem. This study has used variance inflation factors (VIF) technique to check presence of multicollinearity problem. As presented in the table 4.8, the values of VIF are well below 10 and suggesting that there is no problem of multicollinearity among the study independent variables.

Table 4. 8 Multicollinearity Test

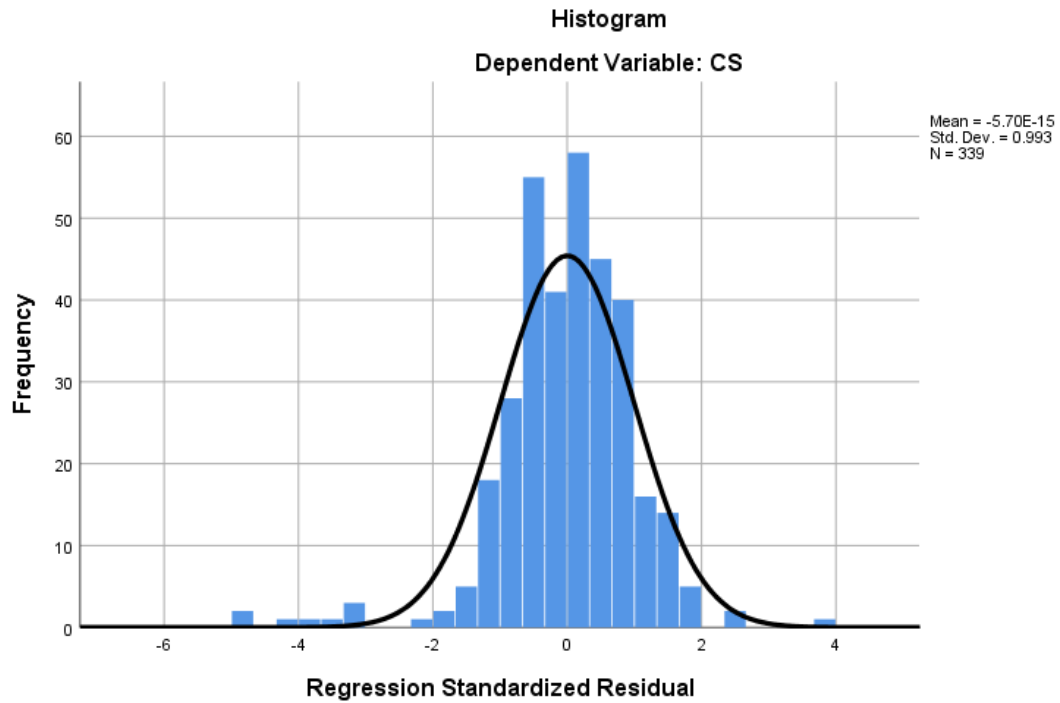
Variables	Collinearity Statistics	
	Tolerance	VIF
Ease of Use	.373	2.683
Reliability	.678	1.474
Privacy and security	.524	1.907
Perceived usefulness	.547	1.829
Relative Advantage	.809	1.236

Source: Survey, 2019

4.4.1.2 Normality Test

One of the classical linear regression models assumptions is the error term should be normally distributed or expected value of the error term should be normally distributed or expected value of the errors terms should be zero ($E(UT)=0$). This test was conducted by using histogram test that shows distribution of residuals. The result of normality test is presented in Figure 4.1 below.

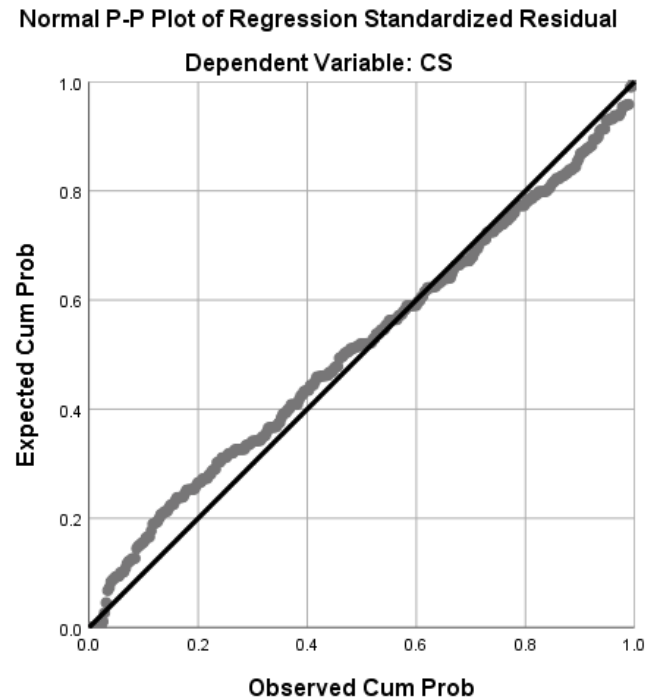
Figure 4. 1 Test of Normality



As depicted in the figure 4.1 below, the bell shaped histogram shows that scores lie in the center of the distribution. The standard residuals are not far away from normality curve that indicate residuals are closer to normality curve. The largest bars on the histogram are all around the central value. Therefore, this indicates that the residuals are normally distributed.

4.2.1.3 Linearity Test

Figure 4. 2 Linearity Test

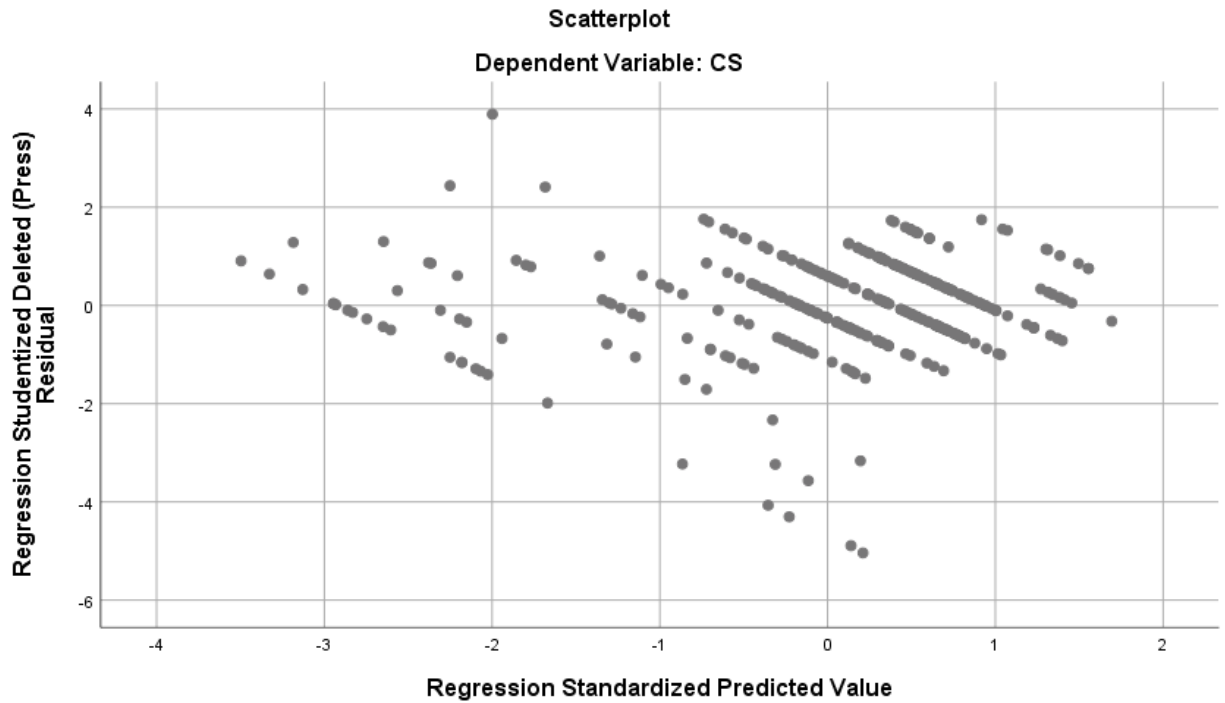


Another classical linear regression models assumptions is the error term should be linear to expected value of the error term. As it is shown in the figure 4.3 above, the P-P plot of residuals reveals no large deviation in the spread of the residuals that almost all residuals lay on the linear straight line. Therefore, this indicates that the relationship between the independent variables and the dependent variable is linear.

4.2.3.4 Heteroskedasticity Test

As shown in the figure 4.3 above, the scatter of the residuals have no clear pattern suggesting that the model meet the homoscedasticity assumption.

Figure 4. 3 Heteroskedasticity Test



Source: Own Survey, 2019

4.4.2 Econometric Estimation Result

Table 4.9 below summarizes model of the study by R-squared and Adjusted R squared.

Table 4. 9 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.841 ^a	.707	.703	.39219	1.227

Source: Survey, 2019

As it is shown in the table, R squared is 0.707 and adjusted R squared is 0.703 suggesting that 70.3% variation in dependent variable is explained by independent variables used in the model. This implies that 70.3% variation in satisfaction of the e-banking users in selected banks is affected by e-banking service quality features such as ease of use, reliability, privacy and security, perceived usefulness, and relative advantage.

Table 4.10 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	123.593	5	24.719	160.71	.000 ^b
Residual	51.219	333	0.154		
Total	174.812	338			

Source: Survey, 2019

In addition, this analysis is used to identify appropriateness of the model in estimating the effect of e-banking service on customer satisfaction. The study used multivariate linear regression method to run regression analysis. F-statistic is significant at 0.01 indicating that the model used is appropriate to identify the effect of e-banking service on customer satisfaction. Further, the finding shows that e-banking service quality significantly affects the satisfaction of the customers.

The effect of individual feature of the service is presented in table 4.11 below.

Table 4. 11 Coefficients

	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.999	.176		-5.674	.000
EU	.555	.068	.396	8.147	.000
RL	.239	.036	.237	6.587	.000
PS	.275	.049	.229	5.587	.000
PU	.104	.038	.109	2.717	.007
RA	.103	.035	.097	2.931	.004

Source: Survey, 2019

The effect of individual factor is presented in table 4.10 above. The specific objectives are addressed and research questions were answered based on results in the table. All variables used in the model are positive and statistically significance implying that they have significant positive effect on satisfaction of users of the service.

4.5 Hypothesis Summary

The researcher summarized the study hypotheses in table 4.11 below based on results from table 4.10 above. The researcher summarized hypotheses for alternative hypotheses. The researcher tested hypotheses by using p-value.

Table 4.12 Hypothesis Summary

No	Hypotheses	Sig	Decision
Hypothesis 1	Ease of use of e-banking has positive effect customer satisfaction	0.000	Accepted
Hypothesis 2	Reliability of e-banking has positive effect customer satisfaction.	0.000	Accepted
Hypothesis 3	Privacy and security of e-banking has positive effect customer satisfaction	0.000	Accepted
Hypothesis 4	Perceived usefulness of e-banking has positive effect customer satisfaction	0.007	Accepted
Hypothesis 5	Relative advantage of e-banking has positive effect customer satisfaction	0.004	Accepted

Source: Survey, 2019

4.6 Discussion

Coefficient of ease of use is positive and significant at p value of 0.01 and t-statistics of 8.147. Positive sign of the coefficient suggests that when e-banking services of the banks become easier to use, the customer satisfaction by using the services improves and vice versa holding other factors constant. This implies that satisfaction of the customers of banks is higher since the services are easy to use. This finding is in line with finding of Sathya (2015) and Belghis (2013) ease of use positively affects customer satisfaction.

Coefficient of reliability is positive and significant at significance level of 0.01 p-value and t-statistics of 6.587. The positive coefficient indicates reliability of the services

improves customer satisfaction and vice versa holding other factors constant. This implies that reliability of e-banking service has significant positive effect on the customer satisfaction. Finding of this study has similar result with findings of Cheng, Chang, & Li, (2013) that the reliability of the e-banking has positive and significant effect on customer satisfaction.

Coefficient of privacy and security is positive and significant at 0.01 indicating that privacy and security on e-banking service has positive effect on customer satisfaction. Positive sign of the coefficient indicates that increasing privacy and security increases customer satisfaction and vice versa holding other factors constant. This implies that privacy and security positively contributes customer satisfaction. This study identified similar result with finding of Belghis (2013) and Molina, Jimenez, & Munuera (2011) that privacy and security has significant effect on customer satisfaction.

Perceived usefulness of e-banking has positive and significant effect on customer satisfaction at significance level of 0.01. The study by Sathya (2015) identified similar result that perceived usefulness positively affects customer satisfaction.

Relative advantage of the e-banking service to using the branch has statistically significant positive effect on satisfaction of users of the e-banking at significance level of 0.05. This suggests that users of e-banking service of the banks are highly satisfied with the advantage they receive relative to using the services in branches. This study has similar finding of Huang, Soutar, & Brown, (2014) and Sathya S (2015) relative advantages e-banking service of commercial banks positively affects customer satisfaction.

CHAPTER FIVE

CONCLUSSIONS AND RECOMMENDATIONS

This chapter presents conclusions and recommendations. From the above analysis result the researcher reached at following conclusions and provided recommendations.

5.1 Conclusions

Based on findings about effect of e-banking on customer satisfaction in selected commercial banks in Ethiopia, the study provides the following conclusions.

- The e-banking service is easy to use and this feature has significant positive effect on customer satisfaction. Customers are satisfied with the easiness of e-banking service use and it has resulted on satisfaction of customers by using the service.
- Reliability of e-banking service has positive effect on customer satisfaction by committing complete and error free transactions. The e-banking of the banks is reliable that is satisfying the expectation of the users.
- Users of e-banking at Zemen and Berhan Banks are satisfied with privacy and security of the service. Secured service provided by the services is positively satisfaction of the customers. Being more secured service is improving the customer satisfaction from using e-banking services.
- Customers of the banks are satisfied from using e-banking service due to its usefulness. The customers perceived that the product is useful that improved their satisfaction. Making the service more useful is positively affecting the users. The banks have developed the e-banking services that are useful for the customers.
- Relative advantages of e-banking of the bank have positive and strong effect on customer satisfaction. The service is relatively more advantageous than the using the service in the bank. Customers are satisfied with the better advantage they earn from using the branches.

5.2 Recommendations

Based on the conclusions, the following recommendations are forwarded.

- The easiness of the products to use is significantly affecting the satisfaction of users of e-banking of the banks. Therefore, the management of the banks is recommended to make the products easier by adding more languages and make length of committing transactions shorter.
- Since reliability of e-banking has significant positive effect on customer satisfaction, the management is recommended to improve reliability of the services through better network size and improving the performance of the service.
- Privacy and security on e-banking of the banks has significant effect on customer satisfaction. To improve customer satisfaction from using the services and make the product the more trustful, the banks have to improve security features of the products like stronger passwords that are not easily breakable.
- Perceived usefulness has significant positive effect on satisfaction of the customers. The researcher recommends the management of the bank to increase more packages on the services offered by the services.
- Relatively e-banking has better advantage to using branches. Therefore, it is recommended to make the services provided by the products competitive to the services provided in the branches. Since the cost bank incurs is lower when the customers use the service than when they use branch, the bank has to set lower service charge.

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Appendix A: QUESTIONNAIRE

Dear Sir/Madam

Request for Participation in a Research Study

I am a Postgraduate student at Addis Ababa University. As partial fulfillment for the Masters of Science in Management, I am conducting a research study on effect of e-payment service on customer satisfaction in Commercial Banks in Ethiopia (A case of main branches of Zemen Bank and Berhan Bank in Addis Ababa).

Therefore, I would appreciate if you could spare a few minutes of your time to answer the following questions. All the information provided will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Your assistance will be highly appreciated and thank you in advance.

Yours faithfully,

Tefera Minuye

Part I: General Information of Respondents

1. Gender

- ☐ Male
- ☐ Female

2. Age

- ☐ 18 up to 30
- ☐ 31 up to 45
- ☐ 46 up to 60
- ☐ Above 60

3. Education level:

- ☐ Primary
- ☐ High school
- ☐ Diploma
- ☐ University degree
- ☐ Master Degree and above

4. Which type of e-payment service do you use (you can have more than one answer?)

- ☐ Mobile banking
- ☐ Internet banking
- ☐ ATM

5. For how long have you been using the e-payment service (in years)?

- ☐ Less than one year
- ☐ One year to three
- ☐ More than three

Part 2: Quality of E-payment Service

To what extent do you agree with following statements regarding the e-payment service you are using? (Where SD = Strongly Disagree, D = Disagree, N = Neutral, A = Agree and SA = Strongly Agree)

Ease of Use	SD	D	N	A	SA
Easy to find information in the product					
The product is easily usable					
The languages in the product displays easy to understand.					
Information and texts in the product are clear and easy to understand					
The product Provides clear instruction.					

Reliability	SD	D	N	A	SA
The product completes a task accurately					
The product delivers the service exactly as promised					
The product Performs the service right at the first time					
The product Performs tasks without errors					

Privacy and Security	SD	D	N	A	SA
The product keeps accurate record of transaction					
The product provide security for transaction data and privacy					
I feel safe by using the product					
The product is secured					

Perceived Usefulness	SD	D	N	A	SA
The product gives 24 hours- 7 days service					
The product accomplish my tasks more quickly					
The product make Ease my tasks					

Relative Advantage	SD	D	N	A	SA
I use the product with lesser cost than the cost I incur to use the service in the bank					
I get service from the product at the time the bank does not operate					
The product operate with better efficiency than the service provided in the bank					
The product is less riskier than using traditional banking service					

Part 3: Customer Satisfaction

Please indicate your level of satisfaction for using this product (Where VD = Very Dissatisfied, D = Dissatisfied, M = Moderate, S = Satisfied, VS = Very Satisfied).

Customer Satisfaction	HD	D	M	S	HS
This is one of the best products I use					
I am satisfied with my decision to use this product.					
I have truly enjoyed this Product.					

Appendix B: SPSS Output

Frequency Tables

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	241	71.1	71.1	71.1
Female	98	28.9	28.9	100.0
Total	339	100.0	100.0	

Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18 to 30	54	15.9	15.9	15.9
31 to 45	150	44.2	44.2	60.2
46 to 60	102	30.1	30.1	90.3
Above 60	33	9.7	9.7	100.0
Total	339	100.0	100.0	

Education				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High school	4	1.2	1.2	1.2
Diploma	98	28.9	28.9	30.1
University degree	154	45.4	45.4	75.5
Masters Degree	83	24.5	24.5	100.0
Total	339	100.0	100.0	

Employement

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Employee	210	61.9	61.9	61.9
Business Person	90	26.5	26.5	88.5
Unemployed	39	11.5	11.5	100.0
Total	339	100.0	100.0	

Experience_product

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less than one year	69	20.4	20.4	20.4
One year to three	168	49.6	49.6	69.9
More than three	102	30.1	30.1	100.0
Total	339	100.0	100.0	

The product completes a task accurately

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	1.5	1.5	1.5
Disagree	36	10.6	10.6	12.1
Neutral	71	20.9	20.9	33.0
Agree	153	45.1	45.1	78.2
Strongly Agree	74	21.8	21.8	100.0
Total	339	100.0	100.0	

The product delivers the service exactly as promised

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	.9	.9	.9
Disagree	25	7.4	7.4	8.3
Neutral	68	20.1	20.1	28.3
Agree	167	49.3	49.3	77.6
Strongly Agree	76	22.4	22.4	100.0
Total	339	100.0	100.0	

The product Performs the service right at the first time

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	1.5	1.5	1.5
Disagree	30	8.8	8.8	10.3
Neutral	133	39.2	39.2	49.6
Agree	139	41.0	41.0	90.6
Strongly Agree	32	9.4	9.4	100.0
Total	339	100.0	100.0	

The product Performs tasks without errors

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	1.5	1.5	1.5
Disagree	15	4.4	4.4	5.9
Neutral	64	18.9	18.9	24.8
Agree	165	48.7	48.7	73.5
Strongly Agree	90	26.5	26.5	100.0
Total	339	100.0	100.0	

The product keeps accurate record of transaction

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	1.5	1.5	1.5
Disagree	14	4.1	4.1	5.6
Neutral	68	20.1	20.1	25.7
Agree	215	63.4	63.4	89.1
Strongly Agree	37	10.9	10.9	100.0
Total	339	100.0	100.0	

The product provide security for transaction data and privacy

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	.3	.3	.3
Disagree	20	5.9	5.9	6.2
Neutral	77	22.7	22.7	28.9
Agree	194	57.2	57.2	86.1
Strongly Agree	47	13.9	13.9	100.0
Total	339	100.0	100.0	

The product is secured

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Disagree	92	27.1	27.1	27.1
Neutral	90	26.5	26.5	53.7
Agree	131	38.6	38.6	92.3
Strongly Agree	26	7.7	7.7	100.0
Total	339	100.0	100.0	

Easy to find information in the product

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	.3	.3	.3
Disagree	5	1.5	1.5	1.8
Neutral	68	20.1	20.1	21.8
Agree	247	72.9	72.9	94.7
Strongly Agree	18	5.3	5.3	100.0
Total	339	100.0	100.0	

The product is easily usable

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	35	10.3	10.3	10.3
Neutral	50	14.7	14.7	25.1
Agree	230	67.8	67.8	92.9
Strongly Agree	24	7.1	7.1	100.0
Total	339	100.0	100.0	

The languages in the product displays easy to understand.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	.6	.6	.6
Disagree	29	8.6	8.6	9.1
Neutral	127	37.5	37.5	46.6
Agree	172	50.7	50.7	97.3
Strongly Agree	9	2.7	2.7	100.0
Total	339	100.0	100.0	

Information and texts in the product are clear and easy to understand

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	Strongly Disagree	2	.6	.6	.6
	Disagree	34	10.0	10.0	10.6
	Neutral	17	5.0	5.0	15.6
	Agree	245	72.3	72.3	87.9
	Strongly Agree	41	12.1	12.1	100.0
	Total	339	100.0	100.0	

The product Provides clear instruction.

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	Strongly Disagree	6	1.8	1.8	1.8
	Disagree	16	4.7	4.7	6.5
	Neutral	83	24.5	24.5	31.0
	Agree	162	47.8	47.8	78.8
	Strongly Agree	72	21.2	21.2	100.0
	Total	339	100.0	100.0	

The product gives 24 hours- 7 days service

		<i>Frequency</i>	<i>Percent</i>	<i>Valid Percent</i>	<i>Cumulative Percent</i>
Valid	Strongly Disagree	11	3.2	3.2	3.2
	Disagree	29	8.6	8.6	11.8
	Neutral	71	20.9	20.9	32.7
	Agree	160	47.2	47.2	79.9
	Strongly Agree	68	20.1	20.1	100.0
	Total	339	100.0	100.0	

The product accomplish my tasks more quickly

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	2	.6	.6	.6
Disagree	21	6.2	6.2	6.8
Neutral	81	23.9	23.9	30.7
Agree	173	51.0	51.0	81.7
Strongly Agree	62	18.3	18.3	100.0
Total	339	100.0	100.0	

The product make Ease my tasks

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	4	1.2	1.2	1.2
Disagree	29	8.6	8.6	9.7
Neutral	96	28.3	28.3	38.1
Agree	149	44.0	44.0	82.0
Strongly Agree	61	18.0	18.0	100.0
Total	339	100.0	100.0	

I use the product with lesser cost than the cost I incur to use the service in the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	1.5	1.5	1.5
Disagree	18	5.3	5.3	6.8
Neutral	98	28.9	28.9	35.7
Agree	113	33.3	33.3	69.0
Strongly Agree	105	31.0	31.0	100.0
Total	339	100.0	100.0	

I get service from the product at the time the bank does not operate

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	.9	.9	.9
Disagree	11	3.2	3.2	4.1
Neutral	98	28.9	28.9	33.0
Agree	153	45.1	45.1	78.2
Strongly Agree	74	21.8	21.8	100.0
Total	339	100.0	100.0	

The product operate with better efficiency than the service provided in the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	5	1.5	1.5	1.5
Disagree	19	5.6	5.6	7.1
Neutral	50	14.7	14.7	21.8
Agree	160	47.2	47.2	69.0
Strongly Agree	105	31.0	31.0	100.0
Total	339	100.0	100.0	

The product is less riskier than using traditional banking service

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	1	.3	.3	.3
Disagree	39	11.5	11.5	11.8
Neutral	70	20.6	20.6	32.4
Agree	160	47.2	47.2	79.6
Strongly Agree	69	20.4	20.4	100.0
Total	339	100.0	100.0	

I intend to use e-banking service in the future

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	.9	.9	.9
Disagree	32	9.4	9.4	10.3
Neutral	113	33.3	33.3	43.7
Agree	90	26.5	26.5	70.2
Strongly Agree	101	29.8	29.8	100.0
Total	339	100.0	100.0	

I will use e-banking services for various types of banking transaction

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	30	8.8	8.8	8.8
Neutral	60	17.7	17.7	26.5
Agree	177	52.2	52.2	78.8
Strongly Agree	72	21.2	21.2	100.0
Total	339	100.0	100.0	

I believe it is worthwhile for me to use e-banking services

	Frequency	Percent	Valid Percent	Cumulative Percent
Disagree	43	12.7	12.7	12.7
Neutral	42	12.4	12.4	25.1
Agree	230	67.8	67.8	92.9
Strongly Agree	24	7.1	7.1	100.0
Total	339	100.0	100.0	

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841 ^a	.707	.703	.39219

a. Predictors: (Constant), RA, RL, PU, TR, EU

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	123.593	5	24.719	160.707	.000 ^b
	Residual	51.219	333	.154		
	Total	174.812	338			

a. Dependent Variable: CS

b. Predictors: (Constant), RA, RL, PU, PS, EU

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-.999	.176		-5.674	.000
	EU	.555	.068	.396	8.147	.000
	RL	.239	.036	.237	6.587	.000
	PS	.275	.049	.229	5.587	.000
	PU	.104	.038	.109	2.717	.007
	RA	.103	.035	.097	2.931	.004

a. Dependent Variable: CS