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## INTERNET BANKING IN SAUDI ARABIA

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### **ABSTRACT:**

E-banking is one of the technological banking advancement methods that are being adapted by the banks in the current world. This advancement has created competition within the banking sector the desire to ease the internet banking effectiveness has created increased burdens on the financial institutions to use and conceptualize different channels of banking services delivery with the vision of attracting more clients and improving the perceptions of satisfaction in these customers as well as empowering their loyalties. The Saudi Arabian banks have started to integrate the Internet-based e-banking frameworks in the portfolios of banking conveyance to expand the effectiveness and efficiency of their banking services and reduce the associated operations costs. This study is to evaluate the perception of the customers on the bank's provision of e-banking using cross section survey which is distributed to 103 e-banking users. The results indicated that there was strong perception on the e-banking impact on the growth and development in Saudi Arabia. Furthermore, there was significant impact of e-banking among the young people in Saudi Arabia. Nonetheless, there is still a need to increase the awareness in the use of e-banking in order to increase the competition advantage.

### **INTRODUCTION:**

In the present era, e-banking demand has increased globally due to the consideration of globalization and technological advancement. Conversely, this is also acceptable that the consideration of e-banking has helped people to ease their banking activities due to its cashless nature, cash accessibility, saves time from bank visitation and seamless transactions [1, 2]. Internet banking and its related services have been in existence for nearly a decade now in

Saudi Arabia. The banking sector of Saudi Arabia is one of the most competitive and fast-paced sectors in the Asian region with a total of 25 banks, 13 local banks and 12 foreign banks, having numerous branches distributed nationally. The Saudi Arabian banks have started to integrate the internet-based e-banking frameworks in the portfolios of banking conveyance to expand the effectiveness and efficiency of their banking services and reduce the associated operations costs [3]. One of the factors that influence the banks in Saudi Arabia is the constantly changing customers' perceptions and needs towards services of digital banking. Progressively, the customers are expecting the provision of online services from their banking institutions and this is turning the delivery of electronic banking services into a need. In Saudi Arabia, the banks have invested enormous resources to facilitate the introduction and making the services of internet banking rich. However, the perceptions and attitudes of the customers towards internet banking have not been studied extensively within Saudi Arabia [4]

Service quality is an indispensable component with the critical importance of enhancing the survival and achievements of the banks in the banking sector since it does not imply on meeting the needs of the needs of the customers but also surpassing their expectations [5]. Therefore, service quality encourages the accomplishments of the essential targets identifying with the loyalty and satisfaction of the customers, efficiency, market share, increasing new clients, improved monetary performance, and increased profitability [6, 7].

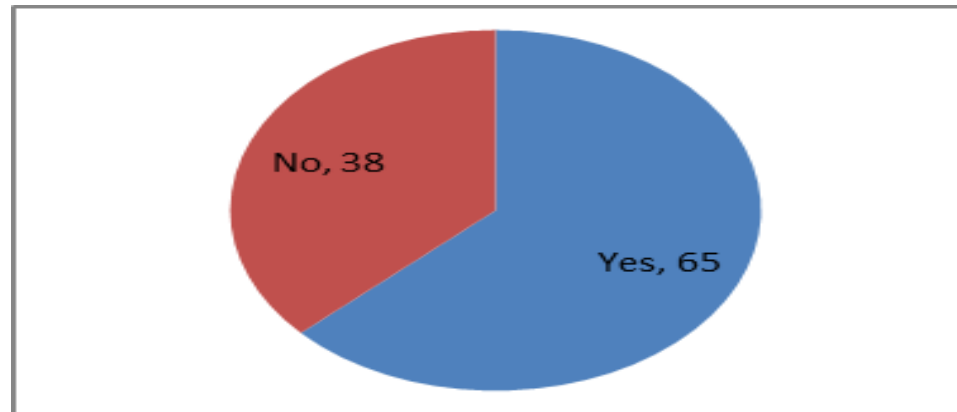
In an online banking customer satisfaction study conducted in Pakistan using E-Servqual model, Raza et al. [8] found that there are significant positive relationship between assurance, tangibility, reliability and responsiveness with customer satisfaction whereas empathy showed positive but insignificant effect on customer satisfaction. On the other hand, using the same determinants, Ismail et al. [9] and Sleimi, Karam, and Qubba [10] reported that the effect of tangible, reliability, responsiveness, assurance and empathy on behavioral intentions was mediated by customer satisfaction. Ayo et al. [11] showed that perceived e-service quality has a strong influence on customer satisfaction and use of e-banking. They also stated that competence of e-service support staff, system availability, service portfolio, responsiveness and reliability are the most significant factors in increasing the e-service quality ratings. The results obtained by Firdous and Farooqi [12] research emphasized that efficiency, system availability, fulfillment, privacy, contact, responsiveness and contact individually contributed 70% to the overall customer satisfaction in internet banking. Ling et al. [13] in their study showed that web design and content, convenience and speed are the top three factors impelling customer satisfaction toward internet banking. Considering the benefits of internet banking towards consumers, it is important from them to adopt this service. However, in order to adopt and remain loyal to this service, banks need to ensure the online service provided is in par with the customers' satisfaction level. Therefore, this study aimed to scrutiny the perception of consumers towards the internet banking service provided by Saudi Arabia banks.

## **METHODOLOGY**

This study was conducted to provide an understanding of the factors influencing the satisfaction levels of the customers toward the online services of banking offered by the Saudi Arabia's banks by adopting descriptive and exploratory types of research purpose. In this study, both quantitative and qualitative modes of extracting data were used. Therefore, a mixed research method approach was accepted in conducting the research. The quantitative analysis approach helped to address the hypothesis as well as relating the findings based on the data collected to the objectives and question of the research study. The qualitative analysis approach helped in developing a theory guided by the principle established on the basis of the collected data. In addition to the quantitative and qualitative analysis approaches, the deductive approach was chosen for this research for the specific purpose of aiding the establishment of the importance of the customers' perceptions and needs as the determinants of the levels of the customer satisfaction with the online banking services. The area of study chosen for this research analysis was Saudi Arabia. Saudi Arabia has a population of 32, 280, 000 according to the national census conducted in 2016. The data for this study is collected using questionnaire. The close-ended structured survey questionnaires consisted of the questions on the customers' demographic information, information on the customer usage trends of the internet banking services and their related perceptions, and the statements were related to the E-Servqual model dimensions (assurance, tangibility, reliability, empathy and responsiveness). These questionnaires are distributed to 103 bank customers who are internet banking users. In this research project, prior permission of the customers and bank authorities were taken along with the preliminary approval of the confidentiality agreement. The confidentiality agreements were signed by the researchers stating that there will be lack of exposure of the names of those bank customers surveyed.

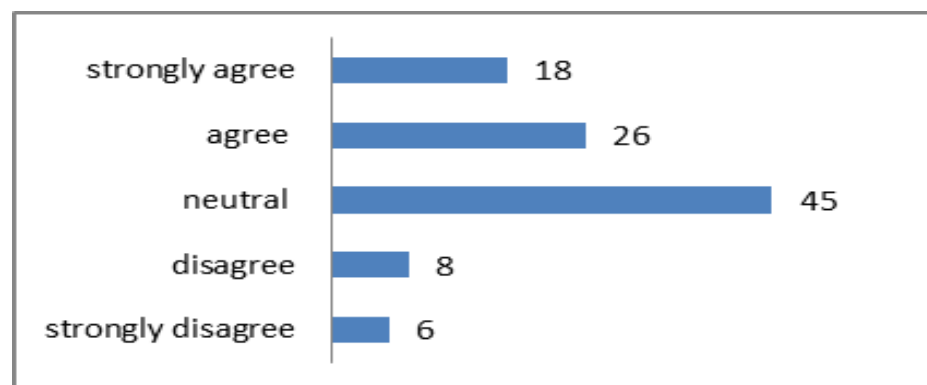
## **RESULT AND DISCUSSION**

Figure 1 presented the breakdown of the awareness of customers on e-banking services provided by the bank. From the pie chart, it can be observed that the number of customers who were aware on the availability of the e-banking services provided by the bank were 65 (63.1%) while those who did not are 38 (36.9%) of the total respondents. This indicates that the number of customers who were aware of the e-banking services provided by the banking industry were more than those who did not know.



**Figure 1:** Awareness among customers on the bank's e-banking services

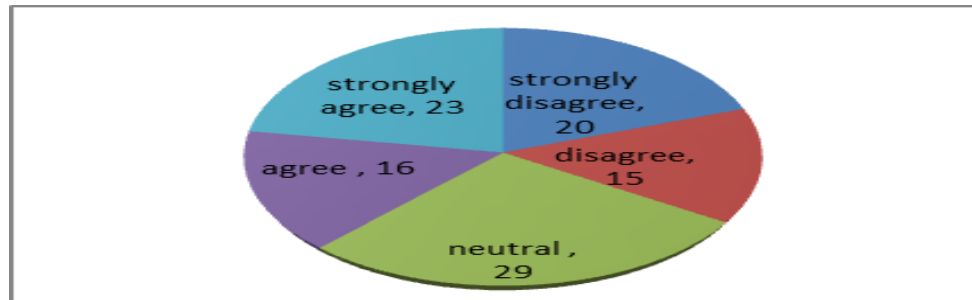
From Figure 2, it can be observed that the number of respondents who strongly disagreed on rate on their experience on the banking services were 6 (5.8%) of the total respondents. The number of respondents who disagreed on rate on their experience on the banking services were 8 (7.8%) of the total respondents. The number of respondents who were neutral in rating their experience on the banking services were 45 (43.7%) of the total respondents. The number of the respondents who agreed on rate on their experience on the banking services were 26 (25.2%) of the total respondents. Finally, the number of respondents who strongly agreed on rate on their experience on the banking services were 18 (17.5%) of the total respondents. From the analysis it can be observed that the respondent who gave good ratings on their experience on the banking services were 44 (42.7%) of the total respondents.



**Figure 2:** Customers' ratings on their experience with the bank's services

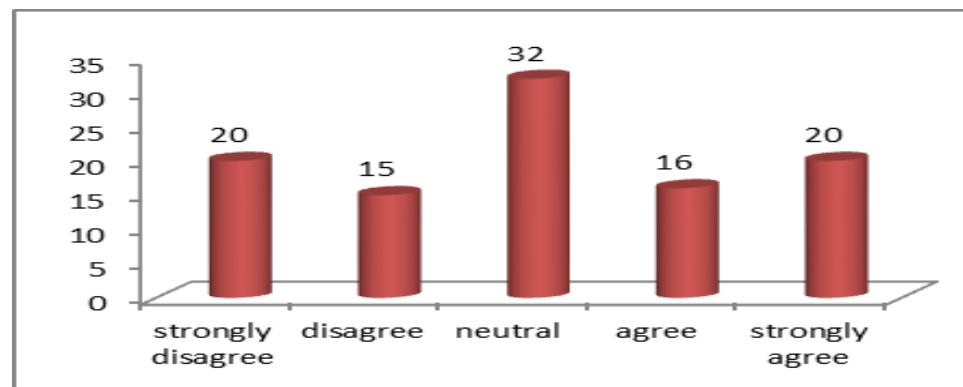
The responds received for the following statement 'e-banking is important to the growth of Saudi Arabia economy' is shown in Figure 3. It can be observed that the number of respondents who strongly disagreed on e-banking is important to the growth of Saudi Arabia economy were 20 (19.4%) of the total respondents. The total respondents who disagreed on e-banking is important to the growth of Saudi Arabia economy were 15. 29 (28.2%) out of the total respondents reacted neutral towards this statement. The number of the respondents who agreed on e-banking is important to the growth of Saudi Arabia economy were 16 (15.5%) of the total respondents. Finally, the number of respondents who strongly agreed on e-banking is important to the growth of

Saudi Arabia economy were 23 (22.3%) of the total respondents. From the analysis it can be observed that the respondent who supported on e-banking is important to the growth of Saudi Arabia economy were 31 of the total respondents.



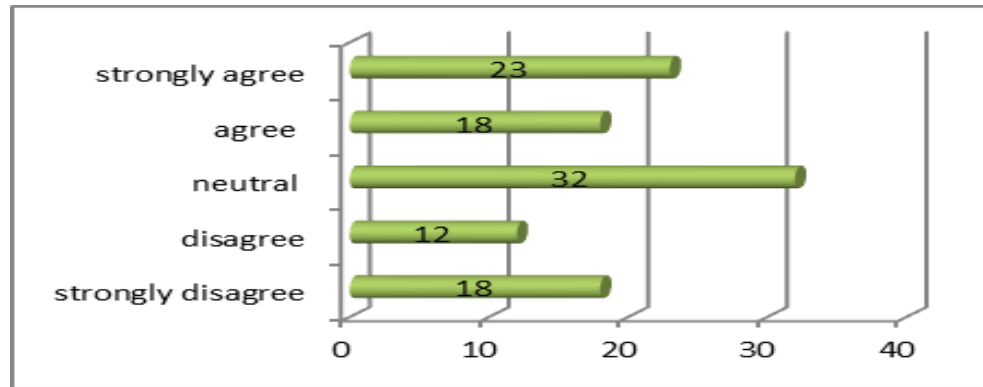
**Figure 3:** E-banking is important to the growth of Saudi Arabia economy

From Figure 4, it can be observed that the number of respondents who strongly disagreed on 'I would benefit most from e-banking' were 20 (19.4%) while those who disagreed were 15 (14.6%) of the total respondents. The number of respondents who neither agreed/disagreed on 'I would benefit most from e-banking' were 32 (31.1%) of the total respondents. The number of the respondents who agreed that they would benefit from e-banking were 16 (15.5%) of the total respondents. The number of respondents, who strongly agreed is the same as those who strongly disagree.



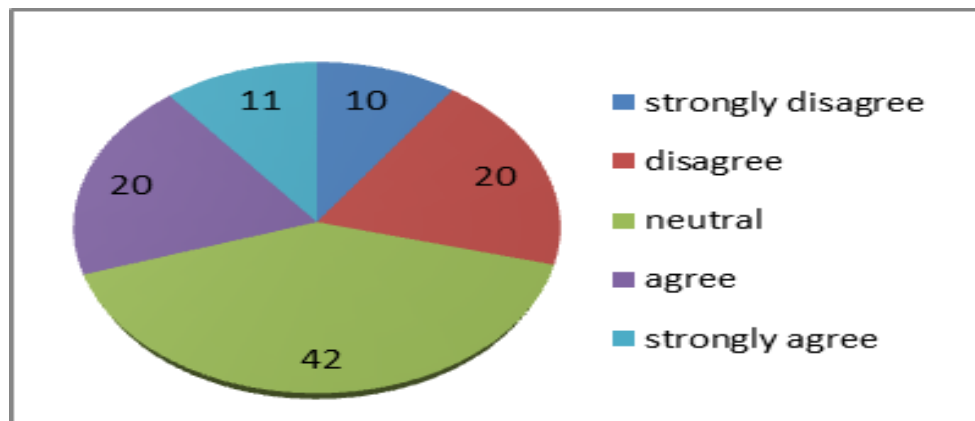
**Figure 4:** Customers benefited from e-banking

Figure 5 depicted the respondents answer on 'banks benefited from e-banking'. Majority of the respondents (32 of them) had a neutral opinion on this statement. The total number of respondents agreed to this statement was 41 with 23 of them strongly agreed while 18 of them just agree. The number of respondents who disagreed on banks would benefit most from e-banking were 12(11.7%) of the total respondents. Those who strongly disagreed with this statement were 18 respondents.



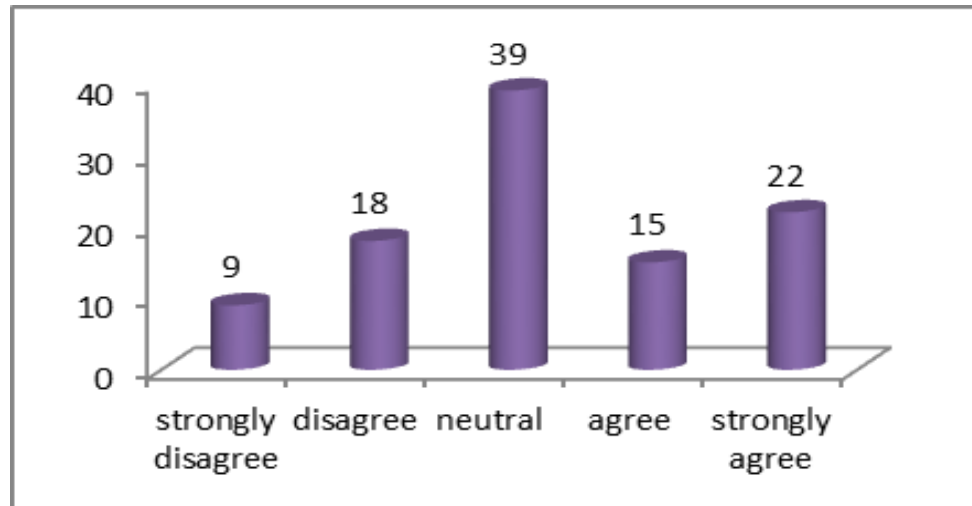
**Figure 5:** Banks benefited from e-banking

With reference to Figure 6, it can be observed that the number of respondents who strongly disagreed on ‘bank provides e-banking services via professional service providers’ were 10 (9.7%) of the total respondents. The number of respondents who disagreed and agreed on ‘bank provides e-banking services via professional service providers’ were 20 (19.4%) of the total respondents. 42 (40.8%) of the total respondents had a neutral opinion on this statement. Finally, the number of respondents who strongly agreed on my bank provides e-banking services via professional service providers were 11 (10.5%) of the total respondents. several studies have proven that banks benefited from the implementation of e-banking.



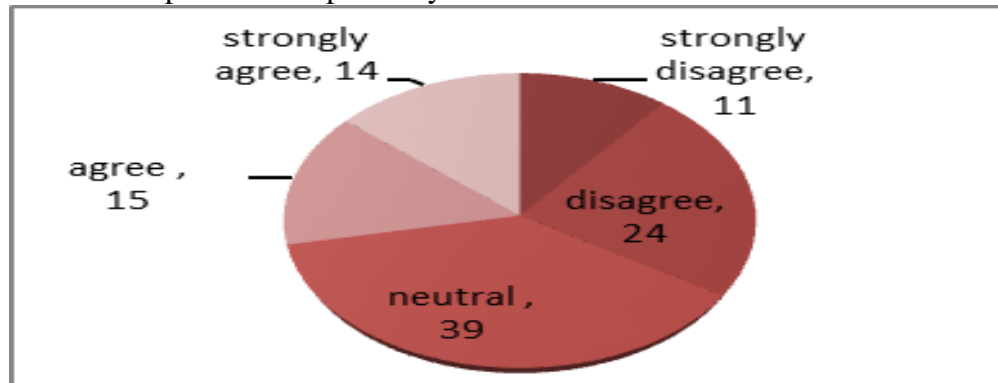
**Figure 6:** Bank provides e-banking services via professional service providers

From Figure 7, it is shown that 39(37.9%) respondents neither agreed/disagreed with the statement ‘bank sends sufficient information about the benefits of using e-banking services’. However, 22 of them strongly agreed whereas 15 of them agreed to this. The remaining respondents reacted negatively to this statement with 9 of them strongly disagreed while 18 disagreed.



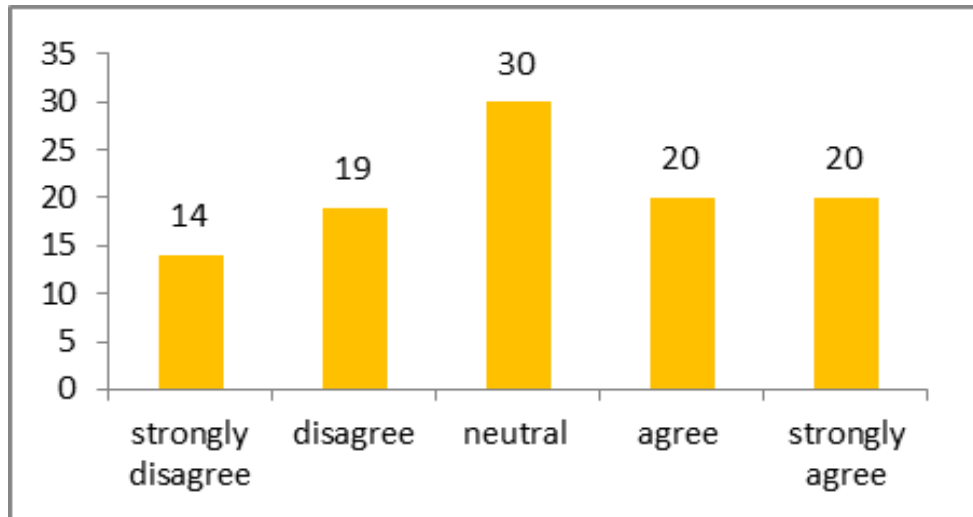
**Figure 7:** Bank sends sufficient information about the benefits of using e-banking

The pie chart in Figure 8 presented the response for the statement ‘e-banking turns into the core transaction channel in Saudi banks’. ‘Neutral’ response had the highest vote with a total of 39 (37.9%) respondents. The second highest response was ‘disagree’ with 24 (23.3%) respondents. The number of respondents, who agreed, strongly disagreed and strongly disagreed were 15, 14 and 11 respondents respectively.



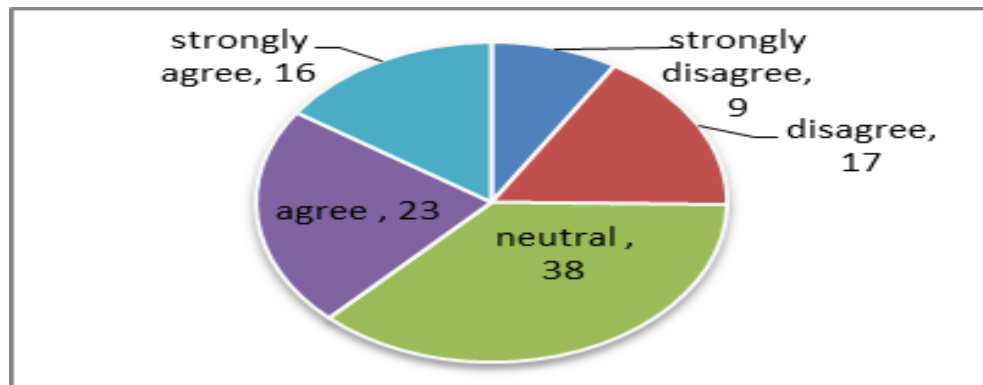
**Figure 8:** E-banking turns into the core transaction channel in Saudi banks

From Figure 9, it can be observed that the number of respondents who strongly disagreed on e-banking is more popular among consumers nowadays were 14 (13.6%) of the total respondents. The number of respondents who disagreed on e-banking is more popular among consumers nowadays were 19 (18.4%) of the total respondents. The number of respondents who were neutral on e-banking is more popular among consumers nowadays were 30 (29.1%) of the total respondents. The number of the respondents who agreed on e-banking is more popular among consumers nowadays were 20 (19.4%) of the total respondents. Finally, the number of respondents who strongly agreed on e-banking is more popular among consumers nowadays were 20 (19.4%) of the total respondents.



**Figure 9:** E-banking is more popular among consumers nowadays

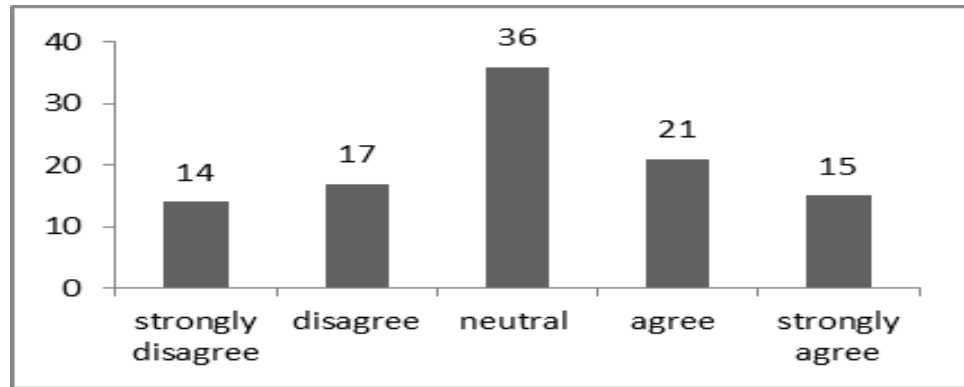
As shown in Figure 10, 9 (8.7%) respondents strongly disagreed that e-banking succeed to resolve all the challenges in Saudi Arabia. The number of respondents who disagreed on e-banking succeed to resolve all the challenges in Saudi Arabia were 17 (16.5%) of the total respondents. The number of the respondents who agreed on e-banking succeed to resolve all the challenges in Saudi Arabia were 23 (22.3%) of the total respondents. Finally, the number of respondents who strongly agreed on e-banking succeed to resolve all the challenges in Saudi Arabia were 16 (15.5%) of the total respondents.



**Figure 10:** E-banking succeed to resolve all the challenges in Saudi Arabia

Figure 11 depicted the respondents’ answer towards the statement ‘e-banking services increased the degree of customer satisfaction’. Majority of the respondents (36 of them) voted for neutral. Those who gave positive response were equivalent to those who responded neutrally. 21 of the respondents agreed while 15 of them strongly agreed. As for negative feedback, there were 14 respondents who strongly disagreed whereas 17 disagreed.





**Figure 11:** E-banking services increased the degree of customer satisfaction

The findings from this survey revealed that the customers are aware of the e banking professional providers as the agent of the banks. The online systems enhanced the banking processes efficiency helping in increasing the banking industry performance. The internet banking also helps the customers to reduce the opportunity costs, improve convenience, and save both their time and that of the bank employees. Liu and Arnett [14] conducted a research to understand the role of the consumers' perception in relation to the convenience of the online banking services. The researchers developed a model to quantify the consumers' satisfaction with the experiences of e-banking considering the four major factors of site design, merchandising, convenience, and financial security of the deposited money. The results of the study established that both financial security and convenience played the major roles in the satisfaction of the consumer's in comparison to the factors of site design and merchandising. This has also enabled the customers to ensure that they are near the places of residence and the customers can access the banking services and time any place. Aladwani [15] explained that internet banking provides a secure way of conducting financial transactions since it can be done at any place and still issues individuals with receipts to validate the transaction at the bank. The study conducted by Pikkaraine [16] determined that internet banking performed the role of allowing the customers to access the details of their bank accounts and transaction histories so as to monitor their expenses and financial performance even from a distance. The online banking services make it easy for the customers to apply for loans, monitor the growth of their funds, take care of investments, and review the interest rates of their different accounts [17]. Vatanasombut et al. [18] suggested that online banking has made the services of paying bills fast and convenient. Almost all business entities have added themselves as billers in the sections of paying bills from where their respective customers can add them to their bank accounts. Internet banking also has helped in accelerating the financial performance of banks as in terms of return on asset (ROA), return on equity (ROE) and net income margin (NMG) [19-20]. In addition, Jayawardhena and Foley [21] as well as Cheng, Lam and Yeung [22] reported that e-banking helped banks to reduce its operational cost since it require less staff and fewer physical branches

## CONCLUSION

It can be concluded that internet banking certainly benefits the customers as well as the banks. However, there are many areas can be improved in order to make customers adopt this service. The accessibility of the speedy, steady, and reliable internet has an effect on the adoption of the internet banking. If an area has a good internet connectivity, the users are more inclined to use the services of online banking. On the contrary, if an area has a poor accessibility to the internet, the customers would prefer not use the online services of banking and instead visit the bank physically. Furthermore, banks need to ensure that the older generation is enlightened on the benefits of e-banking so that more customers can access the banking services.

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