

E-Banking Loyalty: A Review of Literature

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Abstract—Owing to the high costs involved in increasing the current client base, one of the main goals of banks and other financial services providers, which operate through the internet, should be to develop customer loyalty in order to improve their results. To achieve this aim, these companies face most vital challenge in providing and maintaining service quality. Service quality is an input of customer trust which becomes satisfaction and lead to loyalty as an output. But the research in the development of e-loyalty is scarce and partial. This paper attempts to accumulate literature in order to understand the overall structure of the formation of e-loyalty. The literature reviewed provide underlying patterns of relationships between e-banking loyalty and its influencing factors. Such understanding is relevant for academicians and researchers for furthering the work in this field. The insights into the previous studies, considered for this paper, are discussed and suggestions for future research are provided.

Keywords—e-banking; e-loyalty; satisfaction; structural equation modeling; website quality

INTRODUCTION

Use of internet by banks as a channel for receiving instruction and delivering their products and services to their customers is referred to as Internet Banking [1]. This form of banking has been one of the major developments in the financial service sector. This is because of the transformation brought by this new form of banking to the Indian banking scenario. The banking industry in India is facing unprecedented competition from non-traditional banking institutions, which now offer banking and financial services over the internet. The major effect of this phenomenon can be felt in the way customers are now interacting with their banks.

According to a survey done by McKinsey & Company, traditional visits to banks have declined 15% on an average, whereas growth in usage of internet and mobile banking has almost trebled [2]. Also, the use of internet banking by the customers has increased from 1% in 2007 to 7% currently. The survey further reports that even though 95% of the Indians appear satisfied with their banks, they are reluctant to

recommend their financial institution to others indicating declining loyalty of approximately 40% since 2007.

RATIONALE FOR THE STUDY

Even though there is increase in the use of internet medium and customer satisfaction, loyalty is a major issue of concern for the banking industry. In particular, since the competition is just a mouse click away, e-loyalty appears to be essential for electronic banks both in an economic as well as a competitive sense [3]. One of the most exciting and successful uses of this revolutionary technology may be the internet's role in building customer loyalty and maximizing sales to the existing customers.

Hence, a theoretical background is required to provide further understanding of customer loyalty in the banking industry in relation to e-banking. In this pursuit, the current paper aims to provide a review of the studies done in relation to e-loyalty in the context of e-banking.

OBJECTIVES

A number of studies have examined the development of electronic banking (or e-banking) and its operations [e.g., [4]]. These previous studies point to the need for understanding how e-loyalty is developed. Whatever studies done in this direction indicate only some parts of relationships between the antecedents of e-loyalty and their influence on e-loyalty [3, 5, 6].

Hence, this paper attempts to synthesize the available literature in order to understand the conceptual nature of e-loyalty. More specifically, the study provides a review of literature done on e-loyalty. In addition, the study also objects to assess the methodology adopted by various authors and the outcomes of the study relationships among the considered variables.

METHODOLOGY

A search on Google Scholar with key word “e-banking loyalty” was carried out to find the studies on e-loyalty. Only openly accessible studies were taken due to permission

restrictions from the publishers. The search results from the search engine tend to reduce the relevance of the subject concerned as we look down the search result pages. Hence, 20 articles were downloaded, of which only 10 studies have focused on the e-loyalty on e-banking. The dropped articles were more concerned towards the adoption of e-banking than on e-loyalty. Hence, ten studies, which have considered e-loyalty as their main theme, are considered for the current paper. Latvia, Portugal, Spain, Nigeria, Morocco, Malaysia, Indonesia and Austria are the study areas of the considered articles published in different national and international journals. A summary of the ten articles is presented in Table 1.

SUMMARY OF SELECTED LITERATURE ON E-LOYALTY

Authors	Dependent Variables	Independent Variables	Analysis Methods	Remarks
Floh & Treiblmaier (2006)	E-Loyalty	Trust Website quality Service quality Satisfaction	SEM	Loyalty of e-banking customers is directly affected by satisfaction and trust in an online bank, which in turn are determined by Website quality and service quality. Moderating variables such as gender, age, involvement, variety seeking behavior and technophobia exert a significant influence on some of the proposed relationships.
Oliveira (2007)	E-Loyalty	Website quality	SEM	Strong and significant link between the two constructs
Lii (2009)	E-Loyalty	Website quality Corporate image Perceived social presence Satisfaction Trust	SEM	Both satisfaction and trust are determined by consumer perceptions of website quality, corporate image, and social presence, with website quality exhibiting the strongest impact. Satisfaction mediates the relationship between trust and e-loyalty. Satisfaction exhibiting more critical effect.

Yee & Faaziharuddin (2010)	E-Loyalty	Service quality Perceived value Trust Reputation Habit	Multiple Regression	Trust, habit and reputation are found to have a significant influence on E-Loyalty towards individual Internet banking websites, reputation is the strongest influence. Service quality is found to be an important factor in influencing the adoption of the technology, but did not have a significant influence in retention of customers.
Hamadi (2010)	Commitment	Perceived quality Satisfaction	SEM	Perceived quality heavily influences the commitment of customers and that this effect is direct and not mediated by satisfaction.
Ghane, Fathian & Gholamian (2011)	E-Loyalty	Service quality Satisfaction Trust	SEM	Although service quality, satisfaction, and trust have strong direct effect on e-loyalty, impacts of indirect effects (with satisfaction and trust playing mediating roles) are more significant.
Hamadi (2011)	Commitment	Quality Satisfaction Need for personal interaction	SEM	Need for personal interaction has no moderating effect on the relationship between quality and satisfaction, either in the relationship between satisfaction and commitment.
Olalekan (2011)	E-Loyalty	Service quality Perceived risk User input Price Service product characteristics Individual factors Satisfaction	Factor Analysis	Study indicates gender differences in e-banking patronage and also satisfaction is found to be low which calls for improvement in service delivery in terms of timeliness and consistency in standards.
Fragata & Moustakas (2012)	E-Loyalty	Image Satisfaction Perceived switching costs Trust	SEM	E-banking quality has strong impact on e-loyalty via the mediating effect of trust and that switching costs have strong impact on e-loyalty

Rullis & Sloka (2011)	Satisfaction E-Loyalty	E-banking reliability E-banking usability E-banking quality	Factor Analysis	Customers were satisfied with e-banking reliability, usability and quality. Had positive attitude towards e-banking and willing to recommend.
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A REVIEW OF PERTINENT LITERATURE

The studies included in Table 1 are diverse but still, a significant pattern in the structure of e-loyalty formation can be found. In this section more detailed discussion of some critical aspects associated to Table 1 are provided.

Reference [3] conducted their study in Austria among 2000 customers of a pure dotcom bank. They conceptualized loyalty in terms of attitudinal and behavioral dimensions consisting of recommendation and repeat purchase behavior. According to reference [3], website quality indirectly influences e-loyalty through the mediating effects of service quality, overall satisfaction and trust. They also propose that these relationships are moderated by gender, age, involvement, variety seeking behavior and technophobia. The authors used the structural equation modeling (SEM) approach to study the variable relationships. The study results indicate that loyalty of e-banking customers is directly affected by satisfaction and trust in an online bank, which in turn are determined by Web site quality and service quality. Moderating variables such as gender, age, involvement, variety seeking behavior and technophobia exert a significant influence on some of the proposed relationships.

In line with [3], [7] also conceptualizes loyalty similarly. But [7] does not consider any difference between website quality and service quality. The author studied the influence of service quality in terms of website quality on loyalty using a sample of about 6000 customers in Portugal. The author adopted the SEM approach to study the quality-loyalty linkage. The results of the study supported the existence of relationship between service quality – represented by web site quality – and customer loyalty in an e-service setting.

While [7] studied the direct relationship between website quality and loyalty, [10] extended the relationship to include satisfaction as the mediator. Instead of loyalty, [10] considers commitment as the dependent variable. Absence of commitment results in spurious loyalty. Hence, commitment is an important component of the loyalty concept. The study was conducted in Morocco using a sample size of 629. The results of the SEM to test the effect of perceived quality on commitment with the mediation of satisfaction are not supported. The study outcomes indicate direct effect of perceived quality on commitment.

Apart from website quality, satisfaction and trust as the antecedents of loyalty, [8] considered corporate image and perceived social presence as factors determining the loyalty. Similar to the study of [3], [8] regarded satisfaction and trust as

mediators for loyalty formation. Behavioral dimension is focused to study the concept of loyalty. 213 e-banking customers of Indonesia were studied to test the relationships using SEM approach. Results of the study reveal that loyalty of e-banking customers is directly affected by satisfaction and trust in an online bank and both satisfaction and trust are determined by consumer perceptions of website quality, corporate image, and social presence, with website quality exhibiting the strongest impact.

A study carried among 350 customers in Malaysia used multiple regressions to understand the direct effects of the determinants of loyalty on loyalty [9]. The determinants used were service quality, perceived value, trust, habit and reputation. The loyalty is conceptualized on both behavioral and attitudinal dimensions. The results of the study reveal significant influences of trust, habit and reputation on loyalty whereas service quality and perceived value were found to have no influence on loyalty.

Reference [11] conducted their research on loyalty in e-banking in Iran using 121 sample size. In line with [3], they also proposed that loyalty is influenced by satisfaction and trust which are in turn influenced by service quality. Reference [11] represented website quality as service quality for their research. SEM analysis resulted that loyalty of e-banking customers is directly affected by satisfaction and trust in an online bank, which in turn are determined by e-service quality. The study also reported that the quality of e-services has a direct and an indirect impact on both e-satisfaction and e-trust. Further, e-trust not only has a direct impact on e-loyalty but also has an indirect influence through e-satisfaction. In addition, this study indicates that e-satisfaction, like e-trust, has direct and indirect effects on e-loyalty.

Continuing his previous research, [12] added personal interaction as the moderator for the relationships between service quality, satisfaction and loyalty. The study revealed lack of moderating effect of personal interaction in the relationship between the electronic quality, satisfaction and commitment. This study was conducted among 639 Moroccan customers to test the moderating effects using SEM approach.

In contrast to the studies reviewed above, [13] conducted loyalty research in terms of gender differences. The study included 750 male and 750 female respondents using factor analysis to assess the gender differences. The results of the study indicate that male customers patronizes electronic banking because of its familiarity, comfort, cost effectiveness, independence, high level of involvement, easy to use feature, friendliness, and wide variety of services and female customers particularly patronizes the electronic banking because of its accuracy and fastness.

Reference [14] conducted factor analysis using data collected from 873 Latvian customers to study the loyalty in e-banking. Internet banking reliability, usability and quality are assessed against the customers' attitudinal and behavioral

loyalty. The study results reveal that internet banking users are satisfied with internet banking reliability, internet banking usability, internet banking quality. Further the respondents show positive attitude regarding internet banking and they are willing to recommend it.

In recent research done by [15], along with service quality (includes website quality), satisfaction and trust, two more factors are considered as the determinants for loyalty. Two additional factors are image and perceived switching costs. Their research was based on 72 business respondents in Portugal. The SEM analysis reveal that e-quality has a strong impact in e-loyalty via the mediating effect of e-trust. A strong direct impact was found between switching costs and e-loyalty for business customers.

DIRECTIONS FOR FUTURE RESEARCH

Even though the studies reviewed above present varied views of the formation of loyalty, cohesively they present a basic pattern with regard to the determinants of loyalty in e-banking. Website quality is found to be the major determinant for developing satisfaction and trust which in turn found to determine the e-banking loyalty. Most of the studies view that website is a form of service product provided by the bank as an alternate channel of delivery. Hence, the quality of service in these studies is viewed as website quality and vice versa. But [3] conceptualized service quality as distinct from website quality. It is also identified that website quality has direct effect on loyalty formation [7] indicating the presence of both direct and indirect effects of website quality on loyalty. Since, website being the only link between the service provider and customer on online environment and also considering the views expressed by many authors, it is suggested website quality regarded the triggering point for loyalty formation studies.

The reviewed studies reveal that satisfaction and trust are the major factors determining loyalty. Further, trust is found to impact loyalty directly and indirectly with the mediation of satisfaction as well as satisfaction is found to effect loyalty directly and indirectly with the mediation of trust. It is thus important that future studies incorporate the interplays among website quality, satisfaction and trust and how these relationships influence loyalty.

In offline environment, a large number of studies have identified corporate image to be a major factor impacting on loyalty with the mediation of satisfaction [e.g., [16]]. The reviewed studies provide mixed results of the effect of corporate image on loyalty in online environments. While [8] included corporate image in his study and confirmed the relationship in online environment, satisfaction and image were found to overlap with quality [15]. Hence, it is proposed that the role of corporate image to be investigated in the studies related to formation of loyalty. Further, switching costs were found to have a strong impact in creating retention in online banking environment and manage to obtain substantial benefits

by holding most of their banking business with one bank. In addition, [15] identified switching costs as also directly influencing loyalty. This indicates the inclusion of switching costs as a direct determinant of e-banking loyalty.

In spite the impact of service failure and recovery on customer loyalty is widely appreciated and researched in the bricks-and-mortar services, its impact in the e-services sector has received limited attention [17]. Hence, it is proposed that service failure to be included as an important determinant in the loyalty studies in online environments also.

The discussion above with regard to the relationships among the antecedents of loyalty and loyalty provide a direction in the way future research is to be carried. In addition, [3] included five moderating variables (age, gender, involvement, variety seeking behavior and technophobia) to have influence on the way loyalty is impacted by important factors. Their study provided an important insight in which the concept of loyalty can be conceptualized in the online environment. Hence, relevant moderator variables are to be considered in future studies for understanding the context under which loyalty behavior is exhibited by the customers.

To provide relevant results, application of right tools of testing is mandatory. As conceptual models become more complex, application of multiple regression analysis results in limited understanding of the phenomenon. Hence, to test comprehensive models, it is suggested to study the complex causal relations using advanced tools of analysis like SEM. In addition, multi-group analysis is proposed for future studies to understand the demographic differences among the loyal e-banking customers which can easily be accomplished through SEM approach.

CONCLUSIONS

The growth of information technologies in the world has been phenomenal. Thanks to these technologies, banks are being able to reach their customers anywhere at any time. Compared to banks abroad, Indian banks offering online services still have a long way to go. For online banking to reach a critical mass, there has to be sufficient number of users and the sufficient infrastructure in place. From the point of view of number of users, there seems to be increase in the numbers. According to a survey, the weekly use of internet banking by Indian consumers has risen 130% since 2007 [2]. In addition to the increasing use of e-banking, the industry is experiencing increased competition and pressures to cut expenses. Under such contexts, banks need to attract and retain their customers by creating, maintaining and highlighting attractive features of e-banking. Hence, it is important for both bankers and academicians to theoretically and empirically understand the concept of loyalty in online banking environments.

This paper attempted to examine the determinants of loyalty in internet banking environments based on the literature

reviewed. The studies reviewed belong to diverse geographies indicating the importance of this paper in understanding the concept further. In addition, the studies present a pattern of relationships between the determinants of e-banking loyalty and e-banking loyalty which can be researched further more comprehensively for better understanding of the loyalty phenomenon in e-banking. Such understanding is helpful to practitioners and academicians which in turn catalyzes the growth of banking industry in Indian context.

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