USE OF AUTOMATED TELLER MACHINES (ATM), EFFECTIVE SERVICE DELIVERY AND CUSTOMER SATISFACTION IN THE BANKING SECTOR

A CASE STUDY OF STANBIC BANK UGANDA LIMITED - BUSHENYI DISTRICT

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DECLARATION

I, **Biyaki Faith** do hereby declare that this dissertation is my original work and that it has never been published, submitted to any University or Institution of higher learning for the award of any academic qualification.

The literature and citations from other people's work have been duly referenced and acknowledged in the text, footnotes and bibliography.

Signature   Date

....28/10/2008.....

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APPROVAL

This is to certify that this dissertation submitted for examination has been under my supervision.

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28/1/08

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DEDICATION

In appreciation of the profound contribution and support towards the success of this work, I dedicate this research to Dr. Andrew Musiime, my family, Stanbic bank staff and its stakeholders, friends and the academic world.

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TABLE OF CONTENTS

CHAPTER 2: REVIEW OF RELATED LITERATURE

LIST OF TABLES

x

LIST OF FIGURES

LIST OF ACRONYMS

ATM's: - Automated Teller Machines

ESD: - Effective Service Delivery

IT: - Information Technology

PIN: -Personal Identification Number

TAN: -Transaction Authentication number

ABSTRACT

The purpose of this study was to investigate the relationship between Information Technology, Effective service delivery and Customer Satisfaction in the banking sector. The methodology used was of a quantitative cross-sectional survey design with a study population of 375 bank clients and interviews with five bank staff members. Self-administered questionnaires and personal interviews were used to collect responses. Measurement of the variables of Information Technology, Effective Service delivery and Customer satisfaction was done and subjected to rigorous data processing and analysis using the relevant statistical computer software packages.

The findings indicated that most overall, the customers did not report the expected levels of customer satisfaction and effective service delivery. The issues raised by clients ranged from faulty ATMs, poor and inadequate distribution of the bank's services to dissatisfaction with the security offered by Stanbic bank in Bushenyi district. The researcher was also able to determine the relationship between the Information Technology, Effective Service Delivery and Customer Satisfaction.

With regard to the various problems and issues that the research highlights, the researcher forwards a number of recommendations such as effective recruitment of the employees and outsourcing services from professional firms to help maintain the information technology infrastructure such as ATMs in order to give the bank a more competitive position in the industry.

CHAPTER ONE

INTRODUCTION

1.0 Background

The banking industry in Uganda is steadily expanding. The establishment of several banks corroborates this claim. Some of these banks are barely ten years old. The liberalization of the economy has created a competitive culture, which has taken the service industry and particularly the banking industry by storm.

In today's retail banking industry information technology, effective service delivery and customer satisfaction are an indispensable competitive strategy. Furthermore, the stiff competition and the compression of the interest rates, has forced banks to set up and put into effect all necessary decision support systems. This enables them to dynamically plan new locations, evaluate their performance, forecast customers' attitude to new offered products and services, estimate clients' switching behavior, and finally provide marketing support to their geographically separate branches.

Stanbic bank in Uganda is part of one of Africa's leading banking and financial services group, Standard bank. The group has one of the biggest single networks of banking services in Africa. Through this network, Stanbic Bank offers a wide range of banking products and services which are delivered through more than 1000 points of representation in 17 African countries including Uganda.

The banking sector has been the backbone of every country. It implements and brings about economic reforms. Any change in this sector through technology has a sweeping impact on any country. The developments in information collection, storage, processing and transmission technologies have influenced all aspects of the banking activity.

The history of technology is the history of the invention of tools and techniques. The 19th century saw astonishing developments in communication technology originating in Europe. In 20th century information technology developed rapidly due to the scientific gains directly tied to military research and development, as they did in part due to World War II. Despite the fact we have just entered into the 21st century technology is being developed even more rapidly, marked progress in almost all fields of science and technology has led to massive improvement to the technology we currently possess.

Information technology (IT), also known as information and communication(s) technology (ICT), is a term that describes the combination of computer technology which is hardware and software with telecommunications technology such as data, image and voice networks. According to Henry C. Lucas, JR. (1997) Information technology refers to all forms of technology applied to processing, storing and transmitting information in electronic form. The physical equipment used for this purpose includes computers, communications equipment and networks.

Joseph and Stone, (2003) point out that, effective service delivery is important and has a great influence on customer satisfaction, improving sales and market share. Retail banking is at a stage where customer perceptions and preferences have a very important impact on a bank's

success. Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation.

1.1 Statement of the problem

Most banks are faced with the challenge of delivering effective services which can satisfy their customers. In the effort to deliver effective services, the banking sector undertakes numerous approaches and among them is the use of information technology. Information technology is a medium that has revolutionized banking and everyday operations at the click of a button thus enabling sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and reaching geographically distant and diversified markets (Marion, 2008).

Despite the banking sector using information technology we see the problem of lack of accessibility of banking services, fear of high banking charges a customer is required to pay, long queues and poor banking systems (Peter, 2008).Therefore, this study will find out the correlation between the level of information technology, effective service delivery and customer satisfaction.

2 Purpose of the study

The study was to establish the correlation between the level of information technology, effective service delivery and customer satisfaction.

1.3 Objectives of the study

The objectives of the study were:

i.   To examine information technology (e.g. ATM) usage in the banking sector.

ii.   To establish the relationship between information technology (e.g. ATM) and customer satisfaction.

iii. To establish the relationship between effective service delivery (e.g. ATM) and customer satisfaction.

1.4 Research questions

The study provided solutions to the following questions:

i.   What is the level of information technology (e.g. ATM) used by Stanbic bank?

ii.   What is the relationship between information technology (e.g. ATM) and customer satisfaction?

iii. What is the relationship between effective service delivery (e.g. ATM) and customer satisfaction?

1.5 Significance of the study

It is important that the study was carried out now since it has added on the existing information or knowledge related to information technology and the banking sector. The banking sector as an industry and personnel in banking will also utilize this study in making new policies, improving delivery of services and customer satisfaction respectively. The results of the study are a foundation for further research.

1.6 Scope

1.6.1 *Conceptual*

The study focused on how information technology can further be employed to improve the delivery of services thus leading to customer satisfaction in the banking sector. For this particular research, the researcher looked at the link between information technology, effective service delivery and customer satisfaction.

1.6.2 *Geographical*

The study was conducted in Bushenyi district where Stanbic bank has three branches; in Kabwohe, Bushenyi and Ishaka. Bushenyi district became a district in 1974 and is 310kms from Kampala. It borders Kasese in the North, Kamwengye North East, Mbarara East, Rukungiri in the west, Ntungamo in the South and Democratic Republic of Congo in the North West. The district has a population of 738,355 as per 2002 population census report. The headquarters is situated in Bushenyi Ishaka Town Council.

1.7 Conceptual framework

Figure 1:Conceptual framework

LEVEL OF INFORMATION TECHNOLOGY	EFFECTIVE SERVICE DELIVERY	CUSTOMER SATISFACTION
▪ Automated Teller Machines (ATMs) ▪ Telephone banking ▪ Internet banking	▪ Accessibility ▪ Quality of service ▪ Security	▪ Customer loyalty ▪ Customer retention
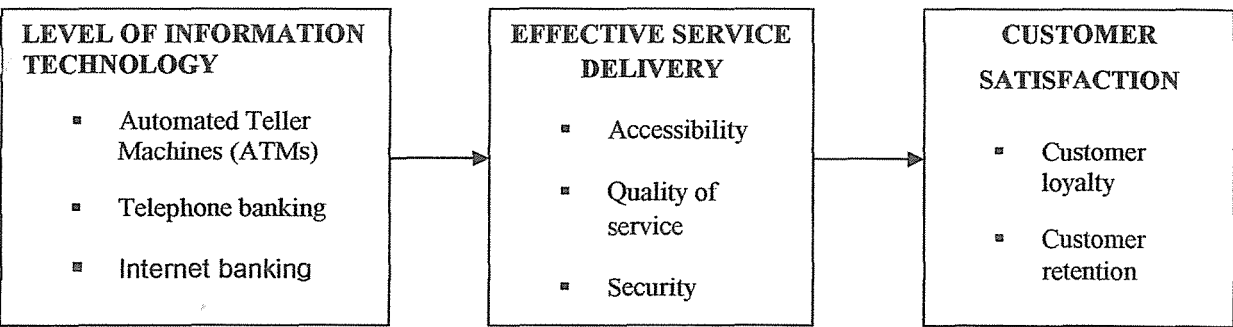
Figure 1.7: Source as modified from: (Henry C. Lucas, JR., 1997) Information Technology; (Joseph and Stone, 2003) Effective service delivery & Customer satisfaction.

The level of information technology especially the use of ATM's, telephone banking and internet banking undertaken by the banking sector do influence and have an impact on customers which the sector directly or indirectly serves. The level of information technology implemented by the banking sector has links to customer loyalty and customer retention which consequently leads to customer satisfaction.

However, the services the banking sector delivers intervenes on the influence information technology has on customer satisfaction because of the internal and external aspects of the bank such as accessibility, quality of service and security.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

In this chapter the researcher discussed the literature on the level of information technology, effective service delivery and customer satisfaction in the banking sector. The chapter reviewed various documents deemed relevant to the study, which included journals, brochures, textbooks, websites, newspapers and prospectus of different banking institutions. This chapter was presented thematically according to the study objectives.

2.1 Level of information technology

Jame A O'Brien (2004) defines information technology as a term used to cover a broad spectrum of computing and communication devices that capture data (input) processes and convert data, store data and present data (output).Information technology is an electro-mechanical device, which accepts to input data, process it according to programmed logical and arithmetic rules, store and output or calculate results. Technology is a knowledge of methods to perform certain tasks efficiently and solve problems pertaining to products and services (Lockett and Littler 1999).

Banks have become important players in the ordinary everyday life of customers. New information technology is becoming the most important factor in the future development of banking thus influencing marketing and business strategies of banks (Bitner *et al.*, 2000). The driving forces behind the rapid transformation of banks are radical changes in the economic

environment in general: innovations in information technology, renewed financial products, liberalization and consolidation of financial markets and deregulation of financial intermediation (Lustsik, 2003).Information technology has brought about revolutionary changes in the world and the business environment mostly the banking sectors which have become technology-dependent. The value of information technology to the banking sector is almost undesirable Boothroyd, 1998). Recent advances in communication technology, including the development of more powerful computers, are paving the way for new banking products and services, changing the way that traditional banking is done. Technology has added a new dimension to the competitive pressures that are already reshaping the financial services industry (Boon and Yu 2000).

Daniel (1999) states that, the banking sector has been subjected to tremendous changes because of the new technology leading to the reduction of costs associated with the management of information by replacing paper based and labour intensive methods with automated processes. It has also modified the way in which a customer has access to a bank's services and products, mainly through the use of automated processes such as remote banking. There are several competitive advantages associated with the adoption of technology in the banking sector, including the creation of entry barriers, enhancement of productivity, and increased revenue generation from new services (Fitzsimmons and Fitzsimmons, 1997).

According to Wong (1998), remote banking refers to the provision of extending banking services without face to face contact between the bank employees and its customers. The key feature is that the remote banking services represent complementary or even substitutes to the conventional

services provided by the bank's branch offices.Fiotto,Tanzi and Saita (1997) note that, remote banking has many different names such as e-channels, innovative distribution channel, online banking, or technology intensive delivery system. 'E-channels' refer to the methods of delivering service products using electronic media such as the telephone, internet and automated teller machines (ATMs) as noted by, Boon and Yu (2000). These delivery methods have become an increasingly important technique to retain customers in today's dynamic banking environment since customers can make withdrawals, deposits and access balances at their own convenience (Fiotto, Tanzi and Saita 1997).

2.1.1 Automated Teller Machines (ATMs)

According to John Mc Gill (2004), an automated teller machine (ATM) is a computerized telecommunications device that provides the customers of a financial institution with access to financial transactions in a public space without the need for a human clerk or bank teller. ATMs are known by various casual terms including automated banking machine, money machine, bank machine, cash machine, hole-in-the-wall and cash point (Lockett and Littler 1999). ATMs typically connect directly to their ATM Controller via either a dial-up modem over a telephone line or directly via a leased line. Leased lines are preferable because they require less time to establish a connection (John Wiley, 1997).

Jane Blake (2000) observes that, on most modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smartcard with a chip, that contains a unique card number and some security information, such as an expiration date. Security is provided by the customer entering a personal identification number (PIN).An ATM is typically made up of

9

the CPU for controlling the user interface and transaction devices, magnetic or Chip card reader for identifying the customer, display which is used by the customer for performing the transaction, function buttons usually close to the display or a Touch screen used to select the various aspects of the transaction and a record printer which provides the customer with a record of a transaction (Cronin, Mary J. , 1997).

ATMs are placed not only near or inside the premises of banks, but also in locations such as shopping centers/malls, airports, grocery stores, petrol/gas stations, restaurants, or any place large numbers of people may gather as observed by Maxwell (1990). These represent two types of ATM installations: on and off premise. On premise ATMs are typically more advanced, multi-function machines that complement an actual bank branch's capabilities and thus more expensive. Off premise machines are deployed by financial institutions and also Independent Sales Organizations (ISOs) where there is usually just a straight need for cash, so they typically are the cheaper mono-function devices (John Wiley, 1997). Many ATMs have a sign above them indicating the name of the bank owning the ATM, and possibly including the list of ATM networks to which that machine is connected. This type of sign is called a topper (Lockett and Littler 1999).

Davies, Moutinho and Curry (1996) notes that, automated Teller Machines (ATMs) are the most frequently used electronic distribution channel that allows bank clients to perform their main banking transactions, such as access their bank accounts in order to make cash deposits and withdrawals, as well as purchasing mobile cell phone prepaid credit 24hours a day. Most ATMs are connected to interbank networks, enabling people to withdraw and deposit money from machines not belonging to the bank where they have their account or in the country where their

10

accounts are held thus enabling cash withdrawals in local currency (Maxwell, 1990). Many

banks charge ATM usage fees. In some cases, these fees are charged solely to users who are not

customers of the bank where the ATM is installed; in other cases, they apply to all users

(Lustsik, 2003).

2.1.2 Telephone banking

According to Cronin, Mary J. (1997) telephone banking is a service provided by a financial

institution which allows its customers to perform transactions over the telephone.In telephone

banking, the telephone is used as a message carrier to enable person to person or voice activated

automated communication between the bank and the customer (Jun and Cai, 2001). Banks which

operate mostly or exclusively by telephone are known as phone banks.

Mostly telephone banking uses an automated phone answering system with phone keypad

response or voice recognition capability (Jane Blake, 2000). To guarantee security, the customer

must first authenticate through a numeric or verbal password or through security questions asked

by a live representative located in a call centre or a branch, although this feature is not

guaranteed to be offered 24/7. John Wiley (1997) points out that, telephone banking

epresentatives are usually trained to do what was traditionally available only at the branch such

s loan applications, investment purchases and redemptions, chequebook orders, debit card

eplacements and change of address. With the obvious exception of cash withdrawals and

eposits, it offers virtually all the features of an automated teller machine. Telephone banking

rovides services such as account balance and list of latest transactions, transfer of funds

tween a customer's accounts, electronic and instructions to issue bank cheques (Davies,

outinho and Curry, 1996).

.3 Internet banking

technology reshapes the banking services industry, new products and services are offered

ough the Internet (Ndubisi et al., 2003). The banking sector has little choice but to implement

ne form of internet technology in order to remain both innovative and on the cutting edge of

npetitive advantage. According to John Wiley (1997), Internet banking is the newest delivery

innel to be offered by retail banks in many developed countries. It allows customers to

iduct financial transactions on a secure website operated by their retail or virtual bank.In this

ie, the internet is used as a message carrier where the customer uses a PC and a modem or

al area network to connect to the bank using its online website or software provided by the

ik (Porter, 2001) .

itures commonly unique to Internet banking are the personal financial management support,

h as importing data into a personal finance program (Lustsik, 2003).Also, some online

iking platforms support account aggregation to allow the customers to monitor all of their

ounts in one place whether they are with their main bank or with other institutions.Jun and

(2001) point out that, internet banking allows customers to check account balances, credit

d activity, transfer funds and make bills payment through the bank's web site. The adoption of

irnet banking by the bank's customers is important since the costs per transaction are even

'er than those of an automated teller machine (Mukherjee and Nath, 2003) . Internet banking

:ns up new horizons for them and moves them from local to global frontiers.

12

Cronin Mary J. (1997) states that, there are basically two different security methods for online banking. The PIN/TAN system is where the PIN represents a password, used for the login and TANs representing one-time passwords to authenticate transactions. TANs can be distributed in different ways; the most popular one is to send a list of TANs to the online banking user by postal letter. The most secure way of using TANs is to generate them by need using a security token (Mukherjee and Nath, 2003). These token generated TANs depend on the time and a unique secret, stored in the security token (this is called two-factor authentication or 2FA). Usually online banking with PIN/TAN is done via a web browser using SSL secured connections, so that there is no additional encryption needed. Signature based online banking is also a security method used for online banking. This is where all transactions are signed and encrypted digitally. The Keys for the signature generation and encryption can be stored on smartcards or any memory medium, depending on the concrete implementation.

2.2 Effective service delivery

Without usage of technology the banking sector cannot provide customers with effective services Patricio *et al.*, 2003).Effective service delivery is a new or significantly improved service concept that is taken into practice (Drake, 2001). The changes, materializing both from within and external to the financial services industry, result from increasing customer demands for better service response (P. Kemp 2006). Customer expectations concerning service encounter experiences and service delivery mechanisms (Kelley *et al.* 1990), as well as the entire concept of what constitutes quality service are therefore key issues that need to be considered prior to the implementation of any structural change.

According to, Patricio *et al.* (2003) effective service delivery is a service product or service process that is based on some technology or systematic method. It can be a new customer interaction channel (Kelley *et al.* 1990), a distribution system or a technological concept or a combination of them. A service delivery always includes replicable elements that can be identified and systematically reproduced in other cases or environments. The replicable element can be the service outcome or the service process as such or a part of them as noted by P. Kemp (2006).

Definitions of service, often consider the outcome of a service encounter as part of its measurement (Den Hertog, P. 2000). Since service is generally measured in terms of the degree of satisfaction rendered (Haynes and Duval, 1992), repeat customer patronage allows researchers the opportunity to focus on the outcome rather than the process. Service provision varies between organizations and individuals, and yet, little is understood about the reasons why certain goods and services are valued more highly than others (Gabbott and Hogg, 1998).An effective service benefits both the service producer and customers and it improves its developer's competitive edge.

Another key feature of services is that they cannot be stored for consumption at an unspecified later date. As a result of the perishability of services, it is not possible to have a final quality check (Ghobadian *et al.*, 1994). The time of usage is therefore considered critical not only to the performance of the service, but to the consumer's evaluation of the service experience. Kelley *et al.* (1990) observed that there is a link between service consumption and the presence of other consumers. The absence (or presence) of other consumers can therefore adversely (or positively) affect the service outcome and the consumers' perception of what has been delivered. Placed in

an e-banking context, levels of understanding in using the service can also be hindered without the presence of other consumers (Patricio *et al.* 2003).

According to Den Hertog, P. (2000) effective service delivery can be new solutions in the customer interface, new distribution methods, novel application of technology in the service process, innovation in service delivery systems, new forms of operation with the supply chain or new ways to organize and manage services. Many service innovations involve fairly intangible characteristics of the service, and others involve new ways of organizing solutions to problems such as new types of bank account or information service (Mitchell, 2000). Clients are often highly involved in service production, and changes in the way in which they play their roles and re related to suppliers can be major innovations for many services. Information technology is specially important to services (Durkin and Bennet, 1999), it allows for greater efficiency and ffectiveness in the information-processing elements that are, prevalent to a great extent in the anking sectors (Tapp, 2000).

ccording to, Patricio *et al.* (2003) "customers will use different service delivery systems" pendent on their assessment of each channel and how it contributes to the "overall service fering". Hence service satisfaction will not merely be based on isolated service encounters and periences but rather on the overall feelings of satisfaction (Mitchell, 2000). One element of ssatisfaction could potentially harm current and potential usage of other delivery channels in banking sector (Ghobadian *et al.*, 1994).

.1 Accessibility

e of the key factors in determining competitive advantage in such a turbulent banking

ironment, is the method of distribution of banking services the banking sector chooses

elvin, 1995).Convenient and value driven distribution channels add worth to the service

ered. According to, Mountinho *et al.* (1997) new-age banks operate with minimal number of

ysical branches and use remote banking for the bulk of their operations. The remote channels

used to provide basic services while more sophisticated services are provided on a face to

e basis (Mitchell, 2000). Customers have less time to spend on activities such as visiting a

ık and therefore want a higher degree of convenience and accessibility (Delvin 2000).

branch of the future must be framed within a flexible organization and can be changed within

nimal human and resource costs in order to keep pace with ever-changing customer needs

elvin and Ennew, 1997). Since branches occupy the key position in the bank's organization

elvin 2000), its performance is in the core of strategic directions of each bank. The relation

ween branch and community's performance must also be explored in order to identify the

imal scale size for a network of existing and new branches (Mountinho *et al.*, 1997).

lvin (2000) observes that, in Uganda banking services are mainly found in urban areas. The

oulation in rural areas is largely survived by microfinance institutions and other informal

ancial institutions, which are not as sophisticated as commercial banks. This is a drawback

ce Uganda's population is predominantly rural (Mountinho *et al.*, 1997). Also, coupled with

s are the attitudes and cultural practices of the potential banking population. They should be

16

just right for the people to be able to take advantage of banking services, albeit at a more sophistical level (Delvin and Ennew, 1997) .

According to, Delvin and Ennew (1997) banks are now increasingly adjusting their technology investments towards remote banking channels to account for the shift of customers towards the same. With automated teller machines networks already in place in most of the urban areas, the drive is now focused towards the rural areas where the use of automated teller machines is still uncommon (Mitchell, 2000).

2.2.2 Quality of service

Service quality is one of the main factors that determines the success or failure of the banking sector (Santos, 2003). According to Christopher (2001), quality of a service is a degree to which a service meets its specifications, with emphasis on meeting the customer needs. In other words, it is the degree to which a service satisfies the needs and the expectations of the user. Whereas according to Juran as quoted by Dale (1999), quality of a service is fitness of that service for use. Consumers view quality of a service in terms of certain dimensions. The determinants of service quality include the ability of a service to fulfill consumer needs or problems, ability to use the service without any danger, risk or doubt, ability of a service to be easily accessible to the service users and ability of the service to be offered today and thereafter whenever a consumer needs it (Clark and Johnson, 2000) .

Whereas according to Ronald et al., (1999) sometimes service quality is just perceived, in which the consumer assumes an impression about a service and that the services are judged by their

17

brand names and advertising to mention but a few. The quality issues of automated services in the banking context are becoming important because of their potential influence on attractiveness, customer retention, profitability, positive word-of-mouth, and maximum competitive advantages (Moutinho and Smith, 2000).

According to Chaudhary (1999), quality service delivery by an organization has the advantage of creating a company reputation. A good company reputation is an asset for the company because every organization has a reputation for quality, be it good or bad. Quality service delivery increases market share because satisfied customers will buy more and recommend the service to another consumer (Santos, 2003). Improved quality can lead to improved market share and cost saving, which both affect profitability as it improves the reliability, performance, fewer defects and consequently lower costs of business operation (Nguyen and Leblanc, 1998).

The alternative delivery channels are the biggest growth drivers for the banks. According to Reichheld and Sasser (1990), migrating customers to alternative delivery channels improves the quality and lowers the cost of service delivery. The banks are getting consumers to use the right channels for the right transactions and interactions (Nguyen and Leblanc, 1998).Customer satisfaction is based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high (Santos, 2003). In automated banking, quality impacts on the attraction of bank customers and permits banks to cut costs sharply (Mols, 1998). The quality of the automated banking services contributes to the improvement of profitability (Moutinho and Smith, 2000).

18

Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low (Jensen and Markland, 1996), or if the performance provides value that is, it is priced low to reflect the mediocre quality. Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value. Schlesinger, L. and Heskett, J. (1991) point out that, customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional." A single disappointing experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high (Sureshchandar *et al.*, 2002), if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship and if there are bonds keeping them in the relationship (Mols, 1998).

Service quality is considered a critical measure of organizational performance (Moutinho and Smith, 2000). It remains the most important issue in both the marketing literature generally, and service marketing literature specifically (Jensen and Markland, 1996). It is considered to be an important prerequisite for establishing and maintaining a satisfactory relationship with customers (Sureshchandar *et al.*, 2002).

2.3 Security

A big concern about information technology on service delivery channels is security. According to Buchanan and Gilles (1990), security is the condition of being protected against danger, loss, and criminals. In the general sense, security is a concept similar to safety. It is a condition that results from the establishment and maintenance of protective measures that ensures a state of

19

violability from hostile acts or influences (Mukherjee and Nath, 2003) . The condition prevents

authorized persons from having access to official information that is safeguarded in the

erests of security. Individuals or actions that encroach upon the condition of protection are

ponsible for the breach of security (Moloney, Chris X., 2006).

nna (2002) notes that, the lack of face-to-face customer's relation through the use of

ormation technology such as automated teller machine (ATM) increases the risk for money

ndering. There should be protection from hackers and fraudsters (Cronin, Mary J., 1997).

stomers need to be sure that their passwords are secure and that information and transactions

kept confidential. Banks should use appropriate techniques to mitigate both external and

rnal threats to their electronic banking systems (Buchanan and Gilles, 1990). These include

is scanning software, detection software and other security assessment tools, all of which

uld be reviewed periodically.

loney, Chris X. (2006) point out that, in order for the banks to meet the demand for their

easingly sophisticated customers, the banks will need to invest in top of the range computer

pments and software programs in order to deliver effective services. This will also be

ssary if the banks are to increase their existing information technology level such as

mated teller machine (ATM) transaction levels (Hanna, 2002), while at the same time

ring that the customer's security and the confidentiality of their financial records and

actions is maintained (Mukherjee and Nath, 2003) .

2.3 Customer satisfaction

Increased customer expectations have created a competitive climate whereby the quality of the relationship between the customer and bank has taken on a greater significance in some cases than the product itself (Smith, 1990). The strategic marketing implications of this change includes an intense battle for market share, the emergence of new distribution channels such as remote banking (De Moubray, 1991), increases in corporate advertising and generic "image building" programmes, increased product proliferation and fragmentation of markets, and a growing potential for niche marketing opportunities (Ennew et al., 1989).

Krishnan, Ramaswamy, Meyer & Damien (1999) point out that, the banking industry strives to succeed by putting the topic of rapid and changing customers needs to their agenda. This is achieved in form of good customer care and offering attractive services or products that other competitors may not offer (Dabholkar, 1994). Therefore, customer satisfaction is seen as a key performance indicator within business (Meuter et al., 2000). In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy (Jones and Sasser, 1995).

The concept of customer satisfaction occupies a central position in marketing and practice (Cardozo, 1965). Satisfaction is important to an individual consumer (not only payer for product/service but also a user of consumed) because it reflects a positive outcome from the outlay of scarce resources and/or the fulfillment of unmet needs (Fornell, 1992).

Customer satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to his or her expectations

21

(Giese and Cote, 2000). Consumer satisfaction is typically defined as being the result of an evaluative process that contrasts pre-purchase expectations with the perceptions of performance during and after consumption experience (Meuter *et al.*, 2000). The inclusion of expectations suggests that products fulfilling high expectations are predicted to generate greater consumer satisfaction than products that meet low expectations (De Moubray, 1991).

Customer satisfaction is generally defined as a feeling or judgment by customers towards products or services after they have used them (Jamal and Naser, 2003). Customer satisfaction in service industries has been approached in two ways; satisfaction as a function of disconfirmation, and as a function of perception (Davis and Heineke, 1998). The confirmation or disconfirmation paradigm views customer satisfaction judgments as the result of consumer perceptions of the gap between their expectation and perception of actual performance (Parasuraman *et al.*, 1994).

Jamal and Naser (2003) observe that, if the performance falls short of expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied (Oliver, 1981). If the performance exceeds expectations, the customer is highly satisfied or delighted (De Moubray, 1991). The high level of competition in the banking industry has placed an even greater emphasis on customer satisfaction. Nowadays understanding and reacting to changes of customer behavior is an inevitable aspect of surviving in a competitive and mature market (Smith, 1990).

Customers complain when they are dissatisfied with product they have bought or a service they have received (Yeung *et al.*, 2002). This means that the absolute number or percentage of complaints can be the indicators of customer dissatisfaction (Smith, 1990). If an organization

succeeds in reducing customer complaints to zero, it indicates that customer dissatisfaction had been eliminated (Oliver, 1981). However, it is important to recognize that reducing dissatisfaction is not always the same as achieving satisfaction (Dabholkar, 1994).

A series of transactions between customer and bank transforms into relationship step by step, being a result of social exchange between the client and bank (Giese and Cote, 2000). The relationships of both buyer and seller in banking sector are valuable and create dimension of power (Oliver, 1981), co-operation, commitment and trust much higher than in consumer goods market (Spreng *et al.*, 1996). The seller in the banking sector could benefit more from knowing about his buyer's habits, behaviour and visions, therefore, the offering of banking services could be better suited to the market and the demand of particular products could be projected (Parasuraman *et al.*, 1994). Achieving customer satisfaction is a vital target for most service firms today (Jones and Sasser, 1995) as it leads to improved profits, word-of-mouth, and less marketing expenditure (Reichheld, 1990).

'.3.1 Customer loyalty

Relationship development is important hence it is not complete without the use of technology Zineldin, 2001). According to, Blodgett, Hill and Tax, (1997) loyalty is a combination of ttentional repurchase behaviour and psychological attachments of a customer to a particular rvice provider. Company resources are employed so as to increase the loyalty of customers and her stakeholders in the expectation that corporate objectives will be met or surpassed Capoulas *et al.* 2002). The quality of product or service leads to customer satisfaction, which ads to customer loyalty, which leads to profitability.

he fundamental assumption of all the loyalty models is that keeping existing customers is less

xpensive than acquiring new ones. Schlesinger and Heskett (1991) added employee loyalty to

ie basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle

f failure". In the cycle of success, an investment in your employees' ability to provide superior

ervice to customers can be seen as a virtuous circle. Effort spent in selecting and training

mployees and creating a corporate culture in which they are empowered can lead to increased

mployee satisfaction and employee competence (Aladwani, 2001). This is likely to result in

fective service delivery and customer satisfaction. This in turn will create customer loyalty,

iproved sales levels, and higher profit margins (Jamal and Naser 2003). Some of these profits

n be reinvested in employee development thereby initiating another iteration of a virtuous

cle (Blodgett, Hill and Tax, 1997).

:epiel, (1990) observes that, a highly satisfied customer stays loyal longer, buys more as the

npany introduces new products and upgrades existing products, talks favorably about the

npany and its products, pays less attention to competing brands and is less sensitive to price

ols, 1998), offers product or service ideas to the company and costs less to serve than new

tomers because transactions are routine. Factors that determine customer loyalty are

tionship strength, perceived alternatives and critical episodes.

build and maintain a relationship with a customer that lacks the physical presence of bank

onnel "trust" must be central in "fostering customer loyalty" (Mukherjee and Nath, 2003).

tral to building and maintaining trust is communication, bi-directional communication

reen the customer and the service provider (bank) (Aladwani, 2001) .

24

2.3.2 Customer retention

Customer friendly technology such as ATMs, telephone and internet banking as a means to deliver traditional banking services have been an important way to increase retention of customers and market share in recent years (Colgate *et al.*, 1996). This shift of service delivery method has been shown as an inexpensive means to retain bank customers (Schlesinger and Heskett, 1991). If business enterprises fail to provide channels which their customers seek and value, they will find it more difficult to develop strong relationships with their customers (Zineldin, 2000).

According to, Joseph and Stone's (2003) customer retention is the activity that the selling organization undertakes to reduce customer account defections. It can also be described as a series of actions that the selling organization undertakes to reduce defections (Athanassopoulos, 2000). Retention rate is the percentage of the total number of customers who have repeatedly placed an order (or made a transaction) during a twelve month period measured over a number of years, compared to the total number of customers in the same period (Czepiel, 1990) .

Ganesh *et al.*, (2000) observes that, long-term customers become less costly to serve due to the bank's greater knowledge of the existing customer and to decrease serving costs. They also tend to be less sensitive to comparative marketing activities (Czepiel, 1990). Loosing customers not only leads to opportunity costs because the reduced sales, but also to an increased need for attracting new customers which is five to six times more expensive than customer retention (Joseph and Stone's, 2003).

25

Athanassopoulos (2000) states that, the economic value of customer retention is widely recognized since successful customer retention lowers the need for seeking new and potentially risky customers and allows organizations to focus more accurately on the needs of their existing customers by building relationships. Long-term customers buy more and, if satisfied may provide new referrals through positive word-of-mouth for the company (Zineldin, 2000).

Long term customers tend to be satisfied with their relationship with the company and are less likely to switch to competitors, making market entry or competitors' market share gains difficult (Colgate et al., 1996). Regular customers tend to be less expensive to service because they are familiar with the processes involved, require less "education," and are consistent in their order placement (Schlesinger and Heskett, 1991).It is essential for bank managers to focus on automated service quality in order to increase retention rates. These delivery methods require banks to continue to encourage customers to use bank automated delivery services (Zineldin, 2001).

Acceptance of new automated channels of service delivery in banks has brought a dramatic change in the way retail banks build and maintain close relationships with their customers (Mols, 2000). The introduction of new automated channels of service delivery has made customer participation more widely possible (Dabholkar, 1994) and therefore there is need to adopt new ways to conceptualize automated service quality, taking into consideration the attributes of all electronic delivery channels (Szymanski and Hise, 2000).

26

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter dealt with research design, sources of data, sampling procedure and technique, data collection methods and instruments, measurement of research variables, data processing, analysis and presentation, ethical considerations and anticipated problems.

3.1 Research design

This described the nature and pattern the researcher used. The survey research design was used focusing on the descriptive cross sectional approach. This enabled the researcher to use both qualitative and quantitative techniques in collecting and analyzing data.

The quantitative research methodology was applied to numerical data both in collection and analysis. It was mainly applied to examine information technology usage in the banking sector. Qualitative research methods were used to collect and analyze descriptive data to determine how the information technology used by Stanbic bank is effectively satisfying its customers. A correlation was determined between the level of information technology, delivery of effective services and customer satisfaction.

3.2 Sources of data

The sources of data for this research were primary and secondary sources. Primary data was collected and recorded by the researcher for the first time through interviews directly from the

27

field and included key information collected from employees of Stanbic bank, Bushenyi district. In depth, structured questionnaires were administered to the clients of Stanbic bank in order to get to the core of the problem.

Secondary data relevant to the study was also reviewed from documents concerning the case under study from libraries, pamphlets, journals, published material and the internet.

3.3 Sampling procedure and technique

According to Kakoza (1996), a portion of the population selected for the purpose of researching the characteristics of the whole population is called a sample. Sampling refers to the procedure used to arrive at this; it refers to the manner in which the members of the population are selected as part of the sample. Sampling offers the advantages such as enabling the researcher to deal with a greater range of issues in a greater depth than would have otherwise been possible. It also minimizes the cost of doing research if the whole population is considered.

The descriptive stratified random sampling method was used to select the clients from the total population. The population was divided into a number of strata and a sample drawn from each stratum. The division of the population into strata had customers having savings account in strata one and customers with current accounts in strata two and strata three customers with a fixed deposit account. The study in addition used purposive sampling for the employees. This ensured that correct and reliable information is gotten from the relevant employees.

3.3.1 Sampling Frame

The study was carried out in western Uganda specifically Bushenyi district as a case study. The sample unit included employees and clients of Stanbic bank, Uganda. The case study parameters were determined by the fact that it is impossible to include all the clients of Stanbic bank, Uganda.

3.3.2 Study population

Stanbic bank in Bushenyi district has three branches composed of bank staff and clients. Each of the branches has one branch manager and bank tellers. Each branch also has clients who have various accounts such as savings account, fixed deposit account and current account.

3.3.3 Sample size

Stanbic bank in Bushenyi district has three branches with a total of 22 employees and a total population size of approximately 15,000. Sarantakos (1998) proposed a method of estimating the right sample size of a population by means of tables. The researcher used the table developed by Krejcie and Morgan in 1970 to analyze the sample size. Refer to appendix c.

Table 3.3.3.1: Sample size

Population type	Population number	Sample selected
Clients	15000	375
Employees	22	05
Total	**15022**	**380**

The researcher was able to interview 5 employees of Stanbic bank – Bushenyi district and 375 clients responded to the questionnaires.

29

Sample selection

o the nature of this study the sampling frame included employees and clients from Stanbic

The sample size was determined using simple random selection. The sample selection for

s and employees was arrived at using stratified random sampling.

ata collection methods and Instruments

.s study, the researcher used a structured questionnaire and interviews in the process of

:ting primary and secondary data. The selection of these tools was guided by the nature of

hat was required, as well as by the objectives of the study.

Questionnaire guide

·esearcher used self-developed questionnaire which were responded to by the clients of the

us branches. The questionnaire was divided into different sections consisting of closed-

l questions. The use of closed-ended questions minimized vague and unwarranted

nses. A questionnaire is a good instrument for collecting both quantitative and qualitative

It can also be used to collect information from many respondents in a short time.

Interview guide

involved face to face interaction between the researcher and the employees of the various

:hes with the purpose of obtaining valid information. Formal interviews with interview

: were used for the employees of the various branches since the researcher was investigating

tive issues. The advantage of interviews is that the researcher got more information that

ıld not have been gotten if a questionnaire was used. In addition, interviewees were given

:e room to explain and clarify their points.

Measurement of research variables

1 *Data validity*

ısuring instruments are supposed to measure accurately what they are supposed to measure

ıre they are administered to the respondents. When an instrument is valid, it truly reflects the

cept, it is supposed to measure.

·rder to improve the validity of the questionnaire and interview the researcher used colleagues

ıg the same programme, those who finished the same programme and experts to look at the

ıs. This ensured language clarity, relevancy, comprehensiveness of the content and standard

th of the questionnaires and interview guides. More than one method of data collection was

l. The methods and instruments complemented one another. The content validity index was

puted as a ratio of the number of items in the questionnaire.

lly, the instruments were pilot tested on the various clients. This greatly helped in bringing

·he inadequacies of the draft questionnaire thus throwing light on several difficulties.

٤ *Data reliability*

instrument is reliable if it measures consistently what it is supposed to measure. The

ument yields the same results on repeated measures. In this study; the various branches in

ıenyi district provided a degree of homogeneity. The internal consistency was computed by

ι Cronbach's Alpha Coefficient formula whereby, if the instrument is found at 0.5 or higher

ie reliability will be significant. In addition, to estimate stability of the instruments the test-

ɔtest and parallel forms stability methods were used.

he data from the primary sources was examined for reliability by using Cronbach's Alpha

alue. As can be seen from the table below, all the constructs had Cronbach Alpha coefficients

ɔove 0.5 and thus the item was considered appropriate (Ssekaran, U., 2000)

able 3.5.2 Data reliability

Variable	Anchor	Cronbach Alpha Value
Level of Information Technology	5 point	.5692
Level of effective service Delivery	5 point	.5518
Level of customer loyalty	5 point	.7497

ie results in the table above reveal that the items used for the measures for the variables i.e.

vel of information Technology (.5692), level of effective Service delivery (.5518) and level of

stomer loyalty (.7497) were internally consistent in other words they were all focused about

ɜasuring the same thing.

ɔ Data processing, analysis and presentation

ιta collected was both numerical and descriptive. Data analysis was based on research

estions. Data from primary sources were collected, sorted, organized, tabulated and edited to

ʳeal frequencies and percentages and compared with other relevant notes and actual analysis.

The data was then categorized into themes resulting into bar graphs and tables. It was then analyzed using measures of central tendency and measures of dispersion that is minimum, maximum and mean. SPSS was used to analyze the data.

3.7 Ethical considerations

The researcher got a letter of introduction from the university and consent of the respondents. The information gotten from the respondents was purely academic and confidential for the safety, social and psychological well being of the respondents.

3.8 Anticipated problems

The researcher faced the problem of the respondents delaying to return the questionnaires and also some of the employees of Stanbic bank who were being interviewed not concealing vital information to the researcher.

The researcher had limited cooperation from the respondents since some respondents wanted to be given money so as to answer the questions on the questionnaire.

CHAPTER FOUR

RESULTS AND FINDINGS OF THE SURVEY

4.0 Introduction

This chapter contains the results and the interpretation of the survey respondents. The presentation is guided by the research objectives and the statistics are guided with the aim of generating responses for the research questions. In the beginning of the chapter are the sample characteristics of the respondents such as their gender, age and marital status of the respondents. Statistical tools such as Cross tabulations, descriptives and correlations were used to generate the results for this chapter. The presentation was guided by the following research objectives;

    i.   To examine information technology usage in the banking sector.

    ii.   To establish the relationship between information technology and customer satisfaction.

    iii.   To establish the relationship between effective service delivery and customer satisfaction.

.1 Sample Characteristics

.1.1 Age Group by Gender distribution

he results in the cross tabulation below were generated so as to explore the distribution of age oup by gender of the respondents (Table 4.1.1 below)

34

Table 4.1.1   Age Group by Gender distribution

			Gender		Total
			Male	Female	
Age Group	Less than 20 yrs	Count	18	11	29
		Row %	62.1%	37.9%	100.0%
		Column %	9.2%	6.3%	7.8%
	21-30 yrs	Count	92	69	161
		Row %	57.1%	42.9%	100.0%
		Column %	46.9%	39.4%	43.0%
	31-40 yrs	Count	46	67	115
		Row %	40%	58.3%	100.0%
		Column %	23.5%	38.3%	30.7%
	41-50 yrs	Count	25	12	37
		Row %	67.6%	32.4%	100.0%
		Column %	12.8%	6.9%	9.9%
	Above 50 yrs	Count	15	16	32
		Row %	46.9%	50.0%	100.0%
		Column %	7.7%	9.1%	8.6%
Total		Count	196	175	374
		Row %	52.4%	46.8%	100.0%
		Column %	100.0%	100.0%	100.0%

he results in the table showed that the majority of the respondents are male (52.4%) while the

male comprised 46.8%. In addition, the most populous age group in the sample was the

respondents in the 21-30 years of age (43.0%). Other age group categories featuring in the sample were those in the 31-40 year age group which comprised 30.7%, 41-50 years, Above 50 years and less than 20 years who comprised 9.9%, 8.6% and 7.8% respectively. Among the respondents in the dominant age group (21-30 years of age), the minority (42.9%) were females and the majority males (57.1%). The results were further presented using the graph below;

Figure 4.1.1   Age Group by Gender distribution
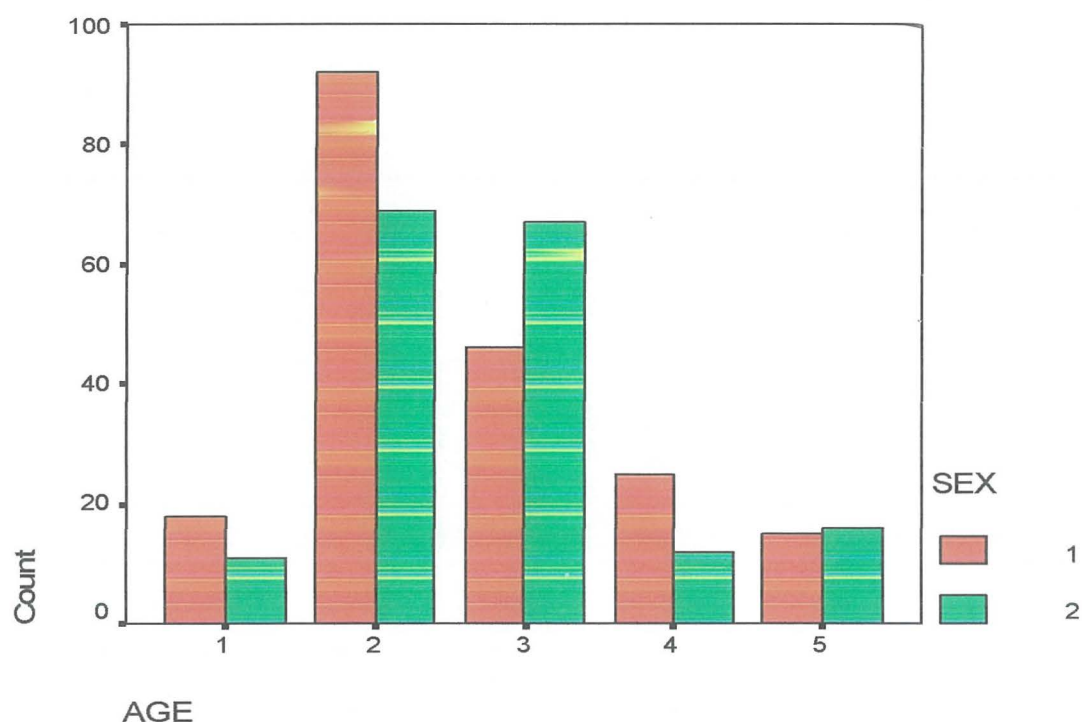
4.2 Information technology usage in the banking sector.

The results in the table below show the results for the information technology usage in the banking sector. These results were generated using the items in the questionnaire which were anchored such that 1 represents strongly agree, 2-Agree, 3- Not sure, 4-Disagree, and 5--Strongly

disagree. A mean closer to 1 or 2 represents Agreement while one closer to 4 or 5 represents Disagreement. A mean close to 3 represents Uncertainty.

Table 4.2.1 Information technology usage in the banking sector

Level of Information Technology Usage	Min	Max	Mean	Std. Deviation
I am satisfied with the introduction of remote banking such as the use of ATM's.	1.00	5.00	1.51	0.77
I feel I have had enough training on how to use ATM's	1.00	5.00	2.20	0.93
I am satisfied with the effectiveness of the ATM's.	1.00	5.00	2.36	1.10
I am satisfied with the level of technology currently being used by the bank	1.00	5.00	2.71	1.07

The results in the table above revealed that clients are satisfied with the introduction of remote banking such as the use of ATM's (Mean =1.51) and they felt they have had enough training on how to use ATM's (Mean = 2.20). In addition, the clients revealed satisfactory levels of satisfaction with the effectiveness of the ATM's (Mean =2.36) and regarding the level of technology currently being used by the bank as unsatisfactory (Mean = 2.71). It should also be noted that though the clients were reporting the levels of Information technology as favorable, they are not at their best since the respondents had none of the information Technology attributes assigned a mean of 1.00 which would have implied that they are very comfortable with this element of Information Technology.

4.3 Service delivery in Stanbic bank - Bushenyi District

The results in the table below show the nature of the service delivery in Stanbic bank- Bushenyi district. These results were also generated using the items in the questionnaire which were anchored such that 1 represents strongly agree, 2-Agree, 3- Not sure, 4-Disagree, and 5--Strongly disagree. A mean closer to 1 or 2 represents Agreement while one closer to 4 or 5 represents Disagreement. A mean close to 3 represents Uncertainty.

Table 4.3.1 Effective Service Delivery

	Min	Max	Mean	Std. Deviation
It takes long to access the banking services	1.00	5.00	2.42	1.26
I feel that the bank should open up new ATM outlets	1.00	5.00	1.98	0.95
I am satisfied with the quality of services offered by the bank	1.00	5.00	2.47	1.01
I feel that there is more room for service improvement	1.00	5.00	2.06	0.98
I feel my expectations are being met by the bank	1.00	5.00	2.66	1.03
I am satisfied with the security the bank provides for the various services it offers	1.00	5.00	2.51	1.13

The results in the table above show that the clients feel that the bank should open up new ATM outlets (Mean =1.98) and there is more room for service improvement (Mean =2.06). Furthermore, regarding the service delivery element, the results show that there was uncertainty regarding the quality of services offered by the bank (Mean = 2.47) and at the same time, the clients could not say with certainty that their expectations are being met by the bank (Mean =

2.66). Finally, it was observed that these clients are not quite satisfied with the security the bank provides for the various services it offers (Mean = 2.51).

4.4 Customer Satisfaction in Stanbic bank, - Bushenyi District

Finally the results in the table below show the nature of the customer satisfaction variable.

Table 4.4.1 Customer Satisfaction

	Min	Max	Mean	Std. Deviation
I would recommend a friend to open an account	1.00	5.00	2.08	1.02
I am proud to be a customer in Stanbic bank.	1.00	5.00	2.37	1.04
I feel I have developed a basic relationship with the bank	1.00	5.00	2.40	1.09
I certainly feel that my complains and suggestions are acted upon by the bank effectively	1.00	5.00	2.72	1.15
I feel I have been kept and grown by the bank well	1.00	5.00	2.72	1.22

The results in the table above show that though the clients would recommend a friend to open an account (Mean = 2.08), they are proud to be customers in Stanbic bank (Mean = 2.37) and as to whether they feel they have developed a basic relationship with the bank (Mean = 2.40). In addition, the results also revealed that client complains and suggestions are never acted upon by the bank effectively (Mean = 2.72). Finally, it was observed that clients do not feel that they have been kept and well developed by the bank (Mean =2.72).

4.5 Relationships Between The Variables

The relationship between the variables establishes the correlation between the level of information technology, effective service delivery and customer satisfaction. The Pearson (r) correlations were used to examine the nature of the relationships between the variables in the study (table 4.5.1 below).

Table 4.5.1   Relationships between the Variables

	Level of Information Technology	Effective Service Delivery	Customer Satisfaction
Level of Information Technology	1.000		
Effective Service Delivery	.253**	1.000	
Customer Satisfaction	.031**	.289**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

4.5.1   The relationship between information technology and customer satisfaction.

The results revealed that information technology innovations can improve Customer satisfaction by around 3.1%. These results show that the more strategically distributed, efficient and useful the information technology innovations are as far as the customer is concerned, the more the customer will be contented, satisfied and pleased with the services of the bank.

4.5.2   The relationship between effective service delivery and customer satisfaction.

The results revealed that service delivery is positively related to customer satisfaction (r = .289**, p<.01). These results show that the moment customers perceive that the delivery mode of the

transactions that the bank is supposed to offer is quite good, the more the customers will be satisfied with the bank services.

4.6   Responses from the employees

On the other hand, the qualitative interviews from the five staff members revealed that the ATM technology is being used by the bank to reduce the long queues in the banks especially in times like the back to school seasons when very many customers flood the banks. In order to maintain the quality of the services that the clients are getting, it was reported that the bank is also offering loans to customers, using flexible interest rates, use of passwords to protect the information on the computers and employing suggestion boxes so that customers can vent their complaints.

The staff recommended that there is need for banking in Bushenyi district where the customer base is growing by the day and a very great need to overcome the failure of the ATMs which interrupts the service delivery and as such clients are disappointed. There is also need to improve on the computer network reliability because customer databases are interconnected for easier processing of information and a break down in the network directly translates into slow business transactions.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of the findings from the previous chapter. This chapter is divided into three sections. The first section places emphasis on the discussion and conclusion. The second part deals with the recommendation while the third and final part presents the areas for further research. It is in this chapter that discussions to the data in line with the objectives of this research are made.

5.1 Information technology usage at Stanbic Bank Bushenyi district

Until lately, information technology is having a profound impact on the growth of the sectors of our economies that are mainly dependant upon delivery of services (Dabholkar and Bagozzi, 2002) for instance the banking sector. Scholars further argue that there are number of associated competitive advantages which come with the usage of the information technology innovations (Al-Hawari and Ward, 2006).

In light of this Stanbic bank branch at Bushenyi should ensure it improves the information technology infrastructure that it has set up so as to ensure maximum customer satisfaction of the client base that it currently has. The essence of a sound information technology infrastructure has also been explored by other scholars such as Parasuraman and Grewal (2000) ;Who contend that these information technologies are key in refining the nature of the relationship that a company or firm has with its clients. These researchers also propose that there should be further studies

conducted regarding the effect of the information technology on other service related dimensions for instance customer loyalty.

Research is indicative that the quality issues in the information technology oriented services are becoming a serious issue because of their potential to affect service attributes such as the attractiveness, market share, positive-word of mouth and competitive advantages (Moutinho and Smith, 2000)

5.2   The relationship between information technology (ATM) and customer satisfaction.

Research indicates that the information technology platforms that a banking institution adopts, could take on various forms for instance using Automated technologies which the researchers contend leads to "Automated service quality" which has been defined as the consumers total assessment of the services offered through the use of electronic channels for instance the internet (Santos, 2003). The results in the previous chapter revealed that there are unsatisfactory levels of customer satisfaction among the clients of the Stanbic bank Bushenyi district. This further means that generally the clients have a negative feeling or judgment after an interaction with the bank and its associated attributes such as the information technology attributes (Jamal and Naser, 2003).

Customers for the case of Stanbic bank-Bushenyi, should not be left dissatisfied but rather their grievances should be attended to as fast as the institution can, especially in light of the fact that customer satisfaction is a crucial element of the service provider in today's competitive world, leading to benefits such as improved customer retention (Yeung *et al.*, 2002).

5.3 The relationship between effective service delivery and customer satisfaction.

Extant research reveals that service quality has the potential to predict the success or the failure of information technology related solutions that a bank decides to adopt (Santos, 2003). The researcher however notes that automated service quality is still dragging behind by reason of the fact that the scholars in the field have placed emphasis on the usage and evaluation of the several banking technologies yet paid little attention to the outcomes of the same (Buckley, 2003).

The results in this study revealed a significant and positive relationship between effective service delivery and customer Satisfaction. This consequently leads to the overall profitability of a bank (Duncan and Elliott, 2002; Al-Hawari and Ward, 2006).

Other researchers have gone ahead to explore the service quality and the customer satisfaction dimensions in light of the information technology innovations in the world of business. Mol (2000) contends that the consumer's acceptance of the novel information technology service oriented implementations in the banking sector could make a significant change in the way banks keep relationships with their clients. On the side of the scholars, it has implications such as proper conceptualizing of the new service delivery technologies for instance the ATMs (Szymanski and Hise, 2000).

5.4 Conclusion

With regard to the preceding discussion, the following conclusions could be drawn; there has been little research done in the area of Information Technology innovation as far as the banking sectors of developed countries such as Uganda are concerned. As a result, the banking institution

44

is not well informed regarding the consequences of a poor information technology infrastructure such as unsatisfactory levels of customer satisfaction and customer defection. To this effect, the management of the Stanbic has not ensured effective information technology measures for instance ATMs that function 24 hours a day for the customers and a computer network that runs constantly for the effective delivery of services

In addition, another conclusion that can be drawn is that the level of information technology or its innovations in the banking sector will directly impact on the degree to which the bank customers are satisfied. Customers are generally not amused with bank transactions that require a lot of time for completion or involve time long queues. Against this back ground, a bank that has an effective information technology infrastructure such as quick money transfer systems, robust and efficient computer systems will reduce on the complaints and consequently, increase the customer satisfaction levels that the client can experience.

With consideration of the effect that the customer effective service delivery has on the customer satisfaction, it could be concluded that it is essential that the banks maximize the levels of the service quality that they are offering to their clients since service delivery has a profound effect on the customer satisfaction levels that a customer attains. A customer that continually encounters bank clients who are unfriendly, harsh and unwilling to go an extra mile to meet the client needs, is likely to be less satisfied than the one who encounters staff who are kind, helpful and ready to help the customers at almost any cost.

5.5 Recommendations

In light of the aforementioned findings and discussion, it is recommended that the banks should ensure that they have very efficient information technology units which are always functional and to do this, they could outsource the services of reliable IT firms which should be responsible for the maintenance of these information technology units for instance the Automated Teller Machines (ATMs) and the Computer networks. This will also help the bank enhance productivity and profitability (Duncan and Elliott, 2002)

Stanbic bank in Bushenyi should also organize workshops so as to enlighten employees on the potential impact of service quality on customer satisfaction in the service industry. The workshops should also detail what the employees should do to ensure that the customer is satisfied. The employees should be encouraged to always try and serve the customers with a smile and without murmuring to make the customer feel at home.

Since the research has shown that these information technology products that bank take on and some associated service quality that will determine the customer satisfaction, it is imperative that the banks recruit the right persons for the right positions. This will help increase the service quality levels of the bank since the right persons will be in the right positions.

5.6 Areas for future research

With regard to the study and the several issues that future researchers could investigate, the following areas for future research are hereby recommended;

i.) The study should be conducted across the whole banking industry in Uganda to investigate whether the findings hold.

ii.) The study could also be conduced across other sectors like the manufacturing sectors of the Ugandan economy, which needs a lot of technology innovations as well.

iii.) Future research should also consider the impact of service delivery and information technology on the profitability of the banking sector. The research should also investigate which technologies are more relevant than others and thus give the banks an option so that they can decide which is best for them.

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APPENDICES

APPENDIX A

Time Frame

Date	Activity	Duration
February, 2008	Literature review	2
April, 2008	Submission of first draft proposal	2
June, 2008	Submission of final proposal	1
July, 2008	Administering Instruments to the respondents	1
July, 2008	Data entry analysis	1
August, 2008	First draft of dissertation	2
October, 2008	Submission of dissertation	1

APPENDIX B

**Table for determining sample size from a given population**

N*	S+	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	1000000	384

*N is the population size.   +S is sample size.

Source: R.V. Krejcie and D.W. Morgan (1970).Determining sample size for research activities'

Educational and psychological measurement, 30, pp 607-10
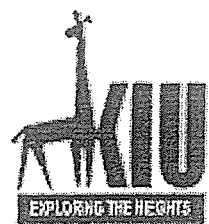
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KAMPALA-UGANDA
TEL:-041-266813**

OFFICE OF THE DIRECTOR
SCHOOL OF POST-GRADUATE STUDIES

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: INTRODUCTION LETTER FOR . FAITH   BIYAKI ....

REG.NO. ..... MBA/14091/62/DF ....

The above named is our student in the School pursuing a masters Degree in Business Administration (MBA).

He/She wishes to carry out a research in your Organization on: INFORMATION

TECHNOLOGY, EFFECTIVE SERVICE DELIVERY

AND CUSTOMER SATISFACTION IN THE

BANKING SECTOR

....

.e research is a requirement for the Award of a Masters Degree in Business
.ministration.

y assistance accorded to him/her regarding her research will be highly appreciated.

urs faithfully,

Owolabi O. Samuel
ECTOR – SPGS

APPENDIX D

QUESTIONNAIRE FOR CLIENTS

I am a student at Kampala International University taking Masters in Business Administration. The questionnaire is designed to collect data about "**information technology, effective service delivery and customer satisfaction in the banking sector**". You are kindly requested to spare some time and answer as honest as possible the questions therein. Be assured that your individual response will be treated with utmost confidentiality.

SECTION A: BACKGROUND INFORMATION

Age

Less than 20 years ☐   21-30 years ☐   31-40 years ☐

41-50 years ☐   Above 50 years ☐

Sex   Male ☐   Female ☐

Religion

Protestant ☐   Catholic ☐   Muslim ☐ Others (specify) ....

Marital status

Single ☐   Married ☐   Divorced ☐ Others (specify)............

SECTION B:

INSTRUCTIONS

The questions here require you to show the degree of agreement or disagreement by ticking the most appropriate responses following this scale.

KEY: SA-Strongly agree, A-Agree, NS-Not sure, D–Disagree, SD-Strongly disagree

PART B.1: Level of Information Technology

	Statements	SA	A	NS	D	SD
1	I am satisfied with the introduction of remote banking such as the use of ATM's.					
2	I feel I have had enough training on how to use ATM's					
3	I am satisfied with the effectiveness of the ATM's.					
4	I am satisfied with the level of technology currently being used by the bank					

PART B.2: Effective Service Delivery

	Statements	SA	A	NS	D	SD
1	It takes long to access the banking services					
2	I feel that the bank should open up new ATM outlets					
3	I am satisfied with the quality of services offered by the bank					
4	I feel that there is more room for service improvement					
5	I feel my expectations are being met by the bank.					
6	I am satisfied with the security the bank provides for the various services it offers					

PART B.3: Customer satisfaction

	Statements	SA	A	NS	D	SD
1	I would recommend a friend to open an account					
2	I am proud to be a customer in Stanbic bank.					
3	I feel I have developed a basic relationship with the bank					
4	I certainly feel that my complains and suggestions are acted upon by the bank effectively					
5	I feel I have been kept and grown by the bank well					

THANK YOU FOR YOUR VALUABLE INFORMATION

APPENDIX E

INTERVIEW SCHEDULE FOR EMPLOYEES

The interview schedule will centre on these questions:

1. How is the level of technology currently being used satisfying customers?

2. How has remote banking (ATM's, telephone banking and internet banking) eased the banking services?

3. Is there need for expansion (opening up new branches)?

4. What challenges do you normally face in delivering your services?

5. Which security measures has the bank put in place?

6. How does the bank retain its customers?

7. In what ways has the bank created customer loyalty?

8. How has the bank involved its clients in delivering effective services?