



A Study On The Relationship Between Electronic Banking And Customers' Cost Reduction In Tejarat Banks

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ABSTRACT: The present study examines the relationship between electronic banking and customers' cost reduction in Tejarat banks of Sirjan city. Electronic banking components in this study include: internet banking, mobile banking, telephone banking, retail terminals (pos) and ATM and Smart Desk. The sample size is determined as 384 customers of Tejarat banks of Sirjan city. Using the formula of proportion and volume of customers per branch the sample number is obtained. Data collection tool in this study is a researcher made questionnaire, the validity and reliability of which are obtained 0.91 and 0.79, respectively. In order to distribute the questionnaire, simple random method is applied. Spss software is used to describe and analyze the data collected. Statistical analysis results show that the overall e-banking leads to customers' costs reduction and each component of electronic banking has a significant impact on customers' costs reduction. Recommendations for banks personnel and managers are given at the end, for the practical application of the present research results.

Keywords: Electronic banking, Customer, Cost

INTRODUCTION

An advantage of the present century is the miraculous development of information and communication technology and its application to improve the speed and quality of the offered services¹. This development has influenced banking severely and has led to major changes in the banking industry. Rapid development of information technology has caused major changes in the form of money and resources transition systems in the field of banking. Therefore, new concepts of banking entitled electronic banking has emerged².

All organizations seek to attract customers and increase their satisfaction. Particularly, this has especial importance in the banks that are in constant contact with customers. On the other hand, the competition among banks and loan institutions and other forms of monetary resources absorption is increasing. Thus creating a competitive advantage for the survival of banks seem to be essential. Modern banking services that are very close to the information and communication technology are among the important factors in creating a competitive advantage for banks and customers attraction and their satisfaction³.

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Technological innovations are the most important source of economic growth. The rapid development of technology, being appropriate and timely, contributes to the economic development of a country. The country that fail to use the new technologies or even delays the implementation of them, is placed behind the others. The new economy is influenced by the revolution of electronics, computers, computer networks and internet development. Technological changes not only affect the production and experiences, but also have impact on financial intermediaries and banks. Banks as financial institutions, normally show rapid response to any changes in the economic and technological environment ⁴.

Financial industries, more than any other industry, rely on the collection, processing, analysis and presentation of information in order to meet the needs of customers. Given the importance of information in banking, it is not strange to say that banks are the first users of the automated technologies in order to process information⁵.

The survival of banks and financial institutions depends on the customers' presence. The fact that the customer has needs is not a major point and problem in itself. What is important is our understanding of the needs⁶.

The most useful and the most appropriate strategy for the banks is customer orientation. In fact, this statement is can be stated stronger and said that the basis of the banking system is customers. To achieve customer orientation, some points should be noted. Most notably is the clear and explicit answer to the new needs of the customer that is the variety of services and new, modern and innovative services. If today the Electro World debate arises, those banks are successful that provide the necessary tools and backgrounds to respond regard to the electronic banking. A study conducted by the Institute of Strategic Planning in Washington DC shows that the return on investment of 20% of the banks that have noticed their customers' needs is almost double of the banks that have not focused on this issue⁷.

Michael Porter is perhaps the most famous author and expert in the field of competitive strategy. One of the key and essential ideas proposed by Porter is his main strategies idea. He believes that competitive advantage can be achieved by taking advantage of one of the following three main strategies: differentiation strategy, initiative strategy in reducing costs, concentration strategy.

The differentiation means that the goods or services have been produced and presented so that is differentiated from the production and presentation method of competitors. Initiative to reduce costs through producing the productions with lower costs than those of competitors, creates competitive advantage and thereby the profit margin is increased. The concentration strategy means focusing on areas of the market where the organization is going to be better than the competitors through the development of knowledge and skills⁸.

Banks as the largest financial institutions in any country play an important role in the monetary and financial markets, and in attracting and encouraging people to save and collect a small investments, and operating them in the manufacturing and service fields. In recent years, due to many changes and transformations that have occurred in the field of IT and communications development, the banking industry has changed dramatically. In this regard, the banking industry as most of suppliers of banking system services, in recent decades has engaged in investments on new technologies of providing services to the customers as a way to control costs, attract new customers and meet the customers' expectations. It has put the use of these technologies as a strategic necessity to its agenda⁹. Accordingly, this study examines the relationship between electronic banking and customers' cost reduction in banks.

METHODOLOGY

The present study has been done using correlation method. The population of the study is comprised of all customers of Tejarat bank branches of Sirjan city. The customers who have an account in Tejarat bank (checking, savings, long-term and short-term deposits). The statistic was announced by Tejarat bank branches management in Kerman province about 100,000 subjects. Using Korjci and Morgan tables, the sample size is determined for statistical population of 100,000 people as 384 subjects. The sample number of each branch is obtained using the following proportion formula and the volume of customers per branch. Simple random sampling has been used to distribute the questionnaire.

Table 1: Distribution of the population statistical sample and the sample at selected branches

Row	Branch	Population	Sample
1	Sirjan	60159	226
2	Azadegan	5855	22
3	Imam Reza	13366	50
4	Vali Asr	15707	59
5	Saeedi	7243	27
Total	Sirjan city	102330	384

Data collection method in the research is field method and data collection tool is researcher made questionnaire. The information contained in this questionnaire is adjusted through the survey on the questionnaire of Dr. Sayed Mohammad Moghimi⁶. The questionnaire consists of four parts. The first part of the questionnaire states about the goals of the study and gives those who are questioned the confidence that their information is applied only for a matter of research and their information remain confidential. The second part is demographic information. The third part contains 25 questions on electronic banking. Questions 1-5 are related to the mobile banking variable, questions 5-10 are related to the telephone banking variable, questions 10-15 are related to the internet banking variable, questions 15-20 are related to the retail terminals (pos) variable, questions 20-25 are related to the ATM, Smart Desk and 24 hours electronic branches. It is designed based on the Likert 5 factor scale (from 1-5). The answers are from very high to very low. The fourth part contains 11 questions on cost reduction, which is designed based on the Likert 5 factor scale (from 1-5). Interpreting the results of this questionnaire is as the following.

For the options strongly agree, the score 5, agree, 4, neither agree nor disagree, 3, disagree, 2, and completely disagree, 1, are considered. Total scores are calculated and written.

- The scores 44-55 Show that the cost reduction of bank customers using electronic banking is high.

- The scores 23-44 Show that the cost reduction of bank customers using electronic banking is somewhat high.

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- The scores 11-22 Show that the cost reduction of bank customers using electronic banking is low.

The questionnaire questions are standardized through face validity method. Therefore, to determine the validity of the assessment tool, the questionnaire is given to five faculties of management and its validity is calculated 0.910. Cronbach's alpha test is used to determine the reliability of the questionnaire and the total reliability is calculated 0.79. In order to analyze the descriptive statistics of mean, median, mode and inferential statistics, Pierson and Spearman correlation coefficient and linear and multiple regression have been used.

RESULTS

Descriptive information about the electronic banking (mobile banking, telephone banking, Internet banking, POS, ATM, Smart Desk and 24 hours branches) and costs reduction is given in Table 2.

Table 2: The values of descriptive parameters regard to the research variables

	Number	Mean	Standard error of skewness coefficient	Standard error of elongation coefficient	Standard Deviation	Variance
Mobile banking	384	4.0484	.125	.248	.98046	.961
Telephone banking	384	3.8354	.125	.248	.98521	.971
Internet banking	384	3.8323	.125	.248	1.05216	1.107
POS	384	4.0125	.125	.248	.93655	.877
ATM	384	3.9432	.125	.248	.88516	.784
Electronic banking	384	3.9344	.125	.248	.81627	.666
Costs reduction	384	4.2382	.125	.248	.52830	.279

According to the standard error of the skewness coefficient and the standard error of the elongation coefficient, it can be concluded that the data related to our variables are normal because their value is located in the range of $-2 < x < +2$.

Table 3: Regression model summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimation
1	0.189	0.036	0.033	0.52528

According to Table 21-4 and the adjusted R² it can be found that electronic banking predicts 0.033 of changes in cost reduction.

Table 4: Regression model summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimation
1	0.217	0.047	0.045	0.52271

According to Table 23-4 and the adjusted R² it can be found that the improvement and development of Internet banking quality predicts 0.045 of changes in cost reduction.

Table 5: Regression model summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimation
1	0.150	0.023	0.020	0.52944

According to Table 25-4 and the adjusted R² it can be found that the improvement and development of mobile banking quality and its related technologies predicts 0.020 of changes in cost reduction.

Table 6: Regression model summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimation
1	0.178	0.032	0.029	0.52693

According to Table 27-4 and the adjusted R² it can be found that the improvement and development of telephone banking quality predicts 0.029 of changes in cost reduction.

Table 7: Regression model summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimation
1	0.069	0.005	0.002	0.53423

According to Table 23-4 and the adjusted R² it can be found that the number of ATMs, Smart Desk, and 24 hours electronic branches, improving services quality and the speed, predicts 0.002 of changes in cost reduction.

Table 8: Regression model summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimation
1	0.171	0.029	0.027	0.52761

According to Table 23-4 and the adjusted R² it can be found that the number of sales terminals (pos), improving services quality and the speed, predicts 0.027 of changes in cost reduction.

CONCLUSION

What is certain is the fact that in the age of information, communications and electronics of the world, wide variations in different areas are observed, which have led to rapid increase in the need for changes to various businesses. In recent years, we have seen a lot of opening and reopening of banks and financial and credit institutions, all of which seek to attract customers and earn profits for them. This has led to increased competition among banks and financial and credit institutions. In these days of intense and heavy banks competition besides the growing trend of society and the need of different sectors of society to benefit from the latest scientific breakthroughs and new services, have made the use of new technologies by banks inevitably. According to Michael Porter's 3-fold strategy, reduction in costs will lead to a competitive

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advantage. Here the question arises whether by the mere use of e-banking development competitive advantage can be achieved or not? If a bank is equipped with the latest modern banking, does it remain in safety margin and not worried about the competitors?

Almost all studies to date that have been conducted on competitive advantage, emphasize the fact that competition advantage is obtained not only through information technology, but also with profiting and making proper use of it⁸.

The use of modern banking services is very helpful to attract new customers in the bank and can be used as a competitive advantage. However, its sustainability depends on continued innovation and creativity to outpace the competitors, because competitors imitate the market pioneers.

Improvement and development of electronic banking in short-term is a competitive advantage in attracting new customers. In long-term, the manner of using these services, human activities, creativity, and innovation in providing differentiated services with a focus on reducing costs for both customers and shareholders of banks is the main factor to compete with other banks. Therefore, it is essential to note that, in addition to the development of modern banking services, continuing education of bank staff and personnel to use modern services and transform the learned, experiences and how to apply these services to customers, as well as using opinions, ideas and suggestions of bank employees to eliminate defects and deficiencies and promote modern banking services is an important factor that must be considered.

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