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The Effect of e-Finance Service Quality on Bank Customers' Fintech e-Loyalty: Evidence from Ethiopia

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ABSTRACT

The expansion of information communication technology (ICT) significantly influences organizations service delivering culture. The financial institutions, particularly the banking industry are one of the major sectors that invests large amount of capital for introducing new technologies. E-finance is one of the technology channels that bankers introduced to their customers to access financial services. Therefore, this study was aimed to study the effect of e-finance service quality on bank customers' fintech loyalty of using the e-finance services in future. Primary data was collected from 412 bank customers and it was analyzed using the structural equation model (SEM) through AMOS. The result revealed that both in normal operations of e-finance service and recovery services, the quality of service positively influences bank customers' satisfaction and their e-loyalty.

KEYWORDS

Banking Technology, E-Finance, E-Loyalty, E-Service, Recovery Service

1. INTRODUCTION

The advancement of information communication technology (ICT) profoundly affecting the daily operation of every individual across the world. Since the introduction of electronic banking, the banking service has shifted the bricks and mortar service to electronic and banking terminologies that are changed to e-banking, e-finance, e-payment, financial technology (fintech), etc. Fintech is originally derived from finance and technology, which defined as the way of delivering financial services through technology channels (Milian, Spinola, & Carvalho, 2019). Fintech categorized as "sustainable fintech" and "disruptive fintech," which shows the former, is more applied for conventional banking services while the latter indicates the new financial products in a more simple and convenient way of delivering services (Christensen & Raynor, 2003). The adoption of electronic banking by bankers resulted in an efficient operation of their internal business besides increasing their customers' satisfaction. Using electronic banking like internet banking, mobile banking, ATM and others believed that increasing the quality of services (Ariffa et al., 2012; Felix, 2017). E-finance is the process of delivering financial services through electronic media like personal computers, mobile phones, machines, and other devices by using remote access connections; internet and messages. Since the electronic services allow customers to access their bank account for financial services at anytime from anywhere, it would increase their satisfaction compared to traditional bank branch services. It is believed the e-finance service is convenient for customers and minimizes the costs of accessing financial services.

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Authors believe that customer satisfaction is the function of service quality (Alhaliq & Almuhirat, 2016). Customer satisfaction usually comes after their evaluation of services they were delivered. Therefore, the quality of service they consumed or tested obviously results in satisfaction. In different sectors including the banking industry researchers were confirmed there is a positive and direct relationship between service quality and customer satisfaction. Some researchers in internet banking services (Seyal & Rahim, 2011; Sousa & Voss, 2012) examined the effect of service quality on customer satisfaction. However, few studies were related to service quality with customers' e-loyalty particularly in the banking sector loyalty (Yaya, Marimon, & Casadesus, 2013; Xue, Hitt, & Chen, 2011). Moreover, since in delivering electronic-based financial services there is no interaction between bankers and customers, it is expected that customers face problems during using the banking technologies. During such a problematic time, customers may request the bank office for recovering the error. However, previous studies were failed to study the recovery service quality due to insufficient sample size, who encountered problems (Parasuraman, Zeithaml, & Malhotra, 2005). In this particular study bank customers who had experienced a problem while using the banking technology were included and studied the effect of recovery service quality on their e-loyalty of the technology.

Methodologically this study overcomes the limitation of implementing a formative model instead of using only reflective models (Collier & Bienstock, 2009). Authors claim that using a second-order model by using formative variables reveals more detail results compared to the first-order model (Randolph, 1998; Thompson, 1990). Though previous studies were examined e-service quality models for e-finance and related e-commerce platforms (Akinci, Atilgan-inan, & Aksoy, 2010; Yarimoglu, 2015), they were failed to study the effect of e-finance service quality on customers' satisfaction and their e-loyalty. Therefore, this study was aimed two issues; firstly, it confirms the effect of purely electronic-based financial services quality on bank customers' satisfaction and e-loyalty, and secondly, it measures the mediating role of customer satisfaction of e-finance service quality on bank customers' e-loyalty of using the banking technology in future.

2. LITERATURE REVIEW

Information communication technology, particularly the advancement of internet service significantly changed organizations service delivering channels. The banking sector is one of a prominently affected industry that invests huge capital for introducing advanced technologies. E-finance is one of the recently introduced mechanisms of bankers to deliver financial services through electronically including internet banking, mobile banking and card banking using ATM and other cards. Bank customers can use those technologies for withdrawing cash, making a payment, transferring funds electronically, checking their account balance, printing bank statements, and other utility services without visiting the branch office. Previous researchers were confirmed that using these electronic-based financial services increases convenience for bank customers and as the result, it increases customers' satisfaction (Keskar & Pandey, 2018; Priya, Gandhi, & Shaikh, 2018). Because, it is believed that customers' satisfaction is the function of service quality (Yang & Tsai, 2007).

Different scholars defined service quality differently. Some defined service quality in terms of physical product characteristics as service has to be free from error or defectiveness. Parasuraman et al. (1985) argued that the definition of service quality is difficult because of the subjective nature of service. Similarly, in the early stage service quality was defined as it is the difference between consumer expectation and actual performance, which is confirmation and disconfirmation of expectation (Churchill & Surprenant, 1982). However, many of them agreed that service quality plays a significant role in customer satisfaction (Al-Hawari & Ward, 2006; Carrizo, Freitas, & Ferreira, 2017). Scholars argue that the effect of service quality is beyond customer satisfaction; it results in organizational profitability (Ling, Yeo, Boon, & Huat, 2016) and customers' loyalty (António et al., 2017).

Electronic financial service is fully electronic-based, and customers' loyalty is purely based on the electronic service quality. E-loyalty is the bank customers' commitment to using banking technology

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