

CUSTOMER SERVICE AND ITS EFFECT ON THE BANKING BUSINESS IN NIGERIA

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Abstract

Customer service is the series of activities designed to enhance the level of customer satisfaction-that is, the feeling that a product or service has met the customer’s expectation and even beyond his/her expectation. The main objective of the study is to assess customer service and its effect on banking business in Nigeria. Within this framework, the study seeks to find out if waiting situations and timely services will affect customers’ satisfaction and increase service efficiency. Data were collected using questionnaires and were analyzed using descriptive statistical tools which included the use of frequency, percentages and Pearson Correlation Coefficient. The study found out that customers are dissatisfied with long waiting times, they want timely services and at their convenience. Anything short of this might be an indication that there is a pervasive problem in banking services offered. The study concluded that Customer satisfaction provides an indication of how successful an organisation is at providing products and/or services to the marketplace.

Keywords: Customer service, Customer satisfaction, Waiting time, Delivery channels, Products.

Introduction

The banking sector which is a prominent and pertinent sector of the economy determines to a great extent the overall growth of the economy and the standard of living of their customers. The banking industry of any nation is the machinery which propels the development and growth of its economy. Many commercial banks have been established and thereby giving grounds to the competitive banking services that may bring about satisfactions to their customers. These services could vary depending on the patronage of the customers, their level of consumption and savings.

The customer service unit has become important in many ways for most organizations, but the general view is that many organizations do not take it too seriously. Customer service may be provided by a person, group or by an automated means called “Self Service”. The customer service management is a compulsory section of the bank. Commercial banks form the largest and are the country’s most important group of financial institutions. With stiffer competition among domestic and foreign banks, therefore it is important for the commercial banks in

Nigeria to improve the quality of their services.

The growth of competition in banks has led to the customer being stronger because he or she has many options to choose from. It is those banks that have excellent customer satisfaction levels that succeed in this environment of hyper competition. Success of a service provider depends on the high quality relationship with customers which determines customer satisfaction and loyalty. The corporate objective of any bank which is “maximization of shareholders wealth” can only be achieved if customers are retained and satisfied. This is in line with the perception that the key to successful marketing of financial services is identification and packaging of customers’ needs to their satisfaction.

As globalization and liberalization of financial institutions accelerate, competition among banks in offering products and services becomes more intense. In spite of such limiting banking strategy, the rapid transformation of Nigerian retail banking sector has redefined the role of banks in Nigeria from financing trade to one

of mobilizing and channeling resources more effectively to customer needs. These changes were indicated by the emergence of many new financial institutions, the introduction of new financial instruments and services, the securing of financial operations, and the elimination of strict gender demarcation lines among different types of customers. These changes in the banking system have created a new dimension in the Nigerian banking industry within which the banks have to compete both vertically and horizontally for consumers' disposable income.

The competition in Nigeria banking sector is very high, due to regulatory imperatives of universal banking and also due to customers' awareness of their rights. Bank customers have become increasingly demanding, as they require high quality, low priced and immediate service delivery. They want additional improvement of value from their chosen banks. Service delivery in banks is personal, customers are either served immediately or join a queue (waiting line) if the system is busy. This customers patronage could be describe as the backbone of a highly liquid financial institutions.

Banking refers to the business of receiving money and collecting drafts for customers, subject to the obligation of borrowing cheque drawn upon them time to time by the customers, to the extent of the amount available in their current account. A commercial bank can be defined as a monetary institution owned by either government or private businessmen for the purpose of profit. Profit maximization objective may not be easy to achieve in banking, without a good level of customer base, as this customer base enhances the effectiveness and efficiency of the services rendered to the customers. In other words, the faster they get attended to, the more the customer would be encouraged to keep their money with a bank.

Customer satisfaction is derived largely from the quality and reliability of products and services. However, almost every Nigerian bank encounters similar problems in meeting

customer's expectation of services and customer satisfaction. For example, the issue of money transfer in banks is one major problem that customers of certain banks have been made to experience. In most cases the customer hardly receives the payment of the money transferred into account immediately. The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near. Most times, this long queues are as a result of the breakdown of the computers used by these cashiers, sometimes it occurs as a result of the cashiers, pushing duty to one another as to who is to attend to the customers or not.

Customer service therefore involves the means through which there would be a mutually beneficial satisfaction of non-tangible product needs of the people who have a will to satisfy these needs. It's focused on the predicted upon concept which involves a proper identification and understanding of needs of potential and actual consumers as well as adaptation of organizational operations to deliver the right customer service more effectively and efficiently.

Problem of the study

In Nigeria, the customer service unit is more effective in the banks than in all other organizations of the economy. Yet, the banks still have a long way to go in order to satisfy the customers of banks worldwide. The banking business today has gone beyond arm-chair banking era where the customers had to look for the banker to transact business. It is now the era of highly competitive business among banks. These financial institutions now engage in aggressive search of the customer to patronize their products and services.

For effective customer service, the relationship between customer satisfaction and business performance should be taken into consideration. One of the reasons is that the relationship between customer satisfaction (as a result of service quality) and business performance is not clear. According

to Zeithaml 2000, the major problem in measuring the relationship are; the time lag between measuring customer satisfaction and profit improvement, the number of other variables influencing performance such as pricing, convenience, transaction methods and system, customer care and so on should be included in the relationship because they explain the causality between satisfaction and result.

However, the problems faced by banks in delivering effective services to customers include; insufficient legal system, high provisions for non-performing loans, high lending rates, poor management, political instability, high pricing of financial services, higher risks and low profitability. These have in turn affected their quality of service offered. Most times, these negative effects limit the number of prospective customers who patronize banking services. This is because a customer who has once been disappointed by a bank's services decides to tell others not to use that same service.

Once banks have cut waiting lines, such acts cease to be customer services. Furthermore, waiting time from the viewpoint of service industry has effect of the number of customers that are willing to patronize a particular bank. In order to build a cordial and lasting relationship with the customers, the bank must supply the best service to maximize customer satisfaction and increase service efficiency by providing prompt or timely service. Waiting for service is typically a negative consumer experience and cause unhappiness, frustration, and anxiety (Larson, 1987).

A company seeking to win through superior customer service constantly has to create new and different ways of enabling customers to realize value. customers complain that banks do not handle their problems accurately or quickly. They are made to feel at fault regardless of where the problem actually lies. A customer- focused bank that is customer service oriented recognizes these wants and needs of the customer and takes steps to accommodate them.

Objectives of the study

The main objective of the study is to assess customer service management and its effect on banking business in Nigeria. Within this framework, the study seeks to find out if waiting situations will affect customers' satisfaction. To find out if providing prompt or timely service can bring about customer satisfaction and increase service efficiency. Lastly to evaluate customer satisfaction level with banks' service delivery channels.

Based on the above specific objectives, the study seeks to test the following hypotheses. The hypotheses are stated in their null form:

Waiting time situations have no significant effects on customers' satisfaction.

Prompt service delivery has no significant effects on customers' satisfaction.

Service delivery channels have no significant effect on customer service

Literature review

Customer service is the provision of service to customers before, during and after a purchase. According to Turban et al. (2002), "customer service is a series of activities designed to enhance the level of customer satisfaction- that is, the feeling that a product or service has met the customer expectation." Customer service may be provided by a person (e.g., sales and service representative), or by automated means called self-service. Customer service is normally an integral part of a company's customer value proposition.

From the point of view of an overall sales process engineering effort, customer service plays an important role in an organization's ability to generate income and revenue. From that perspective, customer service should be included as part of an overall approach to systematic improvement. A customer service experience can change the entire perception a customer has of the organization.

According to Osuagwu (2002), Customer service is concerned establishing, maintaining and enhancing relationships between and/or

among relevant business parties in order to achieve the objective of the relevant parties. Such parties are usually, but not necessarily always, long-term oriented. He explains customer service as a situation where every customer is considered as an individual, activities of the organization or institution directed towards existing customers based on interaction and dialogue with relevant parties achieving set organizational goals and objective.

According to Robert W. Lucas (2005), customer service is defined as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately result in positive word-of-mouth publicity and return business.

Customers are best served when they talk to a representative who works in an environment that allows them to be themselves, to use the language they are comfortable with and have the confidence to find ways to answer the customers' request or solve their problem. In short, to have sympathy with the customer, provide excellent service and, in turn, build trust in the organization, its products and services. Authentic customer service keeps consumers happy and builds trust in your brand and organization. Though, it's not easy to deliver but the rewards are high.

According to Davidow and Uttal (1989), customer service means all features, acts and information that augment the customer's ability to realize the potential value of a core product or service. This definition underlines an important trait of customer service; it is a moving target. Once banks have cut waiting lines, such acts cease to be customer services. A company seeking to win through superior customer service constantly has to create new and different ways of enabling customers to realize value. The definition also covers the traditional customer services activities such as handling complaints but embrace many types of service such as the new banking technologies that now makes banking easier and faster.

Customer service in banking is one of the most important ways to keep customers coming back. It includes responding to customers' questions and complaints in a thorough and timely manner and interacting with customers through face-to-face meetings, telephone, mail, fax and email. Almost all bank employees are involved in some aspect of customer service. Because of increased competition, banks are required to be more and more customer focused. It is more costly to acquire new customers than it is to retain existing customers. Retaining customers requires customer service staff in banks to provide service that is quick, error-free and convenient. Good customer service is the heart of banking. Today banks have wide varieties of competitors for businesses. Customer service is the overall activity of identifying and satisfying customer needs. Customer service is one of the most important ingredients of marketing mix for product and services. High quality customer service helps to create customer loyalty. Customers today are not only interested in the product they are being offered but all the additional elements of service that they receive from the greeting they receive when they enter a retail outlet, to the refund and help that they receive when they have a complaint about a faulty product that they have paid for.

Customer service is an organization's ability to supply their customer's wants and needs. It's the ability of an organization to constantly and consistently exceed the customers' expectations. If organizations are going to consistently exceed customers' expectations, they have to recognize that every aspect of their business has an impact on customer service, not just those aspects of our business that involve face-to-face customer contact. Improving customer service involves making a commitment to learning what our customers' needs and wants are, and developing actions, plans that implement customer friendly processes. Providing excellent customer service is one way a small business can distinguish itself from the competition.

Esangbedo (1995), argues that many customers complain that banks do not handle their problems accurately or quickly. They are made to feel at fault regardless of where the problem actually lies. A customer- focused bank that is customer service oriented recognizes these wants and needs of the customer and takes steps to accommodate them.

Methodology

The study used the survey method. The chosen location for the study was the banks around the Redeemer’s University. For data collection,

$$r = \frac{\sum (x - \bar{x})(y - \bar{y})}{\sqrt{\sum (x - \bar{x})^2 * \sum (y - \bar{y})^2}}$$

Data presentation and analysis

Table 1: Distribution of respondents based on waiting time situation and customer satisfaction

S/N	RESPONSES	FREQUENCY	PERCENTAGES
1	STRONGLY AGREED	65	54.17
2	AGREED	40	33.33
3	INDIFFIRENT	5	4.17
4	DISAGREED	7	5.83
5	STRONGLY DIAGREED	3	2.5

Source: Field survey

Evaluation from the table above shows that 54.17% of the respondents strongly believe that waiting situation has effect on the satisfaction they derive from the services offered by their banks. 40% agreed that there is a link between the satisfaction they derive from their banks and waiting time while 10% either disagreed or strongly disagreed that there is no link between waiting time and customers’ satisfaction. 7% are indifferent to the opinion above.

Bank customers have become increasingly demanding, as they require high quality, low priced and immediate service delivery. They want additional improvement of value from their

questionnaire was used because of its relative merit of comprehensiveness, coupled with the fact that the respondents are literate and thus able to understand the content clearly. A total of 150 questionnaires were distributed (50 to each of the chosen banks). However, out of the entire questionnaires, only 120 copies were fully and properly completed and were therefore analyzed using descriptive statistical tools which included the use of frequency, percentages and Pearson Correlation Coefficient.

The Pearson Correlation Coefficient is given as follows:

chosen banks. Service delivery in banks is personal, customers are either served immediately or join a queue (waiting line) if the system is busy.

In service-oriented industries which are becoming increasingly competitive environment with particular reference to banking, the Speed of service has been shown to provide businesses a competitive advantage in the market place. In addition, customer dissatisfaction with long waiting times indicates that there is a pervasive problem in banking services offered. This is usually a common source of anxiety and dissatisfaction among customers.

Table 2: Distribution of respondents based on prompt service delivery and customer satisfaction

S/N	RESPONSES	FREQUENCY	PERCENTAGES
1	NOT SATISFIED	30	25
2	PARTIALLY SATISFIED	18	15
3	INDIFFERENT	18	15
4	SATISFIED	30	25
5	PROPERLY SATISFIED	24	20

Source: Field survey

Correlations

	Minutes	Satisfaction
MINUTES	1	-.500*
Pearson Correlation		.025
Sig (2- tailed)		120
N	120	120
SATISFACTION	-.500*	1
Pearson Correlation		.025
Sig (2- tailed)		120
N	120	120

*Correlation is significant at the 0.05 level (2 tailed)

The Pearson Correlation Coefficient of the data is – 0.50 which means that there is a negative but low correlation. This implies that there is an inverse relationship between the time spent in minutes and customer’s satisfaction. The negative correlation therefore means that an increase in the minutes

spent in the bank will reduce the satisfaction derived in the services provided by banks. To be able to satisfy customers the bank must have good customer service department that will look into the need of their customer and provide them in a way that will increase their value that the customers will derive from the product/service.

Table 3: Distribution of respondents based on the most preferred service delivery channels and customer service

S/N	VARIABLES	FREQUENCY	PERCENTAGES
A	AUTOMATED TELLER MACHINES	65	54.16
B	MOBILE BANKING	20	16.67
C	INTERNET BANKING	30	25
D	BRANCH BANKING	5	4.17

Source: Field survey

In evaluating the customer satisfaction level with banks' service delivery channel, four key channels were assessed namely: ATM, Branch, Mobile and Internet Banking. The assessment covered the proximity, accessibility, availability and quality of service delivery by these channels amongst other factors. The above table shows that 54.16% of customers get satisfaction from the ATM due to easy accessibility and proximity, 16.67% of the customer derived satisfaction from mobile

banking, 25% from internet banking and only 4.17% from branch banking. This shows that customers derived more satisfaction from banking providing convenient banking through the use of multiply service delivery channels.

Summary and conclusion

The importance of customer service is increasingly becoming a vital business issue, as organisations have become sensitive to the benefits of customer

service and customer satisfaction. Customer satisfaction provides an indication of how successful an organisation is at providing products and/or services to the marketplace.

To many organizations however customer service is one of the most challenging and neglected areas of management. For customers, the quality of customer service determines whether to buy, and particularly whether to remain a customer. The significance of customer service eludes many senior executives, let alone the methods of establishing and managing customer service standards and quality. Pricing strategy also plays a part on customer service- especially strategies which effectively discriminate against existing customers in favour of new customers, which in certain situations borders on the unethical.

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