


# Internet Banking Encounter Quality of Arab Middle East Banks: Organizational Determinants

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## INTRODUCTION

Online banking services was first provided in the early 1980 by Bank of Scotland and the Nottingham Building Society. Nonetheless, these services were discontinued because it was not widely accepted by the bank's customers. In the early on 1990, the banks start again adopting internet-banking services with the rapid growth of electronic services and information technology (Tait & Davis, 1989). Internet banking is a virtual banking service as online depositing, withdrawal and transfer of cash (Santos, 2003). Nowadays, online banking services have become an attractive and desirable alternative to the growing number of customers because they offer many benefits, such as low cost, save time, and easy to use. The essential success for service providers is expanding and retaining their e-customers and can do this by better understanding how customers can handle and evaluate the quality of the online banking service encounter (Mauro, Hernandez & Afonso, 2007).

The Middle East region will have extraordinary advantages from the e-banking services, particularly with high demand and development in the banking industry. So banks have begun to grow their branch systems and provide a wide range of service delivery channels, for example, call centres, internet banking, mobile banking, and ATMs. The rapid expansion of online banking services is most remarkable in the developed countries where the availability of smart phones and computers with simple access to internet enables adaptation of online banking easier for banks. Despite the fact that, this adoption still faces some limitations, efficient banks that located in urban areas are more likely to adopt online banking services (Jenkins, 2007).

The recent research by McKinsey on urban consumers in UAE and KSA (primarily focusing on internet users - UAE currently has 92 percent internet penetration while KSA has 65 percent) shows that at least 80 percent of these consumers now prefer to do at least some of their banking on computers, smartphones and tablets, and visit branches and call service hotlines only to meet specific and more complex needs. Despite the growing of e-channels in the Arab Middle East region, the physical channels – branches and ATMs – will continue to play major roles in banking across the region. Banks will have to balance regulatory demands and consumers' needs for a physical presence against the cost, reach and convenience advantages of digital services (Shirish, Jayantilal & Haimari, 2016). Therefore, there is a need to understand the quality of service encounter dimensions and examining determinants that affect the internet banking adoption to better satisfy the customers wants. This study investigated the

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organizational determinants that could influence the bank's quality, for example, the impact of ownership structure (local or foreign), age of bank, size of bank determined by number of employees, the global presence and on the quality of bank website.

This study was conducted to accomplish the following objectives:

- 1- Reporting the quality of internet banking services encounter in the Arab Middle East region.
- 2- Identifying impact of bank ownership, size, age and global presence on the internet banking service encounter quality across countries in the Arab Middle East region.

This chapter was issued in the following sections; the first section discussed the research problem and contribution, followed by the research framework, the research methodology adopted, then, the findings and results were presented, next, these findings were discussed in the discussion section, followed by the implications and future researches, and finally a conclusion section summarize the main findings and contributions of this chapter.

## **RESEARCH PROBLEM AND CONTRIBUTION**

During the last decade, electronic service quality has become a popular area of investigation by both researchers and practitioners. E-service quality can potentially increase online competitive advantages; therefore, it has a great effect in determining the success or failure of electronic services. Service quality, which is usually measured by how the service was received and matched customer expectations. Accordingly, researchers developed multidimensional service quality evaluation tool known as SERVQUAL (Santos, 2003). Banking websites have been evaluated from various perspectives using many criteria. Some researchers have proposed a model to assess the quality from the users viewpoint, while other researchers have proposed a specific framework model for website evaluation such as Diniz's model or Herey's model (Hasan & Abuelrub, 2008).

The service encounter is the interaction point between the service provider and customer, it is a virtual encounter in the context of e-banking in general and internet banking in particular, the proper design of this encounter is crucial element for the success of e-banking, since e-banking is a self service depends on the personal customer interaction with the system, accordingly, the banks should concern about developing the design of this encounter in order to give the customer more positive service experience. However, the service encounter design could be affected by many factors, internally and externally, for example, the customers (users) characteristics, type of service, the number of service routes, the organizational factors as the size of organization, the global presence...etc.

The most of previous studies of e-banking and internet banking in particular have investigated the degree of customer acceptance to adopt of the internet banking (e.g. Afshan, Sharif, Waseem & Frooghi, 2018; Safeena, Kammani, & Date, 2018; Khedmatgozar & Shahnazi, 2018; Yuan, Lai & Chu, 2018), also the perceived quality of internet banking service from the customers view point has been widely investigated (e.g. Ray, Ghosh, & Sen, 2017; Ray, 2017), and the impact of quality of e-banking on customers satisfaction (e.g. Ali & Raza, 2017; Firdous & Farooqi, 2017). Examining the determinants will help the decision makers in controlling or improving these determinants. The determinants examined by previous studies were mainly personal customer's determinants or user determinants for adopting or using e-banking (e.g. Alalwan, Dwivedi, & Rana, 2017; Oruç & Tatar, 2017). Very limited studies have investigated the determinants of internet banking service encounter quality (e.g. Migdadi & Al.Omari, 2017), and most of studies have investigated the cases in one country context.

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