

The Effect Quality of Electronic Banking Service on The Financial Performance in The Jordanian Commercial Banks

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Abstract: - This study aimed to present an important topic in the banking sector within two variables, the quality of banking services as an independent variable and financial performance as a dependent variable in the Jordanian commercial banking sector. 385 questionnaires were distributed to the financial department of Jordanian commercial banks.

The study also showed that there is a statistically significant relationship between the quality of banking services and the financial performance in Jordanian commercial banks.

Key words: Quality of Electronic, banking services, financial performance.

1 Introduction

As is the case in this period of the spread of the Covid 19 pandemic in the world, the world has completely and suddenly turned to electronic financial transactions, and the most important of these sectors is the banking sector of all kinds. Banks are corporations that allow its customers to deposit money and demand loans. Apart from their investment products. Thus, banks are financial business that manage and provide debit and credit facilities (Isik et al., 2017). Jordanian commercial banks have previously taken an interest in banking technology. Commercial banks in Jordan have showed a growing reliance on income generated from non-interest activities, termed hidden charges which has also been shaped by the distinct expand of ATM and e-banking technology (Othman et al., 2017). Additionally, acceleration in the rapid growth of non-interest income by banks is comparable with periods of sharp macroeconomic volatility like the situation in Jordan. The ability of banks to provide financial facilities indicates their business strength and strategy. This also becomes a measure for banking financial performance that measures efficiency of banks and the systems in which they operate in. Therefore, financial performance is an important

indicator of profitability and the of the overall economy. There are two forms of income that benefit banks which are interest income and non-interest income. Non-interest income has become a legitimate activity of banks to secure business operations and overheads. Its importance is highly increasing and makes up 43 % of operating income in Jordan banking environment. Therefore, banks are highly depending on non-interest income for their survival and success when generating between revenues and profit (Shamki et al., 2016). The most valuable measurement is return on equity because it reveals how much profit banks have earned in comparison to the total amount of shareholder equity found on the balance sheet (Olson & Zoubi, 2017).

2 Problem Formulation

E-banking has made it easier to cross-sell products as well as achieving scale economies in Jordan. The Jordanian banks offer competitive rates in bill payment, brokerage services, and stock market transactions without personal interaction (Akhisar et al., 2015). Therefore, customized service by banks has improved their delivering quality service and is seen as an essential strategy for success and financial

survival. Undoubtedly, online banking has been explored and exploited as a means of improving service provision because online banking helps banks to build and maintain close relationships with their customers, reducing operating and fixed costs, and achieves more efficient and enhanced financial performance (Al-Hawary & Hussein, 2016). Now, Jordanian banks are competing to provide a better service quality through their online banking along with rapid growth of business to consumer electronic commerce. Presently, electronic retailers realized that regardless of their business type and product offerings, they are requested to deliver superior service quality over the web (e-service) quality. It is challenging for network companies to meet internet banking demands because their quality service is essential strategy for business success and survival. However, electronic service quality has its downside that is limited by mobile and software compliance along with the gadget performance (Al-Shbiel & Ahmad, 2016). Yet, banks that make e-service quality efficient have their organization competitive advantage in the online environment, have excellent customer's feedback, and have improved relationships and satisfactions.

In the Jordanian bank sector, cost savings potential and speed of information transmission are reasons that motivate e-banking development. In the presence of 28 commercial banks, most of which supply E-banking service to their customers, internet banking began in year 2000 and has transformed traditional banking practices (Alalwan et al., 2016). In the presence of lower operational costs and improved consumer banking services, Jordanian banks are able to retain consumers and expand market shares. However, customer interaction is challenged by network services which have become a serious issue in Jordan. This made the financial service industry competing in challenges to interact with customers for the best e-service quality. As for research, e-banking is threatened by fraud and illegal transactions and this places emphasis on the usage of anti-malware (Masoud & AbuTaqa, 2017). Thus, Jordanian internet banking service quality delivery is focused on identifying service quality dimensions and measuring consumer's perceived performance to ensure sufficient empirical support as positive and strong influence on consumer satisfaction. Yet, service quality dimensions vary according to users, cultural environment and demographics and becomes challenging for long-term sustainable relationships among banks and customers in the web economy (Alalwan et al., 2017).

Therefore, identifying and measuring e-banking service quality has become crucial issue for ensuring

customer trust, satisfaction, loyalty, commitment, and the profitability of service organizations (Alawneh & Diabat, 2016). In spite of this, Jordan banking system remains unstable and emerging threats through increased network use like downtime, updates and usage-load create obstacles for banking sector in Jordan to understand new transactional channel with specific service desired by customers. The importance of service quality and the challenges facing Internet-based services necessitate insight on the part of managers about what attributes customers use in their evaluation of online service quality (Nawafleh, 2015). Hence, managers are uncertain about quality of e-service, its implications to e-retailing, channels of delivery, service content and product type and the consequent e-service quality instruments in delivery systems.

We note the research gap in this study which is to clarify the effect of the quality of banking services on the financial performance of Jordanian commercial banks and find out whether there is a relationship and correlation between financial performance with regard to the following: (integration of resources, interaction and objectives of the systems)

3 Literature review

3.1 Electronic banking services

Since the beginning of the last century, business is in par with developments because use of information technology and communication contributed to the transformation in the performance of various economic sectors, including banking sector of Jordan (Al-Hawary & Hussein, 2016). Financial services industry has been affected by such transformation, which led to the emergence of modern concepts such as electronic (e) finance, money and banking. A strong banking sector is important to every country to stimulate economic growth and to maintain financial stability for the whole financial system (Zhang et al., 2018). Hence, information and technological revolution motivated Jordanian banks to spend more on technology with hope to maximize return and attracting more customers who will not accept less than above-average services. With regard, banks have changed to keep up with the information technology and communication developments because technology of computer and communications have replaced manual and paper operations. Therefore, in Jordan, internet banking is

the commonly method adopted by banks and its definition varies because electronic banking refers to several types of services through which a bank's customers can request information and carry out banking services (Altobishi et al., 2018).

3.2 financial performances

In order to more effectively evaluate financial performance in banking industry, the effects of financial leverage and other factors not under the control of managers must be aligned with operating income to sales and asset turnover. This evaluation is based on operating assets limits that becomes performance measure of management to factors that management has the most control (Alalwan et al., 2016). In addition, multiplicative components provide more useful valuation than do economy-wide components, suggesting that industry-specific ratios have increased validity. In overviewing bank performance, it is important to emphasize that banks differ in their corporate governance from firms in other, less regulated industries. These differences reveal that bank managers, regulators, depositors, investors, and other stakeholders live in a more complex environment than their peers in other industries due to banking regulations (Matar et al., 2018). Demands in Jordan banking environment by shareholders and regulators have strong influence to managerial action. Therefore, banking governance provides capital for stakeholders to defend their interests while the firm is run by managers.

With regard, bank officers and directors should be held to broader (if not higher) set of standards than their counterparts in less regulated non-financial firms. As for corporate governance of banks, the effect of the incentive features is built into the compensation schemes of bank mangers (Samhan & Al-Khatib, 2015).

4 Hypotheses

In order to examine the variables, the following four hypotheses were designed:

H1. There is significance impact between resource integration and Financial Performance.

H2. There is significance impact between interaction and Financial Performance.

H3. There is significance impact between systems goals and Financial Performance.

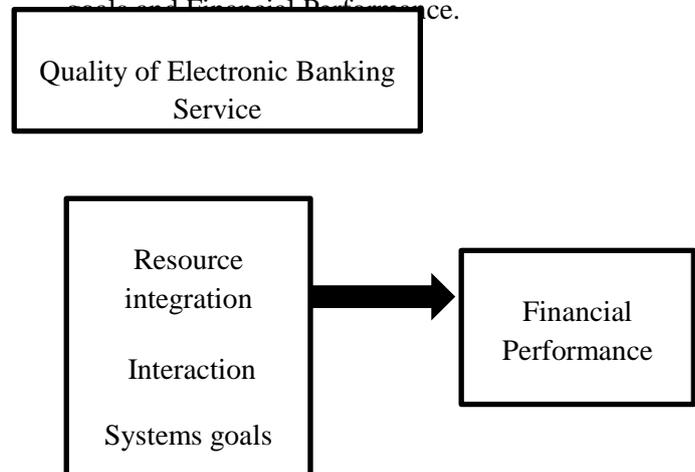


Figure 1: Research model
(Barile, S., & Polese, F.2010)

5 Research methods

The following figure contains how the research was designed, the data collection methods, and the research methodology used:

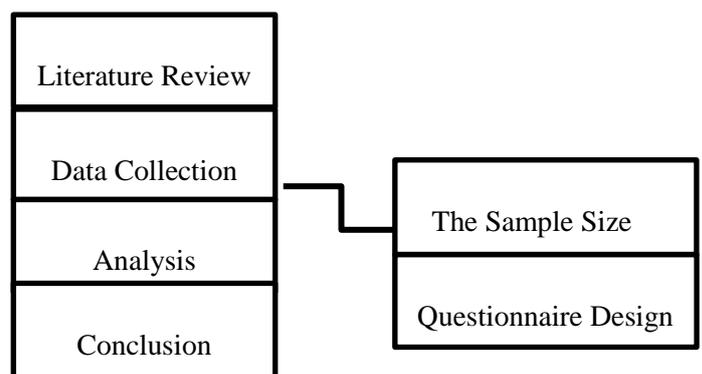


Figure 2: Research methods

6 Analyses

6.1 Cronbach's Alpha test result for all variables study

Resource integration	0.88
Interaction	0.88
Systems goals	0.86
Financial Performance	0.87
Resource integration	0.88
Overall Mean	0.87

Table 1: Cronbach's alpha of dependent and independent variables study.

Cronbach's Alpha test result for all variables study are acceptable and is more standard Internal consistency =70

6.2 Demographical Data analysis

Gender	compute	Percentage
Male	222	58%
Female	163	42%
Overall	385	100%

Table 2: Gender

Education	compute	Percentage
Bachelor Degree	248	64%
Master Degree	104	27%
Doctorate Degree	33	9%
Overall	385	100%

Table 3: Educational Level

Age	compute	Percentage
18 - 30	185	47%
31 - 40	130	33.8%
41 - 50	42	11.2%
Above 50	28	8%
Overall	385	100%

Table 4: Age

6.3 Hypothesis analysis

A Spearman test was used with a 95% confidence level value ($p < 0.001$) could be accepted. It is less than 0.05%.

H1: There is significance impact between resource integration and Financial Performance:

F-value	t. value	Sig.t	R	R2
88.3	3.02	0.02	197	0.01

F-value	t. value	Sig.t	R	R2
88.4	3.02	0.02	197	0.01

Table 5

Table 5

P-value ($p < 0.001$)

It was the result of the hypothesis p-value ($p < 0.001$) is less than 0.05. This implies that there is a significant correlation between resource integration and Financial Performance. The hypothesis is acceptable.

H2: H2: There is significance impact between interaction and Financial Performance:

F-value	t. value	Sig.t	R	R2
88.0	3.00	0.02	196	0.01

Table 6

P-value ($p < 0.001$)

It was the result of the hypothesis p-value ($p < 0.001$) is less than 0.05. This implies that there is a significant correlation between interaction and Financial Performance. The hypothesis is acceptable.

H3: There is significance impact between systems goals and Financial Performance:

F-value	t. value	Sig.t	R	R2
88.0	3.00	0.02	196	0.01

Table 7

P-value ($p < 0.001$)

It was the result of the hypothesis p-value ($p < 0.001$) is less than 0.05. This implies that there is a significant correlation between systems goals and Financial Performance. The hypothesis is acceptable.

7 Conclusions and Discussion

Those in charge of providing electronic banking services in Jordanian commercial banks are required to pay great attention to the electronic quality provided to customers in order to reach the highest level of financial performance, which will positively affect the development classification of the bank on the national economy as a whole.

8 Future Research

This research may be expanded in the following areas:

The researchers organized recommendations as follows:

1. The management of commercial banks in Jordan must adopt electronic quality standards in providing banking services to customers.
2. The administration of commercial banks in Jordan should monitor the link between

financial performance and electronic banking services and make continuous use of technological development.

3. The management of commercial banks must attract the appropriate expertise to provide the best electronic banking service, which results in interest for banks for the economy at the same time..

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