

# Customers' Perception of Innovative Banking Products in Cape Coast Metropolis, Ghana

Edward Marfo-Yiadom

School of Business, University of Cape Coast

Cape Coast, Ghana

Tel: 233-24-451-5162 E-mail: emyiadom@yahoo.com

Abraham Ansong (Corresponding author)

School of Business, University of Cape Coast

Cape Coast, Ghana

Tel: 233-24-282-9965 E-mail: ansongabraham@yahoo.com

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## Abstract

Competition and reforms in Ghana's financial sector have brought about a lot of innovation into the Ghanaian banking industry. This study explores how innovative banking products are perceived by consumers. The study used purposive sampling technique to gather data from 288 students from a public university in Ghana. The study revealed that the critical features that influenced customers' choice of banking products and their adoption were convenience, reliability, security, flexibility, time saving and ease of use. The most popular innovative products were Automated Teller Machines and E-zwich. Telephone banking and credit cards were not very popular. The mean preference for innovative banking products for female (15.0568) was slightly higher than that of male (14.7100). The mean usage of female (8.7955) was slightly higher than that of male (8.350). Due to the low usage of products such as the telephone and internet banking, it is recommended that banks in Ghana should embark on an educational campaign to highlight the benefits of these products to the populace.

**Keywords:** Consumer perception, Banking products, Innovation, Ghana

## 1. Introduction

There have been immense developments in Ghana's banking sector since the period of financial sector reforms. A key development was the entry of private banks into the market and the expansion of branches of existing banks. This was followed by the development of new technologies to deliver financial services, such as Automated Teller Machines (ATMs), Electronic Funds Transfer at Point of Sale (EFTPOS) and other stored value cards. These cost-effective innovations and products have the purpose of reducing the pressure on over-the-counter services to bank customers. According to Abor (2004), arguably the most revolutionary electronic innovation in Ghana and the world over has been the ATM. Another technological innovation in Ghanaian banking is the various electronic cards, which the banks have developed over the years. Banks as financial intermediaries provide convenience and liquidity for their clients. The technological wave across the globe, especially the use of information and communication technologies (ICT) has affected the conduct of business generally.

In recent years, the innovation concept has inevitably been one of the most attention-drawing subjects by both business researchers and practitioners due to its wide acceptance as a strong predictor and determinant of competitive advantage for firms in the market (Bass, 1969; Rogers, 1995; Manning et al., 1995; Im et al., 2003; Singh, 2006). Most previous studies on this subject have focused on to the organizational side of innovation concept (Schumpeter, 1939; Burns & Stalker, 1961; Hull & Hage, 1982; Hamel & Prahalad, 1994) while some others studied the classification of consumers based on the speed of adoption (Bass, 1969; Rogers & Shoemaker, 1971; Rogers, 1995). However, without declining the importance of the firms' offers of new products and services, the perception of these by the consumers should take at least the same attention since the new products and services

offered by the firms can gain importance only if the adoption by the consumers can be maintained. For this reason, how consumers perceive new products and services occurs to be an important subject; thus, one of the main purposes of this study is to explore how innovative financial products are perceived by consumers.

Sweeny and Morrison (2004) note that many innovations have recently modified the concept of retail banking due to new forms of distribution of financial services as well as the evolution of the twenty first century answers. University students and community would typically fall into the retail banking domain of banks the world over. Retailing banking, nowadays, is one of the most competitive markets worldwide and the firms are struggling hard to maintain customer satisfaction and loyalty in order to obtain competitive advantage (Sirohi et al., 1998). By that means, new products and services are used as important instruments even though they contain certain risks (Littler & Melanthiou, 2006). As a consequence, this study aims to explore how financial innovations are perceived by consumers, most of whom are considered to be young people. Lewis et al (1994) note that young people are the key market for financial services and ascribe three major reasons for the importance of conducting research into students' assessment of bank service quality as:

- 1) Students may be characterized by little bank switching, and attracting accounts from the young, although not profitable in the short term, should be in the longer term.
- 2) Some students eventually graduate to become high net worth individuals and therefore an increased service focus on such students is warranted.
- 3) Students market for personal accounts is presently of particular interest to banks as it is a growing sub-group of the total youth market.

The reasons offered by Lewis et al. (1994) lend substantial support for the need to conduct a study on students' perception of financially innovative products. Additionally, most banks in Ghana have developed customised accounts and other banking products for students.

A study conducted by Cooper (1997) reported ease of use of innovative product or service as one of the three important characteristics for adoption from the customer's perspective. Improving customer service, increasing market reach and reducing costs are now the basic expectations of innovative products. According to Suganthi et al. (2001), if consumers are to use new technologies, the technologies must be reasonably priced relative to alternatives. Otherwise, the acceptance of the new technology may not be viable from the standpoint of the consumer. This study explores how innovative banking products are perceived by consumers and examines the effects of this perception on their preference and assessments of the products.

The paper is organized as follows: First, it reviews related literature, followed by methodology used for the research. It then discusses the results of the survey and ends with conclusions and recommendations.

## **2. Theoretical framework and review of related literature**

The framework for exploring consumer acceptance of new products is drawn from the area of research known as the diffusion of innovations. The diffusion process is concerned with how innovations spread, that is, how they are assimilated within a market (Schiffman & Kanuk, 2009). All products that are new do not have equal opportunities for consumer acceptance. Although there are no precise formulas by which marketers can evaluate a new product's likely acceptance, diffusion researchers have identified five characteristics that seem to influence consumer acceptance of new products: relative advantage; complexity; compatibility; trialability; and observability (Rogers, 2005). Based on available research, it has been estimated that these five product characteristics account for much of the dynamic nature of the rate or speed of adoption (Chen & Crownston, 1997). Table 1 summarizes the product characteristics that influence diffusion.

The concept of adopters' categories involves a classification scheme that indicates where a consumer stands in relation to other consumers in terms of time (or when they adopt a new product). Five adopter categories are frequently cited in the diffusion literature: innovators, early adopters, early majority, late majority, and laggards (Schiffman & Kanuk, 2009). The identified product characteristics that influence innovation diffusion form the basis upon which the innovative products in the banking sector of Ghana are assessed by university students. University students, who are largely youth, can be described as innovators. Innovators are very eager to try new ideas; accept products if risk is daring; develop more cosmopolite social relationships and easily communicate with other innovators (Schiffman & Kanuk, 2009).

The tremendous concern for investigation of the recent developments in the banking sector is closely connected with the notion that most of the new financial products and technological changes are taking place in this industry. Ncube (2007) showed that the financial sector in Africa is largely dominated by the banking sector. Ghana is no exception with new banks entering the sector in the last 7 years. Notable among them are Stanbic Bank (the highly

capitalized bank in Africa; originally from South Africa), Zenith Bank (originally from Nigeria) and Fidelity Bank (formerly, Fidelity Discount House). Some other non-banking financial institutions like Unique Trust Financial Services expanded so much; they acquired BPI Bank and re-branded it as UT Bank (Hinson, Dasah & Owusu-Frimpong, 2009).

Innovation is described as any good, service or idea that is perceived by someone as new (Kotler, 2003). According to Rogers (1995), innovation takes time to spread through the social system and innovation diffusion process is a new idea's becoming widespread from its source of invention or creation to its ultimate users or adopters. Baker (2002) posits that the primary drivers of innovation include, financial pressures to decrease costs and increase efficiency, increased competition, shorter product life cycles, value migration, stricter regulations, industry and community needs for sustainable development, increased demand for accountability, community and social expectations and pressures, demographic, social and market changes, rising customer expectations regarding service and quality, greater availability of potentially useful new technologies coupled with the need to keep up or exceed the competition in applying these new technologies, and the changing economy.

Customer satisfaction, recently, has become one of the most effective instruments especially for service firms to increase their market performance via customer loyalty (Jones & Sasser, 1995; Oliver, 1999). Customer satisfaction, in general terms, is defined as the concept of the ratio between the expectations before-purchase and after-purchase (Parasuraman et al., 1998; Westbrook & Oliver, 1991; Eggert & Ulaga, 2002). According to this definition, if the performance of the products and services are below customer's expectations, dissatisfaction occurs (Parasuraman et al., 1998; Woodruff, 1997).

Technology as an enabler of the delivery of superior banking services is well documented in the marketing literature. Pyun et al (2002) for example, note that banks have moved quickly to invest in technology as a way of controlling costs, attracting customers and meeting convenience and technical expectations of their existing customers. Joseph and Stone (2003) also note that the instalment of customer friendly technology (such as menu-driven automated teller machines, telephone and internet banking service) has become commonplace in recent years as a way of maintaining customer loyalty and increasing market share. According to Alu (2000), information technology affects financial institutions by easing enquiry, saving time and improving service delivery. Similarly, Yasuharu (2003) found that the implementation of information technology and communication networking has brought revolution in the functioning of the banks and the financial institutions. A number of studies (Balachandher et al, 2001; Idowu et al, 2002; Yasuharu, 2003) have concluded that information technology has appreciable positive effects on bank productivity, cashiers' work, banking transaction, bank patronage, bank service delivery, customers' services and bank services. They concluded that, these have positive effects on the growth of banking.

A study by Singhal and Padmanabhan (2008) on customer perception towards internet banking (a type of innovative product) provides a comprehensive framework of various factors which contribute to customers' perception such as convenience, reliability, time factor, real time access to information, faster transfer, easy to use, user friendly, low transaction fee, any time and anywhere banking facility, among several other factors. Their empirical results showed that out of total respondents, 81% respondents felt that internet banking is very convenient and flexible banking. And the same percentage (i.e. 81%) from total users agrees or strongly agrees that internet banking is convenient. They felt it gives benefits like no queuing in bank and one can do banking anytime and anywhere. Other empirical research findings support this construct. Abor (2004) found that 88.5% and 80.4% of customers who responded to his survey agreed that information technology innovations reduced significantly the time involved in transacting business with their banks and also ensures efficient service delivery respectively. According to Williamson (2006), internet banking provides customers convenience and flexibility and can be provided at a lower cost than the traditional branch banking.

### **3. Research methodology**

This study is an exploratory survey aimed at finding out the opinions of users of financial services about innovative financial products. The methodology adopted involved the use of purposive sampling. The subjects for the study were students from a public university in Ghana. The students were used because according to Schiffman and Kanuk (2009), young and educated people are normally the first to adopt new products. As early adopters, they admire technologically new products. The initial questionnaire consisted both closed and open-ended questions piloted on 60 students. The questionnaire was fine-tuned and distributed to 400 students. We retrieved 288 questionnaires representing a response rate of 72%. Descriptive statistics were employed in the presentation of the results.

### *3.1 Characteristics of the Respondents*

Sixty nine percent of the respondents were males. This is not very different from the total population of male students of the university during the 2010/2011 academic year. The university's population consists of 33% female and 67% male during the 2010/2011 academic year, according to statistics from the Data Processing Unit of the University. Majority of the respondents (78%) were between 20 years and 30 years. Only 12% were above 35 years. Undergraduate students formed the greater percentage (92%) of the respondents. At the time of the study, there were eight banks that had operated in the metropolis for more than two years. New entrants such as HFC Bank, and UT Bank were yet to have some of the respondents doing business with them. Ghana Commercial Bank had about 55% of the sample, followed by Barclays (23%) and Agricultural Development Bank (ADB) (18%). This is not surprising because Ghana Commercial Bank is the oldest bank with a branch at the campus of the university used for the study. ADB also has a branch which was opened about three years ago. Barclays operates two ATM points on the university campus.

## **4. Research findings**

### *4.1 Awareness and Preferences for Banking Products*

From Table 3, ATM was the popular innovative product that the respondents were aware of (34.6%), followed by E-Zwich (26.4%). The registration that was done during the introduction of the E-Zwich and the intensive public education made it popular. Internet and Telephone banking are yet to be popular among the respondents. It is quite surprising to note that in spite of the numerous advantages banks stand to gain from e-banking products such as internet and telephone banking, not much has been done to popularise these products. Numerous customers can be dealt with at once. They will not have to employ too many clerks and cashiers. Their administrative tasks are minimised and expenditures on forms and other bank stationery goes down, which goes a long way to improve their profitability. As far as customers are concerned, their account information is available all the time, regardless of location. They can reschedule their future payments from their bank account while sitting thousands of miles away. They can electronically transfer money from their accounts or receive money in their accounts within seconds. According to Leow (1999), telephone banking benefits customers as it provides increased convenience, expanded access and significant time saving. These are just a few advantages that both banks and customers can benefit from internet and telephone banking.

With regard to the preference for banking products, ATM was ranked as the most preferred (50%), followed by E-Zwich (30%), internet banking (10%), telephone banking and credit card in that order as presented in Table 4. Among other reasons, ATM earned such ranking because it is one of the earliest innovative banking products in Ghana. The Trust Bank was the first bank in Ghana to install ATM in 1995. Not long after, most of the major banks began their ATM networks at competitive positions (Abor, 2004). The use of ATMs by consumers brings convenience, easy access and accurate record keeping of banking transactions. According to Abor (2004), the ATM has been the most successful delivery medium for consumer banking in Ghana and customers consider it as important. E-Zwich is the brand name for the National Switch, under the new Universal Electronic Payments (UEPS) technology which would ensure that all commercial banks, rural banks and savings and loan institutions in Ghana implemented a common platform and biometric Smartcard. The E-Zwich card (popularly referred to as E-Zwich) is an electronic wallet which enables users to effect payment for goods and services at stores with Point of Sale (POS) terminals.

### *4.2 Usage of Banking Products*

It is one thing having and possessing a banking product and another thing using the product. When the respondents were asked to indicate the usage of the five products in the study, ATM was used by majority (65%) of the respondents (See Table 5). To probe further, the respondents were asked to indicate the frequency of the use of the financial products. The results are as summarized in Table 5. Again, about 68% of the respondents who used ATM, used it frequently. E – Zwich was not used often by the respondents.

About 76% used ATM within two weeks before the study and 14% also used E – Zwich. Each of the following; internet banking, telephone banking and credit card were used by less than 5% of the respondents and within two weeks before the survey.

### *4.3 Drivers of Banking Product Usage*

The various features of banking products used by the respondents in usage decisions were convenient, reliable, secured, flexible, time saving and ease of usage. In all cases, the respondents (80%) considered each of them as important as depicted in Table 8.

#### 4.4 Views about Banking Products

Table 9 and Table 10 throw more light on the respondents' assessment of the banking products against the attributes. About 77% found these products very convenient. Reliability was rated by 56.6%; secured banking was 70% and checking of statement regularly was by 72%.

The Table 11 shows the t – test analysis among gender, age, preference and usage. It shows that there is no significant difference between preference and gender. However, there is significant difference between usage and gender. The mean preference was slightly higher for female (15.0568) than male (14.7100) and the standard deviation was however slightly lower for female (1.72447) than male (1.74676).

As shown in Table 12, there were neither significant difference between preference and age or usage and age of the respondents. As we observed in Table 2, most of the respondents were between 20 and 30 years.

We also explored the relationship among age, gender, preference and usage of financial innovative products. The results as summarized in table 13 revealed that there is significant relationship between age and gender and gender and usage.

#### 5. Conclusion

The financial sector reforms have seen the proliferation of banks in Ghana. The force of technology has led to the introduction of innovations in banking products. This study has revealed that there is general awareness of innovative banking products among university students. ATM and E-Zwich were the most popular innovative products. The drivers of innovative banking products include convenience, reliability, security and ease of use. The respondents had favourable opinion about the banking products. Banks in Ghana can continue with the development of new products that are targeted at young people. Also, intensive public education will be needed to inform the populace about the benefits of innovative banking products.

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Table 1. Product Characteristics that Influence Diffusion

Characteristics	Definition
Relative advantage	The degree to which potential customers perceive a new product as superior to existing substitutes
Compatibility	The degree to which potential consumers feel a new product is consistent with their present needs, values, and practices
Complexity	The degree to which a new product is difficult to understand or use
Trialability	The degree to which a new product is capable of being tried on a limited basis
Observability	The degree to which a product's benefits or attributes can be observed, imagined, or described to potential customers

Source: Schiffman & Kanuk, 2009

Table 2. Background of Respondents

	Frequency	Percentage
<i>Age</i>		
20-25 years	152	52.8
26-30 years	73	25.3
31-35 years	27	9.4
36-40 years	18	6.3
Over 40 years	18	6.3
<b>Total</b>	<b>288</b>	<b>100.0</b>
<i>Gender</i>		
Male	200	69.4
Female	88	30.6
<b>Total</b>	<b>288</b>	<b>100.0</b>
<i>Educational Status</i>		
Undergraduate	266	92.0
Postgraduate	22	8.0
<b>Total</b>	<b>288</b>	<b>100.0</b>
<i>Banks</i>		
Ghana Commercial Bank	159	41.8
SG-SSB Ltd	22	5.8
Agricultural Development Bank	52	13.7
Barclays Bank Ltd	67	17.6
Prudential Bank	19	5.0
Zenith Bank	51	13.4
National Investment Bank	6	1.6
Other Banks	4	1.1
<b>Total</b>	<b>380</b>	<b>100.0</b>

Source: Field Survey, 2011

Table 3. Awareness of Banking Products

	Frequency	Percentage
ATM	272	34.6
Internet Banking	109	13.9
Telephone Banking	82	10.5
Credit card	115	14.6
E-zwich	207	26.4
<b>Total</b>	<b>785</b>	<b>100.0</b>

Source: Field Survey, 2011

Table 4. Preference for Banking Products

	Frequency	Percentage	Rank
ATM	140	50.0	1 <sup>st</sup>
E-zwich	84	30.0	2 <sup>nd</sup>
Internet Banking	28	10.0	3 <sup>rd</sup>
Telephone Banking	17	6.1	4 <sup>th</sup>
Credit card	11	3.9	5 <sup>th</sup>
<b>Total</b>	<b>280</b>	<b>100.0</b>	

Source: Field Survey, 2011

Table 5. Usage of Banking Products

Products	Frequency	Percentage
ATM	257	64.6
Internet Banking	17	4.3
Telephone Banking	14	3.5
Credit card	12	3.0
E-zwich	98	24.6
<b>Total</b>	<b>398</b>	<b>100.0</b>

Source: Field Survey, 2011

Table 6. Frequency of Usage of Banking Products; N=288

Usage	Response (In Percent)					
	NVO	NO	O	VO	Mean	SD
ATM	16.0	16.0	25.7	42.4	2.9	1.1
Internet Banking	90.3	5.2	3.5	1.0	1.2	0.5
Telephone Banking	89.2	4.9	4.9	1.0	1.2	0.6
Credit card	92.7	5.2	0.7	1.4	1.1	0.4
E-zwich	72.6	11.1	10.8	5.6	1.5	0.9

Key: NVO—Not very often; NO—Not often; O—Often; VO—Very often

Scale (Mean) 0 – 2.5 = Low; 2.51 – 3.5 = Average and 3.51 and above = High

Source: Field Survey, 2011

Table 7. Usage of financial products within the past two weeks

Product	Frequency	Percentage
ATM	221	75.7
Internet Banking	13	4.5
Telephone Banking	10	3.4
Credit card	7	2.4
E-zwich	41	14.0
<b>Total</b>	<b>292</b>	<b>100.0</b>

Source: Field Survey, 2011

Table 8. Drivers of financial product usage; N=288

<i>Features</i>	Response (In Percent)					
	NAI	SI	I	VI	Mean	SD
Convenience	4.5	4.9	23.3	67.4	3.5	0.8
Reliability	5.9	13.5	17.0	63.5	3.4	0.9
Security	3.8	6.3	21.2	68.8	3.5	0.7
Flexibility	5.2	11.1	26.4	57.3	3.4	0.9
Time saving	2.8	3.8	17.4	76.0	3.7	0.7
Ease of use	4.2	4.2	19.4	70.5	3.6	0.8

Key: NAI—Not all important; SI—Somewhat important; I—Important; VI—Very important

Scale (mean) 0 – 2.5 = low; 2.51 – 3.5 = Average and 3.51 and above = High

Source: Field Survey, 2011

Table 9. Respondents Opinion about Banking Products; N=288

<i>Statements</i>	Response (In Percent)						
	SD	D	NAD	A	SA	Mean	SD
Banking innovative products are very convenient.	5.6	8.7	9.7	53.8	22.2	3.8	1.1
Banking innovative products are reliable	6.3	18.4	18.8	47.9	8.7	3.3	1.1
There is a lot of flexibility in using banking innovative products	5.2	12.8	20.5	49.0	12.5	3.5	1.0
Banking innovative products reduce transaction costs	10.1	19.8	15.3	45.1	9.7	3.2	1.2
I use innovative products to avoid long queues in the bank.	3.8	4.2	8.0	41.3	42.7	4.1	1.0
I can check my transaction details and statement regularly	6.3	12.2	7.6	49.7	24.3	3.7	1.1
It is more secured banking with innovative products	3.8	10.1	16.0	52.1	18.1	3.7	1.0

Key: SD—Strongly disagree; D—Disagree; NAD—Neither Agree nor disagree; A—Agree; SA—Strongly agree scale (mean) 0 – 2.5 = low; 2.51 – 3.5 = Average and 3.51 and above = High

Source: Field Survey, 2011

Table 10. Feelings toward Banking Innovative Products; N=288

<i>Product</i>	Response (In Percent)					Mean	SD
	VMD	DU	LU	VMLU			
ATM	2.1	1.7	43.8	52.4	3.5	0.6	
Internet Banking	6.9	18.1	69.4	5.6	2.7	0.7	
Telephone Banking	10.4	74.7	10.8	4.2	2.1	0.6	
Credit card	10.4	74.7	10.8	4.2	1.5	0.9	
E-zwich	7.6	10.8	31.3	50.3	3.2	0.9	

Key: VMD—Very much dislike; DU—Dislike usage; LU—Like usage; VMLU—Very much like usage scale (mean) 0 – 2.5 = low; 2.51 – 3.5 = Average and 3.51 and above = High

Source: Field Survey, 2011

Table 11. Independent t-test Analysis among Gender, Age Range, Preference and Usage

Variables	Gender	Mean	Std. Dev.	t	df	p-value
Preference	Male	14.7100	1.74676	-1.558	286	.120
	Female	15.0568	1.72446			
Usage	Male	8.5350	.70088	-2.996	286	.003*
	Female	8.7955	.62806			

\*p < 0.05 (significant difference exist); N=288

Source: Field Survey, 2011

Table 12. Independent t-test analysis among gender, age range, preference and usage

Variables	Age range	Mean	Std. Dev.	t	df	p-value
Preference	≤ 35 years	14.8446	1.79660	.749	285	.454
	> 35 years	14.6111	1.35810			
Usage	≤ 35 years	8.6016	.66980	-.648	41.933	.521
	> 35 years	8.6944	.82183			

\*p < 0.05 (significant difference exist); N=288

Source: Field Survey, 2011

Table 13. Relationship among Age Range, Gender, Preference and Usage of Financial Products

	Age range	Gender	Preference	Usage
Age range	1			
Gender	-.160(**)	1		
Preference	-.016	.092	1	
Usage	.036	.174(**)	-.027	1
Mean	1.8785	1.3056	14.8160	8.6146
Std. Dev.	1.19340	.46144	1.74433	.68893

\*\*Correlation is significant at the 0.01 level (2-tailed); N=288

Source: Field Survey, 2011