

Impact of Banking Services, Digital Transformation, and Covid-19 Pandemic on Customer Satisfaction and Loyalty in EEC, Thailand

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Abstract

A questionnaire survey of 512 people in the Eastern Economic Corridor (EEC) revealed that convenience had the largest impact on customer satisfaction and loyalty, followed by service quality, price and fairness, and digital transformation. At the same time, in-depth interviews were conducted with 10 bank employees and 10 bank customers. This paper will focus on qualitative research. The in-depth interviews also supported the statistical findings of the qualitative study. Bank users prefer using bank branches near their homes or workplaces, value the professionalism and kindness of bank staff, and prioritize trustworthiness in selecting their primary bank. They also think online banking is very useful because the service charge is free, while some users thought that the banks could offer more attractive interest rates and service fees. It was also confirmed that Covid-19 pandemic had accelerated online banking use and reduced branch visits. Cybercrime has emerged as a significant issue, with some users still expressing concerns despite guidance from authorities. The future of Thai banks may see a rise in online and cashless payments, leading to fewer branches and intensified price competition with the entry of new players. Bank users intend to use online banking more frequently in the future.

Keywords: Covid-19 Pandemic, Service Quality, Convenience, Price Fairness, Digital Transformation

Introduction

The banking industry in Thailand was reorganized as a result of the Asian economic crisis in 1997 and the global economic crisis in 2007, and it is strictly controlled under the supervision of the Bank of Thailand (BOT). Following these two economic crises, Thai banks were able to develop sustainably and increase their branch offices and employees. Despite government policies aimed at strengthening market competitiveness, neither foreign banks nor local companies invested significantly in the financial market. As of September 2021, there are 18 commercial banks, 11 foreign banks, and 2 financial companies conducting banking operations.

The introduction of ATMs and the use of debit cards and/or smartphones, along with technological innovation, has enabled us to withdraw and transfer money 24 hours a day, 7 days a week. More and more Thai people are currently buying and/or paying with QR code scanning at hypermarkets, department stores, convenience stores, or flea markets. The number of branch offices increased to acquire new customers until 2015. However, Thai banks faced pressure to improve operational efficiency and began to close branch offices that only a few customers visited. The total number of branch offices in Thailand decreased from 7,061 in 2015 to 5,497 in May 2022. Approximately 50% of the total expenses of Thai commercial banks are personnel costs, and 20% are charges related to buildings and/or equipment. Therefore, Thai banks may continue to reduce bank employees and branches by promoting Digital Transformation.

The first Covid-19 infection of a Thai person was reported on January 13, 2020. As of November 12, 2023, 4,759,106 people have been infected and 34,490 have died. Curfews were enforced twice, from April to June 2020 and in April 2021. Branch offices in shopping centers were closed, while those outside shopping centers operated with reduced hours. Due to social distancing measures, the number of customers allowed inside bank buildings was limited, leading to some customers waiting outside. Thai banks encouraged their customers to use online banking and ATMs, and some employees to work from home using laptops and mobile phones. The Russia-Ukraine war, which began on February 24, 2022, not only raised the prices of natural gas, oil, electricity, and grains but also caused inflation in various consumer goods worldwide. The Thai government lifted the "state of emergency" across Thailand and the entry restrictions for foreigners on October 1, 2022. From February 2022 to June 2023, the FOMC

progressively raised the policy interest rate from 0.25% to 5.50%. This sharp rise led to the bankruptcy of four American and Swiss banks in March and April 2023, but Thai banks were not affected. Thai banks have continued to grow steadily. Thairath January 20, 2024, reported that the net profits of 8 Thai commercial banks in 2023 increased by 19% to reach 189.958 billion baht. Looking to the future, GAFAM are entering the financial industry, and Web 3.0 or decentralized autonomous organizations (DAO) are being accepted by American and European societies. The banking industry is entering a new era as new players change the financial sector.

Objectives

A questionnaire survey has already been conducted to investigate the correlation between service quality, digital transformation, convenience, price, fairness, pandemic factors, and customer satisfaction and loyalty. One of the objectives of this qualitative study was to confirm if the quantitative survey results were consistent with the spontaneous ideas or opinions of the interviewees and to explore in-depth what existed behind or supplemented the survey results through in-depth interviews with 10 banking experts and 10 bank customers.

The other objective was to gather and summarize a wide range of opinions from experts and customers regarding the changes and future of the Thai banking industry. This included discussions on topics such as the rise of cybercrime, which was not considered a major issue at the time of the questionnaire survey, digital transformation, rationalization, operational efficiency improvements, and the new entry of online banks (or virtual banks).

Literature Review

Service Quality

Many scholars have conducted numerous studies on service quality. They are mainly categorized into the Nordic schools, represented by Grönroos (1998) and American schools, Parasuraman et al. (1985), and their successors. The American schools classify it into five constructs: tangibles, reliability, responsiveness, assurance, and empathy. While SERVQUAL was initially applied as a questionnaire for a wide range of services, several bank-specific scales were developed to evaluate bank service quality, such as BANKSERV (Avkiran, 1994), BANKPERF (Renganathan et al., 2012), and Banking Service Quality (BSQ) (Bahia & Nantel, 2000). There has also been extensive research into the service quality of Internet banking.

Service Convenience

Schindler and Bauer (1988) proposed the Time, Space, Effort (TSE) three-dimensional model. Convenience is related to the time it takes to get to the branch from your house or office, the waiting time inside the branch office, the distance (or space) from your house or office to the branch, and the mental or physical energy (or effort) required to buy a product or service. For example, if a branch is close to our house or office, we can reduce the time it takes to get to the branch, making it feel convenient. Seiders et al. (2007) categorize five factors (decision convenience, access convenience, benefit convenience, transaction convenience, and post-benefit convenience) based on the process of purchasing products and services and inquiring or claiming after purchase.

Price and Fairness

Bahia and Nantel (2000) asserted that SERVQUAL ignored Price and Access (or Place) in the Marketing Mix of Kotler (1964) and created the Bank Service Quality (BSQ) model by adding price and access. Later, Kaura (2015) developed this model into a model with service convenience, perceived price, and service quality as antecedent variables for customer satisfaction and conducted a quantitative study. Price and fairness can be broadly divided into two categories: price pertaining to deposit interest rate, interest rate, and bank service charges, and fairness concerning price transparency and the notification of new service prices.

Digital Transformation

The development of banking services has been deeply influenced by digital transformation. In the 1980s, Automatic Teller Machines (ATMs) became ubiquitous, allowing us to withdraw cash 24 hours a day. Internet banking was introduced in the 2000s, enabling money transfers from anywhere at any time. Several scales for evaluating electronic banking service quality, such as E-S-QUAL (Parasuraman et al. 2005) and eBankQual (Jayawardhena, 2007), were developed, and Kumbhar (2011) refined and retested eBankQual. (UI Haq & Awan, 2020) identified reliability, privacy and security, website design, customer service, and support as antecedents of customer satisfaction and loyalty.

Pandemic Factor

Due to the Covid-19 pandemic, the Thai government urged people to avoid going outdoors from April to June 2020 and in April 2021. As a result, bank branch offices in shopping centers were closed, and branch offices in towns were opened with shorter business hours.

Consequently, Thais were forced to use online banking, whether they liked it or not. Our quantitative survey in early 2023 revealed that Thai bank customers used online banking more and reduced their visits to bank branches.

Methodology

In this paper, the results of the in-depth interviews with 10 bank experts and 10 bank users were recorded and analyzed. These interviews were conducted from July to December 2023 to complement and analyze more deeply several themes that emerged based on the results of the questionnaire survey conducted at EEC in early 2023. Therefore, we will proceed by describing the results of the questionnaire survey.

The outcome of the questionnaire research

The questionnaire survey to the bank customers in the Eastern Economic Corridor (EEC) covering Chachoengsao, Chonburi, and Rayong provinces was conducted when the pandemic was subsidized at the beginning of 2023. The purpose of this survey is if the bank services including service quality, convenience, price, digitalization and pandemic factors have any impact on customer satisfaction and loyalty. 561 questionnaires were collected and 512 were used after excluding the missing data or highly biased responses. The results were as follows:

Convenience has the most significant impact factor on customer satisfaction at 0.298, followed by service quality (0.264), price and fairness (0.208), and digitalization (0.136). Pandemic factor is, however, not statistically significant in the multi-correlational model. However, in the simple correlation factor analysis, Pandemic factor shows a positive correlation of 0.418 with customer satisfaction even though it is weaker than other factors. Furthermore, the five antecedent variables showed similar results to customer loyalty, although the factor loading is slightly different as stated in Figure 1.

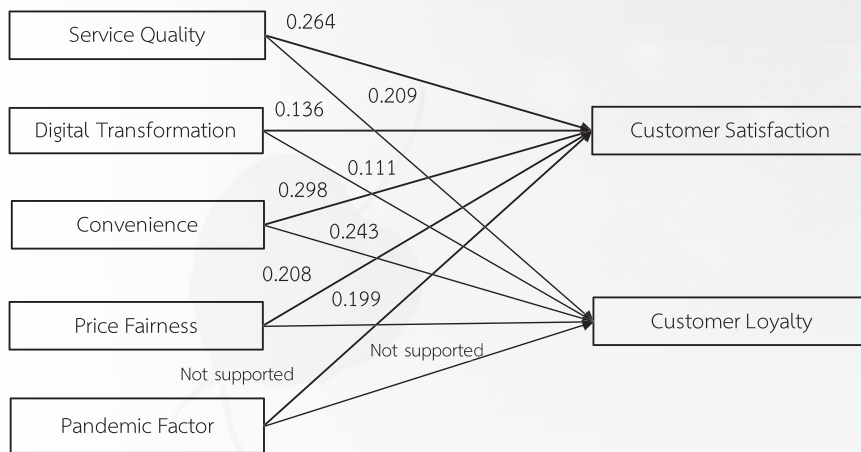


Figure 1 Service Factors, Pandemic Factors, Customer Satisfaction and Customer Loyalty Model

When analyzing the mean value, standard deviation, skewness, and kurtosis of each construct, the mean value of the 5 antecedents was 4.136, and the one of Price (PRI, PR2, PR3) was 3.544, which was the lowest score (see Figure 2). Conversely, the mean value for digitalization was the highest at 4.610. Regarding price, approximately 12% selected 1 or 2 points (strongly or relatively disagree), and regarding digital transformation, approximately 93% selected 4 or 5 points (relatively or strongly agree). For this reason, questionnaire respondents gave the lowest evaluations of prices set by banks, while digital transformation received the highest evaluations from them. These points were added to the list of questions to be asked in in-depth interviews with 10 bank experts and 10 bank users.

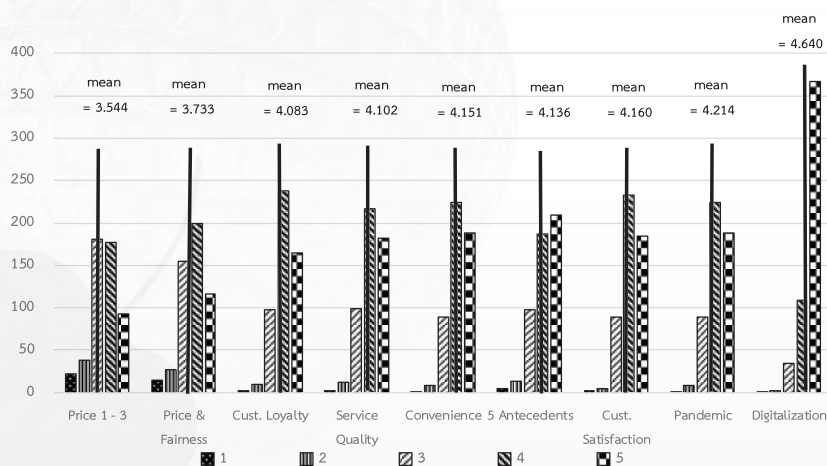


Figure 2 Means and Distribution of Scores of 7 Constructs

Qualitative Research Methodology

In-depth face-to-face interviews were conducted with 10 bank employees and 10 bank customers to explore and elicit the spontaneous ideas of the interviewees (Kavale & Forness, 1996, Denzin & Lincoln, 2002; Patton, 2002). The survey has two main concrete purposes. The first is to confirm whether the quantitative survey results align with the perceptions of bank employees and/or bank customers and to uncover the reasons underlying the survey results. The second purpose is to gather the insights of Thai banking experts and/or bank users regarding the future direction of the changing Thai banks.

We called or directly contacted the interviewees to explain the purpose of the interviews and confirmed their acceptance in advance. The times and locations of the interviews were fixed, and the question lists were sent in advance. The interviews lasted approximately 1 hour and were digitally recorded with their permission. Semi-structured interviews were conducted, and the data obtained were coded and analyzed using supporting documentation obtained throughout the various study stages.

In-depth interviews with 10 bank experts

Characteristics of Interviewees

The interviewees were selected to ensure variation in age, professional experience, position, academic background, and other relevant factors. Bank employees with less than five years of work experience were excluded due to insufficient business knowledge or experience. Ultimately, face-to-face interviews were held with 10 bankers with professional experience ranging from 5 years to over 30 years, representing various positions: 2 senior counter clerks, 3 assistant managers, 1 customer relationship manager, 3 branch managers, and 1 director for Chonburi Province.

Table 1 Characteristics of Bank Experts

| Interviewee | Position | Age | Work Experience |
|-------------|-----------------------------------|--------|-----------------|
| | | (year) | (year) |
| BE1 | Assistant manager | 33 | 10 |
| BE2 | Assistant Vice-President | 37 | 13 |
| BE3 | Deputy Business Network Executive | 39 | 15 |
| BE4 | Manager Chonburi Branch | 50 | 28 |
| BE5 | Senior Customer Service Officer | 30 | 5 |
| BE6 | Senior Customer Service Officer | 29 | 5 |
| BE7 | Director Chonburi Province | 55 | 33 |
| BE8 | Manager Chonburi Branch | 54 | 31 |
| BE9 | Relationship Team Manger | 45 | 11 |
| BE10 | Branch Manager | 40 | 11 |

Questions to 10 bank experts

The 10 bank experts were asked the following 8 questions:

1. Is service convenience the factor that has the most impact on customer satisfaction?
2. Why did digital transformation receive the highest rating from bank customers?
3. Why did the price receive the lowest rating from the bank customers?
4. Did the number of customers visiting branches decrease?
5. What are your special experiences at a branch office during the Covid-19 pandemic?
6. What do you think about the current trend in which Thai banks are reducing staff and branch offices to improve operational efficiency?
7. What do you think about the virtual banks that BOT will allow to establish in the future?
8. How do you think the Thai banking industry will change in the future?

In-depth Interviews with 10 bank users

10 bank users were selected with different ages or generations from 20 years to 63 years old and with diverse social backgrounds including a student, a room cleaner, 2 office workers, a teacher, a sales manager, a food company GM and 3 shop owners.

Table 2 Characteristics of Bank Users

| Interviewee | Position | Age (year) | Account holding (year) | No. of Account |
|-------------|---|---------------|---------------------------|----------------|
| BU1 | Condominium Mangement Staff | 32 | 15 | Several |
| BU2 | Lawyer and Condominium Management Staff | 32 | 13 | Several |
| BU3 | Owner of Bar Restaurant | 51 | 15 | 6 |
| BU4 | Insurance Company Sales Manager | 45 | 25 | 4 |
| BU5 | Thai language Teacher to Japanese | 50 | 30 | 5 |
| BU6 | Owner of an Optical Shop | 44 | 20 | 2 |
| BU7 | Cleaner | 60 | 5 | 1 |
| BU8 | University student | 21 | 10 | 1 |
| BU9 | General Manager from a large food company | 51 | 20 | 4 |
| BU10 | Owner of Pharmacy in Pattaya | 63 | 40 | 5 |

Questions to 10 bank users

The 10 bank users were asked the following 11 questions:

1. Why did you select this bank as your main bank?
2. What are the important factors?
3. Is service convenience an important factor in selecting a main bank?
4. What do you think of the price (deposit interest rate, loan interest rate, and bank commission)?
5. Is service quality important?
6. Is online banking useful?
7. Are you interested in virtual banks? Will you use a virtual bank service?
8. Do you use online banking more frequently than before the Covid-19 pandemic?
9. Thai banks are required to improve operational efficiency and return the gains to the customers. What do you think?
10. Are you worried about cybercrimes?
11. How do you think Thai banks will change in the future?

Results

In-depth interviews with 10 bank experts

Convenience

All the interviewed bankers, as per quantitative research shows, unanimously agreed

that convenience is the most influential factor on customer satisfaction as BE2 said *"Convenience is the fundamental factor that precedes other factors such as service quality, price, or information technology."*

Furthermore, BE4 comments on the locational proximity of the banks as follows:

"Banks need to be located near the customers because most of them prefer to use banks close to their houses." (BE4)

Bank employees can contribute by reducing customers' waiting times. Four banking experts (BE3, BE4, BE5, and BE6) commented that efforts have been made to minimize customer waiting times at branches. BE4 says, *"Our bank tries to do quick services to make customers feel useful and/or convenient."*

Digital Transformation

The questionnaire respondents gave the highest score to digital transformation, with a rating of 4.506, while the means of the 5 antecedent variables is 4.108. Bank experts think that free online transaction fees may have given the highest score from the subconscious mind of the bank customers as follows:

"Now online transactions are the most important for customers and they do not need to come to bank branches anymore. I guess that no online transaction charges might make the customer give the highest score on the questionnaire." (BE1)

Price and Fairness

The questionnaire results revealed that the respondents gave the lowest score to price, with a rating of 3.563. Bank experts recognized that price is *"an important factor for customers' choice"* (BE4), that *"some customers tend to be price-oriented"* (BE2), and that *"banks are always involved in price competition"* (BE3). However, some bank experts pointed out that there is not much difference in banking fees and interest rates, and that price competition is relatively weak.

"All Thai banks apply almost the same bank charges and there is no competition in service charges or loan interest rates among Thai banks." (BE1)

Covid-19 Pandemic

Qualitative research revealed that questionnaire respondents rated the increase in using online banking after the Covid-19 outbreak at 4.543 and the reduction in visiting branch offices at 4.367. Although all bank employees reported a decrease in the number of customers visiting the branches, there were significant differences in the numbers. Some bankers

commented that the number of visiting customers decreased by 30%-50% (BE2 and BE5), while at some branches, the number of visitors dropped dramatically. Below are comments from eight banking experts:

“Approximately 200 persons visited our branch per day before covid-19 but only 50 persons now visit. As a result, the number of employees at our branch was reduced from 12-13 persons to 6-7 persons.”

“Before there were the customers who visited our branch to withdraw 200 baht but we now do not see them.”

Personal experience in the pandemic period

From April to June 2020 and in April 2021, the branch offices in the shopping mall were closed, and the bank employees in the shopping center were temporarily relocated to the branch in the town. The operating hours of the branch in the town were reduced. All bank employees inside the branch wore hygienic masks and maintained social distancing from customers and were required to wash their hands with soap frequently. All employees were provided with cell phones, tablets, and laptop computers, and some employees were allowed to work from home several days a week, with internal and customer meetings conducted online. The followings are the experiences of bank experts:

“Our branch in the shopping mall was closed 3 months and we were transferred to the other branches outside the shopping mall.” (BE4)

“Within the branch, everybody should wear a mask, social distance was kept to customers, and the bankers were urged to wash hands with soap frequently.” (BE6)

“Mobile phones, tablets and personal computers were given to all bank employees, some employees were working from home some days per week, and internal meetings and meetings with customers were held online.” (BE7)

On the other hand, the relationship between banks and customers is changing. Previously bank employees simply waited for customers at a branch office and customers visited them regularly. However, after the pandemic, they visit the banks less frequently and some bank employees are worried that their customers may have switched to other banks. Consequently, bankers are now regularly visiting important customers as the following remarks:

“Customers used to visit the branch frequently, but now bank colleagues call and visit them. Some bankers are afraid their customers are using competitors’ services because communication with them is reduced” (BE8).

And BE10 says, *“Before bank employees were only waiting for the customers’ visit at the branch offices, but we are actively visiting the customers outside the offices.”* (BE10)

Operation efficiency improvement and reduction of personnel and branch offices

Reduction in human resources was achieved through the suspension of new employment and the reduction of staff through retirement or voluntary resignation. Additionally, counter operations are being replaced with online banking, and some counter employees are being reassigned to sales staff as BE3 comments:

“Thai banks are now reducing the number of bankers and branch offices to improve efficiency and our bank is not the exception. Some bank clerks are being transferred as sales forces.”

The situation regarding rationalization may vary and depend on the size of the bank. The four major banks are now moving forward. However, small and medium-sized banks, which only have branches in large cities, are not proceeding rapidly with rationalization:

“Major banks might have closed some branches, but our bank, (one of the medium-sized banks), decided to keep all employees and branches.” (BE2)

Online Bank (or Virtual Bank)

Thai people call an online bank “a virtual bank”. An online bank is the bank that does not have any physical branch or any bank clerk but the users can conduct all banking transactions solely through online channels. Online banks operate in Europe, America, Japan, and some Asian countries, but there are currently no online banks in Thailand. The Bank of Thailand (BOT) will probably approve three online banks in 2024, and they will commence operations in 2025. The advantage is that online banks can offer lower operational charges and more attractive interest rates than regular banks due to lower operating costs. The disadvantage is that bank customers cannot directly contact bank employees at a branch office and they must solve problems by referring to the website, manual, or by talking with a call center operator.

If online banks are established, some bank experts expect price competition will be intensified as BE3 guesses *“the online bank will provide cheaper service fees and better interest rates.”* And BE8 says *“The competition in the Thai banking industry will increase in the future.”*

On the other hand, some bank experts believe that it will take time for online banks to gain popularity among Thais because of their characteristics as BE2 comments as *“The Thai like easy and convenient way and will not be able to change their style soon. It may take time to penetrate (online banks) into the Thai market.”* Furthermore, BE4 think that online banks will also face the same cybercrime problems that regular commercial banks currently face.

Thai Banking Industry in the Future

Many bank experts think that the decrease of branch offices will continue in the future. BE4 explained the mechanism of reduction in branch offices and bank employees as follows:

“Customers increasingly use online banking and reduce visiting branches. As a result, the branches that fewer customers will visit will be closed, and the employees will be transferred to other branches or quit their jobs voluntarily.”

“The environment will change rapidly” (BE7) and *“the competition will be intensified”* (BE8), and Thai banks will be required to *“improve efficiency and flexibility and adapt themselves to the changing environment.”* (BE8)

In-depth interviews with 10 bank users

Bank account of 10 bank users

Out of the 10 individuals interviewed, excluding a university student and a cleaner, 8 have several bank accounts but primarily use one or two of them.

Eight out of the 10 interviewees opened their accounts at a bank near their home, office, or place of business. BU6 continues to use his previous bank account from his former shop, and BU8 opened a bank account in her hometown but uses a branch near her current residence. This indicates that banks are conveniently located within our daily life zones and play a crucial role in supporting the local economy.

Convenience

The interviews with 10 bank customers support the findings of the questionnaire survey, indicating that convenience is the most important factor. This is evident as all of them use branches near their houses, shops, or workplaces, making access to banks easy.

Short waiting times inside the branch are also significant, with customers like BU4 and BU10 expressing, *“I do not want to wait for a long time at a branch office”*.

BU2, BU6, BU7, and BU8 told the convenience of using online banking *“reduced our need to visit a branch office and wait in a queue inside a branch office”*.

Service Quality

Most of the interviewees believe that service quality, including hospitality, kindness, courtesy, and the product knowledge of bankers, as well as the reputation and trustworthiness of the banks, are important factors in choosing a bank, following convenience. For example, BU6 mentioned, *“The bank employees are kind and helpful to clients,”* and BU7 stated *“Bank*

staff are very kind and have helped me a lot."

Bank User 4 chooses their primary bank based on tangibility. In comparison to the four largest banks, this mid-sized bank has a more spacious interior and wider counter spaces between customers. While most banks do not have partitions between customers, the bank selected by Bank User 4 has partitions in place. In Japan, most counters are surrounded by partitions to prevent conversation from being overheard by other customers.

Price and Fairness

In the quantitative research, around 12% of questionnaire respondents gave a rating of 1 or 2, with an average score of 3.563, and price was rated the lowest among the 5 independent variables. 6 interviewees (BU1, BU2, BU4, BU6, BU8, and BU9) were not satisfied with the bank prices, while four (BU3, BU5, BU7, and BU10) thought the prices were appropriate as below:

"The deposit interest rate is low, the loan interest rate is high and the banking charges are high. The banks should offer more attractive prices." (BU1)

"I think the service charges are reasonable. I used the service for a long time and do not have any problem." (BU3)

Some think the price is high while the others think it appropriate. This fact may be consistent with the statistical outcome of the quantitative survey. Interestingly, a BOT spokesperson implied the price competition in the Thai banking industry was relatively moderate.

"The Objectives to establish (virtual banks) may help create appropriate competition in the financial institution system." (Thairath June 20, 2023)

Digital Transformation

In the questionnaire survey, digital transformation received the highest rating from customers, with an average score of 4.506, and 73% of respondents chose a rating of 5. Some bankers (BE1, BE6, and BE9) believe that the high customer rating may be attributed to the fact that online banking charges are free. In terms of online banking applications, none of the 10 interviewees indicated that online banking was difficult. Both BU5 and BU8 pointed out that they used online banking because the charges were free as BU5 says. BU8, a university student, does not carry cash and pays for everything online. Conversely, BU4 uses the counter for payments of large amounts, such as insurance premiums, because he needs to keep receipts as evidence. Face authentication is now required for remittances of 50,000 baht or

more, but BU9 pointed out that the face scan should be improved and said, *"I scan my face, but sometimes I cannot pass through the system."*

Frequency of visiting banks and the impact of the Covid-19 pandemic

The in-depth interviews support the outcome of the quantitative survey. 9 interviewees testified that they increased to use online banking and reduced visiting branch offices.

"Before Covid-19 pandemic, I used online banking 3-4 times per month for utility charges but when Covid-19 spread I used more online banking." (BU9)

Three shop owners, BU3, BU6 and BU10, stated that more customers pay them online. As a result, they now bring cash to the branches less frequently.

"Before 90% of clients paid to us one cash but now only 20% pay to us on cash." (BU6)

Bank operation efficiency and benefit to customers

All bank customers are generally in favor of making banks more efficient. Four interviewees replied that the benefit of efficiency improvement should be returned to bank customers by lowering bank fees and offering more attractive interest rates.

"I hope the Thai banks improve efficiency and reduce service charges and offer more attractive interest rates to the customers." (BU1)

Online Bank (or Virtual Bank)

Since all bankers were familiar with online banks, I assumed that some of the customers were as well. However, I realized that no interviewees understood what an online bank was. Nevertheless, the researcher took the time to carefully explain the main points to all of the interviewees and confirmed that they understood.

As a result, 4 interviewees expressed interest in online banks, while the other 4 stated that they would not open an account with online banks. Two individuals indicated that they would monitor the progress in the future before deciding whether to open an account. Interestingly, three self-employed shop owners either expressed interest in online banking or were considering adapting to the changes of the new era, as evidenced by the following comments:

"I am interested in virtual banks and will open an account." (BU3)

"If I use in the future, I have to adapt myself (to the system)." (BU6)

"I am interested in a virtual bank and want to see the progress in the future." (BU10)

Cybercrime

In response to the increase in cybercrime, Bank of Thailand (BOT) and Thai banks have urged caution among Thai people and implemented preventative measures. Since October 2023, the maximum daily remittance amount has been limited to less than 50,000 baht, and those wishing to remit more than 50,000 baht are required to register for face authentication with their banks in advance. Additionally, cybercrimes have been rampant, and many interviewees have reported receiving phone calls from cybercriminals. However, BOT and Thai banks have been explaining the techniques used by cybercriminals and have emphasized that bank users may not fall victim to these scams under normal circumstances.

“A cybercriminal called me and recommended to apply (for a membership), asked my address to send me a parcel but I refused. Because I know well the techniques of a cybercriminal and am not scared.” (BU3)

One of the interviewees, however, fell victim to cybercrime and had some amounts withdrawn from the savings account. After several hours of investigation, the bank compensated him for the loss. Five interviewees were not concerned about cybercrimes, but three stated that they were still worried.

Future of Thai banks

Many interviewees believe that the business environment surrounding the banking industry will become tougher and anticipate a decrease in the number of bank employees and branches in the future. The main reasons cited by the interviewees are *“Competition will intensify”* (BU4) and People *“will use online banking more”* (BU6 and BU8) and *“cashless payments will increase”* (BU1 and BU3). Nevertheless, *“improvement of operation efficiency”* and *“intensification of competition”* (BU4) *“will bring more benefit for the bank users”* (BU5).

Conclusion

The in-depth interviews support the statistical outcomes of the questionnaire research. Convenience has the most significant impact on customer satisfaction and loyalty, followed by service quality, price fairness, and digital transformation. All customers use bank branch offices close to their homes or workplaces, dislike long waiting times at a branch office and turn to online banking instead. Additionally, they highly value the kindness, politeness, and professional knowledge of bank clerks, and the trustworthiness of banks and select the main bank you visit most frequently.

The respondents in the questionnaire gave high ratings to online banking due to the free service charges. In contrast, Price received the lowest rating. Half of the interviewees expressed dissatisfaction with Price, suggesting that Thai banks could reduce interest rates and service charges. This is consistent with one of the reasons why the Bank of Thailand is

promoting the establishment of Virtual Banks (Thairath, March 8, 2024). However, not all bank users think the price Thai banks offer is high, but some think it is reasonable. Interestingly, three business owners stated that the bank's prices were reasonable.

The interviews with 10 bank service users also revealed that pandemic factor increased their use of online banking and reduced branch visits, supporting the quantitative survey results. All banker experts also reported that customer visits to branches have dropped dramatically since the COVID-19 outbreak.

Since the completion of the quantitative survey, cybercrime has emerged as a major social issue. It was discovered that one interviewee had fallen victim to cybercrime. Additionally, nearly all interviewees reported receiving phone calls from cybercriminals. With guidance from the BOT and Thai banks, bank users have become familiar with how to deal with cybercriminals. However, three out of ten interviewees still express concerns about the phone calls from cybercrime.

Although the BOT will approve the establishment of online banks in the future, none of the bank users interviewed by the researcher knew what online banks were. Additionally, some bank employees thought that online banks would not be widely used in Thailand.

Regarding the future of Thai banks, many bankers anticipate that online and cashless payments will become more prevalent, leading to a decrease in customer visits to branches. As a result, they expect a continued decline in the number of branches and employees. Some predict that new players will enter the market, causing intensified price competition. Meanwhile, the bank users interviewed did not have any specific opinions, other than expressing their intention to use online banking more frequently in the future.

Discussion

The results of the questionnaire survey indicated that convenience had the greatest influence on customer satisfaction and loyalty, followed by service quality. In-depth interviews with bank customers revealed that eight participants had accounts with several banks and utilized branch offices located near their residences, workplaces or shops. They also emphasized the importance of service quality when selecting a primary bank. This suggests that typical bank customers tend to have accounts with some local banks and prioritize quality service when choosing their main bank. Therefore, having numerous branches may be the initial step in acquiring new customers. Given that customers typically visit multiple banks and open several accounts, having excellent employees is also a key factor in attracting them, encouraging frequent visits, and letting customers increase transaction volume. Banks should focus on developing their employees and hiring kind and capable bankers.

Online banking has gradually become more prevalent in Thai society. During the COVID-

19 lockdown and restrictions on going out, both the Bank of Japan (BOJ) and Thai commercial banks encouraged people to use online banking services. The questionnaire survey revealed that the Covid-19 pandemic has accelerated the increase in online banking usage and the decrease in branch visits, but these findings need to be validated through in-depth interviews. 9 out of 10 bank users reported that they began or increased their usage of online banking after the Covid-19 pandemic. Additionally, all bank employees confirmed a significant decrease in the number of individuals visiting branches. The interviews corroborated the accuracy of the questionnaire results.

Regarding cybercrimes, 540,000 cases and 63 billion baht in criminal damage have been reported to the Thai police from March 1, 2022, to May 31, 2024 (Thairath June 14, 2024). BOT and Thai commercial banks have already strengthened security measures, such as setting a daily limit of 50,000 baht for online remittances and introducing facial recognition and two-factor authentication in October 2023. However, a fundamental solution to destroy cybercrime organizations through cooperation between the banking industry, police, government, and neighboring countries is needed.

Recommendation

As one of the bank experts interviewed pointed out, Convenience and Security are the most important factors that affect customer satisfaction. Research on how service convenience and safety in online banking or the risks of cybercriminals' targets affect the customer intention of use like the thesis of Pal (2020) should be done.

This survey was confined to the Eastern Economic Corridor (EEC) area, where residents typically have the highest income and education levels in Thailand. There are significant regional disparities in Thailand, with lower income and education levels generally found in the north and northeast regions. Most banks in Thailand have branches in rural areas and cater to the diverse needs, tastes, and preferences of each region. Therefore, conducting this survey in various regions across Thailand would yield more valuable information, enabling the development of an integrated policy to serve a broader customer base in the country.

In addition, while this survey primarily focuses on individual customers, corporate customers are also a crucial part of the banking sector. However, corporate customers encompass a wide range of organization sizes and industry characteristics and make it difficult to identify common factors that can be quantitatively surveyed across various companies. Nevertheless, it may be appropriate to find common underlying factors and issues by conducting interviews with corporate employers and managers.

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