



A STUDY ON SERVICE QUALITY OF ONLINE BANKING IN THANJAVUR DISTRICT

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Abstract

E-banking is a major invention that has changed the business of banking. All over the world banks are reorienting their strategies towards new opportunities offered by e-banking. The recent trend shows that most 'brick and mortar' banks are shifting from a 'product-centric' model as they develop their new e-banking capabilities. PC banking, mobile banking, ATM, electronic funds transfer, account to account transfer, paying bills online, online statements and credit cards are the services provided by banks. this study throws light on the e-banking services provided by the banks in the study area and this research study makes an attempt to analyze quality of services provided by them in online banking, attracting the various customers and how the customers are satisfied with the e-banking services provided by the banks. This study will be helpful to draw up further policy for improving customer satisfaction with e-banking practices.

Keywords: E-Banking, Services, Quality, Practices .

1.1 Introduction

Banking sector is the backbone of any financial system and economy. Commercial banks play an important role in the development of underdeveloped and developing economies by mobilization of resources and their better allocation. Today, all banks offer the same types of services and facilities to the customers. The banker who wants to compete with others has to depend more on the efficient services and coordinate relationship with his customers. The only factor that distinguishes one bank's service from the other is the "Customers' Satisfaction" relating to their services rendered by the bank. It is the most important factor that customer influences the choice of the bank. The success of banks generally depends on the customer satisfaction relating to new technological services rendered by the banks. The banking industries are mostly customer driven and their survival in competitive environment largely depends on new technological services provided by them.

Technology plays a vital role in improving the quality of services provided by the banking sectors. One of the technologies, which really brought information revolution in the society, is Internet Technology and is rightly regarded as the third wave of revolution after agricultural and industrial revolution. Advent and adoption of internet by the banking sector has removed the constraint of time, distance and communication making globe truly a small village. Financial sector being no exception, numerous factors such as competitive cost, customer service, increase in education and income level of customers etc. influence banks to evaluate their technology and assess their electronic commerce and internet banking strategies. Internet banking allows banking from anywhere, anytime and is used for transactions, payments etc. over the internet through a bank, a credit union or society's secure website. So, basically in internet banking a client has one-to-one interaction with the bank's website and in such a situation it is essential on the part of bank to provide high quality services over the internet.

So, in contrast to traditional banking, internet banking involves non-human interactions between customers and online bank information system. Customer satisfaction, customer retention and new customer acquisition are the key factors in internet banking. Providing internet banking is increasingly becoming a 'need to have' than a 'nice to have' service. Internet banking is a new delivery channel for banks in India. The internet banking channel is both an informative and transactional medium. Banks with lower market share also perceive internet banking technology as a means to increase the market share by attracting more and more customers through this new channel of delivery. However, the service quality in internet banking from customer needs thorough analysis to find out the determinants for success and growth of new channel of delivery in India so that useful guidelines for bankers can be extracted.

1.2 Online Banking Technology

Technology in Indian banking has evolved substantially from the days of back office automation to today's online, centralized and integrated solutions. Banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts. With the expansion of internet usage, Online banking has become one of the most revolutionized components of today's economic growth. Online banking is powerful value added tool to attract new customers and retain the existing ones. With the proliferation of internet and computer usage, the electronic delivery of Online banking service has become ideal for banks to meet customer expectations. Online banking is a new industry, which allows people to interact with their banking accounts via the Internet from virtually anywhere in the world. The Online banking system allows consumers to access their banking accounts, review most recent transactions,



request a current statement, transfer funds, view current bank rates and product information and reorder checks. The Online banking system can be seen as an “extension of existing banks.” Internet made e-banking trustworthy and useful.

Real time banking, 24x7 days banking, banking from anywhere, safe and secure banking, high performance and flexibility. E-Banking is using everyday advancements in technology, which makes it smart and banking system of today and tomorrow. Bank customers across the world are now more willing to bank online as they are more comfortable with internet. They also want to avoid teller lines and telephone queues. As a consequence of the popularity of the Internet, hundreds of thousands of Internet users are trying electronic banking. Internet continues to expand the convenience associated with electronic banking will attract more customers. One expectation of electronic banking is that it will replace the need for writing cheques. The electronic banking system brings the convenience of 24-hours, seven days a week, banking by offering home PCs tied directly to a bank's computers. In addition, electronic money also offers greater security than a paper-and-coin system.

1.3 E-Banking Services

Banks are investing a lot of money on web technologies and are therefore expecting numerous benefits on their investments. The intensifying competition on today's market has forced banks to seek profitable ways to differentiate themselves. The success in their customer centered businesses is to deliver high service quality. Banks have become more aware of customers needs and demands, due to the intensifying competition. Therefore the banks are seeking profitable ways to differentiate themselves and their services towards their competitors. With the basic understanding of service quality, the measurements, that can be obtained both traditionally and online within the banking industry is important to consider how well designed computer programs and web pages can obtain competitive service.

Quality can be seen as the extent to which a service meets customers needs and expectations. Most of the customers who start banking online do it because they need to pay bills frequently and would like to do it with minimum effort. Besides that, people use the internet banking to keep an eye on their money matters, view their account balance and check security payments from other parties. Information technology enabled electronic channels to perform many banking function that would traditionally be carried out over the counter the use of paper cheques has been supplemented step by step with e-cheques (electronic images) allowing banks to have more storage capacity, reduce costs, and improve customers services.

E-banking provides enormous benefits to consumers in terms of the ease and cost of transactions. Online banking helps banks to retain their existing customers, improve customer satisfaction, increase banks' market share, reduce administrative and operational cost and more importantly improve banks' competitive position. The service quality impacts on customer satisfaction will affect the financial performance of banks. Keeping existing customers as well as attracting new ones is a critical concern. Hence it is important to analyze the service qualities of e-banking services.

1.4 Scope of the study

E-banking services have started flourishing in the district in the past few years, the banking organizations have to meet the competition among the banking sector. Hence they are forced to do the various forms of e –banking services. It is very important in the point of view of the banks to have a study about the opinion and satisfaction of the customers. So the purpose of the research is to study the views of the customers in using the e-banking services. This study is conducted in selective public and private in Thanjavur district. The respondents of the study were the customers of the banks using various e-banking services. (ATM/Debit card, credit card, online banking, mobile banking and Tele banking).

Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, also it is very costly and difficult to recover a dissatisfied customer. Since the competition has grown manifold in the recent times it has become a Herculean task for organizations to build loyalty, the reason being that the customer of today is spoilt for choice. Retaining customers is a financial imperative for Indian banks, especially as attracting new customers is considerably more expensive than for comparable, traditional, bricks-and-mortar stores. Understanding how or why a sense of loyalty develops in customers remains one of the crucial management issues of the present day. In increasingly competitive markets, being able to build loyalty in consumers by increasing their satisfaction is seen as the key factor in winning market share and developing sustainable competitive advantage. Less number of studies were conducted to identify how the service quality of the banks were effectively rendered through online channels to increase customer satisfaction. Hence, this study throws light on the e-banking services provided by the banks in the study area and this research study makes an attempt to analyze quality of services provided by them in



online banking, attracting the various customers and how the customers are satisfied with the e-banking services provided by the banks. This study will be helpful to draw up further policy for improving customer satisfaction with e-banking practices.

1.5 Statement of the Problem

E-banking is a major invention that has changed the business of banking. All over the world banks are reorienting their strategies towards new opportunities offered by e-banking. The recent trend shows that most 'brick and mortar' banks are shifting from a 'product-centric' model as they develop their new e-banking capabilities. PC banking, mobile banking, ATM, electronic funds transfer, account to account transfer, paying bills online, online statements and credit cards are the services provided by banks. The growth of e-banking with the increase in the range of interface options available to access online, banking solution has resulted in a steady increase in the number of customers interacting through remote channels, to a greater extent than before. Nowadays, due to the increase in competition, customer satisfaction is considered to be the most important thing in banking services.

Customer service is the primary end of any bank. A customer always wants something and expects that the bank should come up to the level to fulfill those needs. Service quality is about meeting customers' needs and requirements, and how well the service level delivered matches customer expectations. Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers. The research discusses the opinion of the customers regarding the e-banking services provided by the selected banks and the qualities of the e-banking services in the area of reliability, responsiveness, security, easy use, accessibility and efficiency. Also the research analyses the problems faced by the customers while using the e-banking services. The research evaluates the relationship between the activities undertaken through e-banking services by the customers, the qualities of e-banking services and the problems of e-banking services.

1.6 Research Objectives

1. To examine the profile of the Customers utilizing the online financial services rendered by banks.
2. To measure level of Expectation of the Customers towards the Online Banking services.
3. To analyze the service quality dimension of the Online banking services provided by the banks.
4. To evaluate the association between customer expectation, service quality and customer satisfaction directing towards customer retention in online banking services.
5. To measure level of satisfaction of the customers towards the online banking services
6. To render suitable suggestions to refine the quality of online banking services provided by the banks.

1.7 Research Methodology

A good research work requires a clear scientific methodology because only through the application of correct methodology in selection of sampling techniques, appropriate tools of data collection etc; well-founded conclusion can be drawn on the phenomenon under consideration. A qualitative research study is undergone in the natural settings, by making sense of or interpreting phenomena in terms of the meanings people bring to them. Items include the research design, pilot study, dimension of the study, hypothesis of the study, population and sample, instrumentation, reliability and validity of the instrumentation, data-gathering procedures, and the methods of statistical analysis.

1.7.1 Dimensions of The Study

The present study takes the following dimensions for its analysis.

- Demographic factors of customers accessing Online banking services.
- Customer expectation
- Customer Perception
- Service quality of the Online banking services provided by the banks.
- Satisfaction of the Customers.
- Customer retention.

The dimensions were further split into various sub dimensions.

1.7.2 Sources of Data Used

Both types of data i.e., secondary and primary data have been used in the present study. The secondary data was collected at first from the text books, web sites, journals and other secondary sources. The primary data was collected from the sample respondents of customers utilizing banking services in Thanjavur district and was put into reliability test accordingly.

1.7.3 Population and Sampling Procedure

The Customers who are experiencing services through the selected banks are treated as the population of the study. Thanjavur district is the geographical area of the present study considering all the Taluks of the district. As the population is infinite one, the method of selecting the sample customers was in a random process who are the account holders and borrowers of the

bank for the past five year period. The research study takes up six banks, three from private sector and three from public sector. Form the large population, customers from one public or private sector bank selected for the study in each taluk considered as study area are selected based on the convenience random sampling technique.

1.7.4 Questionnaire

A structured questionnaire is constructed to get the primary data from the sample customers. It includes demography of the customers and all other dimensions of the study. It was pre tested among 100 customers and appropriate modifications were made in the questionnaire.

1.7.7 Measurement Scale

The demographic information about the sample customers are analyzed with nominal scaling, whereas Customer perception, expectation and the service quality dimensions are measured with ordinal 7 point scaling such as strongly disagree, disagree, slightly disagree, neither agree nor disagree, slightly agree, agree and strongly agree. Likewise the Customer satisfaction and retention is also measured by means of 7 point scale such as completely dissatisfied, mostly dissatisfied, somewhat dissatisfied, neither satisfied not dissatisfied, somewhat satisfied, mostly satisfied and completely satisfied.

1.7.8 Analytical Tools

Apart from the percentage analysis, the study utilizes chi square test, ANOVA, correlation analysis, multiple regression, factor analysis, Neural Network method and Tree Structured Analysis for analyzing the data.

1.8 Findings and Suggestions of the Study

To understand the e-banking services provided by the banks, six key, service quality dimensions been taken for analysis are reliability, responsiveness, security, easy use, accessibility, efficiency. The performance of electronic banking channels with respect to the service quality dimensions. The respondents were asked the latest electronic service they have used. It was revealed that more customers have adopted ATM banking than online banking, mobile banking, credit card and Tele banking. This implies that banking customers are more familiar with the ATM technology as compared to online banking, mobile banking, credit card and Tele banking. The analysis of work with different aspects of e-banking services shows the satisfaction level of the customers which can be used by banks as guide line for necessary actions leading to improvements of the quality of the e-banking services they offer. Publicizing the bank in the right area adds value to the brand. It is very important that both the public and private sector banks should come forward to promote their services in proper media source. Investment is to be done in research and unidentified customer needs and estimations at all service delivery encounters should be investigated so as to determine the key components of service quality.

The study was carried out to determine the opinions and problems of customers. This will enable the banks to understand at which point the customers cease to be satisfied with service they are receiving. The use of technology in banking enhances the service offering to the customers. The banks must increase their efficiency so as to provide more efficient services to the customers. Banks need to pay more attention in promoting the e-banking service among the customers and the general public. The banks must pay attention in increasing the quality level of the e-banking services. The banks may help the customers gain more knowledge about the e-banking services. In the research the researcher had identified that more than 90 percent of the customers are utilizing the ATM/Debit card services and the relevant problems faced by the customers regarding ATM/Debit card is the number of ATMs not sufficient, unsuitable locations of ATMs, and Technical hurdles of ATMs. The banks must take necessary steps to improve the efficiency in the service delivery hence boosts up customers' confidence. Banks need to develop their e-banking services so that their service will not be out of date, thus leading to that customer choose other e-banks which are better developed and modern. Banks need to recognize the potential of new innovation and utilize them, besides implementing new innovations it is important that banks also develop their services and to personalize even further in order to satisfy their customers. The banks have to meet the needs of customers and continuously improve their ability to do so. The banks have to be accurate, reliable, helpful and understanding to try to win customers' confidence by providing adequate security. They should also ensure good connectivity and power base that will enable them to serve customers faster and more conveniently and no time should service cease as a result of network problem.

1.9 Conclusion

The study finds that many banks' customers are fully aware of e-banking services. Most customers however still patronize the bank branches and find interaction with human tellers as very important as they got distracted with the problems (inadequate knowledge about the usage of e-banking services, lack of interest, poor network, pass word forgotten, card misplace and lack of confidence. It also finds that customers enjoying electronic banking services are still not satisfied with quality and efficiency of the services. Customers perception of and reactions to the developments of e-banking services are issues of concern to both government and banking industry. A lot need to be done to create confidence in the minds of

customers about the benefits and security of the e-banking services. There is a need for total satisfaction with regard to all the qualities of nature of e-banking services and different modes of services. A special emphasis must be given for the security which would promote customers in using e-banking services to the largest extent.

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