



CUSTOMER SATISFACTION ON E BANKING SERVICES IN PUBLIC AND PRIVATE SECTOR BANKS - A COMPARATIVE ANALYSIS USING SERVQUAL MODEL

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Abstract

Banks play a major role in all the economic and financial activities in modern society. Today banking situation demands continuous innovation in order to meet the aspirations of the demanding customers. E banking allows customers to access banking services electronically such as to pay bills, transfer funds or to obtain any banking information and advice. The present paper attempts to examine the impact of service quality dimension on customer satisfaction in e banking services through a comparative analysis using SERVQUAL model. The study tries to find out the opinion of customers about the quality of service, courtesy of the staff etc. Two banks namely State Bank of India (SBI) from public sector and South Indian Bank from private sector in Thiruvananthapuram district are selected as sample banks for the study.

Key Words: *Servqual Model, E Banking, Customer Satisfaction and Service Quality.*

1.INTRODUCTION

E- Banking is an umbrella term for the process by which customer may perform banking transactions electronically without visiting financial institution. The banks began to race in the world in order to provide banking services with the latest information and communication, which led to the widespread use of this concept.

E banking is knowledge based and mostly scientific in using electronic devices of the computer revolution. E banking enables the customers to perform the basic banking transaction by sitting at their office or home through viewing their account details through PC or laptop. The customers can access the bank website for viewing their account details and perform the transactions on account as per their requirements. Customers are being provided with additional delivery channels like ATM, smart cards, tele banking, home banking etc. are more convenient to customers and are cost effective to the banks.

Customer satisfaction is as an overall customer evaluation of a product or service based on purchase and consumption experiences over a time period. Satisfaction of customers is the most important forecaster of service quality of banking sector. E banking is a future wave in the Indian banking industry. Thus increasing satisfaction level leads to a decrease in operating and servicing costs, leads an opportunity for banks to expand its existing and new products and services for future development.

2.REVIEW OF LITERATURE

The important studies related to customer satisfaction in e banking services are briefly reviewed as below.

Dr. Geeta Sharma & Mr. Surendra Malviya (2014)¹ in his study “Internet Banking Service Quality and Its Impact on Customer Satisfaction in Indore District of Madhya Pradesh” mainly focus on internet banking service quality to maintain customer satisfaction. The work attempts to develop a model based on service quality dimensions, with the purpose to investigate impact of service quality on customer satisfaction. The main objectives of this empirical study is to explore internet banking service quality factors and to analyze its impact on customer satisfaction. The study found that there is a positive impact of service quality dimensions like website ease of use, comfort, accessibility are influential factors while confidence and responsiveness also have significant impact on satisfaction of the online customers. The empirical results show that there is a direct relationship between internet banking service quality dimensions and customer satisfaction in the banking industry.

Manilall Dhurup, Jhalukpreya Surujlal & Ephraim Redda(2014)² in their paper “Customer Perceptions of Online Banking Service Quality” provides an insight of customer perceptions of technology-based banking service

quality in a developing country. The results show that periodic measurements of the levels of online banking service quality should become an integral part of any bank's effort and strategy in improving service quality levels.

Justus Muthuri Marete, Henry Peter Gommans & Gongera Enock George (2014)³ in their study "Evaluation of E-Banking Services on Customer Satisfaction: Case of National Bank of Kenya" provide empirical evidence regarding satisfaction of customers with e-banking and provide recommendations. It also evaluated customer satisfaction with e-banking service at National Bank of Kenya. The main objective of the study is to investigate e-banking web design; exploration of e-banking customer service; assessment of e-banking assurance and examination of preferential treatment of e-banking effect on customer satisfaction in the banking industry. It is found that more customers were satisfied with most dimensions of e-banking service in NBK.

Ogunlowore Akindele John & Oladele Rotimi(2014)⁴ made "An Analysis of Electronic Banking and Customer Satisfaction in Nigeria." This study examines the impact of electronic banking on satisfaction of corporate bank customers in Nigeria. The study found that there is a significant relationship between electronic banking and customers' satisfaction. The paper suggests that critical infrastructure like power; security and telecommunication should be strengthened to ensure the application of electronic banking in Nigeria and optimum satisfaction on the part of customers. There is a significant improvement in general banking services as a result of the introduction of electronic banking, while the level of profit made by banks can be attributed partly to the introduction of electronic banking. Electronic banking has help to increase banks market share.

S. Fatemeh Sakhaei Ahmad J. Afshari Ezzatollah Esmaili (2014)⁵ assesses the impact of Service Quality on Customer Satisfaction in Internet Banking. This study attempts to investigate service quality indexes in Internet Banking. The purpose of this research is to understand the impact of service quality factors of Internet Banking on customer satisfaction in Iran. The paper also attempts to evaluate the influence of service quality on customer satisfaction in Internet Banking. The study found that the reliability has most relation and website design has least relation to customer satisfaction.

3. OBJECTIVES OF THE PAPER

The specific objectives of the study are as follows

1. To examine the impact of service quality dimensions on customer satisfaction in e banking services and
2. To make a comparative analysis of customer satisfaction one banking services of public and private sector bank

4. HYPOTHESES

The following hypotheses have been developed and tested.

1. There is no significant relationship between service quality dimensions and customer satisfaction.
2. There is no significant difference between customer satisfaction of both public and private sector banks

5. METHODOLOGY AND DATA BASE

The present study is an empirical one based on survey method. Both primary as well as secondary data were collected and analysed for the study. Primary data have been collected from selected customers of public sector bank namely State Bank of India and private sector bank namely South Indian Bank in Thiruvananthapuram district. In order to collect primary data from the customers, a structured interview Schedule was developed and administered. The sample size consists of 60 customers of which 30 from public sector and 30 from the private sector banks. Secondary data have been collected from books, articles, annual reports and websites of selected banks. The data are analysed by employing mathematical and statistical tools like percentage, mean scores, standard deviation, regression analysis and t test.

5.1. Research Instrument

A model named SERVQUAL was developed by Parasuraman (1988) for the measurement of impact of service quality dimensions on customer satisfaction in e banking services. In this model, eight dimension of service

quality are used. SERVQUAL measures both the expectation and perception of the service on a scale of 1 to 5 (strongly disagree to strongly agree) with questions in total. Using SERVQUAL, service providers can obtain an indication of the level of quality of their service provision, and highlight areas requiring improvement.

6. RESULTS OF THE ANALYSIS

6.1. Profile of Customers

Descriptive analysis was done to present the demographic information of the respondents. Mean score and standard deviation are calculated for the dimensions in the SERVQUAL model for measuring customer satisfaction in e banking services.. In order to have an effective banking policy and marketing strategy, it is required to study the customer profile as the customers are the milestone of banking business. This section contains gender, age and education.

Table – 1, Gender wise classification of customers

Gender	Frequency	Per cent	Cumulative Per cent
Male	25	41.7	41.7
Female	35	58.3	100
Total	60	100	

Source: Primary data

Table 1 indicates that majority of the respondents are females 35 (58.3%).

Table – 2, Age Wise Classification of Customers

Age	Frequency	Per cent	Cumulative Per cent
Below 20	1	1.7	1.7
20-30	28	46.7	48.3
30-40	19	31.7	80
40-50	2	3.3	83
Above 50	10	16.7	100
Total	60	100	

Source: Primary data.

From the above table, it has been observed that maximum of 28 (46.7%) customers are in the age group 20-30 years, followed by 19(31.7%).Customers in the age group 30- 40, then 10 (16.7%) customers are come under the age group above 50 and lastly 1(1.7%) customer are in the age group below 20.

Table – 3, Educational Qualification of Customers

Education	Frequency	Per cent	Cumulative Per cent
Below +2	3	5	5
Graduate	4	6.7	11.7
Post Graduate	37	61.7	73.3
Professional	12	20	93.3
Others	4	6.7	100
Total	60	100	

Source: Primary data.

Table 3 shows the educational qualification of customers of Sample banks. It has been found that out of 60 respondents, majority of 37(617%) are post graduates followed by professionals 12 (20%), both graduates and other categories have 4(6.7%) customers each and 3(5%) customers are from below +2 level.

6.2. Analysis on Service Quality Dimensions and Customer Satisfaction.

Servqual fills a gap between what the customer expect by way of service quality (SQ) and what he is actually getting. SQ is presented as a multi-dimensional construct. In the original formulation Parasuraman et. al (1985)

identified ten components of SQ. But in the present study, only eight dimensions are taken in to consideration. In order to know the impact of service quality dimensions on customer satisfaction in e banking services, a questionnaire has been developed. It consists of 34 items related to service quality.

Dimensions Items in scale

1. Reliability 3
2. Responsiveness 4
3. Competence 3
4. Access 4
5. Communication 5
6. Credibility 5
7. Security 4
8. Tangibility 6

Table – 4, Descriptive Statistics

	Mean	Std. Deviation	N
Overall Customer satisfaction	138.4167	11.55868	60
Reliability	12.4833	1.63118	60
Responsiveness	16.6333	1.87731	60
Competence	12.6333	1.56191	60
Access	16.8833	1.79540	60
Communication	18.8167	2.85522	60
Credibility	19.5333	2.67738	60
Security	16.8833	2.48447	60
Tangibility	24.4833	3.37233	60

Source: Primary data.

Table 1.5 shows the mean value of overall customers' satisfaction (138.42). The table contains the main factors that affect the customers' satisfaction in E-Banking services of both public and private sector banks. Customers are fairly satisfied on all the eight dimensions. Reliability has the least mean score 12.48. It means customers are less satisfied with services, billing, records etc. The customers are more satisfied on tangibility with 24.48 mean score, followed by credibility, communication, security, access, responsiveness and competence. Customers are more satisfied with physical facilities and advanced equipments. A regression analysis is run to identify level of satisfaction and to explain the variables affecting the level of satisfaction in e-banking services.

Table – 5, Model Summary

Model	R	R Square	Adjusted R Square	Std. Error	Change Statistics					
					R Square Change	F Change	df1	df2	sig	Sig. F Change
1	.992 ^a	.984	.981	1.58628	.984	385.202	8	51	.000	.000

Source: Primary data.

Significant at 0.05 levels.

a. Predictors: (Constant), tangibility, reliability, communication, responsiveness, security, credibility, Competence, access.

Table- 6, ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7754.252	8	969.282	385.202	.000 ^b
	Residual	128.331	51	2.516		
	Total	7882.583	59			

Source: Primary data.

Significant at 0.05 levels.

a. Dependent Variable: customer satisfaction.

b. Predictors: (Constant), tangibility, reliability, communication, responsiveness, security, credibility, competence, access.

The ANOVA table shows that table Sig. value 0.05 is greater than the calculated Sig. value 0.000. So it rejects the null hypothesis at 5% level of significance. It means there was a significant correlation between dependent variable and independent variables. Therefore customer satisfaction level depends on quality dimension of banks. The overall predictability of the model is shown in the table 1.6. The adjusted R square value .981 states that the model explains about 98.1% variation in customer satisfaction is due to service quality dimensions. It indicates that 98.1% of variance of customer satisfaction in e banking services can predict the service quality offered by both public and private sector banks.

H0- There is no significant relationship between service quality dimensions and customer satisfaction in e banking services.

Table -7, Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.213	2.635		.081	.936
	reliability	1.070	.154	.151	6.928	.000
	responsiveness	.921	.132	.150	6.992	.000
	competence	.856	.172	.116	4.975	.000
	access	1.079	.151	.168	7.125	.000
	communication	.983	.082	.243	12.003	.000
	credibility	.979	.100	.227	9.749	.000
	security	1.091	.097	.235	11.287	.000
	tangibility	.999	.078	.291	12.867	.000

Source: Primary data.

a. Dependent Variable: customer satisfaction

R square (Adj.) = .981, F = 385.202 **= Significant at 5% level.

From the table 1.8, the coefficient analysis shows the relationship between dependent variable and each independent variable. The beta coefficient indicates the influences of service quality dimensions on customer satisfaction. All independent variables like reliability, responsiveness, competence, access, communication, credibility, security and tangibility have strong impact on customer satisfaction level in e banking services. So it rejects the above null hypotheses because calculated sig value (.000) is less than significant level (0.05). Reliability (beta=0.151, p=000), Responsiveness (beta= 0.150, p=000), Competence (beta= 0.116, p=000), Access (beta=.168, p=000), Communication (beta=.243, p=000), Credibility (beta=.227, p=000), Security (beta= .235, p=000), Tangibility (beta=.291, p=000). The dimension tangibility has the highest impact on overall customer satisfaction followed by communication, security, credibility, access, reliability, responsiveness and competence. The dimension competence has least importance so it has less impact on customer satisfaction. However regression model is adequate and highly significant that all independent variables together must be good predictors of overall customer satisfaction in e banking services.

H0- There is no significant difference between customer satisfaction of public and private sector banks

Table – 8. t test

	type	N	Mean	Std. Deviation	Std. Error Mean	t value	sig
Customer satisfaction	private	30	135.3667	9.80318	1.78981	-2.102	.040
	public	30	141.4667	12.50857	2.28374		

Source: Primary data

Significant at 0.05 levels.

The table 1.9 shows mean and standard deviation of customer satisfaction of public and private sector banks in e banking services. The result shows that there is significant difference between customer satisfaction of public and private sector banks with respect to e banking services. So it rejects null hypotheses because sig value (.040) is less than 5% (.05) level of significance. The mean value of public sector bank is (141.47) and private sector bank is (135.37). This reveals that customers of public sector banks are more satisfied than private sector banks.

7. CONCLUSION AND SUGGESTIONS

The success of the bank depends on its ability to attract and retain its customers. Thus customer satisfaction is an important strategic success indicator with better understanding of customers' perceptions and it also help the banks to determine the action required to meet the customers' needs. E banking has become a competitive strategy in the Indian banking sector. So it becomes a necessity to evaluate its services and its effect on customer satisfaction through service quality. The main objective of the study is to examine the impact of service quality of e banking services on customer satisfaction. The main findings of the study indicate that customers are fairly satisfied on all service quality dimensions.. The value of adjusted R square is .981 explains that 98.1% variation in customer satisfaction is due to the influence of all services quality dimensions. The regression models developed is adequate and highly significant in predicting the overall customer satisfaction of e banking services in both banks. The study shows that all the service quality dimensions have strong impact on customer satisfaction. Thus it rejects the first hypotheses that there is no significant relationship between service quality dimensions and customer satisfaction in e banking services. It is found that there is significant difference between customer satisfaction of public and private sector banks. The results reveal that customers of public sector banks are more satisfied than private sector banks.

The bank management should confirm that the banking atmosphere must focus on quick and fair services to their customers. Banking service can increase customers' confidence and trust if employees are able to provide appropriate service to each customer. The performance of customer service providers requires interaction with a customer, which leads to a focus on employee relations and customer service to achieve goals. The management of customer relationship effectively and efficiently is an advantage banks should concentrate to win the competitive situation.

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