



# IMPACT OF INTERNET BANKING SERVICE QUALITY ON CUSTOMER SATISFACTION: A STUDY OF CHANDIGARH

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**Abstract:** In addition to the present understanding in the E-banking study area. To assist the decision maker & banks have a better knowledge of the internet banking aspects and their benefits in context of customer satisfaction. Likert scale questionnaire was adopted to explore the impact of e-Banking service quality on customer satisfaction in Chandigarh. In order to collect the data convenience and Judgmental sampling was adopted whereas information obtained from a sample of 84 internet banking customers. “The outcome suggested that the internet banking service quality dimensions have a significant impact on the customer satisfaction of internet banking customers. The various dimensions are efficiency, system availability, fulfillment, privacy, contact, responsiveness and contact individually contribute 70 percent to the all over customer satisfaction in the internet banking This study facilitates banking manager, customers and also policy maker to understand these dimensions”. It will lead to better and quality service in banking that will support to retain the existing customers and attracting new customers.

**Keywords:** Customer Satisfaction, Internet Banking, Service Quality

## 1.1 Introduction

The usage of internet has increased as the most of the business are running through internet. e-commerce banking has modernized the banking system from their traditional ones, as it provides services strongly by the way of internet, which has come to be known as internet banking or e-banking.

Internet banking enables payment by electronic mode which facilitates customers of a financial institution to operate all financial transactions through websites. Online banking is also known as virtual banking, Internet banking, e-banking, etc. Service quality is one of the most significant factors influence on customers satisfactions. The definition and measurement of service quality, in manufacturing and service sector was not same due to different nature. After the “exposure of internet as a significant channel of service delivery, the strong need was felt to measure the service quality in electronic media. Thus, service quality was taken up by the researcher specifically in order to e-services which facilitates to the development of different models that supported in measuring e-service quality” in the services sector.

## 1.2 Review of literature

New distribution channels are coming up quickly in the financial sector after the large usage of technology, telecommunication and innovation, in numbers as well as in form. The latest channels are internet banking, telephone banking and ATMs. As per Accenture (2005), “Internet Banking was thought to signal a revolution in banking distribution. Banks invested heavily in the development of the Internet channel”.

Customer preferences and perception and of service quality bring large-scale impact on bank’s achievements (Gupta & Bansal, 2012). Companies can determine the significant steps which is required to meet the requirement of customers, if they are having better understanding of customer’s expectation about the services and products. (Afrin, 2012). To meet the customer’s expectation in context of services and product is known as customer expectation. (Afrin, 2012). In internet banking customer satisfaction considers as a major factor (Devi & Revathy, 2011). The implementation of high service quality act as a powerful generator to achieve customer’s expectations and their needs. The primary objective of any company is to enhance the customer satisfaction, as it is the only major factor to improve company profitability and customer retention. (Sharma & Malviya, 2014).

In addition, service quality has become a significant issue due to perception of internet services and expectations of customers have been rapidly changing (Gupta & Bansal, 2012). Number of scholars has recognized that internet banking plays an important role to maintains customer satisfaction. (Sharma & Malviya, 2014). As per Saha & Zhao (2005), “The major challenge of internet as a distribution channel is to managing the service quality which hold significant place in customer satisfaction”.

### 1.3 Theoretical Framework

This investigation has adopted the “E-RecS-Qual and E-S Qual model which was developed by Parasuraman et al. taken as a reference to examine the relationship of these e-service quality dimensions and customer satisfaction in the Internet Banking”. This model was modified as per the demand & requirement of the banking sector to suit its usage in the examination. The refined model which was adopted for this particular study includes following items:

- Efficiency: The speed and ease of using and accessing the site.
- Fulfillment: The site’s promise about delivery of order and item accessibility is satisfied.
- System availability: whether the site is technically functioning properly.
- Privacy: The extent to site is safe and protects customer data.
- Responsiveness: The number of issues resolved by the site.
- Website design: The ease of using the websites and the degree of ease of navigating.
- Contact: The assistance which is provide through online and telephonic.

### Objectives

- 1.To identify the various dimensions of internet banking service quality.
- 2.To examine the relationship between the customer satisfaction and the various internet banking service quality dimensions.
- 3.To study the impact of the internet banking service quality dimensions on the satisfaction of customers.

### Hypothesis

- H1:** Efficiency has a significant positive association with on Customer Satisfaction  
**H2:** System availability has a significant positive association with Customer Satisfaction  
**H3:** Fulfilment has a significant positive association with Customer Satisfaction  
**H4:** Privacy has a significant positive association with Customer Satisfaction  
**H5:** Responsiveness has a significant positive association with. Customer Satisfaction  
**H6:** Website design has a significant positive association with. Customer Satisfaction  
**H7:** Contact has a significant positive association with Customer Satisfaction

### Data Collection and Methods

The structured questionnaire was used to perform research which was adopted from “Parasuraman et al. study, which comprise the various dimensions of E-S Qual & E-RecS- Qual. The questionnaire cover of four sections : Customer demographic, E-S\_QUAL Scale, E-RecS-QUAL & customer satisfaction”.

### Sampling

The survey was conducted on PNB and SBI banks customers of Chandigarh who were using internet banking for not less than 1 year. It depicts that every user had much required internet banking experience. This ensured that all respondents had sufficient experience in internet banking. Out of 100 individuals just 84 questionnaires were considered valid whereas rest were incomplete or not valid.

### 1.4 Data Analysis

Regression and correlation analysis were adopted to analyze the data. The demographic features of respondents were revealed in table-1 and after that correlation was used.

The table-1 reveal that 64.3 percent of the respondents used internet banking were in the age group of 25-35. Majority of the internet banking user were students, followed by private sector employees represent 25.4 percent, followed by the public sector represent 21.3 percent, whereas business segments were hardly use internet banking facility. The user of internet banking was mostly by males with representing 54.5 percent whereas just 45.5 percent were females. Mostly respondents which is nearly 66.6 percent had post graduate qualification whereas user who hold graduate degree represent 25 percent. While concluding mostly young males use internet banking services with the most of people having good qualification attainment level.

The relationship between customer satisfaction in internet banking & different service quality dimensions were depicted by correlation technique. The correlation analysis matrix is as follows:

Table 1: Frequency.

Occupation					
		frequency	percent	valid percent	cumulative percent
valid	public sector	18	21.3	21.3	21.3
	private sector	21	25.4	25.4	46.7
	business	3	3.1	3.1	49.8
	Student	42	50.2	50.2	100.0
	Total	84	100.0	100.0	
Age					
		frequency	percent	valid percent	cumulative percent
valid	<25 years	3	3.6	3.6	3.6
	25-35 years	54	64.3	64.3	67.9
	35-45 years	21	25.0	25.0	92.9
	45 and above	6	7.1	7.1	100.0
	Total	84	100.0	100.0	
Gender					
		frequency	percent	valid percent	cumulative percent
valid	male	46	54.5	54.5	54.5
	female	38	45.5	45.5	100.0
	total	84	100.0	100.0	
Education					
		frequency	percent	valid percent	cumulative percent
valid	sr. secondary	3	3.6	3.6	3.6
	graduation	21	25.0	25.0	28.6
	post-graduation	56	66.6	66.6	95.2
	others	4	4.8	4.8	100.0
	total	84	100.0	100.0	
Residential area					
		frequency	percent	valid percent	cumulative percent
valid	urban	68	81.0	81.0	81.0
	semi urban	10	11.9	11.9	92.9
	rural	6	7.1	7.1	100.0
	total	84	100.0	100.0	
Annual income					
		frequency	percent	valid percent	cumulative percent
valid	below 2	35	41.6	41.6	41.6

	lakhs				
	2 lakh-4 lakh	21	25.0	25.0	66.6
	4 lakh-6 lakh	13	15.5	15.5	82.1
	above 6 lakh	15	17.9	17.9	100.0
	<b>total</b>	<b>84</b>	<b>100.0</b>	<b>100.0</b>	

Table No 2: Correlation

		Eff	Sa	ful	pri	res	con	wd	Cs
Spearman 's rho	eff	1.00	0.66**	0.63*	0.52*	0.60*	0.41*	0.56*	0.70*
	sa	0.66*	1.00	0.62*	0.43*	0.59*	0.50*	0.55*	0.62*
	ful	0.63*	0.62**	1.00	0.48*	0.59*	0.47*	0.59*	0.64*
	pri	0.52*	0.42**	0.48*	1.00	0.45*	0.47*	0.43*	0.67*
	res	0.60*	0.59**	0.59*	0.45*	1.00	0.63*	0.64*	0.66*
	con	0.41*	0.50**	0.47*	0.47*	0.63*	1.00	0.52*	0.54*
	wd	0.56*	0.550**	0.59*	0.43*	0.64*	0.52*	1.00	0.70*
	cs	0.70**	0.62**	0.64*	0.67*	0.66*	0.54*	0.70*	1.00

\*\* . correlation is significant at the 0.01 level (2-tailed).

#### Efficiency and Customer Satisfaction

The Analysis of correlation matrix depicts that the correlation between customer satisfaction and efficiency is calculated to be 0.70. It represents that there is a significant and positive correlation between the efficiency and customer satisfaction at 70%. Efficiency dimension is highly correlated with customer satisfaction.

#### System Availability and Customer Satisfaction

Analysis of correlation matrix depicts that correlation between system availability and customer satisfaction is calculated to be 0.62. It represents that there is a significant and positive relation between these two variables. This confirms hypothesis 2 at a significance level of 99.9 percent

#### Fulfilment and Customer Satisfaction

Analysis has depicted that the value of correlation is 0.64. It represents a "positive and significant relationship between fulfilment and customer satisfaction. This confirms hypothesis 3 at a significance level of 0.01".

#### Privacy and Customer Satisfaction

The major issue which banking sector are facing day by day is privacy. Analysis has depicted that "the value of correlation is 0.67 represent that privacy and customer satisfaction are significant correlated with each other". Hence accepting hypothesis 4.

#### Responsiveness and Customer Satisfaction

Analysis has depicted that the value of correlation is 0.66 representing a strong positive relationship between responsiveness and customer satisfaction. Hence accepting hypothesis 5, at a significant level of 0.01.



### Contact and Customer Satisfaction

This dimension is positively correlated with customer satisfaction as the value of correlation calculated between the two is 0.54, Thus it represents that, if better contact is established between the bank and the customers the customer satisfaction will be higher. Thus, accepting hypothesis 6.

### Website Design and Customer Satisfaction

The analyses reveals that website design and customer satisfaction is highly positive related with each other as it has a correlation of 0.70 with customer satisfaction, hence accepting hypothesis 7 at significant level of 0.01.

### Regression

Regression analyses was used to analyzed the data and further it support to know the impact of the e-service quality dimension on customer satisfaction. The regression analysis results are as follows

**Table 3: Coefficients<sup>a</sup>.**

model		unstandardized coefficients		standardized coefficients	t	sig.
		b	std. error	beta		
1	(constant)	-.421	.217		-1.942	.054
	eff	.248	.070	.224	3.534	.001
	sa	.084	.061	.085	1.374	.171
	ful	.095	.064	.089	1.480	.141
	pri	.316	.056	.275	5.606	.000
	res	.089	.054	.101	1.666	.097
	con	7.332e-005	.040	.000	.002	.999
	wd	.281	.054	.292	5.213	.000

a. dependent variable: cs

The analyses depict that p value is less than for all the three dimensions website design, efficiency and privacy which represent that these three dimensions highly impact the customer satisfaction. The above results (Table 4).

**Table 4: Model Summary.**

model	r	r square	adjusted r square	std. error of the estimate
1	.845 <sup>a</sup>	.715	.704	.34272

a. predictors: (constant),wd,pri,con,sa,ful,res,eff  
b. dependent variable : cs

“The R square value at 0.715 depict that the 71 percent of the variation in the customer satisfaction can be attributed to the e-service quality dimensions whereas as the other 29.5% of the satisfaction is due to factors other than the e-service quality of the banks. This it can be concluded from the above outcomes that internet banking service quality does have an impact on the customer satisfaction in internet banking in Chandigarh”.

### 1.5 Conclusion

This study makes an addition and support to the existing study of the impact of internet banking service quality on customer satisfaction. This study concluded that the three dimensions website design, privacy and efficiency highly impact the internet banking services quality. The findings of the study also depict that there is a direct and significant relationship between internet banking service quality dimensions and customer satisfaction in the banking industry. After the understanding of these factors, it facilitates bank managers to make effective policy and strategy to enhance the bank business at large scale and to retain the existing customers as well as motivate prospective and new customer to adopt internet banking facility.

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