



A Study on Service Quality of Online Retail Banking and Customer Satisfaction in Ahmedabad

KEYWORDS

Customer Satisfaction, Service Quality.

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ABSTRACT

The main objective is to study service quality dimensions and its relation on customer overall satisfaction. This study develops an instrument of service quality and examines the relationship between perceived service quality dimensions and customer overall satisfaction. The results show that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. The results reveal that the service quality dimensions of efficiency, reliability, responsiveness, fulfillment, privacy, communication and technological up gradation are positively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness and should start with improving service quality in order to raise overall customer satisfaction.

INTRODUCTION

Online banking allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution.

To access a financial institution's online banking facility, a customer having personal Internet access must register with the institution for the service, and set up some password (under various names) for customer verification

The levels of banking services offered through Internet can be categorized in to three types: (i) The Basic Level Service is the banks' websites which disseminate information on different products and services offered to customers and members of public in general. It may receive and reply to customers' queries through e-mail, (ii) In the next level are Simple Transactional Websites which allow customers to submit their instructions, applications for different services, queries on their account balances, etc, but do not permit any fund-based transactions on their accounts, (iii) The third level of Internet banking services are offered by Fully Transactional Websites which allow the customers to operate on their accounts for transfer of funds, payment of different bills, subscribing to other products of the bank and to transact purchase and sale of securities, etc

Literature Review

1 Service Quality

Service quality scale proposed by the Parasuraman, et. al., (1985) had been reasonably used by the academicians and managers (Parasuraman, et. al., 1991; Cronin and Taylor, 1992; Babakus and Boller, 1992; Carman, 1990). Zeithaml (1987) explained the service quality as "Service quality is the consumer's judgment about an entity's overall excellence or superiority. It is a form of attitude, and results from a comparison of expectations to perceptions of performance received".

Bahia and Nantel (2000) conducted a research to develop a valid measurement of perceived service quality in the Retail Banking sector in Canada. They argued that the SERVQUAL approach had not except from critics; therefore,

they developed a new measurement for perceived service quality in Retail Banking. They proposed a scale that was called Bank Service Quality (BSQ). It comprised 31 items classified across six dimensions as: effectiveness and assurance, access, price, tangibles, range of services offered and accuracy and reliability.

Kotler (2003) defined service as any behavior or act based on a contact between two parties: the provider and the receiver and the essence of this reciprocal process in intangible. Michael (2003) defined service as a set of characteristics and overall properties of the service which aimed to satisfy the clients and meet their needs.

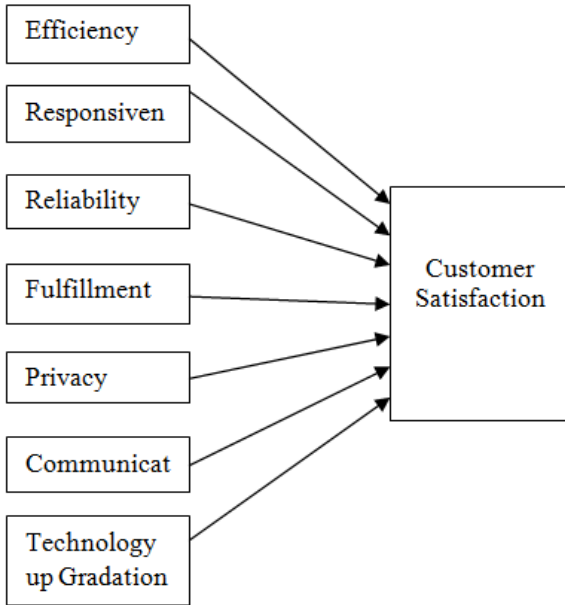
2. Customer Satisfaction

Satisfaction became a popular topic in marketing during the 1980s and was debated topic during both business expansions and recessions. Most discussions on customer satisfaction involved customer expectation of the service delivery, actual delivery of the customer experience and expectations that were either exceeded or unmet. If expectations were exceeded, positive disconfirmation resulted, while a negative disconfirmation resulted when customer experience was poorer than expected. In today's world of intense competition, the key to sustainable competitive advantage lied in delivering high quality service that would in turn result in satisfied customers (Shemwell, 1998).

Oliver (1997) defined satisfaction as "the consumer's fulfillment response", a post consumption judgment by the consumer that a service provided a pleasing level of consumption-related fulfillment, including under or over-fulfillment. Huang (1998) also defined five factors used to evaluate customer satisfaction: product, service, staff, overall performance of products and closeness to expectation. Kotler and Armstrong (1999) defended the customer satisfaction as the customer's perception that compared their pre-purchase expectations with post purchase perception.

3. Model and Hypothesis

The model and hypothesis for the present study is as follows.



Research Model for Service Quality and Customer Satisfaction

The hypotheses are:

- H1: There is a positive correlation between efficiency and customer satisfaction in Ahmedabad.
- H2: There is a positive correlation between responsiveness and customer satisfaction in Ahmedabad
- H3: There is a positive correlation between reliability and customer satisfaction in Ahmedabad
- H4: There is a positive correlation between fulfillment and customer satisfaction in Ahmedabad
- H5: There is a positive correlation between Privacy and customer satisfaction in Ahmedabad
- H6: There is a positive correlation between communication and customer satisfaction in Ahmedabad
- H7: There is a positive correlation between technology up gradation and customer satisfaction in Ahmedabad.

4. Methodology

Among the different cities in Gujarat, the Ahmedabad city has been purposively selected followed for the present study. Total sample size is 240 customers of Axis bank, ICI-CI, Kotak bank, SBI Bank, BOB bank, PNB bank have been selected for the present study by adopting random sampling technique and the data and information pertain to the year 2013-2014. The service quality is assessed based on Parasuraman et al.(1988, 2005), Zeithaml (2002). Online service quality dimensions namely, efficiency, reliability, responsiveness, fulfillment, privacy, communication and technological up gradation have been selected from literature review. All questions are measured on 5-point likert scale where "1=strongly disagree", "2= disagree" "3=neutral", "4=agree", and "5=strongly agree".

5. Results and Discussion

5.1.Demographic Characteristics of Customer

The socio-economic characteristics of customers of banks were analysed and the results are presented in Table-1. The results show that about 62.50 percent of the customers are males and the rest of 37.50 percent of the customers are females. The results indicate that about (63.80) percent of the customers belong to the age group of 31-40 years followed by 21-30 years (22.10 percent), 41-50 years

(10 percent). It is clear that the majority of the customers (46.70 percent) are graduates followed by post graduates (33.3 Percent) it is apparent that about 51.10 per cent of the customers are salaried (job) followed by Professional (28.30 percent) and business (17.50 percent). It is observed that about 44.20 percent of the customers belong to the Yearly income group of Rs.1,00,000-5,00,000 followed by Rs. 5,00,001-10,00,000 (15.80 percent), Rs. 20,00,001 to 30,00,000 (15.40 percent).

Table – 1 Demographic Characteristics of Customer

Sr. No.	Demographic Variables	Number of Respondents	Percentage
1	Gender		
	Male	150	62.5
	Female	90	37.5
2	Age		
	21 years - 30 years	53	22.1
	31 years - 40 years	153	63.8
	41 years - 50 years	24	10.0
	51 years - 60 years	3	1.3
	61 years - 70 years	7	2.9
3	Qualification		
	School Education	48	20.0
	Graduate Degree	112	46.7
	Post Graduate Degree	80	33.3
4	Occupation		
	Business	42	17.5
	Job	125	52.1
	Profession	68	28.3
	Housewife	1	0.4
	Retired	4	1.7
5	Income		
	1,00,000 to 5,00,000	106	44.2
	5,00,001 to 10,00,000	38	15.8
	10,00,001 to 20,00,000	24	10.0
	20,00,001 to 30,00,000	37	15.4
	30,00,001 to 40,00,000	5	2.1
	40,00,001 to 50,00,000	24	10.0
	50,00,001 to 60,00,000	3	1.3
No Income	3	1.3	

5.2. Service Quality Dimensions and Reliability

The descriptive statistics of mean and standard deviation of service quality dimensions and overall satisfaction of customers were worked out and the results are presented in Table-2. The customers of banks perceive Reliability (M=3.82) is to be the most dominant service quality followed by responsiveness (M=3.80), efficiency (M=3.74), fulfillment (M=3.72) Privacy (3.68), Communication (3.67) and technology up gradation (3.65) in the order of importance based on the mean values of each service quality dimen-

sion. Meanwhile, the most of the customers are highly satisfied with the service quality of new private sector banks.

Table-2 Mean and Standard Deviation of Service Quality and Overall Satisfaction of Customers

Particulars	Mean	S.D.	Reliability-Cronbach's Alpha
Efficiency	3.74	0.85	0.86
Reliability	3.82	0.84	0.83
Responsiveness	3.8	0.78	0.85
Fulfillment	3.72	0.82	0.81
Privacy	3.68	0.72	0.84
Communication	3.67	0.71	0.83
Technology Up Gradation	3.65	0.70	0.82
Overall Customer Satisfaction	4.78	0.74	0.78

Using Cronbach's coefficient, internal consistency for service quality dimensions and overall customer satisfaction was estimated at 0.86 for efficiency dimension, 0.83 for reliability dimension, 0.85 for responsiveness dimension, 0.81 for fulfillment dimension, 0.84 for privacy dimensions, 0.83 Communication dimensions, 0.82 Technology up gradation dimensions and 0.78 for overall customer satisfaction. Usually a reliability coefficient above 0.70 is considered sufficient for exploratory studies (Nunnally, 1967). The reliability values are all above 0.80. Thus, it can be concluded that the measures used in the present study are valid and reliable.

5.3. Relationship between Service Quality Dimensions and Customer Satisfaction

The relationship between service quality dimensions and customer satisfaction was analysed by computing correlation coefficient and the results are presented in Table-3. The correlation analysis shows that the service quality dimensions are positively and moderately associated with overall customer satisfaction.

Table - 3. Relationship between Service Quality Dimensions and Customer Satisfaction

The results further reveal that there is a significant and Strong positive relationship between seven dimensions of service quality and customer satisfaction, the highest correlation is between responsiveness and customer satisfaction (r= 0.91; p<0.01) followed by between reliability and customer satisfaction (r= 0.88; p<0.01) between Efficiency and customer satisfaction (r= 0.78; p<0.01), between Communication and customer satisfaction (r= 0.69; p<0.01), Technology up gradation and satisfaction (r=0.69). The weakest association is between fulfillment and customer satisfaction (r= 0.42) and Privacy (0.44). The results indicate that the most important service quality practice on

Independent Variable	Dependent Variable	Correlation Value	Null H0	Result
C.S.	Efficiency	0.78	Reject	S.P.C.
C.S.	Reliability	0.88	Reject	S.P.C.
C.S.	Responsiveness	0.91	Reject	S.P.C.
C.S.	Fulfillment	0.42	Reject	W.P.C.
C.S.	Privacy	0.44	Reject	W.P.C.
C.S.	Communication	0.69	Reject	S.P.C.
C.S.	Technology up gradation	0.69	Reject	S.P.C.

C.S. : Customer Satisfaction S.P.C. : Strong Positive Correlation Note: significant at one per cent level. W.P.C.: Weak Positive Correlation

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CONCLUSIONS

The main objective of this study is to study service quality dimensions and its effect on customer overall satisfaction. The model shows that service quality has a positive relationship with overall customer satisfaction and tested them through Correlation Analysis.

The results show that the most important service quality practice on customer satisfaction responsiveness as it is perceived as a dominant service quality. The results reveal that the service quality dimensions of efficiency, responsiveness, reliability, Privacy, Communication, Technology up gradation and fulfillment are positively and significantly influencing the customers overall satisfaction. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness and should start with improving service quality in order to raise overall customer satisfaction.

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