

Electronic Banking Service Delivery and its Implications – A Discernment



Management

KEYWORDS : Internet Banking, Service Quality, Customer satisfaction

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ABSTRACT

The evolution of E-banking has fundamentally transformed the way banks traditionally conduct their businesses and the ways consumers perform their banking activities. Today e-banking has experienced phenomenal growth and has become one of the main avenues for banks to deliver their products and services. E-banking has thus become important channel to sell Products and Services; leading to a paradigm shift in marketing practices, resulting in high performance in the banking industry. In spite of the increasing adoption of internet banking and its relevance towards customer satisfaction in the Indian banking industry, very little empirical investigation or research has been conducted in understanding factors of internet banking service quality that lead to customer satisfaction. This study thus aims to fill the gap in the literature by focusing on the impact of internet banking service quality on customer satisfaction in the banking sector of Tamil Nadu which is considered as the study area.

1.1 INTRODUCTION

Banking is the lifeline of an economy. The present and future of any economy depends upon the success and development of banking. The economy of most developing countries is cash driven; meaning that monetary transactions are basically made through the exchange of bank notes and coins for goods and services. However, this trend is now giving way to a modern and sophisticated payment system where the currency and notes are converted to data, which are in turn transmitted through the telephone lines and satellite transponders. This is as a result of rapid technological progress and development in the financial market. There is faster delivery of information from the customer and service provider, thus differentiating Internet enabled electronic banking system from the traditional banking operation. This transfer process makes money to be carried in information storage medium such as cheques, credit cards, and electronic means than its pure cash form. The evolution of e-banking has fundamentally transformed the way banks traditionally conduct their businesses and the ways consumers perform their banking activities. Today e-banking has experienced phenomenal growth and has become one of the main avenues for banks to deliver their products and services. E-banking has thus become important channel to sell Products and Services; leading to a paradigm shift in marketing practices, resulting in high performance in the banking industry.

1.2 E- BANKING IN INDIA

Indian banking industry, today, is in the midst of an IT (Information Technology) revolution. The competition among the banks has led to the increasing total banking automation in the Indian banking industry. Finland was the first country in the world to have taken a lead in E-banking. In India, it was ICICI bank which initiated E-banking as early as 1997 under the brand name Infinity. Electronic banking is defined as "Delivery of bank's services to a customer at his office or home by using Electronic technology can be termed as Electronic Banking." Citibank and HDFC Bank followed with internet banking services in 1999. Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability. Online Banking or Internet Banking or E-banking allows customers of financial transactions on a secured website operated by the institution, which can be a retail bank,

virtual bank, credit union or building society.

1.3 OBJECTIVES OF THE STUDY

- To identify various E-banking services/products adopted by Indian banks.
- To identifying the major service quality dimensions that satisfy customers in E- banking.
- To identify the correlation between service quality of internet banking and customer satisfaction.

1.4 CONCEPTUAL FRAMEWORK

Internet banking is at an evolutionary stage finding person who use such service was quiet difficult hence convenience sampling method was therefore used for data collection. Convenience sampling is very easy to carry out and requires relative little cost and time to carry out. The sample size used for this study is 110 respondents who were banking customers of five banks in Tamil Nadu. This sample size meant that 22 customers were conveniently selected from each of the five banks. The main research instrument used for this study was the questionnaire. The various dimension of service quality outlined in the conceptual framework taken for the study are speed of delivery, ease of use, reliability, control, enjoyment and privacy and control. The six dimensions are used with five point Likert Scale where respondents were asked to indicate the extent to which they agree/disagree with various statements. The reliability analysis is used to establish both the consistency and stability of the research instrument. Consistency shows how well the research instrument measures the model and the conceptual framework. To ensure that there is internal reliability of the model used, the Cronbach Alpha Test of Reliability was performed. The various dimensions of services quality used for this study were tested. The results of the test show that each dimension was internally consistent. To assess the impact of service quality dimension on customer satisfaction with internet banking, the regression model was estimated using customer satisfaction as the dependent variable whereas speed of delivery, reliability, ease of use, enjoyment, control and privacy were independent variables. The study shows a positive effect on all the variables of the service quality, this means that the hypothesis of service quality that lead to customer satisfaction with respect to internet banking should be accepted and not rejected. The results are displayed in the table 3.1. The Spearman correlation was used to test the correlation between service quality and customer satisfaction with internet banking. The results are displayed in the table 3.2. The Spearman ranked hypothesis showed that all the dimension of service quality used for this study was significance with the overall satisfaction. The result further indicated that apart from pleasure or enjoyment which was significant at 5% significance level all the

other dimensions were significant at 1% significant level. Therefore, the null hypothesis is accepted and the alternative hypothesis is rejected.

Table 1.4.1 Regression Results of the Service Quality impact on Customer satisfaction

Variable	t-statistics	Co-efficient	Mean of sample	SE
Speed of Delivery	4.36	0.19	0.190	0.04
Ease of use	0.55	0.02	0.04	0.03
Reliability	3.04	0.15	0.16	0.05
Pleasure	1.42	0.07	0.08	0.06
Control	4.33	0.25	0.25	0.06
Privacy	11.67	0.42	0.42	0.04

Table 1.4.2 Spearman Correlation between Service Quality Dimensions and Customer Satisfaction

Variables	Overall Satisfaction (r)	Significance (2 - tailed)
Speed of delivery	0.519**	0.00012
Ease of use	0.547**	0.00006
Reliability	0.573**	0.00032
Pleasure	0.208*	0.05
Control	0.324**	0.00007
Privacy	0.626**	0.00001

1.5 CONCLUSION AND RECOMMENDATIONS

Unlike the traditional banking practiced in India where customers had to walk to the bank for every transaction, internet

banking afforded the opportunity to offer quick banking activities without necessarily walking into the banking hall. Thus, the speed of delivery in the banking sector is faster compared to the traditional banking activities. Customers do not have the opportunity to walk into the banking hall on Saturdays and Sunday. The services offered by the banks, which use E- banking, have reliable banking services than those that do not have these services. Ease of using banking services was one area, which was very important to the respondents of the study. Internet banking users who were participants to the study were interested in using the services because it was very easy to use. Banking services can be done anywhere. The only challenge is that most of the users of internet banking services in the study area are the literates who are abreast with technology and the usage of the internet. This implies that those who are illiterate cannot use E- banking services for their daily activities. Although the customers of the various banks sampled were quiet satisfied with the control and privacy of the banking services, some were very skeptical with the internet banking services. The issue of safety of their internet-banking password was the ease to which some unauthorized person can use their password systems without them knowing. From all indicators, all participants of the study are very happy and satisfied with the E-banking services provided by their bank. It is recommended that banks invest in understanding the needs of customers of E- banking and try as much as possible to meet their various needs associated with the services provided by internet banking. There is the need to educate majority of the banking population on internet banking. This was because most of the customers administered with the questionnaires rejected or refused to answer the questionnaire because they did not know of the services nor had minimal education of E- banking services.

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