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## Service Quality and Customer Satisfaction in Online Banking

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*Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention. The main purpose of this study theoretically is finding out how applicable the SERVQUAL model in the context of banks and empirically, describe how customers perceive service quality and whether they are satisfied with services offered by public sector banks.*

Keywords: Service Quality, Online Banking, Tangibility, Customers and Banks.

### Introduction

#### Service Quality and Customer Satisfaction in Online Banking

In our nation's economy, banking system plays a pivotal role. It's a well-known fact that no business can exist without customers. Banks have to deal with many customers' every day and render various types of services to its customers. Customer oriented market empowered the customers with more choice to choose a bank. As the banks started to offer convenience followed by more services to their customers, a competition established within the banks operating in India. A Banking business with high service quality may increase economic competitiveness. This aim may be achieved by understanding and improving operational processes; identifying problems quickly and systematically; measuring customer satisfaction and other performance outcomes. Service quality and customer satisfaction are important concepts that banks must understand in order to remain competitive in business and hence grow. It is very important for banks to know how to measure these constructs from the consumers' perspective in order to better understand their needs and hence satisfy them.

Service quality is considered very important because it leads to higher customer satisfaction, profitability, reduced cost, customer loyalty and retention. The main purpose of this study theoretically is finding out how applicable the SERVQUAL model in the context of banks and empirically, describe how customers perceive service quality and whether they are satisfied with services offered by public sector banks.

Service quality is an achievement in customer service. It reflects at each service encounter customers service expectations from past experiences, word of mouth and advertisement. In general customers compare perceived service with expected service in which the former falls short of the latter the customers are disappointed.

Tremendous progress in the field of information technology has reduced the world to a global village and it has caused unprecedented change in the banking industry. Huge developments in the technology of telecommunications and electronic data processing have further stimulated these changes. Automation has revolutionized financial and banking sectors globally. Apart from branch banking in the brick-and-mortar mode, click and order channels like internet banking, ATMs, internet banking and mobile banking are now in vogue.

Internet banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. Internet banking is a generic term making use of electronic channels through telephone, mobile phones, internet etc. for delivery of banking services and products.

The concept and scope of internet banking is still in the transitional stage. It increases efficiency in the sphere of effective payment and accounting system thereby enhancing the pace of delivery of banking services considerably. It allows customers to access banking services electronically such as to pay bills, transfer funds, view accounts or to obtain any banking information and advice. Internet banking also facilitates new relationships with customers, regulatory authorities, suppliers and banking partners with digital-age tools. For example, customers and bank relationships will become more personalized, resulting in new modes of transaction processing and service delivery. Now, banks are faced with a number of important issues, for example how to take full advantage of new technology, how internet banking change the ways customers relate with the service provider, etc. The banking industry has been considerably influenced by expansion of technology.

#### Statement of the Problem

Internet banking calls for elimination of paper-based transactions and radical change in the banking operations. Internet banking will operate through internet, extranet and intranet. Internet banking is therefore banking on the information superhighways on the frontier of the internet. Banking products and services such as deposits, remittances, credit cards etc as well as all important banking information can be made available with easy access to customers on Internet.

The operational costs have come down due to technology adoption. The cost of transactions through internet banking is much less than any other traditional mode. Banks can have access to a greater number of potential customers without the commitment costs of physically opening branches. Hence, there is much saving on the cost of infrastructure. Moreover, requirements of staff at the banks get reduced to a great extent.

Thus, Internet Banking opens new vistas for providing efficient and economic quality service to the customers. Though the services provided by Internet banking are numerous, the quality of the service and the satisfaction derived by the customers from it is a matter of question. One of the key challenges of the internet as a service delivery channel is how they manage service quality, which holds significant importance to customer satisfaction. Customer satisfaction is a feeling of pleasure or disappointment resulting from comparing a product's/service's perceived performance or outcome in relation to his or her expectations.

So, satisfaction is a function of perceived performance and expectations. If the performance falls short of expectation, the customer is dissatisfied. If the performance matches the expectation, the

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customer is satisfied. If the performance exceeds expectation, the customer is highly satisfied or delighted. Although there are other factors other than service quality that determine customer satisfaction my interest on service quality alone for this study is because service quality has been proven to be the best determinant of customer satisfaction when it comes to service sectors. Also, providing quality services is one of the main targets when it comes to management with respect of customer satisfaction in the business environment of today, meaning it is a very vital topic.

### Significance of the Study

Online banking has become an accepted norm of monetary transactions for millions in India over the past decade. The ease with which a customer can check his account, make payments online and transfer money between accounts has made this mode of banking hugely popular among Indians who are perpetually short of time to visit the bank physically. Online banking also provides a host of non-transactional features which are quite handy to the customer. Making transactions and payments right from the comfort of home or office at the click of a button without even having to step out is a facility none would like to forego. Keeping a track of accounts through the internet is much faster and convenient as compared to going to the bank for the same. Even non transactional facilities like ordering check books online, updating accounts, enquiring about interest rates of various financial products etc become much simpler on the internet. Most banks also provide the facility of online tax forms and tax preparation. Internet banking has a step further in the last few years in the form of mobile internet banking which accords unlimited mobility to the customer who can now handle financial transactions even while on the move. Online banking is definitely a significant move in the right direction as far as the convenience of the customer as well as the banker is concerned. Information

Technology has emerged to be a strategic resource for attaining efficiency, controls productivity and profitability and this has caused banks to utilize technology to meet the ever-increasing customer expectations.

The rapid technological advancements have led to internet as the best channel for provision of banking services and products to its customers and fundamental changes in how companies interact with their customers and supply internet banking services so as to establish and extend their customer relationship. One of the key challenges of the internet as a service delivery channel is how they manage service quality, which holds a significant importance to customer satisfaction. The success of internet banking is determined not only by banks or government support, but also by customers' acceptance of it.

### Customer Satisfaction and Service Quality

Customer satisfaction is a crucial topic to success in any business either traditional or online. Customer satisfaction is more critical in banking service because customers demand a high-quality products or services and if they are unsatisfied, it is easy for them to move away to another site and leave those companies forever.

Thus, the internet companies need to know the customer's requirements for satisfactory level. Some parameters of customer's satisfaction include numbers of clicks needed to find what they want, amount of information they need, response time and speed of webpage. Service quality

has found as one of the significant factors in distinguishing services and products. Service quality is an important tool to measure customer satisfaction. In this study an attempt has been made to see whether there exists a close relationship between service quality and customer satisfaction. Customer satisfaction can be protected by providing products or services with high quality. One of the famous tools to assess service quality is SERVQUAL model and customer satisfaction has been assessed using a separate questionnaire.

### Objectives of the Study

The objectives of the study are:

- To ascertain the fairness of services rendered by various banks in terms of
- Tangibility
- Reliability
- To find out the relationship between Customer Satisfaction and service fairness of online banking services

### Methodology

The entire study was conducted on the basis of both primary data and secondary data. The method of study adopted was survey method. The population for the study consists of customers using online service facilities offered by various public sector banks in Kollam. A sample of 100 respondents using online banking services, 50 each from State Bank of India and Canara Bank in Kollam district of Kerala was selected for the study. Primary data for the study was collected through questionnaires and secondary data from books, journals and magazines.

Survey method is most common and economical way to conduct the data of large number of respondents. Survey design involves deductive research and most commonly adopted by business researchers. To collect the data for research, purpose a structured questionnaire technique is used by the researcher to support her findings.

### Sample Selection: Tools for Analysis

The objective of the current research is investigating the effects of service quality dimensions and self-service technologies on customer satisfaction of selected public sector banking industry of Kerala. Applied method has been used for this research in which the questionnaire method has been utilized in order to gather the required data for describing the research variables and interpreting the relations between them. The Analysis unit in this research is the banking services customers for which 100 people have answered the questionnaires. In order to describe the data, the frequency distribution tables have been used. In doing so, SPSS 18.0 software has utilized the explanatory z analysis and path analysis.

### Sampling Technique

Considering the features of the current research, the sampling method applied for this research has been the non-probable type, conducted in two phases. In the first phase, the judgment

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sampling has been used to choose the banks and in phase two the single- stage convenient sampling has been used and, accordingly Canara bank and SBI are selected as sample banking units and 50 respondents from each bank were identified as target sample

Sampling means by selecting some of the area from the population, researcher can draw the possible results about the entire population. Sampling is also done to reduce cost, to get accurate results and faster collection of data (Cooper and Schindler 2003). Convenience sampling is used by the researcher to collect the data. It involves selecting the members who can easily provide the required information. Convenience samples enable the researcher to cover large number of populations at a very lesser cost and speedily.

### Data Collection

Based on broader aspect of research, primary data collection approach is used. Primary data are collected through survey questionnaire. Quantitative survey was conducted among 100 customers using internet banking, who are having at least 3 year of experience in internet banking. Well-structured questionnaire was used to collect the data. Primary data were collected by approaching the people using internet banking services.

Most of the respondents are the professionals who do not have enough time to go to banks for manual transactions. Individual background information such as Gender, Age, Profession, their duration of using internet banking and the name of the bank which they are using for online transaction is also collected for demographics. Two Questionnaires, one for measuring service quality and another for measuring customer satisfaction was developed according to the variables identified through literature review. 5-point Likert-scale (1 = strongly disagree, 5 = strongly agree) is used to record the responses of the respondents.

### Data Analysis

#### Tangibility

Among different service quality dimensions, Tangible aspect of banking services plays pivotal role in satisfying all kind of customers of any bank. But banking is basically intangible in nature and bankers are converting it into tangible with the help of physical facilities, equipment, personnel, communication materials and etc. The banker who converts theses tangible factors well, reaching successfully every customer, results customer's satisfaction. But at the same time, several banking is experiencing increasing customer dissatisfaction and resulted the customers' switching behavior. This dissatisfaction could be the cause of missing tangible options of the banks. Because, the toll gate of customer retention and satisfaction highly depends on various tangible factors like bank providing data, information, the modern looking equipment, staff appearances, bank providing materials associated with services and visual appealing part of banks.

This excellent tangible service quality is major optional competitive strategy which may, or may not, be adopted to differentiate one bank from another: today it is essential to customers

satisfaction, profitability and survival. In online banking also some tangible factors play a pivotal role.

Table1  
Opinion of Customers on the Service Quality Factor Tangibility

Factor	Mean		Number		variance		Z value
	Canara	SBT	Canara	SBT	Canara	SBT	
The bank has visually appealing web page.	3.67	3.90	50	50	.679	.876	1.29
They modify the page occasionally	3.36	3.95	50	50	.835	.697	0.98
The website of the bank is easy to use and navigate	4.05	3.97	50	50	.698	.590	2.67
The bank uses advanced technology in Online banking.	3.91	4.45	50	50	0.76	0.65	1.23

Source: Survey Data Z value at 5% level of significance-1.65

The existence of such tangible factors will lead to the creation of immense satisfaction and the absence will lead to dissatisfaction. In this analysis the tangible factors like high appealing web page, constant modification of site, easiness in usage and usage of advanced technology in site creation and maintenance are the factors which are identified as key elements which paves quality service. The opinion of customers on the service quality factor tangibility is shown in Table 1

While analyzing the factor appealing webpage it revealed that the customers of SBT have more agreeable attitude as the mean value is higher in SBT ( $3.90 > 3.67$ ). But while analyzing the variation in opinion it revealed that customers in Canara bank have more consistency in opinion as their variation in responses is less ( $0.679 < 0.876$ ). while analyzing the difference in opinion through Z test, it revealed that the difference opinion is significant as the z value (1,29) is less than the table value (1.65). From the analysis it can be inferred that customers of SBT have more favorable opinion as regards to the pleasant appealing of web page and there is significant difference in opinion with regard to the visually blossomed appearance of web page.

The mean indices indicating the level of service quality in respect to modify the page occasionally in Canara bank and SBT are 3.36 and 3.96. The mean index of SBT is greater than that Canara bank. It is an indication that the service quality of SBT is better than that of Canara bank. The difference in opinion of customers in the matter of modify the page occasionally is statistically significant. This is an indication that the service quality of SBT is better than Canara bank in respect of modify the page occasionally.

The mean index representing service quality in respect of website of the bank is easy to use and navigate is 4.05 and 3.97 respectively in Canara bank and SBT. The mean value for the same reveals that the Canara bank stands better position than that of SBT in respect of the website of the bank is easy to use and navigate. It is an indication that the service quality of Canara bank is better than that of SBT as regards the website of the bank is easy to use and navigate. The table results show that the difference observed in the mean indices representing the level of service quality relating to tangibility factor the website of the bank is easy to use and navigate is not significant statistically.

The result presented in the above Table ----revealed that the mean indices of Canara bank and SBT representing the level of service quality as regards the bank uses advanced technology in online banking are 3.91 and 4.45. This is an indication that the customers are more positive attitude towards SBT than Canara banks in the matter of the bank uses advanced technology in online banking. It is clear from the above Table that the difference observed in the mean index representing the level of service quality is statistically significant.

### Reliability

Reliability is an important criterion used to evaluate service quality of a bank. Reliability refers to ability to perform the promised service dependably and accurately. Reliability depends on handling customer's service problems; performing the services in right way the first time; provide services at the promised time and maintaining error frees record.

Table 2

#### Opinion of Customers on the Service Quality Factor Reliability

Source: Survey Data value at 5% level of significance-1.65

Factor	Mean		Number		variance		Z value
	Canara	SBT	Canara	SBT	Canara	SBT	
Information provided in web page is accurate.	3.70	3.93	50	50	.78	.76	2.55
Getting of service beyond banking Hour.	3.78	3.77	50	50	.85	.67	1.56
The Bank keeps my records accurately.	3.56	3.94	50	50	.98	.90	1.76
Links are problem-free, accurate and the pages are downloaded quickly.	3.87	3.67	50	50	0.66	0.45	0.56
Bank performs the service perfectly the first time.	2.97	2.99	50	50	0.67	0.87	1.36

The customers opinion regarding the service quality on factor reliability is shown in Table2

Reliability also consists of accurate order fulfillment; accurate record; accurate quote; accurate in billing; accurate calculation of commissions; keep services promise. Hence, reliability is the most important factor in banking service which determines the service quality.

The mean index indicating the level of service quality with regard to information provided in web page is accurate reveals that in Canara bank the mean index is 3.70 and in SBT the same is 3.93. The mean index of SBT is greater than that of Canara bank. It is seen from the results that in providing enough information to the web page SBT provide more qualitative touch than that of Canara bank. The difference in opinion of customers in the matter of providing enough information in web page is statistically not significant.

It is seen from Table 2 that there is a slight difference observed in getting banking services beyond banking hours in the Canara bank and SBT. The mean indices indicating the level of service quality in respect of getting banking services beyond banking hours in Canara bank and SBT are 3.78 and 3.77 respectively. It shows that Canara bank is better than SBT in rendering better service quality in respect of getting banking services beyond banking hours. The difference in opinion of customers in respect of getting banking service beyond banking hours is statistically significant.

The results revealed from Table 2 shows that the mean index of service quality in respect of bank keeps records accurately is 3.56 and 3.94 respectively for Canara bank and SBT. It is an indication that SBT is more qualitative attitude towards customers in the matter of keeping record accurately. The statistical test reveals that the difference in opinion of customers in respect of maintaining records accurately is not significant.

It is evident from Table 2 that the customers of Canara banks are the great admirers of service quality in respect of links are problem-free, accurate and the pages are downloaded quickly. The mean index for service quality in respect of links is problem-free, accurate and the pages are downloaded quickly is 3.87 in Canara bank and 3.67 in SBT. The difference in opinion of customers in respect of links is problem-free, accurate and the pages are downloaded quickly is statistically significant at 5 per cent level.

The mean indices representing the level of service quality in respect of the bank performs the service perfectly the first time are 2.97 and 2.99 for Canara bank and SBT respectively. This is an indication that the customer of SBT more venerates the quality of service provided by them in respect of bank performs the service perfectly the first time. The difference in opinion of customers in respect of the bank performs the service perfectly the first time is statistically significant at 5 per cent level.

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## Main Findings

The Following are the major findings of the Study

### Tangibility

- The mean indices showing the level of service quality in respect of pleasant appealing of web page in Canara bank and SBT are 3.67 and 3.90. The Z value shows that the difference in opinion of customers between Canara bank and SBT are statistically significant. It was thus observed that SBT achieve better service than Canara bank as regard pleasant appealing of web page.
- It was found that SBT is having more qualitative touch in their service with regard to modify the page occasionally. The mean index representing the same is 3.36 and 3.96 for Canara bank and SBT. The difference in opinion of customers as regards modify the page occasionally between the Canara bank and SBT is statistically significant.
- The website of the bank is easy to use and navigate wise mean indices indicating the level of service quality revealed that the Canara bank and SBT have mean indices of 3.91 and 4.45 respectively. The statistical test revealed that the difference observed in the opinion of customers between Canara bank and SBT in the factor of the website of the bank is easy to use and navigate is not significant.
- An analysis of level of service quality in respect of the bank uses advanced technology in online banking reveals that the mean index representing service quality in Canara bank and SBT are 3.91 and 4.45 respectively. The difference in opinion of customers observed in the mean index representing the level of service quality is statistically significant.

### Reliability

- The level of service quality as reflected in the mean indices of the factor information provided in web page is accurate of the selected branches of Canara bank and SBT are 3.70 and 3.93 respectively. The difference in opinion of customers between the banks in the matter of providing enough information in web page is statistically not significant.
- The mean indices showing the level of customer service quality in respect of getting banking services beyond banking hours in Canara bank is 3.78 and in SBT is 3.77. The difference in opinion of customers between banks in respect of getting banking service beyond banking hours is statistically significant. It is an indication that Canara bank is providing qualitative service to customers in this area.
- An analysis of level of service quality in respect of bank keeps records accurately reveals that in Canara bank the mean index representing service quality is 3.56 and in SBT the same is 3.94. The statistical test reveals that the difference in opinion of customers between banks in respect of maintaining records accurately is not significant.
- The mean indices indicating the level of customer service quality in respect of links are problem-free, accurate and the pages are downloaded quickly in Canara bank and SBT reveals that the customers of Canara bank is more satisfied with the provision of such online facility. The difference in opinion of customers between Canara bank and SBT in

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respect of links are problem-free, accurate and the pages are downloaded quickly is statistically significant.

- It was found that SBT is having more qualitative touch as regards the bank performs the service perfectly the first time. The mean index representing the same is 2.97 and 2.99 for Canara bank and SBT. The difference in opinion of customers as regards the bank performs the service perfectly the first time between the Canara bank and SBT is statistically significant.

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