The Effect of Service Quality and Customer Satisfaction on Internet Banking in Nationalised Banks

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Abstract

Now a day internet is the main channel of electronic banking. E-banking also called as internet banking, allow the customers to use all the banking services from a computer that has internet access. The customer can perform financial transactions on a secure website operated by the bank. Online banking offers features such as bank statements, loan applications, funds transfer, e-bill payments, and account aggregation allows customers to monitor all their accounts in one place. This paper is investigate the relationship between service quality and customer satisfaction on internet banking in nationalized banks with reference to nationalized Banks, Tirunelveli District, Tamilnad , India. This study conducted in rural areas and 245 samples were used to analyse the data. Descriptive, multiple regression and correlation statistical tool applied to know most predict variables and relationship between variables in service quality determinants. It is found that responsiveness and reliability are the most predictable variables on customer satisfaction and tangibility and assurance highly influence customer satisfaction among other service quality variables.
Key words: Service quality, Customer satisfaction, Nationalised Banks, Net Banking

Introduction

Over the last few decades technology has changed everything around us including banking. It has made possible internet banking. Here the customer can do all his banking activities on the internet without physically going to a bank or any human interaction. The usage of e-banking by the enterprises came into existence in the mid 90’s. e banking came into existence in greater numbers because of low operating costs. First, it is in the form of ATMs and phone transactions. Recently it transformed into the internet a new channel between customers and banks which benefits both. The main aim of e-banking services is to provide the customers much faster services at a low cost. From the last twenty years, the banking sector has chosen a new method of banking based on the progress of information technology. In addition to these customers, transaction and communication abilities are fastened based on information technology. The progress of electronic banking started with the use of automatic teller machines and afterward, it developed to online banking. In the future, it will be done on mobile phones (wap-enabled). Anyway online banking continues to be the best for financial transactions.

Nationalised banks are sure to command more confidence with the customers about the safety of their deposits. Besides this, the planned development of nationalised banks will impart greater stability for the banking structure. The private sector banks were not giving importance to industries from the economy point of view. They were neglecting agriculture, small scale industries, cottage industries, and rural industries. With the nationalization of
commercial banks, priority sector, namely, agriculture and its allied industries, small scale, cottage, export oriented and employment intensive industries could be effectively attended. The nationalized commercial banks have also played an important role in extending the banking service in unbanked areas. Before nationalisation commercial banks were a bit conservative and thereby opened branches mostly in metropolitan cities and other towns and cities. But after nationalisation, banks started to open new branches in rural areas and also introduced lead Bank scheme in all districts of the country. The private sector banks were neglecting rural areas and backward areas by concentrating only in urban areas. This trend could be changed by nationalizing these banks and opening their branches in rural and backward areas. It would also enable the banks to give more loans for starting industries in rural and backward areas. Due to the above factors, the problem of regional disparities could also be reduced. This paper identified a gap in the aspect of quality of service provided by nationalised banks.

Service quality plays a vital strategic role and helps bank managers to gain competitive advantage and to take wise management decisions. If it will be analyzed properly, it will give appropriate long time impact on customer purchase decisions. When a bank has high customer satisfaction it is a very precious asset. It makes a positive difference influence that knowing the bank name has on customer reaction to the product or service. High customer satisfaction provides many competitive advantages to the organisation.

Customer satisfaction is an art of fulfilling the needs and wants of customers. Understanding the customers’ needs and wants is an important task of banking industry, but unfortunately majority of the nationalised banks are unaware or fail to do this. Now a day understands customer’s expectation about the products is more competitive. In this way customers get unsatisfied and not only credibility but loyalty of bank are also affected directly. In the beginning point, customer’s satisfaction is built when the customer has full
confidence and satisfaction on the banking services. It fulfils promises, so, customer will not move to the competitor banks and services. So in this connection, this paper identified the needs for internet banking and online transaction, to check customer satisfaction of net banking services provided by nationalized banks whether the service quality dimensions are worked properly or not in their daily bank's activities done by net banking. It also determines the effectiveness of net banking services in the nationalized banking sector.

**Research Methodology**

The objective of this paper is to investigate the relationship between of service quality and customer satisfaction on internet banking in nationalised banks with reference to nationalised Banks, Tirunelveli District, Tamilnad, India. Various literatures and reviews are collected and identified the variables. In 1988, Parasuraman studied five dimensions of service quality with 22 statements. Parasuraman, et.al (1988) tool has been adopted for this study. This tool consists of 22 statements which are classified as five dimensions namely, tangibility, reliability, responsiveness, assurance and empathy. For customer satisfaction Johnson (1998) is used a nine items scale to measure the customer satisfaction. This tool is considered for this study. The required samples size for this study is 236. These sample respondents are selected by systematic random sampling technique. The data analysis procedure is conducted through survey questionnaire method. Responses are coded and data entered statistical package for social science (SPSS). Descriptive statistics, multiple regression and correlation statistical tools were used to analysis of variance between determinants, the statistically significant differences and relationship between variables.

**Result, Analysis and Discussion**
Table 1: Respondent’s opinion towards customer satisfaction of banks

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did the right thing</td>
<td>3.97</td>
<td>1.02</td>
</tr>
<tr>
<td>Satisfying experience</td>
<td>3.79</td>
<td>0.98</td>
</tr>
<tr>
<td>Satisfied with my decision</td>
<td>4.09</td>
<td>1.09</td>
</tr>
<tr>
<td>Choice to use the Service</td>
<td>4.04</td>
<td>1.20</td>
</tr>
<tr>
<td>Satisfying needs</td>
<td>3.74</td>
<td>1.10</td>
</tr>
<tr>
<td>Recent experience</td>
<td>3.85</td>
<td>0.97</td>
</tr>
<tr>
<td>Met my expectations</td>
<td>3.98</td>
<td>1.10</td>
</tr>
<tr>
<td>Preference on next opportunity</td>
<td>3.34</td>
<td>1.09</td>
</tr>
<tr>
<td>One and only service</td>
<td>3.04</td>
<td>1.09</td>
</tr>
</tbody>
</table>

**Source:** Primary data computed.

Table 1 shows the respondent’s opinion about customer satisfaction of internet banking in nationalised banks and its services. Did the right thing, satisfying experience, satisfied with their decision, choice to use the services, the bank satisfying needs, recent experience, met their expectations, Preference on next opportunity and one and only services are the various statements have been used to measure the customer satisfaction. Respondent’s opinions are collected for five point scales in each statement. Then mean and standard deviation is calculated for each statement. From the mean score, it is noted that majority of the respondents have given their importance to satisfied with their decision (4.09). The corresponding standard deviation value also noted that there is no much deviation within the group of respondents. Choice to use the services secured the mean value of (4.04) in the customer satisfaction, followed by met their expectations (3.98) and also did right things (3.97). Also there is no much deviation value within the group of respondents. Use of experience secured the mean value of 3.85 followed by satisfying experience (3.79), satisfying needs (3.74), Preference next opportunity (3.34) and only and only service which is purchased and used (3.04). In corresponding standard deviation value is noted that there is no deviation within the group of respondents. Among these statements satisfied with their
decision obtained the highest mean value than other satisfaction related statements. Thus the customers are satisfied with their decisions to chosen the nationalised bank and services.

Satisfaction is traditionally considered as an overall affective response resulting from the use of a product or service (Oliver 1981). It is believed to have a direct influence on customer loyalty and repurchase behaviors (Kumar, 2011; Mittal and Kamakura, 2001). Customer satisfaction has influenced on product and services (Vetrivel, 2015).

Table-2: Effect of service quality determinants on customer satisfaction

<table>
<thead>
<tr>
<th>R-value</th>
<th>R-square value</th>
<th>Adjusted R-square value</th>
<th>Std.error</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.965</td>
<td>0.932</td>
<td>0.931</td>
<td>0.21170</td>
<td>1747.948</td>
<td>0.001*</td>
</tr>
</tbody>
</table>

Factors

<table>
<thead>
<tr>
<th>Factors</th>
<th>B-value</th>
<th>Std.error</th>
<th>Beta</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.155</td>
<td>0.044</td>
<td>-</td>
<td>3.511</td>
<td>0.001*</td>
</tr>
<tr>
<td>Tangibility</td>
<td>0.090</td>
<td>0.018</td>
<td>0.098</td>
<td>5.001</td>
<td>0.001*</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.248</td>
<td>0.033</td>
<td>0.306</td>
<td>7.578</td>
<td>0.001*</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.368</td>
<td>0.036</td>
<td>0.383</td>
<td>10.341</td>
<td>0.001*</td>
</tr>
<tr>
<td>Assurance</td>
<td>0.223</td>
<td>0.023</td>
<td>0.204</td>
<td>5.324</td>
<td>0.001*</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.192</td>
<td>0.041</td>
<td>0.214</td>
<td>4.682</td>
<td>0.001*</td>
</tr>
</tbody>
</table>

Source: Primary data computed; * Significant @ 1% level.

Service quality determined five important components namely tangibility, reliability, responsiveness, assurance and empathy. Table-2 brings the effect of service quality determinants on customer satisfaction. Here the service quality determinants are considered as independent variable and customer satisfaction is treated as dependent variable.

H₀: Service quality determinants do not have influence on customer satisfaction

In order to test the above stated hypothesis multiple regressions is employed. The purpose of regression analysis is to find out the most predictors variables on customer satisfaction. The measure of strength of association in the regression analysis is given by the co-efficient of regression determination denoted by R-square as 0.932 and R-value as 0.965.
The F-value is 1747.948 which is significant at one percent level and ascertain that there is 
significant relationship between dependent and independent variable. So, the hypothesis is 
rejected. Further, R-square value indicates, the independent variables influenced at 93.2% on 
the dependent variable. The standardized co-efficient beta value indicates the relative 
importance of the predictors on customer satisfaction. It is inferred that service quality 
determinants are significantly and positively influenced the customer satisfaction. 
Responsiveness and reliability are the highly predicting variables on customer satisfaction. 
The corresponding p-value of these variables is significant at one percent. So, these variables 
significantly influenced on customer satisfaction. Customer satisfaction is expressed by the 
following equation.

Customer satisfaction = 0.155 (Constant) + 0.368 (Responsiveness) + 0.248 (reliability) 
+0.223 (assurance) + 0.192 (empathy) + 0.090 (tangibility)

The equation is explained that the tangibility, reliability, responsiveness, assurance 
and empathy have the positive impact on customer satisfaction.

To increase one unit in customer satisfaction, the responsiveness is increased by 
0.368, when other factors remain constants. Similarly, reliability increased by 0.248, 
assurance increased by 0.223, empathy increased by 0.192 and tangibility by 0.090. It is 
found that responsiveness and reliability are the most determinants variables on customer’s 
satisfaction. Similarly the study indicates that customer satisfaction had positive impact on 
service quality determinants. Torres et al., (2013) found that the relationship between 
customer satisfaction and trust is significantly strong. It indicates that service quality has 
significant influence on trust via customer satisfaction (Vetrivel, 2016).
Table-3: Relationship between service quality variables and customer satisfaction

<table>
<thead>
<tr>
<th>Service quality variables</th>
<th>Customer satisfaction</th>
<th>r-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangibility</td>
<td></td>
<td>0.796</td>
<td>0.001*</td>
</tr>
<tr>
<td>Reliability</td>
<td></td>
<td>0.711</td>
<td>0.001*</td>
</tr>
<tr>
<td>Responsiveness</td>
<td></td>
<td>0.688</td>
<td>0.001*</td>
</tr>
<tr>
<td>Assurance</td>
<td></td>
<td>0.742</td>
<td>0.001*</td>
</tr>
<tr>
<td>Empathy</td>
<td></td>
<td>0.712</td>
<td>0.001*</td>
</tr>
</tbody>
</table>

Source: Primary data computed; * Significant @ 1% level.

The high service quality has positive influence on consumer preference and purchase intention for new product extension because consumers would have more trust on the banks with high equity than a low equity brands and the high brand equity helps to decrease the risk which consumers perceive while evaluating new customer satisfaction. Table-3 shows the relationship between the service quality variables and customer satisfaction towards internet banking services of nationalised banks.

H0: There is no relationship between service quality variables and customer satisfaction

In order to examine the above hypotheses, Pearson correlation is employed. Table-3 explains the relationship among the service quality variables with customer satisfaction. From the r values, it is inferred that the study variables have relationship with itself, because r values are significant and also positive. Hence the stated hypothesis is rejected. The respondents have expressed that their experienced banks have high level of relationship on tangibility, reliability, responsiveness, assurance and empathy with customer satisfaction.

It is observed that the service quality variables, tangibility has secured the highest r-value of 0.796 with customer satisfaction followed by assurance (0.742), empathy (0.712), reliability (0.711) and responsiveness (0.688). It is observed that tangibility and assurance highly influence the customer satisfaction among other service quality variables. It is inferred that tangibility, empathy, assurance, responsiveness and reliability are positively related with...
customer satisfaction. The customer satisfaction has relationship with all service quality variables based on cumulative customer opinion from their banks experience. Tangibility, assurance, reliability and empathy are having the higher level of relationship with customer satisfaction. But, responsiveness is having least level of relationship with customer satisfaction. Customers felt that the bank is most suitable for them and they will continue to use the bank in future. This finding is also supported by the earlier researcher. In concurrence, Garbarino (1999) indicated the factors influencing successful customer satisfaction. The effect of factors such as brand reputation, perceived risk, perceived similarity and consumer innovativeness on successful customer satisfaction. Tse,D.k., Wilton et al., (1988).

**Conclusion**

Internet banking provides the facility of instant transfer of funds to its customers. It saves the time of customers as funds get transferred very fast from one account to another. Whole system of E-banking is automated & works over the internet. People don’t need to wait in queue to transfer their funds or pay off their bills; they can easily do it through their device. It saves the time of customers as they can easily access their account with the help of their device. This study concluded that service quality determinants are significantly and positively influenced the customer satisfaction. Responsiveness and reliability are the highly predicting variables on customer satisfaction and it is observed that tangibility and assurance highly influence the customer satisfaction among other service quality variables. So the nationalised banks have good service quality among their customer it reflects in their satisfaction. Satisfaction can be expressed in many ways, like positive word-of-mouth, satisfied consumers will be recommended the bank to others to use the internet banking services and given their good opinion about its feature of E-banking. Which is E-Banking provides customers with all-time access facility to their accounts. Customers can easily
access their account anytime & from anywhere with no limitations. It provides convenience to the customers as they can perform transactions as per their wish.

References