CUSTOMERS' OPINION ON ONLINE BANKING SERVICE QUALITY - A STUDY IN SELECTED CITIES OF KERALA

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Abstract

Now a day, the banking industry faces numerous challenges. It has intense competition. The foreign banks and Private sector Banks started offering many innovative services. The Public sector and SBI banks need to cope up with them. Customers have adequate financial literacy. In the era of connected world, the technology plays a vital role in customer service especially on online banking. When Banks like to retain its customers, satisfaction of customers is essential. The loyalty building is a difficult as well as an important exercise for bankers. The service quality is a tool through which loyalty can be developed. So service quality in online banking is the thrust area for Bankers and Academicians too.
Keywords: *Private sector Banks, Public sector, foreign banks, online banking, service quality, e-service*

Introduction

The effective measurement of service quality on the Internet is drawing much attention lately with the increasing use of the World Wide Web. E-S-Qual is the recently developed and popular e-service quality measurement technique on which there are quite a number of testing efforts. Internet banking is a self-service technology (SST). Nowadays, Internet banking transactions are developed to a point that almost all banking transactions can be executed online by the customers themselves with the exception of cash withdrawals and cash deposits using banknotes and coins. Competition in the banking industry has become severe, just as in the other sectors of the economy. Globalization has been sped up with the borderless finance sector. The impacts of globalization and financial crisis in the markets have decreased the bank's profit margins due to the increasing cost of risk (loan defaults) and competitive pricing. Consequently, banks have focused on risk and cost management issues more than they have done in the past.

E-Banking in India

In the post-reform period, Indian banking is passing through crucial stages. There is a paradigm shift in the different parameters of transformation. Many internal and external factors are responsible for this bank transformation. Competition from inter- and intra-bank group, and global forces are compelling the banks to make radical internal and external changes in their day-to-day functioning, to face the E-age challenges.

It is a crucial parameter for transformation in structure, work-culture, functioning, HRD and business re- engineering. E-banking services are replacing traditional services and creating a new scale in transformation. In the initial stage, e-channels were introduced in metropolitan cities and urban areas, but recently some banks have started focusing on rural and semi-urban areas. New private sector banks are taking the lead in capturing rural and semi-urban sector.

The different e-channels such as ATMs, Credit and Debit Cards, Tele-banking, Mobile-banking, Online-banking and Smart Cards are changing the face of the Indian banks. New private sector banks and foreign banks are attracting customers in a big way. The potential customers and big companies are shifting their accounts from traditional banks (not fully computerized) to e-banks (fully computerized andprovide different e-channels). If traditional banks, mostly public sector banks, do not transform their business by introducing IT, their survival will become difficult, as now-a-days IT is not a matter of convenience but a survival factor. Therefore, e-banking services are a potent factor for transformation in this E-age.

Objectives of the Study

1. To reveal the background of the customers;
2. To explain the service quality gap in the e-banking;

Research Design

The present study is descriptive in nature since the study describes the characteristics of service quality in banking industry. It is preplanned and structure & design. The methods followed to collect the data are with a well structured interview schedule. Convenience sampling method is used to identify the sample respondents from Ernakulam, Trivandrum and Cochin cities of Kerala. 130 customers using e-banking have been included for the study.

Measurement of Online Banking Service Quality

In the present study, the online banking service quality has been measured with the help of following factors which consists of some variables drawn from Al Hawari

and Ward (2006); Broderick and Vachiraporupuk (2002) and Mountinho and Smith (2000)[V]. These variables are given in Table 1

Table 1 Variables in online Banking Service Quality

SI.No.	Variables	SI.No.	Variables
I	**Ease of use**	**V**	**Empathy**
1	It is easy to look for information	1	Address complaints friendly
2	It is easy to move around the website	2	Consistently courteous
3	It is easy to do what I want to do	3	Consistently courteous
4	Well organized web site	**VI**	**Updation**
5	Helpful in Navigation	1	Immediate entry of debit and credit
II	**Security**	2	Fast clearing and collection facilities
1	No Possibility of misuse	3	Updation of information
2	Feeling of safety	**VII**	**Interaction**
3	Providing sensitive information	1	Adequate guidelines in the website
4	Personally informative	2	Well informed on all developments
III	**Informative**	3	Needs are adequately addressed
1	Completenes	4	Bank advice to use online banking
2	Ease of understanding	**VIII**	**Usability**
3	Personalization	1	Nature of use
4	Relevance	2	No. of transactions executed
IV	**Accessibility**	3	No. of sites visited
1	Available 24 hours	**IX**	**System**
2	Available 7 days week	1	Adaptability
3	Any time and any where	2	Response time

The customers are asked to rate the above said variables under nine important factors at five point scale on the basis of their level of perception and expectation.

Measurement of Service Quality

The service quality is measured with the help of SERVQUAL scale. The SERVQUAL scale represents the difference between the perception and expectation on various attributes related to the service. It is also called as gap model. It was propounded by Parasuraman et al., 1985 and applied by Carman, 1990;. The SERVQUAL scale is measured by

$$SQ_j - \sum_{i=1}^{k} P_{ij} - E_{ij}$$

whereas SQ_j = Perceived Service quality of individual "j"

k = Number of service attributes/items

P = Perception of individual "i "with respect to performance of a Service firm attributes "j" E = Service quality expectation for attributes "j" that is the relevant norm for individual "i "

Limitations of the Study

The present study is subjected to the following limitations:

1. The variables related to the various constructs developed in the present study are based on the review of previous studies;
2. The descriptive variables used in the present study are converted into quantitative variables with the help of five point Likert Scale;
3. The linear relationship between the dependent and independent variables has been assumed;

Literature Review

Navneet Kaur and Ravi Kiran (2015) found that the customers perceive foreign sector banks provide better service quality features than private and sector banks. They also found that for convenience and safety of funds transfer on net, public sector banks have higher ratings than private sector banks.

Asrat Arega (2017) found that all the service quality determinants are positively correlated to the customer satisfaction and were significant at 0.01 significance level. He also found that all the five dimensions of online banking service quality had negative gaps and concluded that the United Banks S.C. failed in all these dimensions (Reliability, Responsiveness, Security, Empathy and Tangibility) to meet its customers" expectation.

Ariely (2010) measured the e-service quality perceptions in banking industry and verified the reliability and validity of variables in it. These are information availability and content, ease of use or usuability, privacy/security, graphic style and reliability/fulfillment.

Jun and Cai (2010) measured the service quality in internet banking. They identified that the important service quality factors are responsiveness, reliability, privacy of transactional information andeasiness to use. They also revealed that there is a significant difference among the customers with different degree of their profile regarding their perception on e-service quality factors.

Deyoung et al., (2011) developed a performance of interest based business models in the banking industry. They correlated the development of internet banking service quality with the performance of the banks and revealed that there is a significant correlation between them.

Daniel (2011) examine the provision of electronic banking in the UK and Ireland. He found that there is a consistent improvement in the services as per the need of the customers especially availability of information, easy access, safety and complaint management. Sathye (2012) pointed out the difficulties in the adoption of internet

banking in Australia. The important difficulties are provision of access, reply, reliability and security. Since these implications have a significant direct impact on customers satisfaction.

Silvio et al., (2014) measured service quality in online banking in Malta"s retail banking sector. They identified that reliability, responsiveness and access dimensions as important in differentiating satisfied and dissatisfied customers. They found reliability as the first dimension in order of importance among respondents out of five service quality dimensions considered. Gireesh et al., (2014) identified that adoption decision in Internet Banking is influenced mainly by five dimensions i.e. Website attribute, reliability, responsiveness efficiency, fulfillment and privacy. They found there is positive and significant effect in the case of website security, privacy and responsiveness on the adoption of Internet Banking in Kerala.

Service Quality Gap (SQG) in Banks

The service quality gap in the online banking has been computed by the difference between the level of perception and expectation on factors in e-banking.

The paired "t"test has been administered to find out the significant difference among the level of perception and expectation on the nine factors among the customers in banks. The results are presented in Table 2.

Table 2 Gap between the level of perception and expectation e-banking

Sl.No.	Factors	Mean of perception	Mean of expectation	Gap	Paired t–statistics
1	Ease of use	3.1142	3.9845	-0.8703	-3.2537*
2	Security	3.0665	3.7021	-0.6356	-2.8672*
3	Informative	3.2716	3.8667	-0.5951	-2.4365*
4	Accessibility	3.0114	3.6083	-0.5969	-2.5541*
5	Empathy	3.1386	3.7449	-0.6063	-2.6088*
6	Updation	2.9145	3.6227	-0.7082	-2.8013*
7	Interaction	3.0241	3.7343	-0.7102	-2.7909*
8	Usability	2.9091	3.6086	-0.6995	-2.6017*
9	System	3.1772	3.8809	-0.7037	-2.6556*

Significant at five per cent level.

The service quality gap is ranging from -0.5951 and -0.8703. The negative service quality gap is identified in all nine factors. It shows that the customers in banks are not satisfied up to their level of expectation on all nine service factors in e-banking. The significant difference among the level of perception and expectation in e-banking is identified since their respective "t" statistics are significant at five per cent level.

Summary of Findings

The important gender among the customers in both private and public sector banks is male customers. The important age group among the customers is 20 to 30 years. The most important age group among the customers in private and public sector is 20 to 30 and 31 to 40 years respectively. The dominant marital status of the customers is „married" which is commonly seen in private and public sector banks. The important educational qualification of the customers in both groups of banks is degree/diploma. The important occupational background of the customers is Government employment and housewives. The most important occupation among the customers in private and public sector banks is Government employment. The important monthly income among the customers is Rs.10001 to 20000 and Rs.20001 to 30000. The most important monthly income among the customers in private and public sector banks is Rs.10001 to 20000. The important family size of the customers is 3 to 4 members and 5 to 6 members. The most important family size among the customers in private and public sector banks is 3 to 4 members.

The important nativity among the customers is semi urban and urban whereas the most important nativity among the customers in private and public sector banks is semi-urban. The important frequency of transaction per month among the customers is 6 to 15 transactions. The most important frequency of transaction per month among the customers in private and public sector banks is 6 to 15 transactions. The important frequency of visit of bank branch in past one month among the customers is 1 to 5 and 6 to 10 times. The most important frequency of visit among the customers in private and public sector banks is 1 to 5 times. The customers in banks are not satisfied up to their level of expectation on all nine service factors in e-banking. The significant difference among the level of perception and expectation in e- banking is identified since their respective "t" statistics are significant at five per cent level.

Concluding Remarks

The present study concludes that the level of customers" perception on core, value added and critical service quality of e-banking is higher in the private sector than in the public sector. But even in the private sector banks, the level of perception on the service quality of e-banking is not upto their level of expectation.

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