

Core Service Quality in E-Banking in Madurai City- A Comparative Study among Private Sector and Public Sector Banks

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Abstract

Internet banking can be defined as transactional online banking. It helps customers to access their accounts via the internet. It saves time, convenient and flexible for the customers to operate and bankers to provide the service. Increasing competition has forced the banks to think of better ways and means to generate better e-service qualities and services. When the core service quality offering is prompt, the banker can improve the customer satisfaction and thereby create customer loyalty. So the study has been made on identifying the service quality gap in Core Service quality offerings of Private and Public Sector Banks in Madurai city. Private sector bank customers comparatively perceive better service quality.

Key words: Core Service Quality, e-banking, Service quality gap, core service quality factors.

Introduction

Internet banking becomes as the new trend and it comes as the latest technology in the current era. Due to the development of technological advancements ATM's, credit cards, debit cards, Tele-banking, internet banking have become as effective delivery channels. It helps to deliver traditional banking products. Banks have realized that the internet helps to expand their performance local into global (Mavri and Ioannou, 2006)¹.

Internet banking can be defined as transactional online banking. It helps customers to access their accounts via the internet. By using internet banking customers can possess varieties of benefits; such as to access their account via the internet, view their account details, buying financial services through the online, transfer funds. Unlike traditional banking, internet banking is available for 24 hours a day. Therefore, customers can access their accounts at any time (Sathye, 1999)².

The service quality of banking represents the fundamental service quality factors mentioned by Parasuraman et al. (1988). These are reliability, responsiveness, assurance, empathy and tangibles. Due to the development of information technology, the traditional banking activities and services are rendered through the e-channels.

1. Mavri, M. and Ioannou, G. (2006) 'Consumers' perspectives on online banking services', *International Journal of Consumer Studies*, 6(4), pp.102-110.

2. Sathye, M. (1999) 'Adoption of internet banking by Australian consumers: an empirical investigation', *International Journal of Bank Marketing*, 17(7), pp. 324 - 334.

There is a wide difference between these traditional and e-banking. In the traditional banking, there is a personal contact between customers and service provider directly. In the case of e-banking, it is not so. Hence, the bankers should be very careful to provide the e-banking services to their customers. They have to keep up the service quality in e-banking according to the requirement of customers.

Need for the Study

Increasing competition has forced the banks to think of better ways and means to generate better e-service qualities and services. It is imperative to measure the level of expectation and perception on various aspects in e-banking among the customers in order to establish the customers' satisfaction continuously.

Review of Previous Studies

Shiva Krishna and Venugopal (2018)³ revealed that the employees are using more internet banking compared to other people whereas they are only middle aged. The existing account holders are showing interest towards e-banking. Most of the customers considered secured transaction are the important factor in choosing e-banking.

Saviour and Bornwell (2018)⁴ found that availability of information on e-banking, educational level and the cost associated with the e-banking were the significant challenges to adopting and use of e-banking by customers.

Saad and Ihab (2018)⁵ stated that effort expectancy, social influencing and perceived e-banking service quality have a significant impact

on behavioural intention to use e-banking.

Ajimon (2018)⁶ found that perceived ease of use and perceived usefulness have a direct effect on Internet Banking use, and the perceived ease of use has an indirect effect in perceived usefulness. Service quality dimensions such as fulfillment, efficiency, reliability, website attributes, responsiveness, and privacy also have indirect effect through Technology Acceptance Model variables on internet bank use.

Kesharwani and Bisht (2018)⁷ identified the benefits of internet banking to both customers and banks. For customers, it offers anywhere any time instant banking with accuracy whereas for bankers, it offers reduction of cost, supporting customer relation and retaining a profitable customer base.

Objective

To analyse the customer's view on core service quality in e-banking services and its service quality gap;

Research Design

The present study is descriptive in nature since the study describes the characteristics of service quality in banking industry.

Sampling & Data Collection

A convenience sample of 75 customers from Private Sector Banks (PRSBs) and 75 customers from Public Sector Banks (PUSBs) have been selected based on the customers willingness to respond to the interview schedule. A well structured interview schedule consisting two parts one from the profile of the customers and other from the expectation and perception of service quality of e-banking has been administered.

Limitations of the Study

The present study is subjected to the following limitations:

1. Non probabilistic sampling procedure has been

6. Ajimon George (2018), "Perception of Internet banking users – A structural equation modeling (SEM) approach", *IIMB Management Review*, 30(2), pp.357-368.

7. Kesharwani, A and Bisht, S.S., (2018), "The impact of trust and perceived risk on internet banking adoption in India", *International Journal of Bank Marketing*, 30(4), pp.303-322.

3. Shiva Krishna, G., and Venugopal, S., (2018), "A study on 'e-banking to improve customer base with reference to HDFC bank Ltd., Eluru", *International Journal of Research and Computational Technology*, 4(3), pp.19-24.

4. Saviour Lusaya and Bornwell Kalumba (2018), "The challenges of adopting the use of e-banking to the customers: The case of Kasama District Banking Customers", *Scholar Journal of Applied Sciences Research*, 1(2), pp.26-32.

5. Saad Ghaleb Yaseen and Ihab Ali Emotional Qirem, (2018), "Intention to use e-banking services in the Jordanian Commercial Banks", *International Journal of Bank Marketing*, 36(3), pp.557-571.

applied in the present study even though the sample size is determined scientifically

2. The scope of the study is confined to only Madurai City, Tamilnadu;

Core Service Quality of E-banking

In total, there are five dimensions of basic/core service quality namely reliability, responsiveness, assurance, empathy and tangibles (Zeithaml et al., 2002)⁸. These dimensions are used by different authors (Yang and Fang, 2004)⁹ in online service quality dimensions. It was modified by Madhu and Madhu, 2002¹⁰; Mc Kinney et al., 2002¹¹). Finally they listed five core service quality of e-banking namely, efficiencies, privacy, responsiveness, fulfillment, reliability. These five core service quality factors (CSQFs) have been included for the present study. The relevant variables are drawn from the reviews studies. (Jayawardhena and Foley, 2000)¹². These are listed in Table 1.

Table 1 Core Service Quality Factors in E-Banking

Sl.No.	Variables in CSQF
1.	Navigation
2.	Personal information
3.	Prompt service
4.	Cost effective
5.	Immediate response
6.	Banking transfers
7.	Willingness to help
8.	Fulfillment of promises
9.	Privacy of statement
10.	Reasonable banking service
11.	Appropriate services
12.	Speed
13.	Secured information
14.	Linkage
15.	Quick information
16.	Technical function
17.	Rely more at any time

Source: Various published papers

The customers are asked to rate the above said variables at five point scale (Expectation and Perception) according to the order of importance.

8. Zeithaml, V.A., Parasuraman, A. and Malhotra, A. (2002), "Service delivery frame work web sites: a critical review of extent knowledge", *Journal of the academy of marketing service*, 30(4), pp.117-123.
9. Yang, Z. and Fang, X., (2004), "Online Service quality dimensions and their relationship with satisfaction", A content analysis of customer reviews of securities brokerage services", *International Journal of Service Industry Management*, 15(3), pp.76-89.
10. Madhu, C.N., and Madhu, A.A., (2002), "Dimensions of e-quality", *International Journal of Quality and Reliability Management*, 19(3), pp.246-258.
11. McKinney, V. Yous, K., Zahedi, F.M. (2002), The measurement of well customer satisfaction: An expectation and Disconfirmation approach, *Information System Research*, 13(3), pp.296-315.
12. Jayawardhena, C., and Foley, P., (2000), "Changes in the banking sector-the case of internet banking in the UK", *Internet Research: Electronic Networking Applications and Policy*, 10(1), pp.13-30.

Core Service Quality Expected by the Customers

The customers may expect some basic service quality from their commercial banks especially in e-banking. In the present study, there are 17 variables included to measure the customers' expectation on the core service quality from e-banking. The customers are asked to rate these 17 variables at five point scale. The mean score on expectation of various service quality variables among the customers in private and public sector banks have been computed separately. The 't' test has been executed to find out the significant difference among the two group of customers regarding their level of expectation. The results are given in Table 2.

Table 2 Core Services Quality Expected by the Customers

Sl.No.	Variables in core service quality	Mean scores among customers in		t – statistics
		PRSBs	PUSBs	
1	Navigation	3.6869	2.9185	2.8188*
2	Personal information	3.7673	3.0666	2.6562*

3	Prompt service	3.8339	3.0214	3.1442*
4	Cost effective	3.6678	2.9093	2.7308*
5	Immediate response	3.5444	3.9649	-1.1456
6	Banking transfers	3.8183	3.9291	-0.3446
7	Willingness to help	3.9968	3.2446	2.5773*
8	Fulfillment of promises	3.8446	3.5088	0.9197
9	Privacy of statement	3.6643	3.7732	-0.2463
10	Reasonable banking service	3.8084	3.8669	-0.1409
11	Appropriate services	3.5157	3.9891	-1.3342
12	Speed	3.3044	3.9894	-2.2663*
13	Secured information	3.9194	3.2145	2.5884*
14	Linkage	3.7704	3.4773	0.6517
15	Quick information	3.2445	3.9896	-2.6081*
16	Technical function	3.3038	3.9903	-2.4145*
17.	Rely more at anytime	3.8646	3.7086	0.2499

*Significant at five per cent level. Source: Primary Data

The highly expected core service quality variables among the customers in PRSBs is willingness to help and secured information since their mean scores are 3.9968 and 3.9194 respectively. Among the customers in public sector banks these variables are technical function and quick information since their mean scores are 3.9903 and 3.9896 respectively. Regarding the perception on the variables in core service quality variables, the significant difference among the two group of customers have been noticed in the case of navigation, personal information, prompt service, cost effective, reliability of service, banking transfers, willingness to help, speed, secured information, quick information and technical function since their respective 't' statistics are significant at five per cent level.

Important Core Service Quality Factors

The score on core service quality variables among the customers in private and public sector banks have been included for the Exploratory Factor Analysis (EFA) in order to narrate the variables into factors. Initially, the data validity for EFA has been tested with the help of KMO measure of sampling adequacy and Bartlett's test of sphericity. Since the KMO measure of sampling adequacy is greater than 0.5 and the level of significance of chi-square value is at zero per cent level, the data validity for factor analysis have been confirmed. The resulted five important Core Service Quality Factors (CSQFs) in e-banking are efficiency, privacy, responsiveness, reliability and fulfillment. The number of variables in each CSQF, its Eigen value and the per cent of variation explained by these factors are summarized in Table 3.

Table 3 Core Service Quality Factors (CSQF)

Sl. No.	Core Service Quality Factors (CSQF)	Number of variables in	Eigen value	Percent of variation explained	Cumulative percent of variation explained
1	Efficiency	5	3.9196	23.05	23.05
2	Privacy	3	2.6844	15.79	38.84
3	Responsiveness	3	2.4911	14.65	53.49
4	Reliability	3	2.3844	14.02	67.51
5	Fulfillment	3	1.9933	11.73	79.24
KMO measure of sampling adequacy: 0.7984.			Bartlett's test of sphericity: Chi-square value: 93.84*		

*Significant at five per cent level. Source: Primary Data.

The most important CSQF is ‘efficiency’ which consists of four variables. Its Eigen value and the per cent of variation explained are 3.9196 and 23.05 per cent respectively. The next two CSQFs are privacy and responsiveness since its Eigen values are 2.6844 and 2.4411 respectively. The per cent of variation explained by the above said factors are 15.79 and 14.65 per cent respectively. The last two factors identified by EFA are reliability and fulfillment since its Eigen values are 2.3844 and 1.9933 respectively. The per cent of variation explained by these two factors are 14.02 and 11.73 per cent respectively. In total, the narrated five core service quality factors explain all variables in it to an extent of 79.24 percent. The analysis reveals that there are five

CSFQ for further analysis.

Customers’ expectation on Core Service Quality Factors in E-banking

The customers’ expectation on core service quality has been examined by the level of expectation on efficiency, privacy, responsiveness, reliability and fulfillment. The score on each CSQF have been computed by the mean score of the level of expectation on the variables in each CSQFs. The level of expectation on CSQF among the customers in private and public sector banks have been computed separately. The ‘t’ test has been executed to find out the significant difference among the two group of customers regarding their level of expectations. The results are given in Table 4.

Table 4 Level of Expectation on Core Service Quality Factors

Sl. No.	CSQF	Mean scores among customers in		t – statistics
		PRSBs	PUSBs	
1	Efficiency	3.8389	2.9989	2.9896*
2	Privacy	3.5349	3.9912	-2.2334*
3	Responsiveness	3.6874	3.6963	-0.1942
4	Reliability	3.8966	3.5689	1.8176
5	Fulfillment	3.6856	3.8684	-1.7221

*Significant at five percent level. **Source:** Primary Data.

The highly expected CSQFs among the customers in Private Sector Banks are reliability and efficiency since its mean scores are 3.8966 and 3.8389 respectively. Among the customers in Public Sector Banks, these two CSQF are privacy and fulfillment since its man scores are 3.9912 and 3.8684 respectively. Regarding the level of expectation on CSQF, the significant difference among the customers in private and public sector banks have been identified in the case of efficiency and privacy since their respective ‘t’ statistics are significant at

five per cent level.

Customers’ perception on CSQFs

The level of perception on CSQF among the customers has been measured with the help of the mean score on the perception of each CSQF. It is computed among the customers in private and public sector banks separately. The ‘t’ test has been administered to find out the significant difference among the customers in private and public sector banks regarding their level of perception on each CSQF. The results are given in Table 5.

Table 5 Level of Perception on Core Service Quality Factors in Commercial Banks

Sl. No.	CSQF	Mean scores among customers in		t –statistics
		PRSBs	PUSBs	
1	Efficiency	3.1863	2.1483	3.2817*
2	Privacy	2.8445	2.6945	-0.6046
3	Responsiveness	3.2442	2.6417	2.2241*
4	Reliability	3.456	2.8568	2.6469*
5	Fulfillment	3.2142	2.5445	2.6346*

*Significant at five per cent level. **Source:** Primary Data

The highly perceived CSQF among the customers in private sector banks is reliability and assurance since its mean scores are 3.4569 and 3.2142 respectively. Among the customers in public sector banks, these two are reliability and privacy since their mean scores are 2.8568 and 2.6945 respectively. Regarding the perception on the CSQF the significant difference among the two group of customers have been noticed in the case of efficiency, responsiveness, reliability, and fulfillment since their respective 't' statistics are significant at five per cent level.

Core Service Quality gap among the Customers

The Core Service Quality gaps among the customers have been computed by the difference between the level of perception and expectation on each CSQF. The mean score of the gap in efficiency, privacy, responsiveness, reliability and fulfillment among the customers in private and public sector banks have been computed separately. The 't' test has been administered to find out the significant difference among the two group of customers regarding their core service quality gap. The results are shown in Table 6.

Table 6 Core Service Quality Gap among the Customers

Sl. No.	CSQF	Mean scores among customers in		t – statistics
		PRSBs	PUSBs	
1	Efficiency	-0.6526	-0.8506	-2.2143*
2	Privacy	-0.6904	-1.2967	-3.1092*
3	Responsiveness	-0.4632	-1.0546	-2.8229*
4	Reliability	-0.4394	-0.7121	1.0341
5	Fulfillment	-0.4714	-1.3239	3.6776*

*Significant at five per cent level. **Source:** Primary Data

The higher CSQ gap among the customers in private sector banks is identified in the case of privacy and efficiency since their respective mean scores are -0.6904 and -0.6526. Among the customers in public sector banks, these are fulfillment and privacy since their mean scores are -1.3239 and -1.2967 respectively. Regarding the CSQ gap, the significant difference among the customers in private and public sector banks have been noticed in the case of tangibles, empathy, responsiveness and assurance since their respective 't' statistics are significant at five per cent level. The analysis reveals that the level of expectation on CSQF among the customers is greater than their level of perception on CSQF.

Conclusion

The level of customers' perception on core 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.

The banks are advised to establish a research and development all at their branches in order to analyze the level of their customers' expectations

and perception on the service quality of their banks. Then only they can render quality of service to their customers and try to maximize the customers' satisfaction and customers' loyalty.

Directions for Further Research

Further research can be made on Value added service quality, critical service quality and consequences of service quality gap in Banking as well as in insurance industry.

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