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E-Service Quality - Impact on Customer Satisfaction

A Comparative Study of Private and Public Sector Banks

Deepa Kotasthane,Research Scholar,PG Department of Management Studies(CBSMS),

Bangalore University,Bangalore

Dr.Ritika Sinha,Assistant Professor, PG Department of Management Studies(CBSMS),

Bangalore University,Bangalore

Abstract

The paper aims to determine the impact of e-service quality on customer satisfaction. The study utilised data from 252 customers of private and public banks in India through questionnaires. It was found that the e-service quality has significant impact on customer satisfaction in public sector banks as well as private sector banks.

1. Introduction

Banking sector has made huge progress towards the adoption of information and communication technology (ICT) - based technologies due to globalisation, increased competition, changing customer needs and the shift towards a knowledge-based economy (Clonia & Asht, 2016). E-banking is a generic name for the availing of banking services over the internet without visiting a physical branch (Keivani, Jouzbarkand, Khodadadi & Sourkouhi, 2012). It can, specifically, be defined as the process providing services as well as information to the customers by the banks by means of technologically advanced methods such as personal computer or other smart devices (Daniel, 1999).

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Three levels of e-banking services have been identified. The first level of the services includes the basic service of information regarding the various products and services of the banks. The second level specifies the non-financial transactions such as application submissions and checking the account balances. Financial transactions of deposits, transfers and redeem securities are included in the third level of e-services through it transaction websites (Driga & Isac, 2014; Hyde, 2015). Banks have to make the usage of its e-services accessible and simple for the maximum satisfaction of its customers (Kaur & Kiran, 2015). At the same time, the quality and uniqueness of the services provided must also not decrease (Qadri, 2015). The major advantage of e-banking is that the transactions could be carried out at any time suitable to the customers (Singhal, 2017).

2. Review of Literature

A review of the existing literature on the e-banking services aided in the understanding of the present condition of the e-services of banks and also acknowledges the various dimensions of the satisfaction of customers in the online services of the banks.

2.1 Need for E-banking services

Witman and Poust (2008) stated that the increase in the e-services of banks was due to the diminution in the production costs and usage of minimum resources. It was also found that not only e-banking added value to the banks (Murphy et al., 2007) but also increased the reputation of the banks and helped in customer retention.

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2.2 Service Quality & Customer satisfaction

Service quality is an overall interpretation of the excellence of service (Robinson, 1999). Service quality is the communication of an organization with its customers in various ways (Johnston and Clark, 2005).

Service quality and customer satisfaction are important aspects of service organizations like banking as it emerges as a competitive differentiator for the success and survival of the organization (Franco, 2017). Customer satisfaction is known as the outcome of an assessment based on a subjective and effective observation from a standard comparison between a service commitment and the actual observed performance. Service quality has surfaced as a core factor in the success of the banking sectors (Parasuraman et al., 1988).

Zeithaml et al. (2008) in their study, proposed different types of service expectations of customers such as the sought service, which determines the customer requirements, adequate service which determines customers' willingness to accept; and expected service which customers assume to get it delivered.

Nadiri et al. (2009) in their study observed that service quality in banks influenced the satisfaction of their customers. Increased service quality lead to increase customer satisfaction and eventually customer loyalty, which helped in customer retention.

Bedi (2010) highlighted the impact of service quality on customer satisfaction and their intentions by a comparative analysis between public and private sector banks in India. The findings of the study observed service quality as an important factor of customer satisfaction in the Indian banking industry regardless of the type of banking sector. Dimensions of service quality had a positive and significant influence on customer satisfaction, both in public and private banks.

Munusamy et al. (2010) observed the effect of service quality on customer satisfaction in the Malaysian banks using a quantitative approach. The study concluded a positive relation between tangible dimension and service quality, which also influenced customer satisfaction. While dimensions like reliability, assurance, empathy, and responsiveness had a positive relation to service quality, but no significant impact on customer satisfaction. The study suggested possible implications for improvement of service quality in banking sectors.

Ganesh (2012) measured customer satisfaction through service quality, in banks operating in Tamil Nadu with a sample size of 861 customers of these banks using Z-test, one-way and two-way ANOVA analysis. The findings of the study revealed a significant gap between customers satisfaction and service quality across all the dimensions which suggested an immediate need or the banks to emphasize on strategies to improve service quality and thereby, customer satisfaction.

Okoe et al. (2013) investigated the role of traditional and new generation banks in providing superior service quality to customers to survive the competition in the market. The study observed that though service quality is one of the factors in maintaining good customer relationship, it is not always the only factor related to customer satisfaction. There are other factors like understanding customer requirements, building service partnership and investing in employees, which can also aid in customer maintenance and the marketing strategy of the banks. Based on the survey analysis, the study considered effective and clear designing of e-websites and focus on dimensions as important parameters for customer satisfaction towards E-SQ which is in accordance with the observations by Loonam and O’Loughlin (2008).

According to Kaur and Kiran (2015), customer satisfaction solely relies on customer perception towards service quality in public, private, and foreign sector banks. They adopted a pre-verified self-structured questionnaire and the data collected was interpreted based on factor analysis, ANOVA, and regression analysis. The findings of the study revealed that improvement in service quality leads to an improvement in gaining new customers and increase in net profit. ANOVA revealed significant differences in services offered by these banks.

Ibrahim and Bokkasam (2016) adopted a SERVQUAL questionnaire to measure customer perception and satisfaction towards service quality provided by banks in Saudi Arabia. The study revealed that impact of service quality on customer satisfaction was more in females compared to males. Results of age factor analysis revealed that customers under 35 years of age had positive feedback on the service quality and results of occupational analysis revealed that customers with a bachelor's degree and above had a positive response to the e-banking services provided by the banks compared to under-qualified customers.

From all above, it is understood that customer satisfaction and loyalty are independent variables, that is, they are evaluated based on perception and feelings of customers about a service provided to them by the service organization. This makes the objective measurement of both the parameters even difficult in the banking sector. This can be conquered by a detailed and continuous analysis of customer satisfaction and loyalty for both existing and new customers

3. Objective

The objective of the paper is to study impact of E-Service quality on customer satisfaction. The study will cover both private and public sector banks(top 3 banks from each category).

4. Hypothesis

Based on the objective following are the hypothesis:

Hypothesis 1a: There is significant impact of E SQ on customer satisfaction in public sector.

Hypothesis 1b: There is significant impact of E SQ on customer satisfaction in the private sector.

4. Methodology

The study utilised a combination of exploratory and descriptive research design to analyse the research problem as the previous studies related to satisfaction of customers were scarce and also to determine the suitable variables for the study (Javadi, 2012). The primary data were collected from 252 customers of private and public banks in the city of Indore in India through questionnaires. The sample population was selected through purposive sampling of customers using e-banking services. Secondary data were collected from related articles, journals and

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books. A pilot study was done prior to the actual data collection and analysis. The reliability and validity tests confirmed the fit of the questionnaire for the study.

4. Hypothesis testing

H1a: There is significant impact of E SQ on customer satisfaction in public sector

The respondents agreed that there was an influence of e-banking service quality (ESQ) on customer satisfaction in public banks as evident in Table. Model summary and model coefficient is presented in Table 1 and Table 2 respectively for ESQ. The determining factor of R^2 (R Square) value was found to be 0.572, which revealed that 57.2% of variability in customer satisfaction was explained by ESQ. Further, regression model revealed that ESQ significantly have an impact on customer satisfaction in public banks with F (5,189) = 50.582, $p<0.05$. As depicted in Table 3, the regression constant value was 1.109. The regression coefficient β value of the components determining ESQ were found to be 0.455 for Reliability, 0.129 for Assurance, -0.034 for Tangible, 0.176 for Empathy and 0.097 for Responsiveness. In each of the cases ($p>0.05$) indicating that there is significant impact of ESQ on customer satisfaction in public sector banks.

Based on the results, Hypothesis 1a (*H1a*) is accepted.

Table 1: Descriptive Statistics for E SQ on customer satisfaction in public sector

	Mean	**Std. Deviation**
Customer Satisfaction	3.906	0.552
Reliability	3.909	0.604
Assurance	3.914	0.620
Tangible	3.939	0.625
Empathy	3.900	0.676
Responsiveness	3.859	0.739

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Table 2: Model Summary for E SQ on customer satisfaction in public sector

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig.
0.757	0.572	0.561	0.36562	0.572	50.582	5	189	0.000

Table 3: Coefficients for E SQ on customer satisfaction in public sector

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.109	0.184		6.014	0.000
Reliability	0.416	0.077	0.455	5.386	0.000
Assurance	0.115	0.080	0.129	1.425	0.156
Tangible	-0.030	0.082	-0.034	-0.361	0.719
Empathy	0.144	0.079	0.176	1.822	0.070
Responsiveness	0.072	0.064	0.097	1.132	0.259

H1b: There is significant impact of E SQ on customer satisfaction in the private sector

The respondents agreed that there was an influence of e-banking service quality (ESQ) on customer satisfaction in private sector banks as evident in Table 4. Model summary and model coefficient is presented in Table 5 and Table 6 respectively for ESQ. The determining factor of R^2 (R Square) value was found to be 0.722, which revealed that 72.2% of variability in customer satisfaction was explained by ESQ. Further, regression model revealed that ESQ significantly have an impact on customer satisfaction in private banks with $F(5,46) = 23.873$, $p<0.05$. As depicted in Table 6, the regression constant value was 0.021. The regression coefficient β value of the components determining ESQ were found to be 0.383 for Reliability, 0.304 for Assurance, 0.006 for Tangible, 0.064 for Empathy and 0.174 for Responsiveness. In each of the cases ($p>0.05$) indicating that there is significant impact of ESQ on customer satisfaction in private sector banks.

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Based on the results, Hypothesis 1b (*H1b*) is accepted.

Table 4: Descriptive Statistics for E SQ on customer satisfaction in the private sector

	Mean	Std. Deviation
Customer Satisfaction	4.019	0.674
Reliability	4.151	0.573
Assurance	4.163	0.613
Tangible	4.154	0.679
Empathy	3.971	0.811
Responsiveness	3.745	0.885

Table 5: Model Summary for E SQ on customer satisfaction in the private sector

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig.
0.850	0.722	0.692	0.37457	0.722	23.873	5	46	0.000

Table 6: Coefficients for E SQ on customer satisfaction in the private sector

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.021	0.387		0.054	0.957
Reliability	0.451	0.265	0.383	1.704	0.095
Assurance	0.334	0.231	0.304	1.449	0.154
Tangible	0.006	0.164	0.006	0.037	0.970
Empathy	0.053	0.144	0.064	0.368	0.715
Responsiveness	0.133	0.097	0.174	1.368	0.178

5. Conclusion

Hypothesis 1a: There is significant impact of E SQ on customer satisfaction in public sector.

Variability of 57.2% in customer satisfaction was explained by impact of ESQ on customers in public sector banks. Regression constant value (B) of 1.109 and (p>0.05) in each case of Reliability, Assurance, Tangibility, Empathy and Responsiveness indicated that there is significant impact of ESQ on customer satisfaction in public sector banks. Based on the results, Hypothesis 1a was accepted.

Hypothesis 1b: There is significant impact of E SQ on customer satisfaction in the private sector.

Variability of 72.2% in customer satisfaction was explained by impact of ESQ on customers in private sector banks. Regression constant value (B) of 0.021 and (p>0.05) in each case Reliability, Assurance, Tangibility, Empathy and Responsiveness indicated that there is no significant impact of ESQ on customer satisfaction in private sector banks. Based on the results, Hypothesis 1b was accepted.

The present study analysed the impact of e-service quality of banks on customer satisfaction of both public and private banks. It was found that there is significant impact of E-service quality on customer satisfaction in both public and private sector banks. The major limitations of the present study were the sample population which was concentrated only in the city of Indore and the small sample size of 252 customers.

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