A Scale for Measuring Internet Banking Service Quality: Literature Review and Validation with Indian Public Sector Banks

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ABSTRACT

There have been many fragmented studies of Internet service quality which have resulted in several models with different combinations of constructs and items, some focusing on different perspectives, and many using different names for the same construct. Some of these models were developed for the specific context of Internet banking. This paper consolidates these fragmented studies of Internet service quality and Internet banking service quality and proposes a scale with nine constructs to measure Internet banking service quality. The scale compares expected service (E) with perceived service (P) across all nine constructs and measures perceived service quality based on P−E. The paper then validates the scale using exploratory and confirmatory factor analyses of 499 survey responses from Internet banking customers of five Indian public sector banks. The service quality scale was conceptualised as a nine-construct, 39-item scale. Through the purification process it was reduced to 34 items spread across nine constructs: availability, site aesthetics, ease of use, technical performance, reliability, privacy, trust, responsiveness, and customisation.

Keywords: Expectation, Indian Public Sector Banks, Internet Banking, Perception, Service Quality

INTRODUCTION

The Internet has been one of the key drivers in promoting E-Commerce in the banking sector for over ten years (Jeevan, 2000; Karjaluoto et al. 2002). Internet banking (or e-banking) is an ‘Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments’ (Pikkarainen et al., 2004, p. 224–235). Internet banking has provided benefits to both customers and banks. Customers benefit from a wide range of banking transactions electronically by the bank’s web site – anytime and anywhere, faster, and with lower fees compared to using traditional, real-world bank branches (Krauter & Faullant, 2008) and will only chose those institutions who are making a real effort to provide a high level of quality, fast and efficient service through all the bank’s touch points,

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call centers, ATMs, voice response systems, Internet and branches (Alawneh and Hattab, 2009). Banks introduce electronic banking (e-banking) systems to improve their operations and to reduce costs (Alawneh and Hattab, 2008). Banks have begun to setup their own web portal to provide internet service and gain the advantages of unlimited time, area, fewer cost, and more customers from internet banking (Ho & Lin, 2010).

To deliver superior Internet banking service quality to customers, bank managers must first understand how consumers perceive and evaluate online customer service (Parasuraman et al., 2005). There have been many fragmented studies over the last decade proposing their own scales for this purpose to measure Internet service quality (e.g., Alanezi et al. 2010; Barnes and Vidgen 2002; Kassim and Abdullah 2010; Li and Suomi 2009; Santos 2003; Yang et al. 2003) e-banking service quality in particular (e.g., Gupta and Bansal 2011; 2012; Jayawardhena and Foley 2000; Jun and Cai 2001; Kumbhar 2012; Siu and Mou 2005). The problem with these fragmented studies is that many of the scales use different combinations of constructs and items, as well as different names for the same construct.

The major objective of this paper and its contribution to knowledge, therefore, is to consolidate these fragmented studies on Internet service quality and e-banking service quality to develop a scale comprising a set of constructs which can be used to measure e-banking service quality. The scale compares expected service (E) with perceived service (P) across all nine constructs and measures perceived service quality based P – E (based on the work of Parasuraman et al. 1985, 1986, 1991, 1993, 1994).

This paper then validates the consolidated scale based on a survey of e-banking customers of five Indian public sector banks because of the following reasons. First, there is wide diversity in terms of the economic and education level of banking customers which would result in wide variation in the expectations of service quality. Second, most studies of Internet and e-banking service quality have been done in developed economies. Third, although there have been e-banking service quality studies done in India (Gupta and Bansal 2012; Khan et al. 2009; Kumbhar 2012) they have tended to focus on private sector banks. This study focuses on public sector banks because there are variations in the Internet banking adoption of these banks and it was therefore expected there would be diversity in service quality expectations.

The paper is structured as followed. The paper proposes a scale for measuring e-banking service quality based on a consolidation of the literature on Internet service quality and e-banking service quality. It then presents the results of a pilot study of the scale. It next outlines the research design of the full study which validates the scale. The paper concludes with a discussion of the findings, implications for managers and future research opportunities.

LITERATURE REVIEW

Internet and E-Banking Service Quality

The research on internet service quality mainly originates from earlier work on services marketing which led to the concept of service quality, by scholars such as Parasuraman et al. (1986, 1988, 1991, 1993, 1994a and 1994b), Cronin and Taylor (1992 and 1994), Brown et al. (1995), Boulding et al. (1993), Dabholkar et al. (2000), Joseph et al. (2003), Zeithaml (2000) and Jiang et al. (2000). Work done by Parasuraman, Zeithaml and Berry (Leonard L) between 1985 and 1988 provides the basis for the measurement of service quality through the use of gap model. With this model service quality is measured in terms of the gap between the performance expected by customers (known as expected service performance) and the service performance they perceive they are receiving (known as perceived service performance). Cronin and Taylor (1992 and 1994), with their “confirmation/disconfirmation” theory, propose a single measurement of performance according to expectation rather than two different mea-
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