The Relationship between Service Quality Dimensions, Customer Satisfaction and Loyalty in Technology based Self Service Banking

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ABSTRACT

The technology based self service banking (TBSSB) refers to automated banking services that customer avail without interaction with bank employees. This paper investigates the relationship between dimensions of TBSSB service quality, customer satisfaction and loyalty. The paper also examines the mediating role of customer satisfaction in the relationship. The dimensions are identified and confirmed by conducting EFA and CFA respectively using SPSS 16.0 and AMOS 20.0. Dimensions of TBSSB SQ are identified as Convenience, Reliability & Security, Responsiveness and Personalization. AMOS 20.0 is used to investigate the relationship between dimensions using SEM. It is found that Convenience and personalization have significant effect on customer satisfaction, and personalization and customer satisfaction have significant effect on loyalty. Customer satisfaction is also confirmed as a mediating factor. This study may help bank managers to investigate the customers’ quality perceptions about TBSSB services and enlighten banks about the aspects of services to be focused.

KEYWORDS

Confirmatory Factor Analysis (CFA), Customer Loyalty, Customer Satisfaction, Exploratory Factor Analysis (EFA), India, Service Quality, Structural Equation Modeling (SEM), Technology based Self Service Banking (TBSSB)

INTRODUCTION

Good quality of service is essential to have competitive advantage. Organizations in all sectors including banking are leveraging technology for customers’ and their own benefits. Increasing customer expectations have forced all major commercial banks, irrespective of sectors (Public, Private or Foreign National) to offer various modes of automated banking in India (Joshua, 2009). With time automated banking services acceptance is increasing among customers. Measuring and managing service quality has become a key area of interest for practitioners, managers and researchers as service quality influences business performance, helps build competitive advantage, customer satisfaction, loyalty and profitability (Storbacka et al., 1994; Al-Hawari et al., 2005). The purpose of the present study is to propose and investigate the dimensions of technology based self service banking (TBSSB) service quality and their relationship with customer satisfaction and loyalty. The study also examines the mediating role of customer satisfaction in the relationship. TBSSB service quality is measured taking into consideration common service quality attributes applicable to all the automated banking technologies (ATM, Internet Banking, Mobile Banking, Tele Banking etc.).
TBSSB encompass all automated banking services that customer avail in self service mode without any interaction with bank employees.

The study will provide an insight of customer perceptions of technology based banking service quality to bankers and academicians. The TBSSB quality dimensions found in this study will provide guidelines for bank managers to improve customer experience with automated services. The study will also help them to understand which service delivery attributes of TBSSB effect customer satisfaction and loyalty and how a bank may take advantage of them to create value for customers.

The remainder of the paper is organized as follows: The following section present the literature review on automated banking service quality, customer satisfaction and loyalty. Next, the paper discusses the research methodology used in the paper as well as the survey instrument used for data collection. Afterwards, results are presented along with research findings and implications. Finally, limitations and future directions are discussed.

LITERATURE REVIEW

With time various models have been developed to measure service quality. In literature, main conceptualizations of service quality are either based on the disconfirmation between perception and expectation (Grönroos, 1984; Parasuraman et al. 1988) or performance only approach (Cronin and Taylor, 1992). Performance-only measure was found to be more reliable indicator of service quality and it also reduced the number of items by half.

Automated Banking Service Quality

Various studies are conducted on automated service quality in general and automated banking quality in particular. Most of the literature on e-service quality focused only on services provided through websites (Parasuraman et al., 2005). Some important studies on automated banking are presented in Table 1.

On the basis of review of above mentioned studies, it is found that with time various scales have been developed to measure automated banking service quality but till date there is no generally accepted scale to measure the same. Further analysis reveals that most of these studies have limited scope. They cover either internet banking or ATM banking or Mobile banking services and corresponding attributes for measuring service quality.

In this technology era, customers use more than one automated banking channel. So, limiting research to only one channel will not present the comprehensive picture of automated banking. Consequently, it is required to cover attributes of all the major automated banking channels. One way to do this is to consider all the different automated channels as different dimensions in service quality model. But many of service quality attributes such as 24 x 7 service availability, user friendly system, secure transactions, freedom of mobility, conducting error free transactions every time etc. are equally applicable to all the channels. So rather than considering different channels as different dimensions, the authors have designed a scale for measuring automated banking service quality by considering the broad common attributes related to all the channels of technology based banking.

Customer Satisfaction and Loyalty

Yi (1990) defined satisfaction as an attitude-like judgment following a purchase act or series of consumer-product interactions. As per Oliver (1999), loyalty is a commitment to re-purchase or re-patronize a product consistently regardless of situational influences and marketing efforts to cause switching. Singh and Sirdeshmukh (2000) defined customer loyalty as a behavioural intention to sustain
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