Service Quality and Customer Satisfaction in Online Banking

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ABSTRACT
The main objective of this article is to examine online banking service quality factors that influence customer satisfaction in Visakhapatnam city, Andhra Pradesh, India. Data was collected through structured questionnaire from a sample of 513 respondents. Factor analysis was done to find out the contribution of each variable and multiple regression was used to test the hypothesis. This study found six factors, responsiveness, reliability, privacy and security, ease of use, website design and information quality that have positive influence on customer satisfaction. The findings help the banker to identify the critical areas to pay attention to increase customer satisfaction in online banking.

KEYWORDS
Access, Ease of Use, Empathy, Information Quality, Privacy and Security, Reliability, Responsiveness, Service Quality Factors, Website Design

INTRODUCTION
Online banking refers to the automated delivery of banking products and services directly to customers through electronic communication channel, notably the Internet. Internet banking is defined as an ‘Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments (Pikkarainen et al., 2004). With the exception of cash withdrawals, Internet banking gives customers access to almost any type of banking transactions at the click of a mouse. It moves the customers from local to global frontiers.

Due to their busy lives customers demand more convenient and sophisticated products and services from their banks. In this direction information technology gained significance in developing new tools and processes to attract and retain the customers. Banks have been using electronic and telecommunication networks for delivering products and services to the customers. With increased internet user population and World Wide Web, online banking emerged as one of the effective tools of the banking industry. In online banking, banks receive instructions and render services to their customers through internet. It allows the customer to access his or her bank account via the internet using personal computer or mobile phone and web-browser (Arunachalamand & Sivasubramanian, 2007).

The electronic delivery channels offer retail banking services to the customers for 24 hours, seven days in a week and collectively called as electronic banking. Automated teller machines, telephone/mobile banking and online banking are important electronic banking channels. But success of new model is not automatic. Success of information technology model depends on both its initial adoption and subsequent continued usage (Chiu et al., 2004). It is documented in the previous research that customer satisfaction plays an important role in customers’ behavioral intention to adopt and continue

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usage of a new technological model (Guo, 2009). Satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance in relation to his or her expectations (Kotler, 2000). Satisfied customer continues as a customer for longer period of time, buy more products and will not be influenced by price or competitors. This propels the studies on customer satisfaction to identify what makes a customer satisfied. The quality of service is one of the major determinants of the customer satisfaction (Parasuraman et al., 1985). Unlike the quality of goods, service quality is not tangible and requires to be defined in terms of ‘attitude’, ‘interaction’ and ‘perception’ and has to be judged by what a customer perceives rather than what a provider offers (Pattanayak & Maddulety, 2011). Service quality factors vary depending on the type of service setting, situation, time, need, etc. (Seth et al., 2004). Online banking service quality is the ability of the bank to provide secure and convenient online platform to the customers (Tong et al., 2012). Researchers fairly concluded that prescribing a global set of dimensions to define the service quality is not possible. However, the dimensions viz., reliability/fulfillment, responsiveness, accessibility, ease of use/usability, privacy/security, website design, information quality and empathy proven to be primary attributes that have influence on online customer satisfaction.

In India, very few studies have been conducted on the current status of customer satisfaction and online banking compared to other countries. Hence analyzing various processes related to acquisition and consumption experiences of customers in Visakhapatnam city help in evaluating the customer preferences and identifying the critical areas where banker has to pay attention to retain the urban customers.

REVIEW OF LITERATURE

Internet has significantly influenced delivery channels of the banks by offering the benefits of time and cost savings and freedom from place. ‘Internet Banking’ is defined as an Internet portal through which customers can use different kinds of banking services ranging from bill payment to making investments (Pikkarainen et al., 2004). Wang et al. (2003) identified four drivers of online banking viz., (a) customer’s increased demand; (b) increased competition; (c) bank’s exploitation of new ways to reduce cost and achieve efficiency and (d) global deregulation of financial markets. Online banking is now widely being introduced by banks and users are becoming more frequent in internet day by day provides good match to the success of online banking (Raza, 2011). The adopters of online banking perceive the service to be more convenient, less complex, more compatible to them, more suited to those who are personal computer (PC) proficient (Gerrard & Cunningham, 2003). Proper design of a web site, easy access and understanding and attractions of a web site also have significant influence on adoption of online banking (Santos, 2003).

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Service quality is the consumer’s comparison between service expectation and actual service performance (Parasuraman et al. 1985) and has to be judged by what a customer perceives rather than what a provider offers (Pattanayak and Maddulety, 2011). The service quality outcome and measurement is dependent on type of service setting (Seth et al., 2004). Parasuraman et al. (2005) described e-service quality in terms of the effectiveness and efficiency of online browse, online purchase and delivery of goods and services. Previous researchers showed significant relationship between internet banking and customer satisfaction (Al-Hawari & Ward, 2006, Musiime & Ramadhhan, 2011; Rashidi & Mansoori, 2015). Satisfaction being one of the key constructs to retain customers, it attracted attention of researchers. Customer satisfaction can be defined as “overall evaluation based on the total purchase and consumption experience with good or service over time” (Anderson et al., 1994). Customers’ preferences and expectations towards particular service change with respect to time (Seth et al., 2004). Some satisfaction dimensions which are not given importance today may become critical in the near future if customers give more importance to them (Mihelis et al., 2001). Hence evaluating customer satisfaction as a continuous phenomenon is essential to assess the customer.
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