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A study on relationship between service quality and E-banking service

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Abstract

The banking and financial system experienced an extraordinary expansion as a result of this societal transformation process. However, a number of factors, including a regulated business environment, poor credit portfolio quality brought on by social lending without adequate default protections, thin margins on social lending, disruptive trade union tactics, an increase in loss-making branches as a result of careless branch expansion in rural areas, and other factors, led to the sacrifice of these organisations' operational productivity and profitability as well as the quality of their services. Due to the highly controlled business climate, which eliminated any opportunity for bank rivalry, the banks were nonetheless able to survive. Because of the country's strong liquidity, shifting demographics, fluctuating interest rates, and rising consumer credit demand, the banking sector in India has recently experienced rapid growth. A quick examination of the Indian banking sector will reveal the causes of the current situation, which is controlled by the 1949 Banking Regulation Act of India. Non-scheduled banks and scheduled banks are the two basic categories into which the Indian banking sector can be divided. Commercial banks and cooperative banks are included in the list of scheduled banks. Commercial banks are further divided into nationalised banks, banks owned by the State Bank of India and its affiliates, regional rural banks, and private sector banks based on ownership.

Keywords: Relationship, service, quality and e-banking service

Introduction

Due to the availability of financial products and services online, the Internet has grown in importance as a medium of distribution for many banks. Banks significantly increase their investment in technology to address revenue, cost, and competitiveness issues. According to a research on Internet users by the Internet and Mobile Association of India (IAMAI), 23% of online users in India choose internet banking over ATMs, which are favoured by 53% of users. People were unaware of and not significantly impacted by the technical breakthroughs occurring in the banking industry prior to the invention of ATMs. Customers discovered ATMs for the first time when they realised they could avoid standing in line to pay at the bank's cashiers. Additionally, it gave them the freedom to withdraw money whenever and anywhere they wanted¹⁵. According to a study by IAMAI, people in India don't conduct financial transactions on bank websites due to factors like security concerns (43%), a preference for in-person transactions (39%), a lack of knowledge about online transfers (22%), poor user friendliness (10%), or a lack of a facility in the current bank (2%).

Consumer adoption of technology advancements in Internet banking had a tremendous impact on human life in general and in the workplace. This time period can be safely referred to as the technology revolution. The rapid development of information technology has permeated millions of people's lives. Rapid technological breakthroughs had caused significant changes in the global commercial and economic environment. According to research on consumer attitudes and internet banking adoption, a number of characteristics, including a person's demography, desire for and behaviour toward various banking technologies, and personal acceptance of new technology, predetermine a consumer's attitude toward online banking. Consumer opinions toward online banking have been found to be influenced by prior computer and new technology experience. Consumers' worries about password integrity, privacy, data encryption, hacking, and the protection of personal information were made necessary by the adoption of online banking. Internet banking calls for a greater level of consumer engagement, including the upkeep and use of additional

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technology, specifically a computer and an Internet connection. Customers who regularly use internet banking must become accustomed to the technology in order to continue utilising it. The primary deciding reasons for accepting an online banking system are perceived usefulness (PU), security, and privacy. Perceived utility, perceived ease of use, perceived credibility, and computer self-efficacy are the elements influencing the acceptance of IB, according to the study. The frequency of use and length of familiarity with the technology have been shown to represent the customer's use of technology in the context of use. In this study, perceived risk (PR), perceived utility (PU), perceived intention to use (ITU), and frequency and duration of online banking use are used to assess customer attitudes and ITU.

The degree to which someone perceives a system to be simple to use is known as perceived ease of use. It is essential to the creation and provision of online banking services. A user's subjective assessment of how simple a computer system is to operate has an indirect impact on whether they would accept new technology. Additionally, the longer a person uses internet banking, the more likely it is that they find it simple to use. The more user-friendly a system is, the more probable it is that users will find it beneficial.

Research design

The purpose of the current study is to investigate how the Indian banking industry's operational effectiveness and level of customer service are affected by internet banking. The research approach used for the dissertation is covered in this chapter. It describes the study's scope, goals, time frame, and sample. There has also been discussion about the study's shortcomings and the statistical methods utilised to examine the data.

Sample Period

Since the Indian banking industry mostly embraced the electronic banking system during this time period, the current study only applies to the years 2003 and later. Despite the fact that ICICI Bank was the first to offer internet banking in 1997, other services including the Real Time Gross Settlement System, National Electronic Fund Transfer, and Cheque Truncation System weren't made available until after 2003. As a result, 2003 was chosen as the base year for study in order to evaluate the effectiveness of e-banking. In June 2008, a website analysis was carried out to determine the scope of e-banking services in India. The fundamental division of the services is into four groups: internet banking, phone banking, mobile banking, and ATM.

Universe of the study

The study's target population consists of listed commercial banks. Public sector, private sector, foreign banks, and regional rural banks are the four categories of scheduled commercial banks. Only banks in the public and private sectors are considered while gathering data. SBI and Nationalized banks are examples of public sector banks, whilst old and new private sector banks make up the private sector. The following diagram explains the structure of the Indian financial system.

Sample of the study: Public and private sector banks that were active in India as of March 31, 2006 make up the sample universe. There are 18 private sector banks and 27 public sector banks (including State Bank of India and its 7

subsidiaries) (7 New private sector banks and 11 Old private sector banks). Those banks that were established following the liberalisation policies suggested by the Narasimham Committee in 1991 are considered new private sector banks. Banks in the private sector have existed for a while before liberalisation. The following criteria form the basis of the study's sample:

1. Only banks in the public and private sectors have been taken into account.
2. Banks that were open as of March 31, 2006 are taken into account. Therefore, the banks that amalgamated into other banks are not mentioned.
3. Non-electronic banks are those whose homepages, despite greatest attempts, could not be located.
4. The analysis is limited to banks with transactional websites. Websites that provide information are not taken into account.
5. The CAMEL model is used to choose banks from the public and private sectors based on their operational performance and service quality.
6. Retail services provided to clients are the fundamental component of electronic banking services.

The scope of electronic banking services has been researched for all the public and private sector banks that were chosen based on their transactional websites. However, it was not possible to choose all the banks in order to analyse how e-banking affects operational performance and service quality. As a result, four banks from each of the public and private sectors were chosen, and the asset base was the determining factor in their selection. SBI, Bank of Baroda, Punjab National Bank, and Canara Bank are some of the public sector banks chosen based on the composition of their asset base. The private sector banks include Centurion Bank of Punjab, ICICI, HDFC, and AXIS Bank. However, on May 23, 2008, HDFC Bank acquired Centurion Bank. Therefore, information was gathered from seven of India's largest banks.

Results and Discussion

This section discusses the many service quality criteria that have been researched to determine how electronic banking affects service quality. For the aforementioned aim, various statistical tools are used, including the mean, standard deviation, factor analysis, and t-test. The several aspects of service quality make it clearer whether specific aspects or elements of electronic banking have raised the bar for customer care.

Mean scores and standard deviation

The mean and standard deviation for each element used in electronic banking to gauge customer satisfaction and their response to various dimensions are shown in Table -1. The competency dimension with the highest score was "transfer of funds is faster as compared to manual banking," followed by "representation of service through plastic card," "credit card," and "debit card," with a mean score of the same, and "bank use advanced computer/IT to serve clients" at the bottom of the list of dimensions. The responsiveness's four components were ranked highest by three of the four factors. The scores across the board for communication are also excellent. Regarding "ability to fulfil the criteria," the credibility factor received the lowest score. Aside from being low and high, the standard deviation is also determined by the respective mean scores.

Table 1: Mean scores and standard deviation for individual features of quality, customer satisfaction and behavioural response

Statements	Dimension	Mean	S.D.
1. Banks use advanced Computer/IT to serve clients.	Tangibility	4.02	0.86
2. E-banking provides modern looking equipment.	Tangibility	3.94	0.86
3. Physical representation of service through plastic card, credit and debit card is easy.	Tangibility	4.04	0.86
4. E-banking provides 24 hours, 365 days a year service to customers.	Tangibility	3.99	0.96
5. It helps in reducing the no. of queues in the bank branches.	Tangibility	3.85	0.92
6. E-banking provides more physical facilities to the customers.	Tangibility	3.75	0.89
7. It provides Individualized attention to the customers.	Understanding	3.68	0.91
8. It provides necessary information to the customers.	Understanding	3.78	0.87
9. Website of the bank is designed according to the need of the customer.	Understanding	3.82	0.91
10. It ensures to provide necessary information to the customer.	Understanding	3.82	0.88
11. E-banking learns the specific requirement of the customer.	Understanding	3.65	0.95
12. E-banking ensures physical safety of the transaction.	Security	3.69	1.02
13. It is trusted by young generation.	Competence	3.88	0.87
14. Password facility provides confidentiality to transaction.	Security	3.84	1.04
15. It also increases the financial security.	Security	3.86	0.90
16. Privacy can be easily maintained.	Security	3.72	1.02
17. E-Banking explains the service itself.	Communication	3.78	1.03
18. It explains the cost of service being used.	Communication	3.74	0.85
19. It assures the customer that problem will be handled.	Communication	3.76	0.72
20. It explains the trade off between service and cost.	Communication	3.79	0.77
21. E-banking provides up to date information.	Communication	3.79	0.98
22. It also provides sophisticated information for well educated customers.	Communication	3.85	0.80
23. Transfer of fund is easier through E-banking.	Competence	4.04	0.84
24. E-Banking provides more punctuality, transparency, accountability.	Competence	3.79	0.94
25. Transfer of funds is faster as compared to manual banking system.	Competence	4.08	0.88
26. It provides accuracy in billing.	Reliability	3.77	0.96
27. It helps in keeping records correctly.	Reliability	3.88	0.89
28. It performs the service at designated time.	Reliability	3.69	0.90
29. E-banking is very necessary for the development of new economy of India.	Responsiveness	3.99	0.95
30. It improves the quality of customer service.	Responsiveness	3.92	1.02
31. Response of service through e-banking is very prompt and quick.	Responsiveness	3.73	0.98
32. E-Banking service is accessible via Internet banking, mobile banking, EFT, ECS, ATM.	Access	3.87	0.95
33. Online purchase of goods and services including online payment is easier.	Access	3.96	0.97
34. Availability of service is faster in e- banking as compare to manual banking.	Responsiveness	3.96	0.99
35. It provides convenient location of service facility (location of ATM, POS terminals).	Access	3.95	0.98
36. It reduces the waiting time to receive the service.	Access	3.89	0.88
37. E-banking increases the reputation of the banks	Credibility	3.85	1.02
38. It increases the believability, honesty and trustworthiness of the customers in banks.	Credibility	3.84	0.89
39. It ensures the ability to fulfill the requirement	Credibility	3.04	1.14
40. Degree of reliability involved in Interaction with customer is more in e- banking.	Credibility	3.75	0.88
41. It helps in better customer relationship, attracting and retaining them.	Understanding	3.65	1.02
42. E-banking provides effective medium of promotion of various schemes.	Communication	3.89	0.76
43. It provides unlimited network to the banks to approach customers.	Credibility	3.77	0.80

Service quality level of banks using servqual model

The SERVQUAL model created by Parasuraman *et al.* (1985) has been used to measure the effect of e-banking on service quality. Factor analysis and other statistical methods were used to analyse the data obtained from the survey. It was necessary to first assess if the nine aspects could be used as reliable indicators of the banking sector. The variables supporting the various aspects were evaluated in the second stage. 43 variables were created as a result to evaluate the nine dimensions. This phase evaluates these elements as well as their applicability to the concept of service quality.

To ascertain whether there are underlying dimensions to service quality, factor analysis was performed on the 43 service quality variables. The analysis's goal was to condense the data in the 43 initial variables into smaller groups of newly associated composite dimensions or components. For subsequent analysis and data reduction, only variables with factor loadings of 0.40 (Hatcher, 1994) were considered significant, and all others were removed.

The reliability of the data was assessed using the Cronbach alpha, Kaiser-Meyer-Olkin (KMO) measure of sample adequacy, and Bartlett's test of sphericity. Any variable whose KMO and Cronbach alpha values are more than 0.50 will be considered to have reliable data for research. The factors with eigen values of one or above were chosen for interpretation as being significant.

The several sub dimensions have been broken down into 9 primary dimensions, including Access and Communication, in order to conduct factor analysis on the 43 variables of service quality. Credibility, competence, responsiveness, security, comprehension, and tangibility. There are 4-5 subdimensions for each dimension. However, not all of these factors are equally crucial for assessing service quality in the banking sector. In order to extract the factors with eigen values larger than 1, factor analysis was employed. Two underlying assumptions have been formulated in order to investigate how e-banking affects service quality and to pinpoint the key elements that influence customer decision-making.

Conclusion

Banks require web-based portals, wide area networks (WAN), local area networks, internet, etc. in order to offer top-notch customer service. All of these services are delivered to Indian banking by the software industry at fair costs and on schedule. One of the newest innovations in Indian banking is e-banking, which is uniquely strengthening the banking industry and enhancing customer service. E-banking has been gradually embraced by the Indian banking industry. Private banks were the first to widely adopt e-banking, while public sector banks are currently converting from traditional banking to e-banking. Foreign banks were the forerunners in this field. E-banking has an impact on banking operations in a variety of ways. The banks are now equipped to handle electronic payments and interbank settlement quickly and in huge quantities. There is a rise in client happiness, a drop in banking operating costs, and a rise in productivity; as a result, Indian banks have a huge opportunity to expand their E-banking services, which might boost their competitiveness. Furthermore, new technology has quickly changed how banks conduct business in the past. With only a few keystrokes, customers may access their accounts, obtain account statements, transfer funds, and buy draughts. The availability of ATMs, plastic cards, EFT, electronic clearing services, online banking, mobile banking, and phone banking has greatly reduced the number of times consumers must visit branch locations and has given them access to a greater range of services.

With the development of E-banking services, there is some variance in the services offered by the banks. Studying the nature, expansion, and scope of e-banking services as well as their effects on operational effectiveness and service quality becomes necessary as a result. Despite the fact that e-banking services are becoming increasingly important, little research has been done on the subject in the context of India. Therefore, the current study is a modest attempt to determine the changes occurring after e-banking, to assess the performance of the banks, and to learn about consumers' impressions of e-banking.

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