

Empirical study on customer satisfaction on online banking in India

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Abstract: In recent years, the banking industry around the world has been undergoing a rapid transformation. Today, customers expect highest quality services from banks which, if fulfilled, could result in significantly improved customer satisfaction levels. This empirical research study mainly focuses on investigating the major factors that influence online customers' satisfaction. This study also helps in assessing the power of these factors in the context of Online (Internet) banking and would, therefore, help the bank management not only in improving the level of satisfaction but also strengthening the bond between the banks and their customers, thereby helping them to retain and/or expand their overall customer base. The study was cross-sectional survey that employed the self-administered questionnaire to collect primary data. Data sampling was done from population by accidental random sampling techniques. Though the customer perception of the services on the five dimensions namely reliability, responsiveness, efficiency, security and convenience were taken under the study. Various indicators are measured on a 5 point Likert scale. Also data upon various other satisfaction aspects such as account information and enquiry, e-payment, account to account transfer, due instalment enquiry and statement request was collected.

Keywords: Online Banking, Internet banking, Customers' satisfaction

INTRODUCTION

Online banking refers to the automated delivery of banking products and services directly to customers through electronic communication channels, most notably the Internet. Online banking is also called E-banking or PC banking. (Pikkarainen, Karjaluoto, and Pahnla 2004) define Internet banking as an 'Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments'. The Indian banking and financial sector has also welcomed this change. Today, more and more Indian banks are trying to differentiate themselves in a fiercely competitive industry. Not only this helps them align their offerings to the constantly evolving customer needs and developments in technology, it also serves to replace some of traditional bank functions, thereby reducing significant overheads associated with bank branches. Measuring customer satisfaction can provide banks useful information about customer loyalty and retention, and also help them devise effective strategies to use efficient customer service as a distinguishing factor in this heavily customer-oriented service industry.

LITERATURE REVIEW

(Simon Gyasi Nimako, Nana Kwame Gyamfi, Abdil Mumuni Moro Wandaogou 2013) As more and more customers adopt the internet for their banking transactions, it becomes important for management of banks to be innovative in their approach to meeting customer requirement. Customers' evaluation of IBSQ could provide useful feedback to management for strategic decisions.

(S. Kalpana Devi, B. Revathy 2011) defines banking technology as a Consortium of several disciplines, namely finance subsuming risk management, information and communication technology, computer science, and marketing science. Internet banking has evolved into 'one stop service and information unit' that promises great benefits to all i.e. banks, consumers, citizens, employees and government. E Banking is poised to become most promising partner in e-governance process.

(Shah Ankit, 2011) revealed that Banking Needs, followed by Core Services, Problem Resolution, Cost Saved, Convenience and Risk and Privacy Concerns were the major factors that strongly affect the overall satisfaction of online consumers.

(Usha Lenka, Damodar Suar, Pratap K.J. Mohapatra, 2009) Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspects. Customer satisfaction furthers customer loyalty. Increase in service quality of the banks can satisfy and retain customers. In the Indian banking sector, human aspects are more important than technical and tangible aspects of service quality that influence customer satisfaction and promote and enhance customer loyalty.

(Rueangthanakiet Pairot, 2008) defined Customer's satisfaction as the company's ability to fulfill the business, emotional, and psychological needs of its customers. However, customers have different levels of satisfaction as they have different attitudes and experiences as perceived from the company.

(Arturo Molina, David Martín Consuegra, Águeda Esteban, 2007) The results show that confidence benefits have a direct, positive effect on the satisfaction of customers with their bank. However, special treatment benefits and social benefits did not have any significant effects on satisfaction in a retail banking environment.

(Ibrahim et al, 2006; Bauer et al., 2005; Parasuraman and Zinkhan 2002) Internet-based technologies have resulted in fundamental changes in how companies interact with their customers.

(Pikkarainen, Karjaluoto, and Pahnla 2004) defined Internet banking as an 'Internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments'.

With the exception of cash withdrawals, Internet banking gives customers access to almost any type of banking transactions at the click of a mouse.

OBJECTIVES OF THE STUDY

This paper aims to examine the customers' satisfaction level with online banking in India. In this broader framework, an attempt has been made to find out the following specific objectives:

- To evaluate different dimensions which help in measuring the customer's satisfaction level
- To find out which type of bank is more preferred by customers

METHODOLOGY

One of the primary concerns of this paper is to identify the important parameters affecting the services quality of online banking. So, a structured questionnaire was prepared via Google forms in order to collect primary data. The questionnaire is designed based on the objective of the study. Mainly five dimensions namely, reliability, responsiveness, efficiency, security and convenience were measured with addition to other subsequent factor such as account information and enquiry, e-payment, account to account transfer, due instalment enquiry and statement request on 5 point Likert scale.

SOURCE OF DATA

The required data are gathered through primary data. Primary data are those which are collected afresh and for the first time, and thus happen to be original in character. It is collected through questionnaire.

SAMPLING METHOD

The universe, with a sample size of 100 respondents, current study is based on bank account holders of public and private banks and the sampling method adopted was accidental random sampling.

DATA ANALYSIS AND INTERPRETATIONS

Satisfaction on Internet Banking Services

Average satisfaction level on internet banking services on the dimensions of account information and account enquiry, e-payment, account-to-account transfer, due instalment and statement request is presented in the following graph.

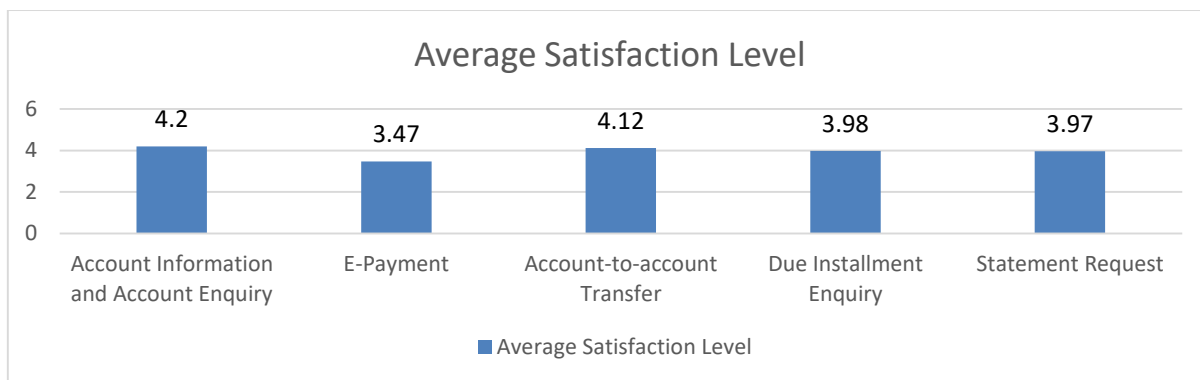


Fig. 1

With reference to online banking services, customers are most satisfied with account information and account enquiry facility which banks provide. Whereas e-payment is the least satisfied parameter here, the reason could possibly be that people generally prefer e-wallet or credit/debit cards for payment. It is also possible that they may have less knowledge about e-payment process and lack of security continues to be a major concern. However, rest of the parameters i.e. account to account transfer (4.12), due instalment enquiry (3.98), statement request (3.97) reflects fair satisfaction level.

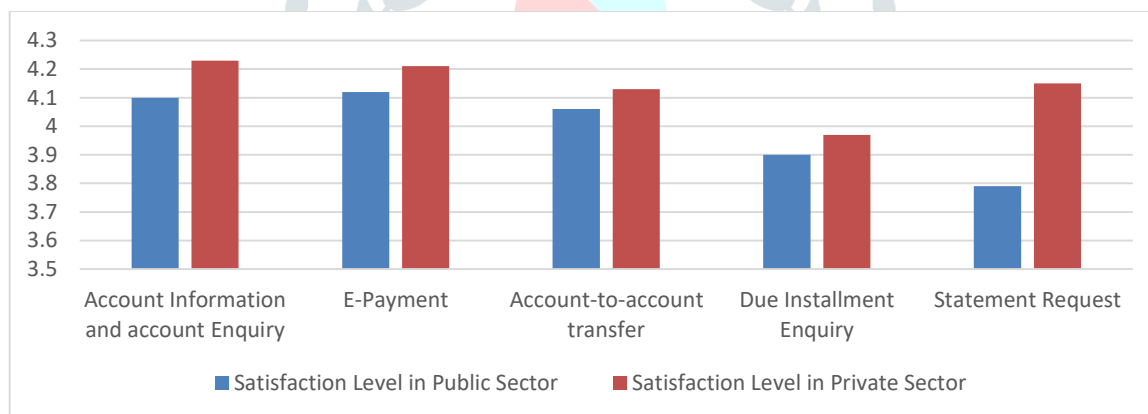


Fig. 2

Satisfaction levels regarding various service quality dimensions

To assess the customer service quality, customers’ perception on five dimensions is captured. The following chart presented the overall perception of the two different kinds of banks and the analysis of customer perception based on each dimension.

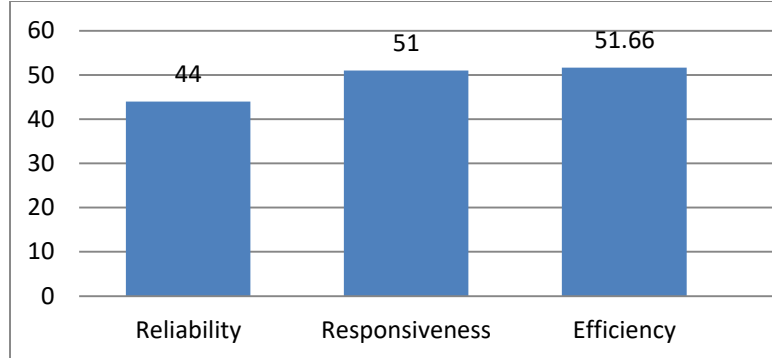
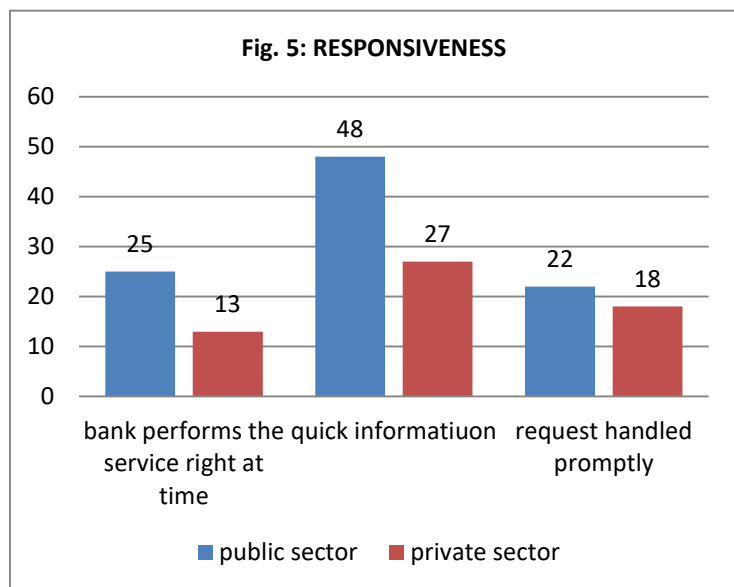
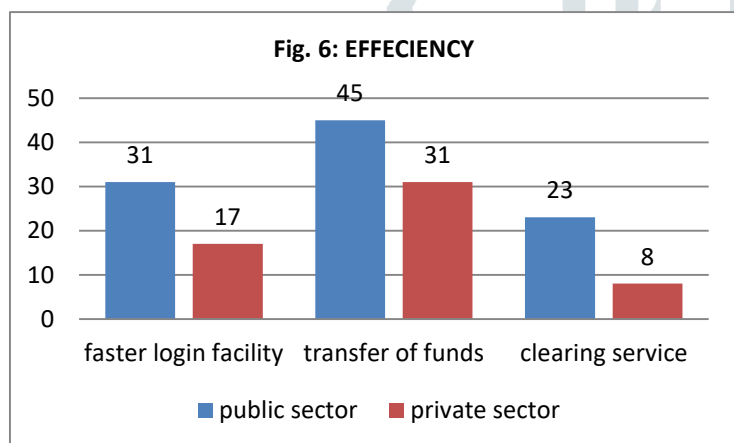


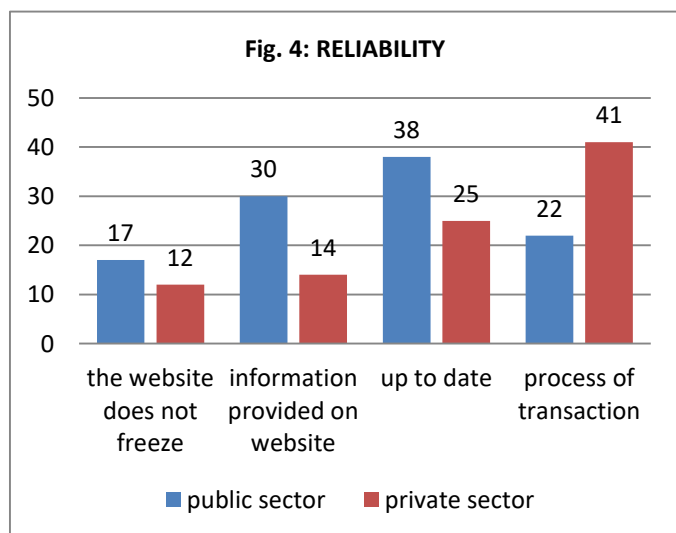
Fig. 3

Though the customer perception of the services on the five dimensions namely reliability, responsiveness, efficiency, security and convenience have an average ranging from 44 to 55.5 it can be clearly seen that customers are most satisfied convenience dimension of this study.

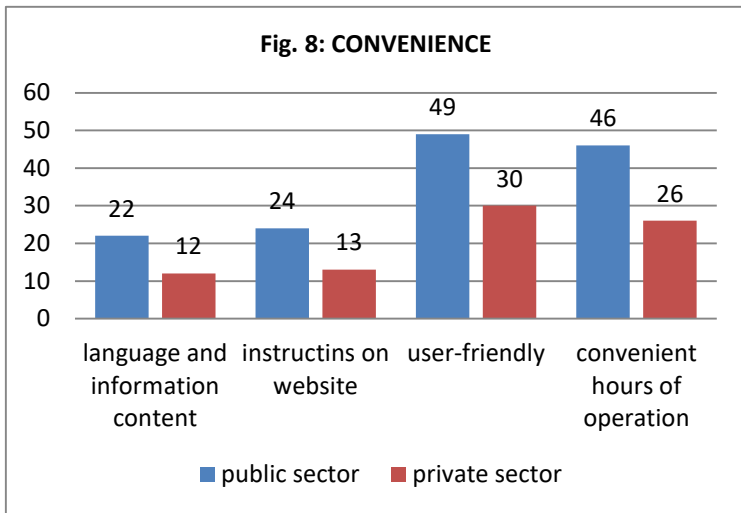


From the graph (chart 4) we can analyse that public sector sites are more reliable than the private sector in terms of frequent freezing, availability of information and up-to-date information. Where as private sector websites are designed in a manner that the transaction process is short and more reliable than that of the public sector.

The graph clearly depicts that public sector banks are more responsive than the private sector banks. The public sector banks perform service at the right time and also provide quick information. When comes to handling of requests both the private sector and the public sector are quick but the public sector is a bit more responsive than the later.



As per the response from the sample, public sector banks are considered more efficient than the private sector. Various aspects on which the efficiency was judged included faster login, transfer of funds and clearing services.

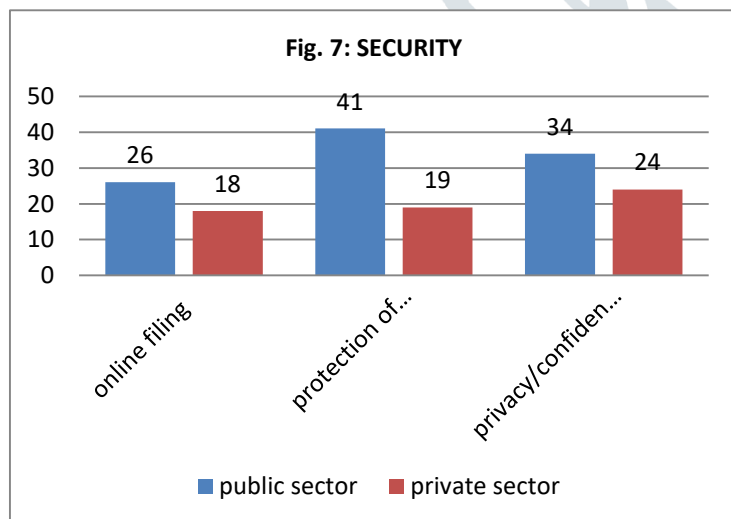


Public sector banks are considered more secured as compared to private sector. The main reason behind this can be the direct control of government on the public sector banks. Various factors include online filing, secured bank transaction and confidentiality of records. Having more secured website, it takes longer transaction process.

Public sector websites are more convenient when it comes to language and information content, available instructions, user friendly and convenient hours for operating the websites.

FINDINGS

- With reference to online banking services, customers are most satisfied with account information and account enquiry facility which banks provide.



Whereas e-payment is the least satisfied parameter here, the reason could possibly be that people generally prefer e-wallet or credit/debit cards for payment.

- customer perception about services on the five dimensions namely reliability, responsiveness, efficiency, security and convenience have an average ranging from 44 to 55.5 As per the study it can be clearly seen that customers are most

satisfied with convenience dimension.

- It is observed that public sector sites are more reliable than the private sector in terms of frequent freezing, availability of information and up-to-date information. Where as Private sector websites are

designed in a manner that the transaction process is short and more reliable than that of the public sector banks.

- Public sector banks are more responsive than the private sector banks. The public sector banks perform service at the right time and also provide quick information. When comes to handling of requests both the private sector and the public sector are quick but the public sector is a bit more responsive than the later.
- As per the response from the sample, public sector banks are considered more efficient than the private sector. Faster login, transfer of funds and clearing services are the various aspects on which the efficiency was judged.
- Public sector banks are considered to be more secured as compared to private sector. The main reason behind this could be the direct control of government on the public sector banks.
- Public sector websites are more convenient when it comes to language and information content, available instructions, user friendly and convenient hours for operating the websites.

CONCLUSION

- Banking sector today has been compelling demand for improvement, to survive in substantial competition in today's scenario.
- Public sector banks are always known for the trust; they have developed with the customers and their existence in society for a very long period of time. Hence, it is suggested that the public sector banks should keep the trust factor and improve the other aspects of service quality.
- The customer's expectations grow with no limit, and it is very much evident from the various service offerings by the banks on day to day. Not just to beat the competition but also to retain customers at any cost.
- Private Banks are well known in the society for the updated technology they use. And apparently reflects a high level of expectation from the customers. Hence it is imperative that the private banks keep themselves ahead in all aspects, concentrating on serviced quality.

Limitations and scope for future studies:

This study is limited to a sample of New Delhi and connecting area which is representative of the target population. However, it is important to study the respondents from different regions of the different states of India to further enhance the generalizability of the findings. To conclude; a much larger sample and more diverse respondents will help in yielding a more in-depth analysis using a method which is both economical and effective.

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