

Determinants of Customer Perception Influencing Customer Satisfaction in Payment Banks

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ABSTRACT

Banking sector has gone a big change over the few decades, commencing as Mere Avenue for deposit and lending, today banks are emerging as integrated providers of financial services. Serval forms of banks have emerged over the year and particularly in the part of IT (information technology) age, there is a change in nature of service provided by them. Payment banks is an offshoot of IT based extension of the logical channel of financial services to reach out to their customers. Particularly, in a country like India, bank need to strive for customer proximity and payment banks are emerging as a cost effective solution to reach the unreached areas. Being new concept, serval factors influence the customer expectation and satisfaction of using payment banks. Present study attempt to find out the factors that influence customer satisfaction in the payment banks. The major objective of this study is examine various unobserved determinants which affects the customer satisfaction in payment banks.

Keywords: Mobile Banking, Digitalisation, Service Quality and Financial Inclusion.

INTRODUCTION

The modern banking system was first time introduced in Europe in 16th century and slowly expended all over the world. In India, there is a great history of banking industry and now it is adopting new technological advancement dimensions in their system. A few decades ago, banks were seen as just a building, where people come to deposit and withdraw their money and people had to stand for longs lines for hours, which waste the important time of public. In order to meet the growing needs of the public, the branches of banks were expended. But even then it was unable to meet the growing needs of the public, because it requires huge investments. Due to technological progress, internet banking was introduced to facilitate users of banking services and with help of this people could have perform their banking activities on their computers or laptops. Slowly the pace of technology advancement increased and the new service mobile banking introduced. This gives more freedom to the public to use banking in more easy way. With help of mobile banking users can perform their banking activities on their mobile phone at any time and any place.

The banking sector in India has expanded to a large extend, but there are lots of remote and undeveloped areas where banking facilities are not available. To provide banking facilities in these areas, RBI formed a committee on Comprehensive Financial Services for Small Businesses and Low Income Households on September 23, 2013. This committee was headed by Dr. Nachiket Mor. The committee suggested to setting up payment banks as solution of this problem.

Today's markets are consumer oriented and all the products and services are produced according to the requirement of the consumers. Even every sector is affected by this phenomenon, whether they are retail sector, manufacturing sector, agricultural sector, textile industry, service sector and so on. Banking sector is also based on consumers demand, therefore they also need to develop their services and plan their policies according to the demand of their consumers. Payment Bank is new financial inclusion product for providing banking services in rural and remote areas, if banks want to expand their services to all over India and also want to take competitive advantages from other traditional banks, they need to take care of its customer satisfaction and also make efforts to maintain their loyalty in banks.

THEORETICAL BACKGROIND

The review of literature is a brief report of information found about payment banks in research papers or articles. It summarizes the all report into the small paragraph and highlights the key concept. Chandarana (2015) organized a conceptual study on payment bank to know his working procedure in India. The study concluded that the payment bank is a new concept in India and it would provide a good platform for the users, as they can now perform all banking activity on their mobile phones. Srinivas (2017) conducted a study to understand the role of payment banks in India and also discussed m-Banking, Department of Posts, Pradhan Mantri Jan-Dhan Yojana. The study concluded that after the development of computers and information technology, the various electronic banking system has emerged. A banking system includes both deposits and lending aspects, but payment bank is a different mechanism because it includes only deposit aspect, which helps in improving the cashless system in the country. Shivnani and Siwach (2017) organized an analytical study to examine the customer opinion towards Airtel Payment banks in India. The study found that payment banks are a new way of banking services, hence there is very low awareness about it, in the public. Karjaluoto et al. (2002) examined a study to explore the impact of different factors on attitude formation on internet banking. The study also observes that the demographic variable had a significant impact on online banking behavior, specifically, occupation and household income were a significant variable. Moreover attitude and usage level both affected by positive personal banking experience. Casalo et al. (2008) in his study measures the impact of various factors over the customer satisfaction of mobile banking user. The study found that consumer loyalty significant influenced by website perceived reputation and customer satisfaction. Rod et al. (2009) organized a study to examine the impact of online customer service quality, online information system quality and banking service product quality on overall internet banking service quality and customer satisfaction. The study found that there was a significant impact of online information system quality, online customer service quality and banking service product quality on overall internet banking service quality and then it influences customer satisfaction. Lin and Sun (2009) found that customer loyalty directly affected by customer satisfaction and technology acceptance factors and website service quality directly influence customer satisfaction and loyalty.

Extant literature shows that Payment banks is the relatively new concept and very few studies has been conducted in this context and most of them were focusing upon only financial inclusion aspect. Today's markets is customer oriented and customer satisfaction is the ultimate goal of every business unit. Therefore, there is need to study the various factors which affects the satisfaction of payment banks customers. Mobile banking is very similar to payment banks so that some other studies related to mobile banks were also reviewed to get the insight about various factors which affects customer satisfaction in mobile banking.

RESEARCH METHODOLOGY

An exploratory research design has been used to accomplish the objective of find out various factors which influence the customer satisfaction in payment banks. In order to measure customer perception in context of payment banks a standardized questionnaire has been developed which includes 20 statements related to the various service dimension. The respondents were asked to state their opinion about the statements on 5 point Likert scale, from strongly disagree to strongly agree. Reliability of the questionnaire accessed by Cronbach alpha. Overall reliability of the tool was 0.816 which seems satisfactory for further analysis. The data collected from 200 users of payment banks living in Haryana state. Snowball sampling method has been used in the study due to low level of availability of payment bank users.

Extracting the unobserved factors of customer perception in payment banks

Exploratory factor analysis used in this section to accomplish the objective of finding out new set of variables or composite the various variables for further multivariate techniques. There are many variables related to Payment banks which affects the customer satisfaction and loyalty, factor analysis combines these factor and finds out new unobserved factor which cannot be observed directly.

Table 1
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.757
Bartlett's Test of Sphericity	Approx. Chi-Square	965.487
	Df	171
	Sig.	.000

Table 1 exhibits the KMO value 0.757 for factor analysis. KMO value more than 0.50 considered at acceptable level. The given table also shows the value of Bartlett's test of Sphericity, which seems significant, p-value less 0.05(i.e. p=0.000) indicates that there is significant correlation structure exist among variables. Both of the measurement shows the suitability of data for the application of factor analysis.

Table 2
Naming of the Factors affecting Customer Satisfaction

Factor	Factor Name	loading	Statement of variables
1	Security, responsiveness (14.432%)	.752	All financial transactions through payment banks are secure.
		.684	It takes very short time through payment bank online service support system to get info regarding services.
		.641	The payment bank does not misuse my personal information.
		.640	The payment bank takes less time to complete the financial transactions of its customers.
		.597	It is very easy to get any information from the payment bank's Online Customer Service executive.
2	Poor services (13.032%)	.778	Payment banks do not care about the financial security of their customers.
		.770	Payment banks generally take a long time to resolve your complaints.
		.694	Commission or charges of payment banks are higher to other banks.
		.659	All information provided by payment banks is always wrong.
3	Ease of use (12.823%)	.821	The language used in the payment bank application is meaningful and easy to understand.
		.746	Graphics used in payment banking application are so meaningful to content.
		.725	I do not experience any difficulty while using the payment bank application.
		.547	Account opening process on payment bank application is very simple.
4	Benefits (7.322%)	.803	Payment banks pay interest at higher rates than other banks.

		.708	I use the payment bank due to the attractive discounts and cashback offers found on it.
5	Time efficiency (7.110%)	.805	All services provided by the payment bank are completed on time.
6	Attractive policies (6.393%)	.836	The interest policy used by the payment bank is less effective for attracting new customers.

Naming of the Factors

Appropriate names have been given to all those factors which were extracted from factor analysis as well as having high factor loading values. Factor's names have been given according to the nature of included variables in the factor and best suit to the nature of that factor. All the Factors in the above-given table describes the following.

Factor 1: Financial Security and Responsiveness

This factor consists of five statements which represent to the “security issues”, “responsiveness” variables”. Loading value of this factor was varied from 0.597 to 0.752 and the values were positively related to this factor. This factor explained 14.432% variance of the total variance. Financial security is the major issue to adopt digital services if the users feel secure in making their transaction, the adoption rate also will also increase, according to previous researches. Responsiveness of the banks at the time of any query and request are also affecting positively to customer satisfaction.

Factor 2: Poor Services

The second factor derived form factor analysis accounted for 13.032% variance of the total explained variance. This factor loaded four statements, which were represented to the “worst services” variables. Loading values were varied from 0.659 to 0.720 and four statements were positively related with the derived factor. Poor services may lead any organization to the downfall. Thus, payment banks always take care of these poor services factors at the time of providing services to its customers. The negative association with this factor was discussed in the previous theories.

Factor 3: Ease of Use

Third-factor load four statements and all are related to “ease of use” variable. This factor contributes to explain 12.823% variance of total variance explained. Factor loading values of this factor are from 0.547 to 0.821 and all the value having a positive relation to the obtained factor. Ease of use refers to easy to understand and easily handling the services provided by the bank or consumer is not facing any difficulty in using bank application. Shalom Levy (2014), Richa Priya et al. (2018) and Pallab Sikdar et al. (2015) were also identified this factor in his study. The previous studies show that if the customers feel easiness in the performing their financial services via application the adoption rate would increase.

Factor 4: Benefits and discount offers

This factor includes two statements those were represent to “benefits and discount” variables. The fourth factor explained 7.322% variance of the total variance. Loading value ranging from 0.708 to 0.803 and both statements were positively linked with the obtained factor. Benefits and discount offers were an important factor to take the competitive advantages. Customers usually attract towards those banks, which offers an extra discount on making payment for shopping and fund transfers. The high-interest rate also attracts customer to deposits their fund in offering bank. Claudio Hoffmann Sampaio et al. (2017) identified the factor of benefits and discount factor in their study to find out the factors affecting customer satisfaction. The study found that there was a positive influence of benefit and discount factor over customer satisfaction.

Factor 5: Time efficiency

Fifth-factor load only one statement and this statement was related to the “time efficiency” variables, this statement has a positive association with the extracted factor and loading value of the extracted factor is 0.805. This factor explained 7.110% variance of the total explained variance. Time efficiency represents to payment banks were perform all services on time. This derived factor was also found in a study of Gordon and Taylor (2015). The study demonstrated that wait and delay in the service were influencing customer satisfaction. This factor was positively associated in the previous studies.

Factor 6: Attractive promotion policy

The last factor extracted was accounted for 6.393% variance explained. The sixth factor consist only one statement and loading value is 0.836, the statement was positively related with the derived factor. This statement represents the "effectiveness in planning" issues of the banking services. Policy decision making is an essential part of planning. In the context of the financial sector, interest policy is a powerful tool to attract new customer. Therefore, interest policy of every financial organization should be well defined and attractive. Payment banks are facing huge competition from its starting, they have to design effective promotion policy to attract new customers.

DISCUSSION

Factor analysis used to identify unobserved factors. Six factors were derived after conducted the factor analysis on the data. These were financial security & responsiveness, poor services, ease of use, benefits offers, time efficiency and attractive promotion policies. All these factors were also discussed in the previous studies conducted to analyze the impact of these factors on customer satisfaction and customer loyalty. Hence, these factors also supported by the theoretical aspect which the good was supporting evidence of the study.

CONCLUSION

Payment bank is the new way of banking through mobile phone. It promotes digitalisation in the financial system and improve standard of living of the bank customers. They can make payments and transfer their funds on just one click using payment bank services. However, there are very low level of awareness among the people about this banking system. The banks are taking lots of measures to promote itself and provide better services to their customers. In this competitive era, it is important that all the financial services should be develop according to the demand of their customers. The study reveals the six unobserved factors which affect significant to customer satisfaction and loyalty. These factor are financial security & responsiveness, poor services, ease of use, discount & benefits, time efficiency and attractive promotion policy.

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