

# Service Quality in Public Sector Internet Banking Services in Erode City

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## Abstract

Probing the quality of service sector has gained momentum and in particular the banking sector is the main focus of attention for its quality of e-services. This study is based on E-SERVQUAL scale based on gap model proposed by Parasuraman, Zeithaml and Arvind Malhotra [3, 4]. A sample size of 200 was taken using convenience sampling method covering five public sector banks in Erode city. The study reveals that the internet banking services lag behind the customers' anticipation. This is confirmed by the negative gap registered in case of all the parameters of evaluation of e-service quality, which affirms the findings of the earlier researchers [5, 7, 10–13]. Therefore, narrowing down this gap is the need of the hour to elevate the internet banking services offered by the select banks yielding a buoyant e-banking segment.

**Keywords:** E-SERVQUAL, Expectations, Internet Banking, Perception

## 1. Introduction

In the era of ambitious internet banking, offering excellent and desirable quality service electronically is indispensable to remain in the fray. To continue to earn the patronage of customers and to turn on all potential into actual, its calls for rendering exhaustive service that are noticeably better than others [1]. Hence, this paper investigates the quality of internet banking services rendered by public sector banks in Erode city, based on E-SQ developed by Parasuraman, Zeithaml and Arvind Malhotra [3, 4].

## 2. Review of Literature

Zeithaml [2] focused on measuring the service quality of web based services and found that demographic, behaviour and experience also affect E-SQ, therefore divided E-SQ into two scales; E-SQ core scale and recovery

scale. Parasuraman, Zeithaml and Arvind Malhotra [3, 4] disclosed that two different scales were necessary for capturing electronic service quality.

Sudesh [5] confirmed the inferior services of the public sector banks. Divya Singhal and Padhmanabhan [6] indicated that 'utility request', 'security', 'utility transaction', 'ticket booking' and 'fund transfer' are the major factors influencing the use of internet banking. Mohamed Sadique Khan [7] probed the e-banking services in our country revealing the dissatisfaction of the customer in respect of 'user friendliness'. Arash Shahin and Moireh Samea [8] yielded a superior model over conventional models to evaluate the service quality and gaps. Santhiyavalli [9] has asserted the contributors to satisfaction of the customers towards the services of SBI. Rama Mohana Rao [10] disclosed the perceptual variance of the customer towards the services of private and public sector banks. Agha Tahir Ijaz and Asghar Ali [11] concluded that in the fierce and changing ambience

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the banks in Pakistan need to give a fillip to augment the service quality disposition for continued existence. Lokanadha Reddy and Shaik Karim [12] brought to fore the student customers' satisfaction level towards banking services as moderate only due to quality gaps. Saravanan and Haja Mohideen [13] claimed the necessity to establish an effective feedback system to sense the anticipation of the customers for rendering better service quality in banks at Pudhucherry.

The present study exposes the quality of e-services of select public sector banks in Erode city.

### 3. Statement of the Problem

Banking is customer oriented service industry and therefore providing better service to customer is the main motive of every bank. Traditional banking operations are limited and allow limited times to customer for banking activities. The technological advancements have changed the banks to remain fully based on computerization; connect to their services not only at the local level but also at the international level. Internet banking provides new opportunities for banks to expand and yield many benefits to customers and also flexibility in operations. The internet banking has made the customer say goodbye to limited time banking and local area operations. Due to the huge benefits, most of the customers use internet banking services.

Hence, the study seeks to provide answer to the following:

- The magnitude of internet banking in fulfilling the customer expectation.
- The deviation between the customers' contemplated and comprehended service quality of internet banking.

### 4. Objectives

The specific objectives are as follows:

- To bring out a description of the respondents.
- To measure the magnitude of perception and expectation of customers on service quality of internet banking and the divergence between the same.

### 5. Scope

The study is specific with reference to the five public sector banks chosen for investigation which included SBI, BOB, Canara Bank, IOB and Indian Bank.

### 6. Methodology

#### 6.1 Sample Size and Sampling Technique

Five public sector banks are purposively selected for the study. Among these five banks, a sample of 200 customers of Erode city was selected based on convenient sampling.

#### 6.2 Sources of Data

Both primary and secondary data were employed.

#### 6.3 Tools of Analysis

The statistical tools such as, simple percentage, mean, 't' test and gap score were used for the purpose of this study.

### 7. Results and Discussion

#### 7.1 Profile of the Respondents

From Table 1, it is clear that 40% are of the age of below 30 years, 63% are male, 67% are unmarried, 38 % are under graduates, 41% are employed, 38.5% earned monthly income between Rs.20001 to Rs.30000, 64% represent 3 to 5 members in their family and 41% are residing at semi urban area.

The bank account detail of the respondents reveals that 82% are having savings account, 52% are holding account in bank for 4-8 years, and 33% are using internet banking for less than 4 times in a month.

#### 7.2 Analysis of Customer Expected and Perceived Service Quality of the Internet Banking

Following null hypothesis is framed and tested to know the significance of the service quality gap.

$H_0$ : Expected and perceived service quality does not differ significantly.

Table 2 indicates that the mean values of expectation are higher than the perception of the customer in the case of all the dimensions and also of overall values of all dimensions. Further to prove this statistically, 't' values are calculated for all the dimensions. The calculated value of 't' exceeds the table value at 1% level rejecting the  $H_0$ . Hence, the internet banking services in public sector banks have not lived up to the expectation of customers can be inferred.

### 7.3 Results of Mean Gap Score

Table 3 discloses the overall mean difference of service quality dimensions as 1.314. The gap score of reliability, accessibility, ease of navigation, privacy/security are less than the overall score indicating a smaller gap which means a lower dissatisfaction of customers. The gap score of efficiency, responsiveness, and fulfillment are

more than the overall score and hence show a higher gap between expectation and perception, which means a far more customer dissatisfaction regarding these services.

### 7.4 Result of E-SERVQUAL Scores by Dimensions for Internet Banking in Public Sector Banks

Table 4 shows that the customers' expectation exceeds their perception in respect of all dimensions and overall service quality score with respect to the select banks' e-services. Of the seven dimensions, expectation is at the highest (19.65) for privacy/security dimensions that covers the issue of individual attention. Expectation is at the lowest (7.25) for fulfillment. On other hand, the perception is at the highest (14.64) in case of privacy/security dimensions and the second highest perception (14.36) is with respect to ease of navigation followed by 12.36 for reliability and responsiveness, 12.25 for accessibility, 12.23 for efficiency and 3.74 for fulfillment.

**Table 1.** Respondents' Description

S.No.	Variables		No. of Respondents	%
1	Age	Up to 30 years 31-40 41-50 Above 50 years	80 69 28 23	40 34.5 14 11.5
2	Gender	Male Female	126 74	63 37
3	Marital Status	Married Unmarried	134 66	67 33
4	Formal education	Up to school level Graduate Post Graduate Professional Degree	22 76 64 38	11 38 32 19

5	Occupational Status	Student Employee Business Professional Others	17 82 55 38 8	85 41 27.5 19 4
6	Monthly Family Income	Below ₹ 20,000 20,001 – ₹ 30,000 30,001 – ₹ 40,000 Above ₹ 40,000	27 77 58 38	13.5 38.5 29 19
7	Size of the Family	Upto 2 members 3-5 members 6 members & above	30 128 42	15 64 21
8	Area of Residence	Rural Semi-urban Urban	44 82 74	22 41 37
9	Type of Account	Current Account Savings account	36 164	18 82
10	Period of holding Account	Short (Less than 3 years) Moderate (4- 8 years) Long (More than 8 years)	58 104 38	29 52 19
11	Period of using internet banking	Short (Less than 1 year) Moderate (1 - 4 years) Long (Above 4 years)	26 110 64	13 55 32
12	Frequency of use	Occasionally Less than 2 times Less than 4 times More than 4 times	28 60 66 46	14 30 33 23

Source: Primary data

**Table 2.** Mean Scores of Expected and Perceived Service Quality

Dimensions [3, 4, 7]	Service Quality	Mean Scores	Std. deviation	Std. Error	't' value	df	Result
Reliability	Expectation	16.595	2.338	0.165	2.64	199	Significant
	Perception	12.36	2.269	0.160			
Accessibility	Expectation	16.9	2.910	0.206	3.464	199	Significant
	Perception	12.25	3.043	0.215			
Ease of navigation	Expectation	19.19	3.264	0.231	3.036	199	Significant
	Perception	14.36	2.474	0.175			
Privacy/Security	Expectation	19.65	2.434	0.172	4.085	199	Significant
	Perception	14.64	3.203	0.226			
Efficiency	Expectation	18.2	2.457	0.174	3.29	199	Significant
	Perception	12.23	3.034	0.215			
Responsiveness	Expectation	18.28	2.958	0.209	3.640	199	Significant
	Perception	12.36	2.520	0.178			
Fulfillment	Expectation	7.25	3.16	0.341	3.674	199	Significant
	Perception	3.74	3.26	0.306			
Overall dimensions	Expectation	116.10	14.52	0.968	7.26	199	Significant
	Perception	81.94	13.28	0.939			

Source: Primary data

Significant at 1% level of significance

**Table 3.** Mean Score Analysis and Gap between the Perception and Expectation of Internet Banking

Service Quality Dimensions [3, 4, 7]	P	E	Mean Difference of each statement(P-E)	Mean difference for each service quality dimensions
Reliability				
Statement 1	3.93	5	-1.075	1.0613
Statement 2	2.9	4.025	-1.125	
Statement 3	2.43	3.52	-1.095	
Statement 4	3.1	4.05	-0.95	
Accessibility				
Statement 5	3.29	4.32	-1.025	1.1625
Statement 6	3.34	4.50	-1.16	
Statement 7	2.85	3.98	-1.13	
Statement 8	2.77	4.10	-1.335	
Ease of navigation				
Statement 9	3.53	4.82	-1.295	1.2113
Statement 10	3.43	4.78	-1.35	
Statement 11	3.54	4.81	-1.275	
Statement 12	3.86	4.78	-0.925	
Privacy /Security				
Statement 13	4.035	4.93	-0.895	1.2538
Statement 14	3.515	4.81	-1.295	
Statement 15	3.35	4.90	-1.55	
Statement 16	3.74	5.01	-1.275	
Efficiency				
Statement 17	3.23	4.87	-1.64	1.4938
Statement 18	2.68	4.35	-1.67	
Statement 19	2.93	4.48	-1.55	
Statement 20	3.39	4.50	-1.115	
Responsiveness				
Statement 21	3.16	4.88	-1.72	1.48
Statement 22	2.095	4.45	-1.545	
Statement 23	3.385	4.49	-1.105	
Statement 24	2.91	4.46	-1.55	
Fulfillment				
Statement 25	1.54	3.25	-1.71	1.455
Statement 26	2.2	4	-1.8	
Overall dimensions	81.94	116.10	-34.16	1.314

Source: Primary data

**Table 4.** SERVQUAL Scores by Dimensions for Internet Banking in Public Sector Banks

Dimensions [3, 4, 7]	Mean value of Perception scores	Mean value of Expectation scores	Difference (P-E)
Reliability	12.36	16.595	4.245
Accessibility	12.25	16.9	4.65
Ease of navigation	14.36	19.19	4.84
Privacy /Security	14.64	19.65	5.015
Efficiency	12.23	18.2	5.97
Responsiveness	12.36	18.28	5.92
Fulfillment	3.74	7.25	3.51
Overall service quality index	81.94	116.10	34.16

Source: Primary data

## 8. Key Findings

The above analysis has divulged the following key findings:

- The select banks have not lived up to the expectations of customers in providing internet banking services.
- Negative E-SERVQUAL scores across all the dimensions of evaluation reveal the scope for improving the quality of internet banking by the select banks.
- The banks should take right action to avoid the customers moving to private sector banks for better services and attractive schemes compared to public sector banks.

## 9. Conclusion

The study reveals that the select public sector banks' internet banking services lag behind the customers' anticipation. This is confirmed by the negative gap registered in case of all the parameters of evaluation of e-service quality, which affirms the findings of the earlier researchers [5, 7, 10–13]. Therefore, narrowing down this gap is the need of the hour to elevate the internet

banking services offered by the select banks yielding a buoyant e-banking segment.

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