CUSTOMER SATISFACTION OF TRADITIONAL AND E-BANKING SERVICES - AN ANALYSIS OF NEW GENERATION BANKS

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ABSTRACT

Service Quality is primarily concerned with a scientific and planned management of services. In order to gain a viable advantage in the market, service firm organizations strive to maintain a high quality of service. Banking is a customer-oriented service industry, so it is essential for the banks to examine, view, scrutinize and analyze the service quality in order to sustain satisfying relationships with the customers. Currently, banking in India is generally fairly mature in terms of supply and product range still it remains a challenge for the private sector banks and foreign banks to offer quality services to the customers. Therefore measuring the service quality and level of satisfaction of customers towards service quality is inevitable in the current scenario. In this study, SERVQUAL model is used to measure the satisfaction of customers with Traditional and E-banking services. The sample respondents were selected from 7 New Generation Banks in Chennai. 354 samples were selected using a stratified random sampling technique. Statistical tools like Percentage Analysis, Mean, T-test, One way ANOVA, Correlation and Regression analysis were used for the study. The result shows that Empathy is more in the case of traditional service quality and credibility is more in the case of electronic service quality.

KEYWORDS: ESQ, TSQ, CUSTOMER SATISFACTION, SERVQUAL

SERVICE QUALITY

"Service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get" –Gefan(2002)

The Indian Economy together with the increasing entry of foreign banks and new generation banks has opened new vistas for the development of the banking organization from the Indian

perspective. The existence of private banks has kindled a competitive spirit among the nationalized banks. The old generation private banks and nationalized banks started facing competition from the new private sector banks with respect to the quality of services delivered by them.The greater use of technology in banking has empowered the sector to deal with varying demands on personal service delivery. The survival and growth of a bank do not depend on its size or funds, but it depends on its ability to provide qualitative services to its customers on a sustained basis.

NEW GENERATION BANKS

The entry of New Generation Banks (NGBs) in India under the new licensing policy has changed the entire landscape of the banking industry and re-defined the banking operations. Strengthening of the Indian banking system is absolutely essential in this situation. The contribution made by this group of banks in strengthening the Indian banking system is highly significant and absolutely essential, especially in the areas like leveraging information technology, retail banking, product and process innovation, risk ma3nagement, capital adequacy, reduction of NPA level and global presence. The seven new generation banks operating in Chennai are Axis Bank, Development Credit Bank, HDFC Bank, ICICI Bank, IndusInd Bank, Kotak Mahindra Bank and Yes Bank.

CUSTOMER SATISFACTION

"Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his/her expectations" –Kotler (2000)

OBJECTIVES OF THE STUDY

1. To analyze the customers' expectations and perception of Traditional and Electronic Service Quality in New Generation Banks.
2. To analyze the level of Customer Satisfaction towards the Service Quality in New Generation Banks.

HYPOTHESIS

Perception of Traditional and Electronic Service Quality has no significant impact on Customer Satisfaction in New Generation Banks and Foreign Banks.

RESEARCH METHODOLOGY

To achieve the above-stated objectives, both primary and secondary data are used for this study. Questionnaire, Personal Interview and Observation techniques have been used to collect the Primary data relating to the measurement of service quality and its impact on customer satisfaction in New Generation Banks. Secondary data are collected through books, journals, newspapers, Magazines, published records of bank reports and RBI, Websites and articles.

SAMPLING DESIGN

The sample respondents were selected from 7 New Generation banks in Chennai. Using the Stratified random sampling technique, the researcher divided the Chennai population into South Chennai, Central Chennai and North Chennai. A sample of 354 customers of New Generation Banks were identified. The following table shows the

Banks	South Chennai	Central Chennai	North Chennai	Total
New Generation Banks	200	85	69	354

REVIEW OF LITERATURE

1) Salini Gautam and Akash Singh (2014) in their study analyzed the service quality gaps (difference of customer expectation and perception of service quality) in the Indian public banking sector and foreign banks operating in India. The five dimensions of SERVQUAL have been used to find out the service quality gap. A sample of 150 respwasnts were selected through the convenience sampling method. The result indicates that the public sector banks have to improve in all the five dimensions of service quality and the foreign banks are required to improve on assurance and empathy dimensions.

2) Malik Shahzad Shabbir, Amer Khalil ur Rehma and Tazeem Shabbir(2016)in their research explored the combined effects of automated service and traditional service Quality on customer satisfaction. 250 customers of Pakistan were selected for the study. The results have shown three main findings. First, it was found that and traditional and automated service quality both have direct significant effect on customer satisfaction. Second, there is an insignificant relationship between ATM services on customer satisfaction when moderated by Traditional Banking services. Thirdly, there is a strong positive significant association in internet and mobile banking services moderated by teller banking services.

RESEARCH MODEL
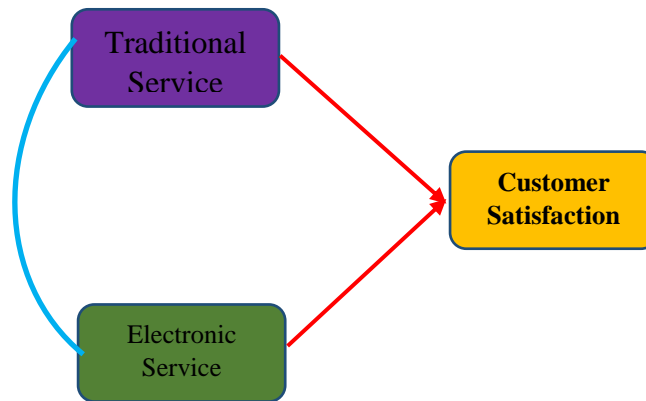
I DEMOGRAPHIC PROFILE OF THE RESPONDENTS

TABLE 1.1

DESCRIPTIVE STATISTICS ON DEMOGRAPHIC PROFILE OF RESPONDENTS

VARIABLES	OPTIONS	NEW GEN BANKS (354)	
		Freq.	**%**
Gender	Male	230	65.00
	Female	124	35.00
Age in years	19 – 40 Years	(Open ended	63.30
	41 – 66 Years	Question)	36.70
Marital Status	Married	245	69.20
	Unmarried	109	30.80
Qualification	School/Diploma	114	32.20
	UG/PG	173	48.90
	Professional/Ph.D	67	18.90
Monthly Income (INR)	Upto Rs.25,000	149	42.10
	Rs.25,001 – 50,000	94	26.60
	Rs.50,001 – 75,000	62	17.50
	Above Rs.75,000	49	13.80
Type of Customer	Salaried	237	66.90

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(Occupation)	Business/Profession	83	23.40
	Student	15	4.30
	Homemaker/Retired	19	5.40

From the above table it is inferred that, the majority of the respondents are males 65% (230) and the remaining 35% (124) are females.63.30% of the respondents fall in the age group between 19 – 40 years and 36.70% of the respondents fall in the age group between 41 – 66 years. 66.20% (245) of respondents are married and the remaining 30.80% (109) of the respondents are unmarried.48.90% (173) of the respondents are Under/Post Graduates. 32.20% (114) of them have School/Diploma education and 18.90% (67) of the respondents are Professionals / Ph. D. holders.In terms of Monthly Family Income, the Majority of the respondents (149, 42.10%) belong to the income group of "Upto Rs.25,000 and the majority of the respondents (237, 66.90%) are Salaried Persons

II EXPECTATION AND PERCEPTION OF TRADITIONAL AND ELECTRONIC SERVICE QUALITY IN NEW GENERATION BANKS

1) EXPECTATION ON TRADITIONAL & ELECTRONIC SERVICE QUALITY

TABLE 1.2

MEAN SCORE OF EXPECTATION ON TSQ & ESQ

VARIABLES	Expectation on TSQ		Expectation on ESQ	
	M	M	SD	SD
Physical Aspects (Appearance, Facilities, etc.)	4.21	4.27	4.27	.577
Credibility (Reliability of banking services)	4.23	4.32	4.32	.586
Responsiveness (Promptness in service)	4.28	4.35	4.35	.565
Security and Privacy (Safety and Security of transaction)	4.37	4.42	4.42	.533
Competence (Knowledge, Skills, Professionalism, etc.)	4.24	4.33	4.33	.607
Empathy (Caring, understanding, Individual attention, etc.)	4.20	4.28	4.28	.596
Assurance (Confidence, Consistent, Honest in transaction)	4.30	4.39	4.39	.548
Accessibility (Easy accessibility of Services)	4.23	4.37	4.37	.560
EXPECTATION ON TSQ	34.05	34.73	34.73	3.495

 From the above table, it is found that the Expectation on Traditional&Electronic Service Quality of New Generation Banks is higher in case of Security and Privacy and Assurance when compared with

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others and the same is lesser in case of Empathy and Physical Aspects when compared with others.It is also inferred that Expectation of Electronic Service Quality (M = 34.73) is more than Traditional Service Quality (M = 34.05)

2) **PERCEPTION ON TRADITIONAL & ELECTRONIC SERVICE QUALITY**

TABLE 1.3

MEAN SCORE OF PERCEPTION ON TSQ & ESQ

VARIABLES	Perception on TSQ		Perception on ESQ	
	M	SD	M	SD
The website of the bank is well-organized/arranged and has user-friendly interface	3.55	.890	3.37	1.224
The layout of web-site of bank is visually appealing and attractive	3.56	.870	3.54	1.083
The website of the bank provides required and valuable information	3.51	.950	3.68	1.002
PHYSICAL ASPECTS	10.62	2.110	10.60	3.009
Electronic banking provides its services at the time it promises to do so.	3.48	1.168	3.64	1.015
Electronic banking transactions are accurate and error-free.	3.61	.991	3.68	.863
Electronic banking services are more dependable	3.68	.940	3.72	.927
CREDIBILITY	10.77	2.612	11.04	2.359
Electronic banking gives prompt service to customers	3.64	1.015	3.51	.904
Electronic banking gives prompt responses to the customers' requests by e-mail or other means	3.68	.863	3.62	.870
Electronic banking quickly resolves problems related to online transactions	3.72	.927	3.31	1.072
RESPONSIVENESS	11.04	2.359	10.44	2.155
Electronic banking ensures the safety and security in all its transactions	3.60	1.172	3.48	1.135
Electronic banking protects the customer's personal and financial information and not shared with other websites	3.63	.944	3.62	.945
Electronic banking gives high priority for the privacy of the customers	3.64	1.015	3.73	.945
SECURITY AND PRIVACY	10.87	2.765	10.84	2.588
Electronic banking provides more punctuality, transparency and accountability.	3.24	1.111	3.26	1.150
Transfer of funds and other transactions are faster as compared to manual banking system.	3.45	1.009	3.55	1.023
The website of the bank shows sincere interest in resolving any problems	3.45	1.029	3.58	.953
COMPETENCE	10.13	2.692	10.39	2.693
Help desks, call centers of Electronic banking give personal attention	3.71	1.123	3.70	1.172
Operating hours of the Electronic Banking are more convenient to all its customers	3.78	.993	3.63	.944
Electronic banking understands the specific needs of the customers	3.82	.983	3.64	1.015
EMPATHY	11.31	2.285	10.97	2.765
The website of the bank has adequate security features	3.54	1.118	3.47	1.088

The website of the bank assures the best performance of the services	3.64	1.012	3.55	.918
The website of the bank is more trustworthy	3.56	.954	3.70	.888
ASSURANCE	10.75	2.589	10.72	2.519
Electronic banking services are accessible via Internet banking, Mobile banking, EFT, ECS, ATM, etc.	3.29	1.083	3.53	1.088
Electronic banking provides convenient location of service facility (ATM location, Online banking at home, etc.)	3.68	1.017	3.66	.902
Bank's website allows information to be readily accessible	3.71	.961	3.68	.924
ACCESSIBILITY	10.68	2.465	10.87	2.415
PERCEPTION ON TSQ &ESQ	86.17	14.987	85.87	15.782

❖ From the above table, it is found that the Perception on Traditional Service Quality of New Generation Banks is higher in case of Empathy (M = 11.31) and Responsiveness (M = 11.04) when compared with others and the same is lesser in case of Competence (M = 10.13) and Physical Aspects (M = 10.62) when compared with others.

❖ It is also inferred that the Perception on Electronic Service Quality of New Generation Banks is higher in case of Credibility (M = 11.04) and Empathy (M = 10.97) when compared with others and the same is lesser in case of Competence (M = 10.39) and Responsiveness (M = 10.44) when compared with others.

III CUSTOMER SATISFACTION ON SERVICE QUALITY

A) DESCRIPTIVE STATISTICS OF CUSTOMER SATISFACTION ON SERVICE QUALITY

TABLE 1.5

MEAN SCORE OF CUSTOMER SATISFACTION ON SERVICE QUALITY

VARIABLES	NEW GEN BANKS (354)	
	M	**SD**
Core Banking Solutions	3.38	1.103
Employee's attitude towards customers' service	3.69	1.024
Honesty, Integrity and Reliability of the bank	3.64	.940
Consistent delivery of superior quality service	3.57	.914
Simplicity and easiness of transactions	3.83	.841
variety of channels (ATM, phone, email, e-banking) to deal with customers	3.73	.986
Value Added Services	3.61	.904
Innovative Services through advanced technology	3.62	.870

Normal Charges for services	3.31	1.072
Effective Customer Feedback	3.53	.903
Useful Information and guidance regarding the bank products and services	3.73	.964
Safety and Security in transaction	3.71	.915
Total Employee Involvement	3.63	.953
Contact program of customers	3.54	.948
Fair and efficient complaints resolution	3.41	.955
Working hours of the bank	3.57	.869
Interaction with bank staff and website	3.75	.906
Personalized products and services	3.55	.890
Transparent and well defined system	3.56	.870
Effective Complaint Management System	3.61	.950
CUSTOMER SATISFACTION ON SERVICE QUALITY	71.77	12.198

It is inferred from the above table that the Customer Satisfaction on Service Quality of New Generation Banks is higher in case of the variable - Simplicity and easiness of transactions (M = 3.83) when compared with others and the same is lesser in case of Normal Charges for services (M = 3.31) when compared with others.

B) INDEPENDENT SAMPLE 'T' TEST ON SERVICE QUALITY

An Independent-samples t-test was conducted to compare the significant difference between the Male and Female respondents with respect to the Customer Satisfaction on Service Quality of New Generation Banks

TABLE 1.6

T TEST ON GENDER AND CUSTOMER SATISFACTION ON SERVICE QUALITY

VARIABLES	Bank belongs to	GENDER						t – value	p – value
		MALE			FEMALE				
		N	Mean	SD	N	Mean	SD		
CUSTOMER SATISFACTION ON SERVICE QUALITY	NGB	230	71.45	12.048	124	69.21	13.475	3.451	0.004**

(** 1% level of Significance, *5% level of Significance)

As the *P* values are lesser than Sig. Value (0.05 and 0.01) in the above table (0.004) the Null Hypotheses are rejected. Based on the mean scores, Male respondents (M = 71.45) have more Customer

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Satisfaction on Service Quality than the Female respondents (M = 69.21) Hence, it is concluded that there is a significant difference between the Male and Female respondents with respect to the Customer Satisfaction on Service Quality of New Generation Banks.

C) ONE WAY ANOVA

TABLE 1.7

ONE WAY ANOVA ON MONTHLY INCOME AND SATISFACTION OF CUSTOMERS

VARIABLE	Bank belongs to	MONTHLY INCOME (INR)				F– value	p – value
		Upto Rs.25,000	Rs.25,001-50,000	Rs.50,001-75,000	Above Rs.75,000		
	NGB	149	94	62	49		
CUSTOMER SATISFACTION ON SERVICE QUALITY	NGB	71.05	74.36	71.42	69.46	3.987	0.000**
		12.771	10.680	9.458	13.517		
		11.210	10.652	15.987	13.606		

(**1% level of Significance, *5% level of Significance)

The Mean score of the Customer Satisfaction on Service Quality in the case of the Income Group – Rs.25,001 – Rs.50,000(M = 74.36) is more than other groups. The respondents belonging to Rs.25,001 – Rs.50,000 Income group have more Customer Satisfaction on Service Quality than others.Hence, there is a significant difference among the Income of the respondents with respect to the Customer Satisfaction on Service Quality of New Generation Banks.

D) CORRELATION BETWEEN TSQ,ESQ AND CUSTOMER SATISFACTION

TABLE 1.8

CORRELATION BETWEEN PERCEPTION ON SERVICE QUALITY AND CUSTOMER SATISFACTION

VARIABLES	N	'r' VALUE	P – VALUE	RELATION SHIP	REMARKS	
					SIGNIFICANT	RESULT
Perception on TSQ – Customer Satisfaction	354	0.829**	0.000	Positive	Significant	Rejected
Perception on ESQ – Customer Satisfaction	354	0.825**	0.000	Positive	Significant	Rejected

**. Correlation is significant at the 0.01 level (2-tailed).

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As the P value is lesser than Sig. Value (0.01) in the above cases (0.000), the Null Hypotheses are rejected. There are large positive correlation between Perception on Traditional Service Quality (r = 0.829) and Customer Satisfaction and between Perception on Electronic Service Quality (r = 0.825) and Customer Satisfaction.The relationship between Perception on Traditional Service Quality and Customer Satisfaction (r = 0.829) is more than the relationship between the Perception on Electronic Service Quality and Customer Satisfaction.

E) MULTIPLE REGRESSION ANALYSIS ON TSQ AND ESQ
1) TRADITIONAL SERVICE QUALITY DIMENSIONS- CUSTOMER SATISFACTION

Regression is the determination of statistical relationship between two or more variables. In simple regression two variables are used. One variable (independent) is the cause of the behaviour of another one (dependent). When there are more than two independent variables the analysis concerning relationship is known as multiple correlations and the equation describing such relationship is called as the multiple regression equation.

In this analysis, the dependent variable is Customer Satisfaction and the Independent variables are Physical Aspects, Credibility, Responsiveness, Security &Privacy, Competence, Empathy, Assurance and Accessibility

Multiple Regression analysis was conducted to determine the best linear combination of Physical Aspects, Credibility, Responsiveness, Security and Privacy, Competence, Empathy, Assurance and Accessibility for predicting Customer Satisfaction.

TABLE 1.9

Model Summary of TSQ-Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.897[a]	.805	.802	5.444	.805	264.439	8	511	.000

TABLE 1.10

ANOVA[a]on TSQ-Customer Satisfaction

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	62696.200	8	7837.025	264.439	.000[b]
	Residual	15144.193	511	29.636		

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Total	77840.392	519			

a. Dependent Variable: CUSTOMER SATISFACTION.

b. Predictors: (Constant), Accessibility, Responsiveness, Empathy, Credibility, Competence, Physical Aspects, Assurance, Security And Privacy

TABLE 1.11

REGRESSION COEFFICIENTS OF TSQ-CUSTOMER SATISFACTION

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	**Std. Error**	**Beta**		
1	(Constant)	10.131	1.467		6.904	.000
	Physical Aspects	.171	.128	.138	2.336	.000
	Credibility	.387	.126	.262	3.058	.000
	Responsiveness	.174	.172	.135	3.013	.000
	Security And Privacy	1.189	.164	.264	7.241	.000
	Competence	.360	.119	.080	3.015	.003
	Empathy	2.952	.146	.521	20.270	.000
	Assurance	.156	.126	.033	1.240	.216
	Accessibility	.365	.126	.074	2.904	.004

Dependent Variable: Customer Satisfaction

From the above table, it is found that for predicting CUSTOMER SATISFACTION, Empathy (0.521) is the strongest influencing factorthatpredicts dependent variable. The higher the beta value the greater the impact of the predictor variable on the criterion (Dependent) variable. The beta weights suggest that Empathy only contribute most (0.521 or 52%) to predict Customer Satisfaction

2)ELECTRONIC SERVICE QUALITY DIMENSIONS- CUSTOMER SATISFACTION

In this analysis, the dependent variable is Customer Satisfaction and the Independent variables are Physical Aspects, Credibility, Responsiveness, Security and Privacy, Competence, Empathy, Assurance and Accessibility.

TABLE 1.12

Model Summary of ESQ-Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.906[a]	.821	.818	5.218	.821	293.426	8	511	.000

a. Predictors: (Constant), Accessibility, Responsiveness, Physical Aspects, Competence, Credibility, Assurance, Security and Privacy, Empathy

It is found that the adjusted R squared value was 0.818. This indicates that 82% of the variance in the Customer Satisfaction on Service Quality can be predicted from the independent variables. Remaining 18% is unexplained.

TABLE 1.13

ANOVA[a] on ESQ-Customer Satisfaction

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	63924.796	8	7990.599	293.426	.000[b]
	Residual	13915.597	511	27.232		
	Total	77840.392	519			

a. Dependent Variable: CUSTOMER SATISFACTION

TABLE 1.14

REGRESSION COEFFICIENTS OF ESQ-CUSTOMER SATISFACTION

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	10.466	1.383		7.567	.000
	Physical Aspects	.424	.109	.153	2.044	.000
	Credibility	3.102	.134	.556	23.211	.000
	Responsiveness	.468	.166	.093	2.824	.005
	Security and Privacy	.006	.137	.001	.043	.966

1	Competence	.362	.129	.077	2.800	.005
	Empathy	.453	.127	.098	3.555	.000
	Assurance	.295	.129	.059	2.282	.023
	Accessibility	.833	.168	.185	4.964	.000

Dependent Variable: Customer Satisfaction

OVERALL FINDINGS

For predicting Customer Satisfaction, Credibility (0.556) is the strongest influencing factorthan other dimensions in the case of Electronic Service Quality and Empathy is the strongest influencing factor in the case of Traditional Service Quality.The above study suggests that the New Generation banks have to focus their service quality levels in developing competence and responsiveness

CONCLUSION

Banking is a customer-oriented service industry, therefore customer is the focus and customer service is the important factor. Nowadays Customers' expectations of banks are increasing because they have a wider choice of products and services. Service Quality plays a major role in customer satisfaction and customer loyalty in the banking sector. Therefore it is very imperative for the service organizations like banks to measure and evaluate service quality. Delivering quality service to customers is very important to survive in today's competitive banking environment. Hence it is vital for the banks to improve the service quality levels and offer more innovative E-Banking services. Providing high quality service will enhance higher customer satisfaction and it leads to customer Loyalty.

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