

## **A STUDY ON ONLINE BANKING SERVICE QUALITY WITH SPECIAL REFERENCE TO PUBLIC SECTOR BANKS IN TAMILNADU**

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### **ABSTRACT**

Service quality has become an important factor among the customers in retail banking. The emergence of new banking technology creates highly competitive market conditions, which have a critical impact upon customer behavior. Hence, it is the need of the hour for the banking sector, to better understand their customers and their attitudes toward technology in general, to enhance increased satisfaction of their customers using online banking. If they succeed, banks will be able to influence and even determine customer behavior, which will become a major issue in creating competitive advantage in the future. Mainly four objectives are involved in this study. The study focused on the online banking services of public sector banks operating in Tamil Nadu.

**Keywords:** Banking technology, customer behavior, online banking services, public sector banks and strategic decisions

### **1. INTRODUCTION**

Banks are the most important service institutions in the economy of any country and the backbone of any financial and economy. Internet banking uses the Internet as the delivery channel by which to conduct banking services accessed via the internet's World Wide Web. It uses the global network of computer networks without any "brick and mortar" branch offices. By eliminating the overhead expenses of conventional banks, Internet banking theoretically can pay customers higher interest rates on savings than the national average. Internet Banking can provide speedier, faster and reliable services to the customers for which they are relatively happy. At present, the total internet users in the country are estimated at 9 lakh. However, this is expected to grow exponentially to 900 lakh by 2025 (N.Ajjan, 2012) [1].

Commercial banks play an important role in the development of underdeveloped and developing economies by mobilization of resources and their better allocation. The Indian Banking System is regulated by the Central Bank of the country i.e. Reserve Bank of India (RBI), which was nationalized in 1949.

The cost-conscious banks in the country have therefore actively considered the use of internet as a channel for providing services. Fully computerized banks, with better management of their customer base are in a stronger position to cross-sell their products through this channel. Internet banking sites offer the prospect of more convenient ways to manage personal finances, and such services as paying bills on-line, finding mortgage or auto loans, applying for credit cards, and locating the nearest "Automated Teller Machine" (ATM) or branch office. Some internet banks also offer 24-hour telephone support, so customers can directly discuss their needs with banks services representatives (Divya *et al*, 2008) [2].

## **2. REVIEW OF LITERATURE**

Yasser Mahfooz, *et al.*, (2013) [9], in their research article titled "A Study of the Service Quality issues of internet banking in non-metro cities in India", confirms that non-users can be converted into users by proper education on the services available and assuring them of the secure environment. Banks can strive for a fully secure online environment where customer details and money are secure.

Nadia Asghar (2012) [4], in their article titled, "*An empirical analysis of Customer satisfaction on adoption of Internet Banking in Pakistan*" proves that in Pakistan (particularly in twin cities), customers are satisfied on adopting the internet banking and feel comfortable which processing their day to day business through the online banking facility.

Alabar, T. Timothy (2012) [5], in their research paper titled, "Electronic Banking Services and Customer Satisfaction in the Nigerian Banking Industry", identified that electronic banking services has been able to cut costs, save time and offer services at the expenses of man-hour to the satisfaction of customers and with electronic banking, opportunities are also created for small banks to compete on more equal footing with the other larger banks in the world to satisfy customers.

## **3. INNOVATION IN BANK OPERATION AND SERVICE QUALITY**

Technological innovations have been identified to contribute to the distribution channels of Banks. The electronic delivery channels are collectively referred to as Electronic Banking. Electronic Banking is really not a technology, but an attempt to merge several different technologies. Consumers who use e-banking use it on an ongoing basis and need to acquire a

certain comfort level with the technology to keep using it. Customer adoption is a recognized dilemma for the strategic plans of financial institutions. Several studies have investigated why individuals choose a specific bank.

E-banking is a generic term for delivery of banking services and products through electronic channels, such as the telephone, the internet, the cell phone, etc. The concept and scope of e-banking is still evolving. It facilitates an effective payment and accounting system thereby enhancing the speed of delivery of banking services considerably. While E-banking has improved efficiency and convenience, it has also posed several challenges to the regulators and supervisors.

#### **4. SERVICE QUALITY: CONCEPTUALIZATION AND OPERATIONALIZATION**

‘Quality’ is a concept which requires a concern both in products as well as in services. Experts have defined it as, “fitness for use”, “conformance to requirements”, “freedom from variation” etc. . Service quality is an abstract and elusive construct because of 4 unique features of services viz,:

- Intangibility
- Heterogeneity
- Inseparability
- Perishability

#### **5. THE NEED FOR SERVICE QUALITY**

Ennew, Watkins and Wright (1993), mentions that the need for service quality is driven by customers, employees and a changing business environment. Customers, be the individuals, households or organizations are increasingly aware of alternatives of the financial services on offer, provider organizations and also of rising standard for service. Consequently, expectations rise and consumers become more critical of quality of service received and so companies can be complacent. Furthermore, knowledge of the cost and benefits of keeping existing customers relative to attracting new ones draws companies’ attentions to looking after present customers, responding to their needs and problem developing long-term relationships.

#### **6. IMPORTANCE OF SERVICE QUALITY IN BANKS**

Increased competition, highly educated consumers, and increase in standard of living are forcing many businesses to review their customer service strategy. Many business firms are channelling more efforts to retain existing customers rather than to acquire new ones since the cost of acquiring new customer is greater than cost of retaining existing customers. There is enough

evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment. Maximizing customer satisfaction through quality customer service has been described as ‘the ultimate weapon’ by Davidow and Vital (1989). According to them, in all industries, when competitors are roughly matched, those with stress on customer’s service will win. In view of the above mentioned facts, an analysis of service quality perceptions from customer’s point of view may be sound and interesting at this juncture.

## **7. PURPOSE OF THE STUDY**

The purpose of the study is to identify the fragments in quality of service delivery, how the public sector bank has the capability to market the services, whether the public sector banks competent enough to combat the competition and fulfill expectations of the customers. Since, service quality has become an important factor among the customers in retail banking. For the success and survival in the banking sector, provision of high service quality is necessary in meeting several requirements such as customer satisfaction and its consequent loyalty, attracting new customers and to increase the market share and profitability.

### **7.1 Scope of the Study**

- The study would cover on a specific banking products and services which have been mostly used by the most of the customers.
- The study intended to examine the service quality of the public sector banks in providing housing loans to the customers.
- This study comparatively examines the impact of alternative banking on customers’ satisfaction in public banks and presented facts of survey conducted by using appropriate statistical techniques and tools.

### **7.2 Objectives of the study**

Based on these questions the following objectives were framed for the study.

- To study the socio-economic profile of the customers using the on-line banking services,
- To evaluate the opinion of customers on online banking services offered by banks in order to ascertain the extent of customer satisfaction
- To analyze the variables influencing customer satisfaction on online banking services.
- To identify the problems faced by customers on on-line banking services and to suggest suitable measures to improve quality of on-line banking services.

## **8. METHODOLOGY**

To achieve the objectives of this present study, the study has adopted the following research methodology.

### **8.1 Sources of data**

Of the total population in Coimbatore district it is found that only 17-20 percent of the customers make use of online banking services. A sample of 200 customers has been selected on convenient sampling method to collect the primary data required for the study. The primary data for the study has been collected through distributing questionnaires to the customers of online banking. Questionnaire contains questions relating to customer awareness on online banking services, factors influencing them to adapt to the on-line banking services, satisfaction on online services and problems faced by the customers while using online banking services of all public sectors banks in Coimbatore District. The collected data was analyzed using simple percentage and chi-square test.

### **8.2 Sampling**

For this study, the customers using online banking services of the various public sector banks operating in Coimbatore District are chosen randomly there are twenty six public sector banks operating in Coimbatore District are Allahabad Bank, Andhra Bank, Bank of Baroda, Bank of India, Bank of Maharashtra, Canara Bank, Central Bank of India, Corporation Bank, Dena Bank, IDBI Bank, Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce, Punjab & Sind Bank, Punjab National Bank, Syndicate Bank, UCO Bank, Union Bank of India, United Bank of India, Vijaya Bank and State Bank of India. For analyzing the collected data the two statistical tools namely Simple Percentage Analysis and Chi-Square Test are applied.

## **9. SUMMARY OF FINDINGS**

The socio-economic profile of the customers, information about online banking, online services availed to customers by public sector banks has been evaluated using simple percentage analysis and to analyze the satisfaction level of the consumers, chi-square test has been employed.

### **9.1 Socio Economic Profile**

The socio-economic profile of the two hundred sample respondents have been evaluated for gender, age, educational qualification, marital status, occupation, monthly income, number of members in the family, number of earning members in family, type of account, type family, status of member in family and annual savings has been evaluated using simple percentage analysis and the results are summarized in the following table.

The socio economic profile of respondents implies that the majority of the respondents were males with majority in the age group of less than 25 years and many of them were graduates. Most of the respondents were married. The majority of the respondents are employees and earn less than Rs. 1,00,000 as monthly income. Maximum number of respondents belong to the nuclear family having the total members less than four with two earning members in their family. Majority of the respondents have an annual savings below Rs. 1,00,000 and have the savings bank account.

### **9.2 Information about Online Banking**

Majority of the respondents are found to hold their accounts only in State Bank of India and majority of the respondents came to know about the online banking services mostly through the advertisements. Many respondents revealed that their bank provides all type of core banking facilities and they make use of alternative banking facilities too. They recommended the use of online banking to friends, relatives and their associates. Many of them are found to use the customer service facility in online banking and also reveal that the bank charge a very reasonable amount for the special services offered by them.

### **9.3 Online Services availed to Customers by public sector banks**

Most of the respondents had chosen online banking for time convenience using it for bill payments. Many respondents have opined that they use online banking once a month. Many respondents have reported that they use mobile phones to access the online banking and the majority of the respondents opined that they are neither satisfied nor dissatisfied in online banking. Many of them have suggested bringing out certain reformations in the module of internet banking. They feel online banking is time saving concept compared to person-person banking for easy transfer of money from one bank to another and from one account to other account.

## **10. REVIEW OF LITERATURE**

Arunodayam and Thangavel (2007) reviewed the problems of Housing policies, performance of selected housing finance institutions and banks, identified the role and method of supplying credit through housing finance companies. The study was conducted in the city of Chennai on a sample of 300 home loan borrowers of HDFC, LIC housing finance ltd, ICICI bank ltd. It was observed that average number of family members opting for home loan is 4. Higher educated people, respondents with middle and higher income avail more loans. The average loan amount availed by respondents is Rs. 4.6 lakhs and it is seen that spouse income also supports the household.

Sultan Singh (2008) found out that the level of customer service and satisfaction was influenced by factors such as the location of the branch and lay out, differentiated services, systems and procedures, delegation and decentralization, mechanization and computerization, complaint redressal, skills, attitudes and responses of the employees. Further, the findings of the study showed that tangibles, reliability and empathy were significant predictors of customer satisfaction but ignored the technological factors of the banking services. The study concluded that service quality was at the root of customer satisfaction and was linked to such behavioural outcomes as customer loyalty.

Berstein David (2009) examined increasing use of home loans as compared to private mortgage insurance (PMI) during the period from 2001 to 2008. In the same line the sharp rise and then suddenly drop down home prices from the period 1998- 2008. The housing boom was concentrated in those markets with significant supply-side restrictions, which tend to be more price-volatile; he problem was not in the excess supply of credit in aggregate, or the increase in subprime per se, but rather in the increased or reduced presence of certain other mortgage products.

James Harvey (2011) examined changes in home financing across the entire Denver metropolitan area in U.S.A, as well as among low- and moderate-income borrowers and within low and moderate-income neighborhoods. Also analyzed are the contributions of different types of lenders banks and thrifts with local banking offices, banks and thrifts with no Denver banking offices, and independent mortgage companies. Among the more noteworthy findings in this analysis is the substantial growth that has occurred in home purchase lending for the entire Denver metropolitan area, with a rising share of this lending going to low- and moderate-income borrowers and neighborhoods. Of further interest is the growing importance of home lending by banking organizations without deposit-taking offices in Denver.

Below is the table plotted based upon their usage of E-Banking according to their age, gender, position, economic status., account usage, etc

## 11. DATA ANALYSIS AND INTERPRETATION

**Table 1: Classification Of The Respondents Based On Gender**

| Particulars | No. of respondents | Percentage |
|-------------|--------------------|------------|
| Male        | 23                 | 46         |
| Female      | 27                 | 54         |
| Total       | 50                 | 100        |

**Sources:** primary data

### **Interpretation:**

The table shows that 46% of the respondents belongs to male categories and 54% of the respondents belongs to female categories.

**Table 2: Classification Of The Respondents Based On customer occupation**

| Particulars  | No. of respondents | Percentage |
|--------------|--------------------|------------|
| Business     | 15                 | 30         |
| employed     | 12                 | 24         |
| professional | 13                 | 26         |
| student      | 10                 | 20         |
| Total        | 50                 | 100        |

**Sources:** primary data

### **Interpretation:**

The table shows that 30% of the respondents are business , 24% of the respondents are employed, 26% of the respondents are professional and 20% of the respondents are student.

**Table 3: Classification Of The Respondents Based On customer perception of assurance**

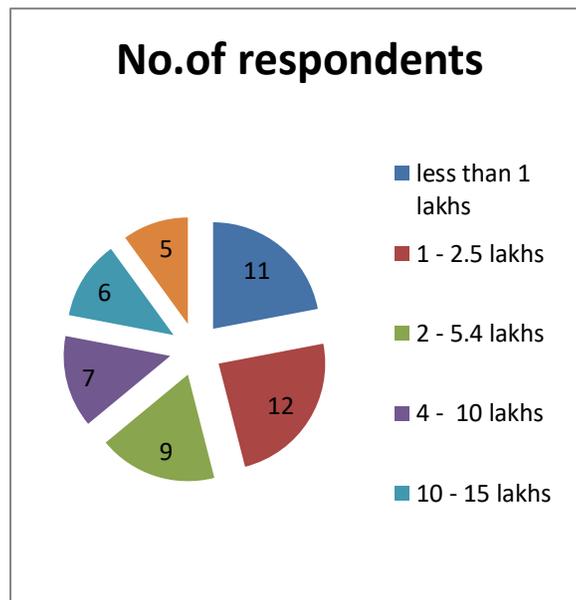
| Particulars         | No. of respondents | Percentage |
|---------------------|--------------------|------------|
| Public sector bank  | 22                 | 44         |
| Foreign bank        | 20                 | 40         |
| Private sector bank | 8                  | 16         |
| Total               | 50                 | 100        |

Sources: primary data

**Interpretation:**

The table shows that 44% of the respondents are assurance for Public sector bank, 40% of the respondents are assurance for Foreign bank and 16% of the respondents are assurance for Private sector bank.

**Chart 1: Classification Of The Respondents Based On annual income of consumer**



**Table 4: Classification Of The Respondents Based On customer age group**

| Particulars | No. of respondents | Percentage |
|-------------|--------------------|------------|
| 18-25       | 11                 | 22         |
| 25-34       | 14                 | 28         |
| 35-44       | 13                 | 26         |
| 45-54       | 7                  | 14         |
| Above 55    | 5                  | 10         |
| Total       | 50                 | 100        |

Sources: primary data

**Interpretation:**

The table shows that 22% of the respondents are age between 18 to 25, 28% of the respondents are age between 25 to 34, 26% of the respondents are age between 35 to 44, 14% of the respondents are age between 45 to 54 and 10% of the respondents are above 55 age .

**Table 5: Classification Of The Respondents Based On account type of consumer**

| Particulars     | No. of respondents | Percentage |
|-----------------|--------------------|------------|
| Saving account  | 15                 | 30         |
| current         | 13                 | 26         |
| Deposit account | 12                 | 24         |
| Loan account    | 10                 | 20         |
| Total           | 50                 | 100        |

Sources: primary data

**Interpretation:**

The table shows that 30% of the respondents are Saving account , 26% of the respondents are current , 24% of the respondents are Deposit account and 20% of the respondents are Loan account.

## **12. FINDINGS**

- The majority of (54%) of the respondents are Female category
- The majority of (30%) of the respondents occupation is Business
- The majority of (44%) of the respondents assurance for Public sector bank
- The majority of (12%) of the respondents annual income is 1 – 2.5 lakhs.
- The majority of (28%) of the respondents of age group between 25-34.
- The majority of (30%) of the respondents Saving account type.

## **13. SUGGESTION**

- Banks must provide more advertisement in rural areas.
- Banks must provide frequent updates of their online banking services to customers.
- The procedure for usage of online banking must be in a simple mode.
- The processing speed should be increased for fast use of all services.
- The pages setup and procedure for registration should be simple.

## **14. CONCLUSION**

The present study concludes that there are various satisfactory factors which affect the satisfaction level of customers using e-bank. Undoubtedly e-banking is a strong catalyst for the economic development and in order to enhance the propensity to use e-banking as a primary channel, it must be tailored suiting to the need of the customers. 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 meet customer requirements.

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