



INTERNET BANKING AND ITS IMPACT ON THE SERVICE QUALITY OF BANKS IN PUNJAB

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Abstract

The changes in IT sector constantly influencing the performance of banking sector in the world. The emergence of internet banking has changed the way of banks of how to offer the products and services to the customers. In order to survive in the rapidly changing technological environment, the banks are required to adapt such changes and to maintain and improve the services which they are offering to their customers in order to attain the customer's satisfaction. Now the term quality does not only include the products but also the services. This paper deals with the internet banking operations and how it affects the service quality of the banks in Punjab. The research is much more of qualitative nature but to prove facts and figures quantitative approach is also used in the paper. The research is descriptive as well as explanatory. In order to arrive at the sample size, non probability method has been used. For the primary data collection a structured questionnaire is used to record the response of various respondents. Secondary data has been collected from annual reports, other published literature of the banks etc. In order to test the impact of internet banking on the service quality of banks seven service quality dimensions model is used. A model with seven dimensions service quality named reliability, assurance, responsiveness, empathy, tangibility, security and communication is used to complete the study. In these seven dimensions 37 variables are covered. For the data analysis the statistical package SPSS 20 is used. Descriptive statistics is used to analyse the data. The research proves that all the dimensions which are included in the study have a positive impact on the service quality of banks providing internet banking services to their customers in Punjab. The recommendations are also discussed with which the service quality and customers satisfaction can be improved.

Key Words: Internet Banking; Service quality; Customer Satisfaction; Seven Dimensional Service Quality Model.

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INTRODUCTION:

As we all know that customer is the king of the market because in the modern era customer is rational. A customer goes very much particular towards the quality of the products and services which he is purchasing or intends to purchase from the market. The growing awareness of a customer has made him more quality conscious. Due to this each and every organization is required to provide product and services to the customers of high quality which must meet the set perceptions of customers regarding the product or service. As far as banking industry is concerned it comes under service sector and there is a lot of pressure on the banking industry to provide high quality services to its customers. This obligation is same for the public sector banks, private sector banks and foreign banks if they want to survive in the market. Quality is a dynamic state related with products, services, people, processes and the environment that meets or exceeds customer's expectations, needs or desires (De Jager H. J., Nieuwenhuis, 2005). The difference between the perceived customers' service and their expected service is defined as service quality (Parasuraman, Zeithaml and et al., 1988). In the banking industry this concept is gaining popularity because the competitive products and services are now offered by the different banks to their customers in order to retain their customers and also to enhance the customer base. The service quality of the banks is greatly affected due to the introduction of internet banking services also. The banks are now trying to increase their customer base by delivering banking services with the help of internet rather than by means of any other distribution media. But while delivering services with the help of internet the banking sector also faces several challenges as the banks have to design and provide their internet based services with the expectations of services by the customers. Today customers want to access the internet banking services as it is convenient and time consuming for the customer as well. But this is not the end and the expectations of the customers also involves secured transactional websites, easily navigable websites, protection of online personal information, diversification of internet based services, credibility, access to variety of services, communication by bank to the customer after using internet banking services like SMS alert service etc. (Hassan, 2012).

REVIEW OF LITERATURE

The various empirical studies undertaken by various researchers are explained with the help of following table on the impact of internet banking on the service quality of the banks.

	Study	Country and Sample Size	Outcomes of the Study
1.	Dixit et al. (2010)	India, 200 Respondents	Trust and Security are the main factors which influence the customers to adopt internet banking.
2.	Adapta (2008)	India and Australia, 100 Respondents	Indian women are receptive to the adoption of internet shopping due to lack of security and trust in internet shopping.
3.	Safeena et al. (2010)	India, 53 Respondents	Usefulness, ease of the use of system awareness regarding online banking and risks related to this are the main factors which persuade the customers to adopt internet banking.
4.	Altıntaş et al. (2007)	Turkey, 200 Respondents	Slow working, attitude towards the customers and improper focus on the customer problem by the banks are the main factors of the service quality problems.
5.	Raman et al. (2008)	Malaysia 150 Respondents	Internet users and non users have different perceptions regarding service quality of electronic banking.
6.	Rullis et al. (2011)	Lativa 1273 Respondents	Internet banking users are satisfied with its reliability, usability and quality. Customers' positive attitude towards internet banking helps to recommend internet banking to others which proves their loyalty.
7.	Vasagadekar, P. (2012)	India 15 banks; 60 Bank Customers & 15 Bankers	Perceived usefulness, ease of use and consumer awareness has positive impact on the intention to adopt internet banking while perceived risk has negative impact on it.
8.	Majali et al. (2011)	Jordan, 700 Respondents	Six variables under study perceived ease of use, perceived usefulness, compatibility, trial ability, trust, awareness have a significant impact on the customers' internet banking service adoption.
9.	Srivastava et al.	India,	The perception of the consumers to use internet banking can be changed by awareness program, friendly usage, less charges, proper security, and the best response to the



	(2007)	665 Bank Customers	services offered.
10.	Adams et al. (2009)	Ghana, 3 Banks, 150 Respondents	Customer value perceptions depend on cost benefit analysis, competition and customers expectations.

OBJECTIVES OF THE STUDY

The study has been undertaken by taking into view the following objectives:

- To study the impact of internet banking on the service quality of banks in Punjab.
- To make suggestions for improvement of quality of services of banks working in Punjab.
- To identify degree of importance attached to various dimensions and also with its variables of service quality under study viz. reliability, assurance, responsiveness, empathy, tangibility, security, communication.

HYPOTHESIS DEVELOPMENT

The following null hypothesis has been made to undertake the research:

- H0: The internet banking has no significant impact on the service quality of banks in Punjab.
- H0: There is no significant difference in the customer perception and expectation regarding service quality dimensions under this study.

LIMITATIONS OF THE STUDY

The present study is based upon the results of survey conducted on only 53 respondents. The results of the study are subject to the limitations of sample size, regional territory, psychological, financial and emotional characteristics of surveyed population. Due to such limitations the study cannot be generalized.

RESEARCH METHODOLOGY

Data Collection

This research is based upon the primary as well as secondary study. In order to arrive at the sample size, non probability method has been used. For the primary data collection the structured pre tested questionnaire is used to record the response of various respondents. Data is collected from 50 respondents for the purpose of determining the impact of internet banking on the service quality of banks in Punjab. All items were measured by responses on a Five-Point Likert Scale in agreement/relevance with statements, ranging from 1= Strongly agree/ Completely relevant to 5=Strongly disagree/Completely irrelevant. The sources used for secondary data collection includes research papers, articles, websites of banks, data published by RBI.

Data Analysis

The reliability of data has been tested through Cronbach Alpha, It has further been analyzed thought descriptive statistics. The analysis of primary data was carried out using Statistical Package for the Social Sciences (SPSS) 20.

PROFILE OF RESPONDENTS

Table 1: Age of respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-40	48	96.0	96.0	96.0
Valid 40-60	2	4.0	4.0	100.0
Total	50	100.0	100.0	

Table 2: Sex of respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	28	56.0	56.0	56.0
Valid Female	22	44.0	44.0	100.0
Total	50	100.0	100.0	



Table 3: Marital Status of Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Single	32	64.0	64.0	64.0
Valid Married	18	36.0	36.0	100.0
Total	50	100.0	100.0	

Table 4: Education of Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Graduate	16	32.0	32.0	32.0
Valid Post Graduate	34	68.0	68.0	100.0
Total	50	100.0	100.0	

Table 5: Profession of Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Student	10	20.0	20.0	20.0
Valid Housewife	1	2.0	2.0	22.0
Valid service	33	66.0	66.0	88.0
Valid Business	1	2.0	2.0	90.0
Valid Not Employed	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Table 6: Income of the Respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Less Than 5000	8	16.0	16.0	16.0
Valid 5,001-10,000	2	4.0	4.0	20.0
Valid 10,001-20,000	1	2.0	2.0	22.0
Valid 20,001-40,000	9	18.0	18.0	40.0
Valid More Than 40,000	17	34.0	34.0	74.0
Valid Not Earning	13	26.0	26.0	100.0
Total	50	100.0	100.0	



Table 7: Do You Use Internet Banking

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	50	100.0	100.0	100.0

Table 7: Reliability Statistics

Cronbach's Alpha	N of Items
.931	37

Table 8: Descriptive Statistics of Dimension Reliability

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Services are performed accurately the first time.	50	4.1600	.09196	.65027
Pages of websites do not freeze when information regarding transaction is entered.	50	4.2000	.12778	.90351
Written guarantee is given that transactions have taken place.	50	4.2200	.10416	.73651
The processing with the help of internet is error free and efficient.	50	4.2600	.09394	.66425
Banks quickly and effectively correct mistakes entered by the customers.	50	4.3000	.10400	.73540
The speed of log out your account is fast.	50	4.3800	.09852	.69664
Accurate and error free records are maintained and provided to the customer.	50	4.4000	.08571	.60609
Services are performed at promised time.	50	4.4000	.08571	.60609
It is easy to find all the important information from the bank's website.	50	4.4600	.08187	.57888
Exact services are delivered to the customers as promised by the bank.	50	4.5200	.07688	.54361
Valid N	50			

The table 8 shows that reliability is an effective dimension to study the impact of internet banking on the service quality of banks in Punjab. Ten variables have been included in this dimension to study the response of various users of internet banking. Among these variables the last variable has maximum mean of 4.520 which shows that users are getting the exact services as promised by their banks to them. In the table we have shown the variables in the ascending order that is the variable which counts more to study this variable is at last and the variable which has minimum impact in this study is at top. And the variable having least response is related with the fact that banks are not very much able to perform services accurately in the very first attempt of the user. But still the variables under study of this dimension have given positive results and proved that reliability put significant impact on the service quality of banks offering internet banking to their customers.



Table 9: Descriptive Statistics of Dimension Assurance

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Employees are very polite towards the customers.	50	3.9600	.12108	.85619
Proper feedback is provided to the customers.	50	4.1400	.09902	.70015
Employees are instilling confidence among the customers.	50	4.1800	.11317	.80026
Employees are competent to answer the questions of customers.	50	4.2200	.10016	.70826
Making customers feel safe in their transactions.	50	4.4200	.08127	.57463
Valid N	50			

The table 9 depicts that users agreed that assurance is a factor which impacts the service quality of the banks. The variable with the highest mean 4.420 in this dimension provides that each and every possible attempt is undertaken by the banks which will make their customers feel safe in their transactions on internet. Five variables are covered in this dimension to study the impact. This is the dimension which is having the least mean variable as compared to other dimensions. The variable at the top in this table has mean value of 3.96 which provides that minimum respondents are agreeing with the research question that employees of the banks are polite towards them. The respondents of the study proved that employees are competent to answer the questions of customers, are instilling confidence among them and also provide feedback to them when required.

Table 10: Descriptive Statistics of Dimension Responsiveness

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Keeping customers informed as to when services will be performed.	50	4.1000	.10400	.73540
Bank is providing prompt service in responding to queries/ requests by e- mail or other means to the customers.	50	4.1200	.09748	.68928
There is complete willingness of bank to satisfy customers' needs.	50	4.1200	.09320	.65900
There is readiness on the part of bank to respond to customers' request.	50	4.1200	.08398	.59385
In case of any problem customer can speak with a person through telephone or in person at a branch at bank.	50	4.1200	.10552	.74615
Website of bank contains answers to FAQs (Frequently Asked Questions)	50	4.1800	.09342	.66055
Valid N	50			



Table 10 provides that six variables are included in the dimension of Responsiveness to study the behavior of internet banking users. The variable with the highest mean 4.18 of this dimension present that maximum respondents are agreed with this variable of dimension that websites of their respective banks contains answers to FAQs (Frequently Asked Questions). The least mean value 4.10 of this dimension discloses the fact that the respondents has given their positive comments for the research question that they are keeping informed by the banks as to when services will be performed. The other thing which we want to highlight in this study is that this is the dimension on which least respondents have agreed on the maximum mean value variable. It means that the highest mean value variable of this dimension has the lowest mean value as compared to other highest mean values of other six dimensions.

Table 11: Descriptive Statistics of Dimension Empathy

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Individual attention is given to the customer.	50	4.0800	.09831	.69517
Employees have the customers' best interest in their mind.	50	4.1400	.10306	.72871
Employees understand the problems of the customers.	50	4.1800	.11317	.80026
Employees are dealing with customers in a concerning manner.	50	4.2400	.07856	.55549
Valid N	50			

Table 11 deals with the dimension Empathy with the four variables. The variable named employees are dealing with customers in a concerning manner has the highest mean value 4.24 and the variable with the research question that individual attention is given to the customers has the least mean value of 4.08 in this dimension. The other facts which are proved in this research of this dimension are that employees of the banks have the customers' best interest in their mind and also they understand the problems of the customers.

Table 12: Descriptive Statistics of Dimension Tangibility

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
There is visually appealing material associated with the service.	50	4.3000	.09583	.67763
Bank has visually appealing facilities.	50	4.4000	.08571	.60609
Employees have a neat, professional appearance.	50	4.4200	.09515	.67279
Bank has modern looking equipments.	50	4.4400	.09107	.64397
Business hours are convenient.	50	4.4400	.09545	.67491
Bank location is convenient.	50	4.4800	.08202	.57994
Valid N	50			

The above table shows that tangibility also affecting the service quality of banks. The maximum respondents agree that bank location and banking hours are important factors affecting service quality of banks. Internet banking users also proves that banks provide visually appealing material and facilities associated with the service. The neat and clean



appearance of employees, modern looking equipments also have a positive impact on the service quality of banks offering internet banking to their customers.

Table 13: Descriptive Statistics of Dimension Security

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
You are confident with management of customer's personal information held in the bank.	50	4.1400	.10306	.72871
All files of customers and banking records related to transactions are safely kept.	50	4.1800	.10951	.77433
Clients' are confident that services provided were done in a secured manner.	50	4.2800	.10317	.72955
Valid N	50			

Table 13 depicts that security puts positive impact on the service quality of banks providing internet banking services. Last variable of the table with highest mean value 4.280 shows that customers are confident that the services which are provided to them were done in a secured manner. Respondents also prove that their all files and banking records related to transactions are safely kept by the banks. Customers are confident regarding the management of their personal information held in the bank.

Table 14: Descriptive Statistics of Dimension Communication

	N	Mean		Std. Deviation
	Statistic	Statistic	Std. Error	Statistic
Bank provides multiple languages offering online.	50	4.3800	.11025	.77959
Bank ensures that customers informed in a language they can understand online.	50	4.4400	.10365	.73290
Internet makes communication easier and work efficient.	50	4.7200	.06414	.45356
Valid N	50			

Table 14 proves that the communication dimension is the most effective dimension of the study and proves that it is the maximum affecting dimension to the service quality of banks with internet banking service. This dimension has the highest mean value variable as compared to other dimensions with 4.720 which provides that internet makes communication easier and effective. The lowest mean value of this dimension is 4.38 which are highest in the least mean value variables of all dimensions. This dimension proves that communication has a positive impact on the service quality of banks offering internet banking to their customers.

RESULTS AND DISCUSSIONS

1. Maximum users of internet banking are covered under the age group of 20-40.
2. The results prove that the income of the respondents is independents to the usage of internet banking.



2. The profession of maximum users of internet banking in this study is in service and after this they are student.
3. Education has a positive role in the adoption of internet banking of the customers as the maximum users are either graduate or post graduate.
4. 36% respondents are strongly agreeing and 56% are agreeing that the processing with the help of internet is error free and efficient.
5. Maximum respondent i.e. 26% are strongly agree and 68% are agreeing with the statement that services are performed accurately the first time with the help of internet banking by the customers.
6. From the total 38% are strongly agreeing and 48% agreeing with the fact that written guarantee is given by the banks to them that transactions have taken place.
7. Accurate and error free records are maintained and provided to the customer and services are performed at promised time by the bank. This fact is supported by 94% respondents who are strongly agreeing and only agreeing on this.
8. 98% respondents from the total are agreed on the fact exact services are delivered to the customers as promised by the bank.
9. From the total 84% respondents are supporting the fact that pages of websites do not freeze when information regarding transaction is entered. But 8% respondents are such who have neutral response on this and rest of the 8% disagree with this fact.
10. 92% of the total respondents are agreeing with the fact that banks quickly and effectively correct mistakes entered by the customers.
11. Maximum respondents are supporting the fact that it is easy to find all the important information from the bank's website.
12. 48% respondents are strongly agreeing and 44% are agreeing that the speed of log out from their account is fast.
13. 96% respondents are agreeing that their respective banks making customers feel safe in their internet banking transactions.
14. Employees are competent to answer the questions of customers. This fact is also supported by 86% respondents. But 10% respondents have neutral response on this.
15. From the total respondents 36% are strongly agreeing and 52% are agreeing that employees are instilling confidence among the customers using internet banking. But 6% respondents are neutral and rest of the 6% is disagreeing with this fact.
16. 28% respondents from the total are strongly agreeing and 46% only agreeing that employees are very polite towards the customers. 20% have neutral response and 6% are disagreeing with this fact.
17. Proper feedback is provided to the customers using internet banking and bank is providing prompt service in responding to queries/ requests by e- mail or other means to the customers is proved by 82% respondents and 18% have neutral response on this fact.
18. 62% respondents are agreeing and 26% are strongly agreeing that there is complete willingness of bank to satisfy customers' needs. Only 10% have neutral response and 2% are disagreeing on this statement.
19. From the total 88% respondents proves that there is readiness on the part of bank to respond to customers' request and rest of the 12% have neutral response on this.
20. From the total 86% respondents proves that website of bank contains answers to FAQs (Frequently Asked Questions) and rest of the 14% have neutral response on this fact.
21. This research proves that in case of any problem customer can speak with a person through telephone or in person at a branch at bank. The response of 82% respondents is in favor of this statement but 16% of the respondents have neutral response for this research question.
22. Maximum respondents in study agree with the research question that they are informed by the bank as to when services will get performed. Only 10% are neutral and rest 4% are disagree with this research question.
23. 76% respondents are in favor that individual attention is given to the customer by the banks but 14% have neutral answer to the same.
24. Only 30% respondents are strongly agree and 64% are agreeing that employees are dealing with customers in a concerning manner.
25. The research question titled employees have the customers' best interest in their mind is proved right by 88% of the total respondents.
26. 78% of the total respondents are agreeing that employees understand the problems of the customers. But 8% of them have neutral response and 4% are disagreeing.



27. More than 80% respondents from the study are in the favor that bank has modern looking equipments and visually appealing facilities.
28. 90% respondents are in the favor that employees of the banks have a neat, professional appearance.
29. Maximum respondents are satisfied with the business hours i.e. 24/7 in case of internet banking and bank location and these respondents are also agreeing that there is visually appealing material associated with the service.
30. As far as the security factor is concerned 44% respondents are strongly agree and 40% are agreeing that they are confident that services provided were done in a secured manner. But 16% respondents are neutral to the same.
31. 80% of respondents are secured and confident with management of customer's personal information held in the bank. 20% of the respondents are neither satisfied nor dissatisfied.
32. From the total 88% of the respondents are satisfied with the fact that all files of customers regarding banking records and transactions are safely kept. 16% are neutral and 2% are dissatisfied to the same.
33. Maximum of the respondents is agreeing that bank provides multiple languages offering online and bank ensures that customers informed in a language they can understand online.
34. 72% respondents are strongly agreed and 28% are agreeing that internet banking makes communication easier and work efficient.

CONCLUDING REMARKS

The research proves that all the dimensions which are included in the study have a positive impact on the service quality of banks providing internet banking services to their customers in Punjab. The communication has a very strong role to improve the service quality of the banks providing internet banking services. The order of the importance of dimensions provides communication at the top following reliability, tangibility, assurance, security, empathy and responsiveness. The study concludes that security is not the dimension which negatively impacts the service quality of banks as proved in earlier researches. As per this research paper tangibility and assurance are the factors which have least positive impact on the service quality of banks providing internet banking services to their customers. The gap prevails in the perceived quality and expected quality of dimensions tangibility and assurance can be minimized to the extent if banks ensure their customers that employees of the banks will always become polite to them and banks need to implement it from grass root level in their organisation structure. The banks also need to provide material on their websites in the form of guidance tips which will help the users to enjoy internet banking services without any difficulty.

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