

## IMPACT OF CUSTOMER SATISFACTION TOWARDS E-BANKING PRACTICES WITH SPECIAL REFERENCE TO CHENNAI DISTRICT

**M.Elakkiya<sup>1</sup>, Dr. Mary J Priyadharisini<sup>2</sup>**

<sup>1</sup>Research Scholar, Department of Commerce, Periyar University – Salem,  
Mar Gregorios College of Arts & Science, Chennai.

<sup>2</sup>Assistant Professor, Department of Commerce, Unique College of Arts and Science,  
Karapattu.

### ABSTRACT

The banking scenario in India in the post liberalization and deregulated environment has witnessed sweeping changes. The tremendous advances in technology and the aggressive infusion of information technology had brought in a paradigm shift in banking operations. For the banks, technology has emerged as a strategic resource for achieving higher efficiency, control of operations, productivity and profitability. For customers, it is the realization of their 'Anywhere, Anytime, Anyway' banking dream and satisfactory level of customers highly impact on e-banking practices. The banking institutions cannot think of introducing a financial product without information technology support like customer service, transactions, remittances, audit, marketing, pricing or any other activity in the banks. Information Technology plays an important role not only to complete the activity with high efficiency but also has the potential to innovate and meet the future requirements that may increase the more usage of e-banks. In the above backdrop it becomes imperative to dwell on the evolution of Information Technology in banks before embarking on the various aspects of e-banking. This study helps to analyse the impact of customer satisfaction towards the e-banking practices.

**Keywords:** E-Banking, Customer satisfaction, Information Technology, E-commerce

### INTRODUCTION

The concept of electronic banking has been defined in many ways. Daniel (1999) defines electronic banking as the delivery of banks' information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as a personal computer and a mobile phone with browser or desktop software, telephone or digital television. Pikkarainen et al (2004) define internet banking as an "internet portal, through which customers can use different kinds of banking services ranging from bill payment to making investments". With the exception of cash withdrawals, internet banking gives customers access to almost any type of banking transaction at the click of a mouse (De Young, 2001)

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. There

is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. It is well established that satisfied customers are key to long-term business success (Kristensen et al., 1992; Zeithami et al., 1996; McColl-Kennedy and Scheider, 2000). It also defined as a global issue that affects all organizations, regardless of its size, whether profit or non-profit, local or multi-national. Companies that have a more satisfied customer base also experience higher economic returns (Aker and Jacobsson, 1994; Bolton, 1998; Yeung et al., 2002).

Customer satisfaction and service quality are inter-related. The higher the service quality, the higher is the customer satisfaction. Many agree that in the banking sector, there are no recognized standard scales to measure the perceived quality of a bank service. Thus, competitive advantage through high quality service is an increasingly important weapon to survive. Measuring service quality seems to pose difficulties to service providers because of the unique characteristics of services: intangibility, heterogeneity, inseparability and perishability (Bateson, 1985).

## **STATEMENT OF THE PROBLEM**

The Indian Banking Industry has undergone radical changes due to liberalization and globalization measures undertaken since 1991. Today, Indian Banking Industry is one of the largest in the world. There has been a great surge in efficient customer services. A highly satisfied and delighted customer is a very vital non-financial asset for the banks in the emerging Information Technology era. The curtesy, accuracy & speed are like a crown factors for a bank. Indian banking has come a long way from being a sleepy business institution to a highly proactive and dynamic entity. This transformation has been largely brought about by large scale liberalization and economic reforms that have allowed banks to explore new business opportunities rather than generating revenues from conventional streams such as borrowing and lending. Economic reforms and the entry of private players have seen nationalized banks revamp their services and product portfolios to incorporate new, innovative customer-centric schemes. Hence, Indian banking has finally woken up to the surging demands of the ever-discerning Indian consumer. Nowadays, due to the increase in competition, customer satisfaction is considered to be the most important thing in banking services. Customer service is the primary end of any bank. A customer always wants something and expects that the bank should come up to the level to fulfil those needs. Service quality is about meeting customers' needs and requirements, and how well the service level delivered matches customer expectations. Service quality in banking implies consistently anticipating and satisfying the needs and expectations of customers.

## **OBJECTIVES OF THE STUDY**

The major objectives of the study are as follows:

1. To analyze the present e-banking scenario in India.
2. To study the extent of awareness and the usage of e-banking services in the Chennai district

3. To ascertain the customer's satisfaction regarding various e-banking services provided by public and private sector banks and
4. To recommend some measures, if any to improve the level of satisfaction of customers.

## REVIEW OF LITERATURE

**Arne Floh Horst Treiblmaier** investigated the importance of antecedents of online loyalty such as trust, quality of the Web site, quality of the service and overall satisfaction. Rather than investigating which factors drive customers to use online banking instead of offline banking, his study addresses the problem of how to keep customers online and loyal to a specific supplier. A survey among more than 2,000 customers of an Austrian online bank was conducted and a structural equation modeling approach was used to gain important insights into how customer retention in the online banking business can be ensured. Satisfaction and trust were identified as important antecedents of loyalty. Additionally, the moderating role of consumer characteristics (gender, age, involvement, perceived risk and technophobia) was supported by the data.

**Mohammed Sadique Khan and Siba Sankar Mahapatra**, their study aims at evaluating the service quality of internet banking (i-banking) services in India from customer's perspective. A structured questionnaire containing 44 quality items is administered to various target groups. Seven quality dimensions, viz. reliability, accessibility, user friendliness, privacy/security, efficiency, responsiveness and fulfilment, are identified based on principal component factor analysis. Demographic analysis of data reveals that gender is hardly a bias for use and evaluation of service quality of i-banking in most of the cases across various categories of customers. A valid mathematical model was proposed to assess the overall service quality using regression analysis. The results showed that customers are satisfied with quality of service on four dimensions such as reliability, accessibility, privacy/security, responsiveness and fulfilment, but least satisfied with the 'user-friendliness' dimension. The empirical findings not only prioritize different parameters but also provide guidelines to bankers to focus on the parameters on which they need to improve.

**Arpita Khare, et.al.**, they attempts to study the role of personality in evaluating online banking in India. The personality dimension scale developed by Aaker and the attributes of online banking (like perceived ease of use, security and privacy, perceived usefulness, amount of information and perceived enjoyment) developed by Pikkarainen et al., were adapted to measure the role of personality in online banking in India. The research findings showed that certain personality factors – such as those who are more imaginative, reliable, intelligent, up-to-date and charming – affect the consumers' evaluation of online banking in India. Using multiple regression tests, we attempted to predict the online banking attributes that are most important for different personality types. The banks should give importance to consumer personality while designing their websites. Personality of the consumers can play a significant role in the success of online banking in a developing country like India.

**Kumbhar V. M.** the aim of his study was to provide a preliminary comparative investigation of the customer satisfaction in ATM service of public and private sector banks in India. For this investigation primary data was handling and compensation and collected from 150 respondents of public and private sector banks through a structured questionnaire. Collected data was analyzed according to the objectives of the present research and result of the statistical analysis indicates that private sector banks are providing more satisfactory ATM service as compared to public sector banks. Empirical evidences indicates that customers perception about Efficiency, Security and Responsiveness, Cost Effectiveness, Problem Contact service related to ATM service is low in both public and privates sector banks (ranging between 3.00 to 3.50). Therefore both types of banks should aware about these aspects of ATM service to enhance customers' satisfaction.

. **R. K. Uppal** made a study concerned with the problems and prospects of e-banks in India. The study suggests some policies on the basis of perceptions of 60 selected e-bank employees regarding the various issues related to e-banking services. The study concluded that not more then 50% of Indian bank customers are using e-channels, these channels are not much popular among old age and middle age persons as much as among youngsters and finally the study concludes that the most of the customers are shifting from public sector banks to new private sector banks or foreign banks to avail innovative and attractive services. On the basis of these conclusions, study suggests some strategies to make the public sector banks more competitive in the era of IT.

## RESEARCH METHODOLOGY

In a view to precede the research in a systematic way the following research methodology has been used. By means of obtaining detailed opinion of the customers, this research falls under the category of descriptive research. This study was conducted as a survey that examined customers' satisfaction with e-banking practices in public and private sector banks located in Chennai District of Tamilnadu.

The present study is of analytical and exploratory nature. Accordingly, the use is made of primary and secondary data. The primary data is collected with the help of pre-tested structured questionnaires from a sample of 369 respondents (253 and 116 respondents from one public and one private sector bank) of selected branches of SBI and ICICI Bank from Chennai district. The branches and respondents are selected with the help of convenience sampling method.

## QUESTIONNAIRE

The survey questionnaire measured eight dimensions of e-banking service quality and its effect on customer satisfaction. A five point likert scale ranging from strongly agree to strongly disagree was adopted as the scale for the statements in the questionnaire and method of data collection was through personal mode. The survey questionnaire has been designed using 29 statements related to service quality dimensions i.e. Accessibility, Convenience, Privacy, Security, Design, Content, Speed and Fees and Charges. Each statement in the questionnaire has positively worded. Reliability of the questionnaire was tested using Cronbach's alpha reliability test.

## HYPOTHESES

**H<sub>0</sub>:** The customer satisfaction factors, Accessibility, Convenience, Privacy, Security, design, Content, Speed, fees and charges has a positive significant association with customer satisfaction on e-banking services.

**H<sub>1</sub>:** The customer satisfaction factors, Accessibility, Convenience, Privacy, Security, design, Content, Speed, fees and charges has a negative significant association with customer satisfaction on e-banking services.

## DATA INTERPRETATION

### Demographic Profile

Providing a good service quality is a major issue for banking industry. Customer satisfaction determines the success or failure of a business. In order to be competitive in the marketplace, banks need to satisfy their customer. The demographic backgrounds of the sample respondents in five parameters are presented in the following tables to understand the customer profiles i.e., gender, age, education, occupation and income.

**Table 1: Demographic Details**

S.No	Demographic Variables	Frequency	Percent
1	Age group (in Years)		
	Below 25 years	55	14%
	25-35	149	39%
	35-45	80	21%
	Above 45	98	26%
2	Gender		
	Male	270	71%
	Female	112	29%
3	Educational Qualification		
	HSC	45	12%
	UG	180	47%
	PG	102	27%
	Professional	55	14%
4	Occupation		
	Salaried/Professional	193	51%
	Business	124	32%
	Retired/House Wife	65	17%
5	Monthly Income (INR)		
	Upto 1 lakh	70	18%

	1-4 lakh	235	62%
	Above 4 lakh	77	20%

Source: Primary Data

### Customer Satisfaction Level

Level of satisfaction after using a particular service has been examined using eight parameters i.e. accessibility, convenience, Privacy, Security, Design, Content, Speed and Fees and Charges. The level of customer satisfaction of the respondents regarding e-banking is assumed to be normally distributed. The level of customer satisfaction of the respondents is divided into three categories, i.e. below average, average and above average levels, which have been defined as Low, Medium and High level of satisfaction respectively.

The lower and upper limits of average level have been calculated with the help of the following formula:

Lower limit of average level = Mean - 1

Standard deviation Upper limit of average level = Mean + 1 Standard deviation

**Table 2: Towards E-Banking Services**

Customer Satisfaction Factor	Frequency			Total
	Low	Medium	High	
Accessibility	137	158	87	382
Convenience	116	183	83	382
Privacy	121	171	90	382
Security	131	176	75	382
Design	136	166	80	382
Content	121	189	72	382
Speed	183	125	74	382
Fees and Charges	188	130	64	382

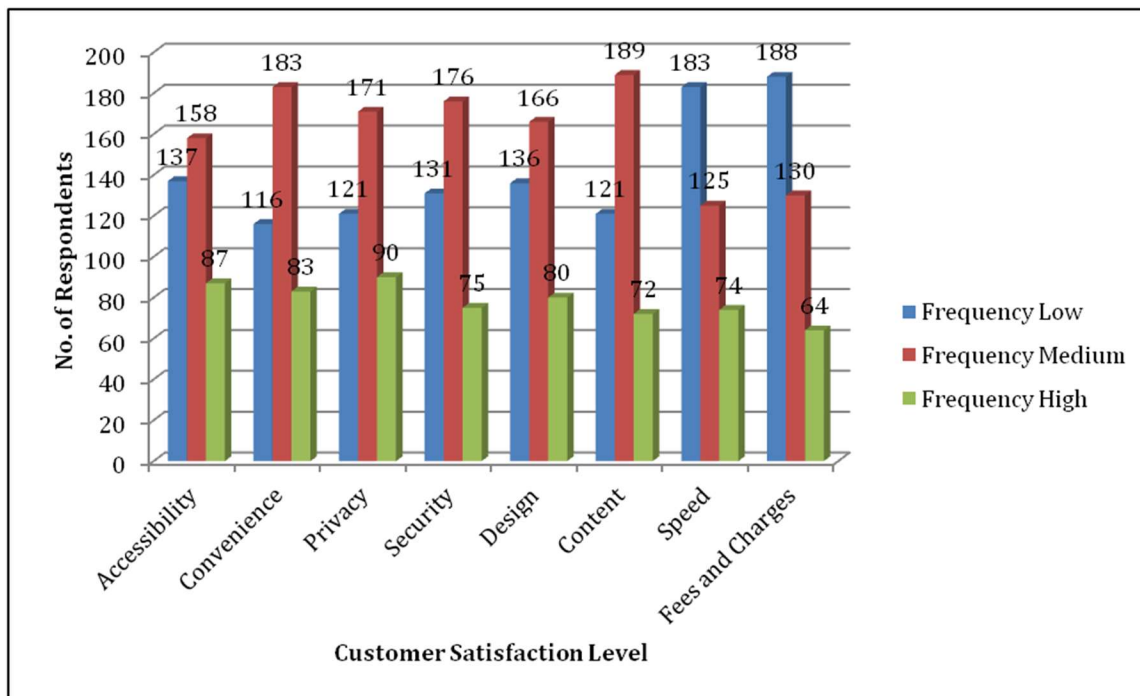
Source: Primary Data

Regarding content of the e-banking, nearly 50 per cent of the respondents both in bank have medium level of satisfaction, which indicates that the content is not a major obstacle for ATMs users. Majority of the respondents and 41 per cent of the respondents in sector bank have low

satisfaction in respect of speed while using e-banking service. Therefore, it can be inferred from the table, there is a substantial scope to increase speed in e-banking services to facilitate speedy transaction.

About 30 per cent and 72 per cent of the respondents in public and private sector bank have low satisfaction with fees and charges for e-banking services. It is noteworthy to mention that the e-banking services provided by the banks have reduced the employees cost considerably, in spite of that the banks particularly private sector banks have charged heavily for e-banking services. The combined Customer satisfaction level of e-banking is also exhibited in figure 1.

**Figure 1: Customer Satisfaction Level of E-Banking Services**



**Source:** Primary Data

### Inter Correlation Matrix of Customer Satisfaction On E-Banking Services

In order to analyze whether there is any positive correlation between overall customer satisfactions on e-banking services of e-banking, internet banking and mobile banking services and the different customer satisfaction factors, a null hypotheses is framed and tested with the help of correlation analysis, which is shown in the following tables.

### Inter Correlation Matrix of E-Banking

To analyze the relationship between customer satisfaction on ATM services and the customer satisfaction, a null hypothesis is framed and tested with the help of inter correlation matrix.

### Null Hypothesis Ho:

The customer satisfaction factors, Accessibility, Convenience, Privacy, Security, design, Content, Speed, fees and charges has a positive significant association with customer satisfaction on e-banking services. The test statistic used to test the null hypothesis is

$$t = \frac{r}{\text{sgrt} \left[ \frac{1-r^2}{N-2} \right]}$$

**Table 3: Inter Correlation Matrix of Customer Satisfactions – ATMS (N = 382)**

	CS	F1	F2	F3	F4	F5	F6	F7	F8
CS	1.00								
F1	0.82**	1.00							
F2	0.51**	0.92**	1.00						
F3	0.56**	0.93**	0.99**	1.00					
F4	0.71**	0.99**	0.97**	0.99**	1.00				
F5	0.78**	0.99**	0.93**	0.94**	0.98**	1.00			
F6	0.59**	0.95**	0.99**	0.99**	0.99**	0.96**	1.00		
F7	0.97**	0.66**	0.47**	0.34**	0.52**	0.61**	0.38**	1.00	
F8	0.99**	0.71**	0.36**	0.41**	0.58**	0.97**	0.45**	0.99**	1.00

\*\* Significant at 5% level and 1%level

Where; CS = Overall customer satisfaction. F1 = Accessibility, F2 = Convenience, F3 = Privacy, F4 = Security, F5 = Design, F6 = Content, F7 = Speed, F8 = fees and charges.

It is understood from the Table 3 that there is a significant association between overall customer satisfaction on e-banking services and customer satisfaction factors, Accessibility, Convenience, Privacy, Security, design, Content, Speed and fees and charges. Hence, it can be inferred that the customer satisfaction factors has a positive significant influences on the customer satisfaction on e-banking services.

E-banking should be easily accessible by the users; this should be in terms of approach or convenience, availability, understanding and suitability. It should also be suitable for all categories of customers even the physically challenged. It is suggested that technical problems that occur while withdrawing cash from e-banking shall be solved immediately. E-banking service should be according to the customer expectation and satisfaction. The bank should arrange the demonstration programs for the clients to enjoy the services properly. Improved Internet connectivity is very



essential for the success of e-banking. The banking industry therefore, needs to ensure regular internet connections with sustained power supply for increasing customer satisfaction.

## CONCLUSION

In general, E-Banking has changed the traditional patterns of bank operations. These changes in technology, competition and lifestyles all have an impact on how banks operate today. Actually the customer had to physically visit the bank office in order to carry out banking operations. With the introduction of e – banking customers are saving money and time since they don't have to physically visit the bank office. Every bank realizes that they must provide some kind of e – banking to their customers in order to survive. Through e – banking, banks can better maintain the relationship with customers because with e – banking customers tend to interact more with provided services. It also increases the revenues of banks and can easily gain competitive advantage through differentiation of banking services and thereby an image improvement.

In order to greatly contribute to the existing body of knowledge about customer satisfaction within the banking sector in India, it is recommended that similar future research could be conducted taking in all the states in India and with more sample sizes; also to differentiate between public and private sector banks. Further research is required to identify the impact of customer satisfaction on financial performance in the banking industry as well as other service industries. Further research is required to investigate issues related to online banking in deeper manner and what strategies should adopt by banks by which they can enhance level of e-satisfaction and e-loyalty with respect to online banking.

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