



A STUDY ON SERVICE QUALITY AND ITS IMPACT ON CUSTOMER SATISFACTION IN COMMERCIAL BANKS AT COIMBATORE DISTRICT

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Abstract

The Indian financial market is growing aggressively, particularly in the past one decade more of digitalization in evolved in the banking industry. The growing competition encourages the banks to offer more services to their customer in order to retain and to acquire new customers. Hence, it is important to evaluate the service quality of Indian banks form the customer point of view. Considering the need, the presents study aimed to assess the service quality and its impact on banking customer satisfaction with the identified six service quality dimensionsnamely, Convenience, Responsiveness, Website Aesthetics, Easy to Recover, reliability and Assurance & Security. A sample of 400 respondents selected randomly and suitable statistical tools are used to assess the service quality and its impact on customer satisfaction. The outcomes of this research are discussed in detail in this report.

Keywords:Service Quality, Customer Satisfaction, Bank, E-Banking, Internet Banking, Digital Banking

Introduction

In this dynamic business environment, sophisticated behaviour of customers expects all services at door steps, especially the banking services in India. The Indian financial market is growing aggressively, particularly in the past one decade more of digitalization in evolved in the banking industry. The growing competition encourages the banks in India to offer more services to their customer in order to retain them and to acquire new customers. Keeping the USP as the digital services will move the bank one step ahead of others. Hence, banks are converting their traditional method in to dynamic digital method of services. Digitalization of services such as Automated Telling Machines, Cash Deposit, Cheque Collection, E-

Cheque, Pass Book Printing, Mobile Banking, Remote Deposit, Digital Wallets, Internet Banking, E-Tax Filing, E Account handling namely Fund Transfer [RTGS, NEFT & IMPS], E-Statement, Loan Account, Recurring Deposit, Fixed Deposit, etc. are offered to their customers and keeps them engaged via virtual banking concept(Trust Radius, 2021)&(Tavaga, 2021).

At present, 34 banks are functioning in India comprising 12 public sector banks and 22 private sector banks(Reserve Bank of India, 2021). Apart from public and private sector banks, the Indian financial market, especially banking industry has widened its wings in to multiple categories as given below.

Table 01 – Category of Banks in India

S.No	Category	Number of Banks
1	Public Sector Bank	12
2	Private Sector Bank	22
3	Local Area Bank	3
4	Small Finance Bank	11
5	Payment Bank	6
6	Financial Institutions	4
7	Regional Rural Bank	43
8	Foreign Banks having Indian Branch	44

Source: www.rbi.org.in

There exist heavy competitions in Indian banking system which leads to offer higher level of digitalized services to their customers. Though digitalization increases the bonding between the banks and customers, it actually has done everything virtually. The customers are forced to know the latest technology in order to avail the banking digital services. At one side, the lack of technical knowledge at the customer end and the other side, the quality of services rendered to their customers, are always a big challenge for the banking industry to look in to. Considering the challenges and need, the present study aimed to understand the service quality of banks and its impact on customer satisfaction at Coimbatore district.

Review of Literature

The SERVQUAL model is more familiar in the service industry to assess the service quality from the customer view point. Many studies have used this model and assessed the service quality of many companies. Components such as reliability, responsiveness, assurance, empathy and tangible are used in the SERVQUAL model. Though the model has undergone various changes according to the need or to the industry, its star level still exists. (Lomendra, Sharmila, TD, Ganess, & Zabeen, 2019)conducted a study to understand the service quality of banks in Mauritius using the dimensions mentioned above. The study found that the SERVQUAL model is the reliable tool to assess the service quality and also found the existence of significant positive reaction on customer satisfaction.

(Sharma, Malviya, & Dehariya, 2014) explored the new dimensions of internet banking service quality by defining different variables. The study identified the six dimensions of service quality namely convenience, reliability, assurance & security, responsiveness, website aesthetic, and easy to recover. The dimensions such as reliability, efficiency, easy to use, responsiveness and communication, privacy and security are the factors having significant impact on the customer satisfaction in the banks at Lebanese (Hammoud, Bizri, & Baba, 2018).

(Vasan, 2015) conducted a study to assess the internet banking customer satisfaction at ICICI Bank in Erode city. The study found the positive impact of internet banking knowledge on the customer satisfaction. Also the study suggests the management to create awareness among the customers on the technologies to be used for the banking digitalization. Among the four factors used to assess the customer satisfaction such as service quality, web design, security & privacy and convenience, only three factors are supporting and directly relating to customer satisfaction namely, web design, convenience and security (K.Sathyabama & R.Samundeswari, 2019).

(Nimako, Gyamfi, & Wandaogou, 2013) have gone in depth study of why people are satisfied or not satisfied with respect to online banking by comparing two banks namely Ghana (MBG) and Ghana Commercial Bank. On the whole, the customers of Ghana (MBG) are highly satisfied than Ghana Commercial Bank. However, in depth study found that the dissatisfaction caused by few factors such as improper response to their customers, ability of the bank employees to resolve customers' problem and lower fee rates or charges during transaction.

After reviewing numerous studies, the present study identified the suitable dimensions and subsequent variables used to assess the service quality of Coimbatore banks and its impact on customer satisfaction.

Significance of the study

The significance of the present study is to help the banking industries to realize the expectations from their customers with respect to service quality. The outcomes of the study may help the Coimbatore banks to look after their service quality and banking digitalization in order to get more customer satisfaction. It may support even to revisit their existing process, online banking technologies used, methods to create awareness among the general public, safety and security with respect to digitalized services offered.

Objectives of the study

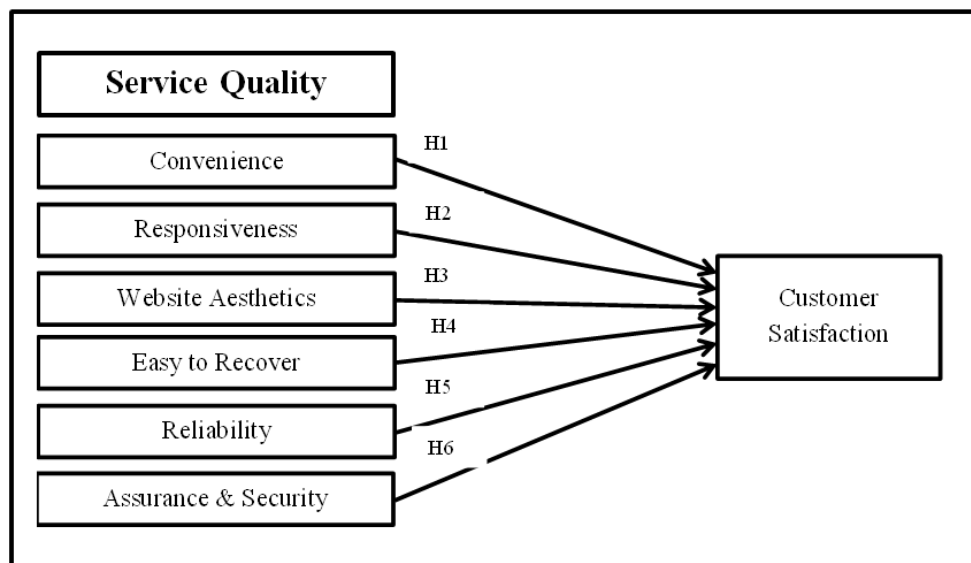
- To assess the service quality of banks at Coimbatore district with the identified six dimensions and its subsequent variables.
- The impact of Coimbatore district bank's service quality on its customer satisfaction.

Research Methodology

Descriptive type of research is adapted in this study in which dimensions such as convenience, responsiveness, website aesthetics, easy to recover, reliability and assurance & security are used to measure the service quality of banks in Coimbatore district. As per the Coimbatore district collectorate record, 34,58,045 people are living in the district covering both urban and rural location. Since the population is known, scientific method of sample selection is used to arrive at the sample value for the study; 400 sample for the mentioned population with the error of acceptance as 0.05.

A structured questionnaire is prepared with the identified variables and used to collect responses form 400 samples that are identified randomly. The internal consistency and reliability of the questionnaire was validated using Cronach's Alpha. Statistical tools such as Factor Analysis, KMO Measure of sampling adequacy and Bartlett's test of Sphericity are used in this study along with the multiple regression.

Model Framed



H1: There is a significant influence of variables included in convenience on customer satisfaction

H2: There is a significant influence of variables included in responsiveness on customer satisfaction

H3: There is a significant influence of variables included in website aesthetics on customer satisfaction

H4: There is a significant influence of variables included in easy to recover on customer satisfaction

H5: There is a significant influence of variables included in reliability on customer satisfaction

H6: There is a significant influence of variables included in assurance and security on customer satisfaction

Analysis & Inference

The present study collected the data from 400 respondents located in Coimbatore district and analysed using SPSS. The demographic profile of the respondents is presented below.

Table 02 – Demographic profile of the respondents

S.No	Profile		Count	Percentage
1	Gender	Male	273	68.2
		Female	127	31.8
	Total		400	100.0
2	Age in years	Less than 25 yrs	84	21.0
		25 to 35 yrs	124	31.0
		35 to 45 yrs	74	18.5
		45 to 55 yrs	86	21.5
		More than 55 yrs	32	8.0
	Total		400	100.0
3	Marital Status	Unmarried	124	31.0
		Married without kids	42	10.5
		Married with kids	222	55.5
		Others	12	3.0
	Total		400	100.0
4	Nativity	Rural	133	33.3
		Urban	267	66.8
	Total		400	100.0
5	Educational Qualification	Upto higher secondary	34	8.5
		Under graduation	184	46.0
		Post graduation	86	21.5
		Diploma	64	16.0
	Others	32	8.0	
Total		400	100.0	
6	Occupation	Housewife	24	6.0
		Student	67	16.8
		Private employment	137	34.3
		Government employment	84	21.0
		Agriculture	42	10.5
		Business	14	3.5
	Others	32	8.0	
Total		400	100.0	

The data from above table indicates the demographic profiles of the respondents such as age, gender, marital status, qualifications, nativity and their occupation. It is understood that majority of the respondents are male for this study contributes to 273 [62.2%] of the total numbers. The dominant age group of the respondents lies between 25 to 35 years old; 31% approximately and more than 50% of the respondents are married with kids. 66.8% of the respondents are in urban background and 46% of the respondents are having minimum of under graduation. The dominant levels of occupation among the respondents are the private employees followed by the government employees; 34.3% and 21.0% respectively.

Reliability Measures

A total of six dimensions such as Convenience, Responsiveness, Website Aesthetics, Easy to Recover, Reliability and Assurance & Security are used to measure the service quality of banks in Coimbatore district. Cronbach's Alpha was applied on the constructed variables to check its internal consistency and its outcomes are presented below.

Table 03 – Reliability Test

S.No	Dimensions	No. of Variables	Cronbach's Alpha Value
1	Convenience	6	0.846
2	Responsiveness	6	0.792
3	Website Aesthetics	6	0.862
4	Easy to Recover	6	0.840
5	Reliability	6	0.843
6	Assurance & Security	6	0.796

The value from the Cronbach's Alpha test confirms that the internal consistency of the questionnaire framed has higher level of reliability since all the values are higher than the standard level of 0.7.

Factor Analysis

Since the internal consistency of the questionnaire is at high level, the collected data is processed with the help of Factor Analysis in order to understand the important factors from the customers view point. A total of 36 variables comprising six dimensions of service quality has been used as input for Factor Analysis and out of which two variables has factor loading less than the standard level of 0.5, hence it is removed and the remaining variables are presented below.

Table 04–Factor Analysis

Scale / Variables	Factor
1. Convenience	
➤ Internet banking website guides me properly in all transactions	0.720
➤ Transaction via internet banking is fast and easy to me	0.681
➤ Internet banking helps to access my bank account from anywhere by using PC / Laptop / Mobile / Tab, etc	0.590
➤ Convenient in getting updated records of all transactions made by me	0.647
➤ My bank frequently updates its internet banking website / page	0.761
Eigen Value	2.342
Variance Explained	64.32
KMO Measure of Sampling Adequacy	0.812
Bartlett's test of Sphericity (Significance Level)	0.000
2. Responsiveness	
➤ My bank provides the internet banking services at anytime and anywhere	0.624
➤ I get immediate response from the bank when query is raised via email, chat box, etc	0.842
➤ I never or rarely faced any interruption during my transaction	0.762
➤ Bank employees deals smoothly with customer grievances about internet banking	0.803
➤ I get continuous follow up from the bank till the issue is resolved	0.760
➤ The employees are customer friendly and willing to help the customers on online banking	0.764
Eigen Value	1.684

	Variance Explained	55.64
	KMO Measure of Sampling Adequacy	0.745
	Bartlett's test of Sphericity (Significance Level)	0.000
3. Website Aesthetics		
➤ I can login to my internet banking account easily		0.742
➤ Step by step guidance is given to login and to do transaction via internet banking		0.684
➤ Online banking website / page / portal helps the customers to complete the transaction quickly		0.824
➤ Less mental effort is enough to process via online banking		0.876
➤ The online banking website / page / portal is meeting my expectations		0.884
	Eigen Value	2.830
	Variance Explained	68.24
	KMO Measure of Sampling Adequacy	0.812
	Bartlett's test of Sphericity (Significance Level)	0.000
4. Easy to Recover		
➤ It is easy to recover the password if its forgotten		0.821
➤ It is easy to recover / revoke the blocked account via online banking		0.562
➤ Money deducted due to technical issue during fund transfer / pay bill / ticket booking will be refunded without raising any complaint		0.795
➤ It is easy to get connected with the customer case representative in case of any problem		0.828
➤ Process of blocking the debit card / credit card and getting the new one is easy		0.964
➤ Money deducted due to technical issue during ATM withdrawal will be refunded without raising any complaint		0.774
	Eigen Value	2.765
	Variance Explained	55.129
	KMO Measure of Sampling Adequacy	0.000
	Bartlett's test of Sphericity (Significance Level)	0.00
5. Reliability		
➤ Online banking is more reliable and secure		0.834
➤ I always prefer online banking rather than visiting the bank / branch		0.634
➤ I feel comfortable in doing transaction via online banking		0.765
➤ I feel my personal information provided in the bank is more secure and confidential		0.721
➤ I enjoy uninterrupted online banking service at all time		0.821
➤ I never seen my internet banking website / page / portal at down or not working		0.769
	Eigen Value	1.964
	Variance Explained	57.62
	KMO Measure of Sampling Adequacy	0.813
	Bartlett's test of Sphericity (Significance Level)	0.000
6. Assurance & Security		
➤ I faced error free transactions with my online banking		0.875
➤ Online banking ensures no one to access my account without permission		0.862
➤ The online banking ensures high protection for my transaction		0.914
➤ The online banking security devices protect my data / account from being hacked		0.842
➤ I have full trust and satisfied with the security of my online banking		0.762
➤ My online transaction is fully secure		0.684
	Eigen Value	2.923
	Variance Explained	71.24
	KMO Measure of Sampling Adequacy	0.786
	Bartlett's test of Sphericity (Significance Level)	0.000

Form the above table it is cleared that, out of 36 variables used, two variables are not having sufficient factor loadings. Variable under Convenience namely “My internet banking website / page guides me in resolving basic problems” has factor loading of 0.421 and other variable under Website Aesthetics namely “The online banking website / portal / page is very much attractive / pleasing” has factor loading of 0.343. Other than these two, all variables have sufficient factor loadings and significant levels. Assurance & Security is having the highest level of variance explained followed by Website Aesthetics; 71.24% and 68.24 respectively. Similarly, Assurance & Security is having the highest level of Eigen value followed by Website Aesthetics; 2.923 and 2.830 respectively.

Multiple Regression

Multiple regression was used in this study to predict the influence of independent variables on dependent variable. The six dimensions and its subsequent variables used in this study to measure the service quality are the independent variables while the customer satisfaction is the dependent variable. The outcome of the multiple regression is presented below.

	Co- effs	Unstandardized	Hypothesis	Standardized Co- efficient Beta	t value	Significance
Constant	1.450	0.242			0.524	0.000*
Convenience (CON)	0.108	0.081	H1	0.132	1.324	0.184
Responsiveness (RES)	0.201	0.142	H2	0.184	1.942	0.247
Website Aesthetics (WA)	0.314	0.175	H3	0.125	1.243	0.014**
Easy to Recover (ER)	0.304	0.146	H4	0.147	0.148	0.263
Reliability (RIA)	0.254	0.124	H5	0.324	2.143	0.341
Assurance & Security (AS)	0.384	0.162	H6	0.247	1.684	0.002*
Adjusted R ²	0.624					
F	14.23					
Significance	0.000					

*Significant at 1% LOS **Significant at 5% LOS

From the above table it is confirmed that the variables under Website Aesthetics and Assurance & Security are having its significant impact on customer satisfaction, since both the values are significant at 5% and 1% level of significance respectively. The rest of the variables under the remaining four dimensions are not having any significant impact on customer satisfaction. The multiple regression equation can be formed as follows.

$$Y = 1.450 + 0.314 (WA) + 0.384 (AS)$$

Where

Y - Customer satisfaction

WA - Website Aesthetics

AS - Assurance and Security

Conclusions

The present study has done an extensive research work on the dimensions of service quality and its impact on customer satisfaction. Out of six dimensions used to measure the service quality, two dimensions namely, Website Aesthetics and Assurance & Security are having significant impact on the overall customer satisfaction. It's the high time for the banks to work on the Website Aesthetics and Assurance & Security to get higher level of service quality as well as higher customer satisfaction. On the other note, bank has to concentrate more on other service quality dimensions such as Convenience, Responsiveness, Easy to Recover and Reliability to make sure the customers are in satisfied mode.

Limitations

Though present study is planned meticulously, it has few limitations as given below.

- The dimensions and its subsequent variables included in this study have its own limitations.
- Though sample size is calculated scientifically, the apportionment with respect to rural and urban areas has not done scientifically.
- The respondents' opinion may be biased based on their memory level.

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