



## NET (e) BANKING SERVICE QUALITY ON CUSTOMER LOYALTY IN NATIONALISED BANKS

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**Abstract** - Today's world, the internet is the powerful medium for electronic banking. E- banking, also known as internet banking, enables customers to access all banking services from any computer with internet access. The customer can execute financial transactions on the bank's secure site. Online banking features involve bank statements, loan applications, funds transfer, e-bill payments, and account aggregation, which allows customers to monitor all of their accounts in one place. *This paper investigated the impact of net banking service quality on customer brand loyalty with reference to nationalized banks in Kanchipuram District, Tamilnadu, India. The data for this study was investigated using 243 samples. Descriptive, multiple regression, and correlation research instruments were used to determine the most predictive variables and the relationships between variables in service quality determinants. It has been observed that responsiveness and reliability are the most predictable variables on customer brand loyalty, and that tangibility and assurance, among other service quality variables, get a strong influence on customer loyalty.*

**Key words:** Service quality, Loyalty, Brand, Nationalised Banks

### I. INTRODUCTION

Customer loyalty have the goal of creating product-brand relationships to customers that are almost identical to individual or personal relationships, while the ultimate benefit of a brand is to provide a value proposition or customer relationship based on an organization's association. Brand is believed to be the driving motive for consumers in choosing a product, while the product is the result of processing / factory production. The brand is not just what is printed in the product or the packaging, but the brand is what the consumer thinks of and how the consumer associates it (Oentoro, 2012). If you want to build a truly lasting relationship, the brand should be placed and viewed as a worthy partner relationship (Fournier 1998). Brand relationships were once understood as interactions between customers and companies, and now brand relationships are not just interactions between customers and companies but also customers with other customers, customers with products, customers with brands, and customers with marketing entities. (McAlexander, Schouten, and Koenig 2002).

The loyalty is the tendency towards customers / consumers to behave positively toward a brand, then make the brand purchase continuously. There is the possibility that customer will move to another brand when the brand makes a change, this is a process information of brand loyalty. Like the price changes or in the characteristics of the product aswell as the brand loyalty. If loyalty to a brand is high then it is less likely to move to anotherbrand (Keegan, et al, 1992).

Service quality is important to the marketing concept, with indication of strategic connections between the service quality and the general hotel's performance. Indeed, a good service quality could have a positive impact on the behaviour intentions of the customers such as increased spending , ongoing revenues, price premium, referred customers. Zeithaml, Parasuman, Berry (1996) added that a poor service quality could have a negative impact on the behaviour intentions such as the decreased spending, loss of customers and cost to attract new customers.

The role of service quality in the service design and managing service quality emerged as a critical success factor. Furthermore, Orsini (2013) argued that the service design is the function of the management, not

of co-worker. For this reason, marketing and operations managers should work together to design a customer satisfying service quality. Additionally, they should plan and organise the staff, the infrastructure, the communication and the material components in order to improve the quality, the interactions between service and service provider. Thus, the services will be optimized for user-friendliness, competitiveness and customer relevance.

Online banking is an umbrella term for the process by which a customer may perform banking transactions electronically without visiting a brick-and-mortar institution. The following terms all refer to one form or another of online banking: personal computer (PC) banking, Internet banking, virtual banking, online banking, home banking, remote electronic banking, and phone bank. PC banking and Internet or online banking is the most frequently used designations. It should be noted, however, that the terms used to describe the various types of online banking are often used interchangeably.

Online banking is an activity that is not new to banks or their customers. Banks having been providing their services to customers electronically for years through software programs. These software programs allowed the user's personal computer to dial up the bank directly. In the past however, banks have been very reluctant to provide their customers with banking via the Internet due to security concerns.

To access a financial institution's online banking facility, a customer having personal Internet access must register with the institution for the service, and set up some password (under various names) for customer verification. The password for online banking is normally not the same as for [telephone banking]. Financial institutions now routinely allocate customers numbers (also under various names), whether or not customers intend to access their online banking facility. Customer's numbers are normally not the same as account numbers, because number of accounts can be linked to the one customer number. The customer will link to the customer number any of those accounts which the customer controls, which may be cheque, savings, loan, credit card and other accounts. Customer numbers will also not be the same as any debit or credit card issued by the financial institution to the customer. In these circumstances, this paper focused on the service quality aspects in customer loyalty in net banking service providing by nationalised banks today.

## II. RESEARCH METHODOLOGY

The objective of this paper is to analyse the effect of service quality on customer loyalty in internet banking in nationalised banks. Kanchipuram District, Tamilnad, India. Various literatures and reviews are collected and identified the variables. In 1988, Parasuraman studied five dimensions of service quality with 22 statements. Parasuraman, et.al (1988) tool has been adopted for this study. This tool consists of 22 statements which are classified as five dimensions namely, tangibility, reliability, responsiveness, assurance and empathy. For customer satisfaction Johnson (1998) is used a nine items scale to measure the customer satisfaction. This tool is considered for this study. The required samples size for this study is 243. These sample respondents are selected by systematic random sampling technique. The data analysis procedure is conducted through survey questionnaire method. Responses are coded and data entered statistical package for social science (SPSS). Descriptive statistics, multiple regression and correlation statistical tools were used to analysis of variance between determinants, the statistically significant differences and relationship between variables.

### Tables, Interpretation and findings

Loyalty has been referred as a favorable attitude towards a brand in addition to purchasing it repeatedly (Day, 1969). It is a relationship between relative attitude towards an entity and repeat patronage behavior (Dick and Basu, 1994) it is a situation when repeat purchase behavior is accompanied by a psychological bond (Jarvis and Wilcox, 1977).

**Table: 1 Customers Opinion towards loyalty**

Statements	Mean	S.D	C.V
Say positive things	5.36	1.35	0.25

Recommend this bank	4.98	1.45	0.29
Encourage friends and relatives	4.82	1.57	0.32
Consider this bank as first choice	4.69	1.67	0.35
Do more business	4.87	1.56	0.32

Source: Primary data computed

The respondents are asked to rate their loyalty with the bank. Here loyalty is measured with the five statements. The respondents opinion are recorded in the seven point scale for each statement. Here seven standard for strongly agree and one stands for strongly disagree. The collected data are analysed with descriptive statistic namely mean, standard deviation co-efficient of variation. The calculated values are displayed in the table 4.9. While observing the mean are ranged between 5.36 to 4.69. It is inferred that the customer are having higher level of opinion towards loyalty statements. However, the customer are rated that they said positive things of the banks to others (5.36) followed by they recommend this bank to others (4.98), they also do more business with this bank (4.87), they encourage the friends and relative to do transaction with this bank (4.82) and they considered this bank as the first choice of them. It is found that bank has the first choice of them. Customers are having higher level of loyalty with this bank. Because of that only they are positively passing the message about their bank and also recommend, encourage their friends and relative to have the operation with this bank.

In the banking sector, loyal customers are more profitable because they are attached to the bank and thus are easier to serve than those who are non-loyal. Vetrivel, et.al (2019) maintain that a small increase in loyal customers can result in a substantial increase in profitability.

**Table: 2 Service quality of Net banking and customer loyalty**

Service Quality	Loyalty	
	r-value	p-value
Tangibility	0.248	0.001*
Reliability	0.445	0.001*
Responsiveness	0.467	0.001*
Assurance	0.379	0.001*
Empathy	0.555	0.001*

Primary data computed, \*significant at one percent level

Table-2 explains the relationship between service quality dimensions and customer loyalty toward net banking services.

Ho: There is no relationship between service quality dimensions and loyalty.

In order to test the above stated hypothesis, Pearson correlation analysis is carried out. The calculated p-values are significant. Hence, the stated hypothesis is rejected. The r-values are having positive value. Hence, service quality dimensions such as tangibility, reliability, responsiveness, assurance and empathy are positively related with customer loyalty. The r-value is ranged from 0.55 to 0.248. Empathy, responsiveness and reliability lead higher level of customer loyalty towards the net banking services. Whereas, tangibility and assurance leads have lower level of customer loyalty.

**Table: 3 Effect of Service quality dimension on customer loyalty**

R-Value	R-Square Value	Adjusted R Square Value	F-Value	P-Value
0.589	0.348	0.399	43.49	0.001

Service Quality	B	Std. Error	Beta	t- Value	P-Value
Content	8.277	1.601	-	5.145	0.001
Tangibility	0.016	0.069	0.018	0.227	0.821(NS)
Reliability	0.224	0.056	0.198	3.998	0.001*
Responsiveness	0.079	0.071	0.069	1.118	0.244(NS)
Assurance	0.029	0.070	0.021	0.410	0.682(NS)
Empathy	0.385	0.060	0.390	6.370	0.001*

Source: Primary data computed

\* Significant at one percent level; Ns - Non - significant

The researcher has been measured service quality of net banking services with five dimension namely tangibility, reliability, responsiveness, assurance and empathy. Further customer loyalty is measured with five statements then the total score of the five statements is considered as overall loyalty the customers with the bank. The objective of the research is to measure the effect of service quality dimension on customer loyalty with bank. For that multiple regression has been applied. The regression result is displayed in the table 3.

Ho: There is no effect on service quality on customer loyalty.

From the model summary, it has been stated that the hypothesis is rejected because the calculated F-value is 43.49 which is significant at one percent level (P-value = 0.001). Here, the R-square value indicates that the percentage level of effect among the independent variables on the dependent variable. Here, tangibility, reliability, responsiveness, assurance and empathy are treated as independent variables and loyalty is considered as a dependent variable. The R-square value is found to be 0.39, it is inferred that independent variables are significantly influenced on dependent variable at 39.9 percent level. Further the standardized co-efficient beta value indicates the relative importance of the independent variables on dependent variable. It is expressed by the equation.

Customer Loyalty= 8.277 + 0.385 (empathy) + 0.224 (reliability)

The equation is explained that the empathy and reliability are having positive effect on customer loyalty. To have one unit increases in customer loyalty, the empathy services of the bank is likely to be increased at 0.385 levels while other factors remain constant. And like, if reliability increases by 0.224 levels, customer loyalty is increased by one unit, while other factors remain constant. From above discussion it is found that the service quality dimensions are significantly influenced on the customer loyalty of the net banking services. However, empathy and reliability are the dimensions having more impact on customer loyalty. Hence, the bankers should give more importance to empathy services and also reliability aspect.

Service quality has also been associated with customer loyalty. While some researchers have reported that customer satisfaction exerts a stronger influence on purchase intentions than service quality (Cronin and Taylor, 1992) Buzzell and Gale (1987) have found that service quality leads to customer loyalty. A research by Zeithaml et al. (1996) concluded that when organisations enhance the quality of their

services, customers' favorable behavioral intentions are increased while unfavorable intentions are decreased simultaneously.

Vetrivel.et.al (2016) the study found that service quality is positively associated with customer loyalty and that the relationship is stronger at the company level rather than at the interpersonal level. The tangible dimension is the most significant predictor of customer loyalty at a company level and empathy is the most significant predictor of customer loyalty at an interpersonal level.

Lo Liang Kheng, et.al, (2010) stated that improvement in service quality can enhance customer loyalty. The service quality dimensions that play a significant role in this equation are reliability, empathy, and assurance.

Vikas Kumar,et.al., (2011) found that the operations performance have impact on customer loyalty. Operations speed may help to acquire customers because it drives a strong of customer loyalty in the long term.

Vetrivel.et.al,(2015) revealed that there was a positive and significant relationship between service quality, customer satisfaction and customer value and customer loyalty. It is also found that service quality, customer value and satisfaction are critical success factors that influence the competitiveness of an organization.

### III. CONCLUSION

This study concluded that the service quality of net banking service has a better positive result among the customers it also leads customers to be loyal to the bank. Nationalised banks are rushing to improve e-banking services to customers, suppliers so that they can facilitate their customer around the clock from any where and at any time. They are offering information access to all customers they can't offer all the financial services online due to lack of IT-infrastructure. On the other hand, customer hesitates to use these services online. It is concluded that there is need to established trust relationship among the banks and their clients. Moreover, banks should bench mark the leading banks providing e-banking services to their customers so that digitalization process can be solidified for the betterment of banks, customers, suppliers and society.

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