Service Quality Gap Issues in Online Banking

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Service quality gap issues are the issues emerging from differences in consumer expectations and consumer perceptions. Service marketers study the quality gap issues to gain the differential competitive advantage and increase the value. Despite the extensive research taken place in service quality area, gap issues keep evolving in the banking industry. This paper describes the prevailing issues in online banking where the consumer expectation is not equated with the consumer perception for the online banking products. Earlier research (Minjoon et.al.) suggests that there is no substantial difference between internet only bank and traditional banks offering internet service. This study will provide practical implications as how online banks may perform better by incorporating the solution for the service quality gap issues. The topic related to service marketing area of interest is taken for the research.

Keywords: Competitive advantage, value, expectation, perception

1. Introduction

Online Banking is a result of the growing expectations of bank's customers. The popular services covered under Online banking include ATM, Credit Cards, Debit Cards, Smart Cards, Electronic Funds Transfer (EFT) System, Cheques Truncation Payment System, Mobile Banking, Internet Banking, Telephone Banking, etc. The operating cost per unit services is lower for the banks using online banking. Further it offers convenience to customers as they are not required to go to the bank's premises. There is very low incidence of errors and the customer can obtain funds at any time from ATM machines. The credit cards and debit cards enable the Customers to obtain discounts from retail outlets. The customer can easily transfer the funds from one place to another place electronically. Further the advent of Internet banking happened in early 1990. (Srivastava et.al. 2007) With the emergence of new digital technology, the banking industry has engaged information technology (IT) to acquire, to process and to deliver the information to banking customers.(Jayaraman et.al., 2012)

Customers are becoming value-sensitive and banks need to constantly innovate and update to match customers' expectation and to provide convenient, reliable, and expedient services. Driven by the competition among banks, to capture a larger share of the banking market, banks have started introducing its distribution channel via a Internet.(Jayaraman, 2012)

Internet banking is a kind of systems that enable financial institution customers, individuals or businesses, to access accounts, transact business, or obtain information on financial products and services through the Internet. Although there is a significant growth of internet users in India, the number of financial transactions carried out over the internet remains very low. This tread however is the same globally and it has been observed that potential users either do not adopt internet banking or do not use it continually after adoption. (Jayaraman, 2012)

In service industries in general and in the banking industry, in particular, the Internet has been explored and exploited as a means of improving service provision. Banks are not only competing in traditional banking services but also have expanded the scope of the competition to an e-environment with Internet banking services. These banks are introducing Internet banking as an assurance to their customers that they will be able to maintain a competitive quality service in future, in efforts to avoid losing their customers to other banks. Internet banking helps banks to build and maintain close relationships with their customers, reduces operating and fixed costs, and achieves more efficient and enhanced financial performance. The benefits of internet banking users are easier to operate, reliable, hassle free, convenient to use and safer to use. (Jayaraman et. al., 2012)

2. Literature Review

Jordan & Jane (1999) found that even most successful banks offering internet banking were able to serve only relatively small share of their customer base with IT channels.

In its latest report on the status of e-Banking in India, IDC feels that though the banks have taken the first step, they have got a long way to go before Internet banking becomes a way of life.

Different forms of online banking are web-based banking where a customer can access his or her account(s) when he or she uses the internet; second form of online banking is where a bank customer uses a modem to dial-up to a bank's server to access his or her bank account(s). The latter type of online banking is also known as dial-up banking. A special type of dial-up banking is called an Extranet, a private network between a bank and

its corporate customers. Yibin (2003) and Thulani et al. (2009) identify three functional level/kinds of internet banking viz. informational, communicative and transactional. Informational (websites): This has been identified as the first level of internet banking. Typically, the bank has the marketing information about its products and services on a standalone server. Here the security risk is very low as informational systems typically have no path between the server and the bank's internal network. Communicative/simple transactional (websites): This type of internet banking allows some interaction between the bank's systems and the customer. The interaction is limited to e-mail, account inquiry, loan application or static file updates (name and address). It does not permit any funds transfers.

Advanced transactional (websites): This level of internet banking allows bank customers to electronically transfer funds to/from their accounts, pay bills and conduct other banking transaction online. (M. Adil et. al., 2013)

The prime driver for offering services online is to offer 24x7 availability and convenience to its customers. Beyond that, cost reduction is another major reason. (Financial Express, 2002)

Corrocher (2002) investigated the determinants of the Internet technology adoption for the provision of banking services in the Italian context and also studied the relationship between the Internet banking and the traditional banking activity, in order to understand if these two systems of financial services delivery are perceived as substitutes or complements by the banks.

43% of internet banking user haven't started online financial transaction because of security reasons, 39% haven't started because they prefer face to face, 22% haven't started because they don't know how to use, for 10% sites are not user friendly and for 2% banks are not providing the facility of internet banking. (IAMAI, 2006)

Parasuraman et. al.(1988) defined service quality as the gap between customers, expectation of service and their perception of the service experience.

Based on the concept of service quality, the original SERVQUAL instrument includes 22 items. The data on the 22 attributes are grouped into five dimensions: Tangibles, Responsiveness, Assurance, Reliability and Empathy. This instrument has been applied in a variety of services such as hospitals, travel and tourism, a telephone company, two insurance companies and two banks.

The scale decomposes the notion of service quality into five constructs as follows:
1. Tangibles: Physical facilities, equipment, staff appearance etc.
2. Reliability: Ability to perform service dependably and accurately.
3. Responsiveness: Willingness to help and respond to customer need.
4. Assurance: Ability of staff to inspire confidence and trust.
5. Empathy: The extent to which caring individualized service is given.

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions.

3. Objective of Research
1. To examine the online banking service quality expectation and perception of customers in Noida.
2. To analyze the service quality gap of online banking and explore the issues related to same.

Methodology:
E-service quality can be explained as an overall customer evaluation about e-service delivery in the marketplace which is virtual (Santos, 2003). Online customers' expectation is higher than traditional customers (Santos, 2003). The single most researched area in services marketing to day is service quality. According to Fisk et al. (1993) early research in service quality disclosed its subjective nature but it was not until several years later that the concept of service quality as the result of differences between actual and expected levels of service began to emerge. This implies that organizations must establish requirements and specifications; once established, the quality goal of the various function of the organization is to comply strictly with these specifications. In today's increasingly competitive environment, quality service is critical to corporate success. The purpose of this paper is to analyze the gap in the service on regular basis to the customers.

SERVQUAL have been used as a tool with 5 dimensions and statements for this analysis. The gap analysis model is the most widely accepted instrument to measure service quality. They postulated that a priori factor like Personal Needs, Word-Of-Mouth influences and Past Experiences as well as Communication by the service organization create Expectation of service.

This research work aims to examine the services provided by the banks to its customers from the view of the satisfaction of customers of the Noida region. The gap score using the SERVQUAL have been used in this research work. Alpha reliability test is carried out to test the reliability and validity of samples. Factor analysis is used for further calliberations.

The sample size proposed to be selected is 50 consumers (exclusively online users) of selected online banks like AXIS, ICICI, SBI, HDFC, BANK OF BARODA. A sample of 50 respondents, 10 each in the selected five banks having online account in banks is collected by convenience sampling. A questionnaire consisting of 22 items based on SERVQUAL model is administered on the sample.

The questionnaire is divided into three sections. The first section measures the experience (E) of service quality in the online banks, the second, perception (P) of service quality in online banks in Noida. Respondents should complete two different   types of questions. One category   asks   questions   based   on   their perception or expectation of a service delivered to them and another category asks them some questions bases on their satisfaction or experience. So SQ introduces service quality whereas P and E introduce perception and expectation respectively.

Service quality = perceived – experience

SQ: Service Quality, P: Customers' Perception, E: Customers' Expectation. So, (P – E = SQ), is a scale to examine the expectation or perception of a customer about the quality of specific product or service (SQ).
  1.   Negative Q indicates that there is a gap in service quality.
  2.   Positive Q indicates that the satisfaction level of consumers is higher than their expectation.
The third section deals with the respondents' satisfaction levels and lastly the demographic profile of the respondents. A seven-point Likert Scale ranging from strongly unsatisfied = 1 to strongly satisfied = 7, is used to measure the 22 attributes relating to five dimensions (customer understanding, service standards, service performance, communications and service quality).

The analysis is made by using Statistical Package for Social Science (SPSS) version 20. A frequency distribution is used to describe the sample. The mean and standard deviations of the attributes are also computed. Independent t-tests are used to test the significant difference between sample means.

This study will determine which factors have the most effect and which factors have the least effect on customer satisfaction level. In this project use exploratory research design and for data collection fill-up the questionnaires from the survey of the market and some information collected by the interview with the users. The responses have been captured in 7 point Likert Scale and gap score is calculated by deducting expectations from perceptions. At the time of collecting data proper care have been given to demographic profile of the users to ensure the result free from any sort of prejudice. Sample size is 50 and convenience sampling method is used for collecting data.

4.   Data Analysis
Table 1: Case Processing Summary

		N	%
Cases	Valid	50	100.0
	Excluded[a]	0	.0
	Total	50	100.0

a. Listwise deletion based on all variables in the procedure.

For items 1 and 2, V1 and V2

Table 2: Reliability Statistics

Cronbach's Alpha	N of Items
.074	2

For items 3, 4 and 5 alpha value is .583 which shows that sample is accurate.
V3, V4 &V5

Table 3: Reliability Statistics

Cronbach's Alpha	N of Items
.583	3

For items V6, V7, V8, V9, V10, V11

Table 4: Reliability Statistics

Cronbach's Alpha	N of Items
.453	6

For items V12, V13, V14, V15, V16, V17

Table 5: Reliability Statistics

Cronbach's Alpha	N of Items
.686	6

For items V18, V19, V20, V21, V22

Table 6: Reliability Statistics

Cronbach's Alpha	N of Items
.785	5

Cronbach alpha is used for checking the accuracy of sample.

	Expectation	Perception	G=E-P
V1	5.84	4.14	1.70
V2	5.30	3.76	1.54
V3	5.82	4.16	1.66
V4	5.52	4.16	1.36
V5	4.98	3.36	1.62
V6	4.80	3.84	.96
V7	5.34	3.78	1.56
V8	5.72	3.74	1.98
V9	5.18	4.10	1.08
V10	5.06	3.52	1.54
V11	5.10	4.14	0.96
V12	4.82	4.44	0.38
V13	4.70	4.76	-0.06
V14	5.34	3.40	1.94
V15	5.32	3.28	2.04
V16	4.62	3.94	0.68
V17	4.78	3.60	1.18
V18	5.40	4.04	1.36
V19	5.32	4.54	0.78
V20	4.72	4.38	0.34
V21	4.96	4.58	0.38
V22	4.76	4.28	0.48

Perception-

Report

	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15	V16	V17	V18	V19	V20	V21	V22
Mean	3.76	4.16	4.16	3.36	3.84	3.78	3.74	4.10	3.52	4.14	4.44	4.76	3.40	3.38	3.94	3.60	4.04	4.54	4.38	4.58	4.28
N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Std. Deviation	1.061	1.557	1.037	1.396	1.405	1.130	.944	1.199	1.389	1.161	1.417	1.255	1.325	1.354	1.114	1.429	1.948	1.775	1.292	1.430	1.230

Expectation-

Report

	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15	V16	V17	V18	V19	V20	V21	V22
Mean	5.84	5.30	5.82	5.52	4.98	4.80	5.34	5.72	5.18	5.06	5.10	4.82	4.70	5.34	5.32	4.62	4.78	5.40	5.32	4.72	4.96	4.76
N	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Std. Dev.	.955	1.657	1.289	1.092	1.421	1.927	1.303	.882	1.024	1.300	1.594	1.625	1.821	1.154	.935	.923	1.657	1.773	2.025	1.949	1.498	1.546

Score	Expectations	Perceptions	Total Gap Score E-P	Average Gap Score	Weights Weighted
Tangibility 0.453	11.14	7.90	3.24	1.62	0.28
Reliability 0.338	16.32	11.68	4.64	1.54	0.22
Responsiveness 0.321	31.2	23.12	8.08	1.34	0.24
Assurance 0.163	29.58	23.42	6.16	1.02	0.16
Empathy 0.066	25.16	21.82	3.34	0.668	0.10

The higher the gap score the more is the dissatisfaction. The average score of dimension tangibility is highest; hence this shows that customer satisfaction is quite low. Banks should pay focus on tangibility dimension, reliability and responsiveness as well.

5. Findings

The service quality gap is highest in dimension of tangibility. It should pay more focus on the responses made to every customer and increase the trust of customer.

The empathy score is quite low which shows that Banks make efforts to understand its customers. The customer is satisfied on this dimension. The strategy of Banks is still not effective enough in terms of responsiveness, reliability and tangibility.

6. Major Results

The service quality gap issues if properly dealt with, bridges the gap between the customer and online banks. Indian Banks are growing inconsiderably with the upsurge of internet based transaction. The perception of online banking in the mind of consumer needs to be improved. The gap analysis is applicable to any aspect of industry where performance improvements are desired, not just in customer service. Measuring gaps is the first step in enhancing customer satisfaction. Additionally, competitive advantages can be achieved by exceeding customer expectations. Gap analysis is the technique utilized to determine where firms exceed or fall below customer expectations. This research brings out the various aspects related to service quality gap issues in banks. Customer experience in online banks has been enunciated. Online banking has not been accepted by most of the customers in India due to service issues of banks. The online experience of banks needs to be promoted amongst the consumers as there is one section of Indian society who still rests on physical banking.

Customer satisfaction leads to repeat purchases and repeat purchases lead to loyal customers. In turn, customer loyalty leads to enhanced brand equity and higher profits. Consequently, understanding customer perceptions is important to a firm's performance. As such, gap analysis is used as a tool to narrow the gap between perceptions and reality, thus giving a direction to companies in enhancing customer satisfaction. Service quality has found as one of the significant factors in distinguishing services and products. Service quality is an important tool to measure customer satisfaction (pitt et. al,1995).

7. Conclusion and Implications

This study in terms of practical implications, attempts to provide banking organizations a better understanding of service quality gap issues of online banking and solution of the same. This would provide more generalized conclusions for the private as well as public sector banks. Additionally, since India aspires to become globally competent financial Centre, it would be appropriate and relevant to replicate the study using global samples. Customer satisfaction is more critical in internet companies because customers demand a high quality products or services and if they are unsatisfied, it is easy for them to move away to another site and leave those companies forever. Thus, the internet companies need to know the customer's requirements for satisfactory level. Some parameters of customer's satisfaction include numbers of clicks needed to find what they want, amount of information they need, response time and speed of webpage. The implication is that when banks in this country provide services to global customers such as business travelers, tourists, students, they would have to provide quality services to foreign customers. Therefore, the quality and customer satisfaction issues attached to services are related to international area.

8. Limitations

The sample size is restricted to 50 only. Due to lack of time large samples could not be collected from banks.

9. References

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