



"Customer Perception of Service Quality in Internet Banking: A Study of its Impact on Satisfaction and Loyalty"

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Abstract

This paper explores the dimensions of Internet banking service quality and their impact on customer satisfaction, with a specific focus on Ayodhya's Bank customers. Using a theoretical model, the study identifies five key dimensions of service quality—Responsiveness, Trust, Convenience, Website Efficiency, and Security—based on data from 250 Internet banking users. Data collection was conducted using convenience sampling, allowing insights into customer perceptions of service quality. The findings, based on factor analysis, indicate that "Trust" and "Website Efficiency" play the most significant roles in enhancing customer satisfaction. These results offer practical value for policymakers and bank officials in shaping and improving Internet banking strategies to foster better customer experiences, especially in the context of Ayodhya's Bank.

Keywords: Security, Responsiveness, Service Quality, Efficiency of Website

Introduction

This research delves into the critical role of service quality in internet banking, specifically within Ayodhya's Bank. With increasing competition and customer expectations, technology has become a pivotal tool for banks to deliver efficient and satisfactory services. Notably, foreign and private banks in India are expanding, driving the banking sector to compete by differentiating through service quality rather than product variety, as most banks offer similar services (Stamenkov & Dika, 2015).

Prior studies confirm that Indian banks leverage internet banking as a channel for both service delivery and strategic growth (Safeena et al., 2014). Research highlights internet banking's advantages for customers and banks alike, such as round-the-clock access to financial services and reduced need for physical resources (Alwan & Al-Zubi, 2016; Rohi, 2016; Martins et al., 2014). In evaluating service quality, the SERVQUAL model has been frequently applied to understand customers' perceptions in an online context, where expectations and experiences differ from traditional banking (Han & Back, 2004; Rod et al., 2009; Zafar et al., 2012).

Examining service quality in internet banking is essential, given its impact on customer satisfaction (Ho & Lin, 2010; Choudhury, 2013). Past studies underscore that service quality can both influence and be influenced by customer satisfaction, though research varies on which comes first (Parasuraman et al., 1985; Amin & Isa, 2008). Furthermore, studies suggest low online banking adoption in developing countries is due to factors not fully addressed by existing research (Khodakarami & Chan, 2013).



This study identifies five critical dimensions of internet banking service quality—Responsiveness, Trust, Convenience, Website Efficiency, and Security—that impact customer satisfaction. By analyzing these dimensions, Ayodhya's Bank can gain insights into enhancing customer relationships and building a sustainable competitive edge in service quality.

Review of literature

The increasing prevalence of internet banking has brought significant focus on understanding customer perceptions of service quality and its effect on satisfaction and loyalty. Previous research has identified various dimensions of service quality in internet banking, each contributing to customer satisfaction and loyalty in unique ways.

Yang and Fang (2004) emphasized that **ease of use** and **usefulness** are fundamental to assessing online service quality, marking them as critical for influencing customer satisfaction. Similarly, Zeithaml et al. (2001) highlighted dimensions such as **access, personalization, efficiency, flexibility, reliability, navigation ease, responsiveness, security/privacy, trust, aesthetics, and price knowledge** as core elements of e-service quality, underscoring the complexity of factors impacting customer satisfaction in an online banking context.

Jayawardhena (2004) proposed **five essential dimensions of service quality** in internet banking: **access, website interface, trust, attention, and credibility**. These dimensions contribute to the perceived ease and reliability of internet banking, enhancing overall satisfaction. Chien-Ta Bruce Ho and Wen-Chuan Lin (2010) added to these findings, identifying **customer service, web design, preferential treatment, assurance, and information provision** as key internet banking service quality factors. They suggest that these elements enable banks to create more user-centric and responsive online banking experiences.

Rod et al. (2009) found that **online information system quality, customer service quality, and banking service product quality** significantly impact internet banking service quality, highlighting the importance of technical and service elements in meeting customer needs. Further, Santouridis et al. (2009) observed that **empathy and web assistance** are pivotal in building customer loyalty, as they contribute to an online environment where customers feel supported and valued. This is echoed by Thaichon et al. (2014), who identified that **network quality, information support, customer service, privacy, and security** strongly influence service quality, impacting customer loyalty and retention.

This body of research establishes a clear association between internet banking service quality dimensions and customer satisfaction. Studies by Yee et al. (2011) and Han and Back (2004) affirm that high service quality is positively linked to customer satisfaction in online environments, which subsequently fosters customer loyalty.

Objective of the study

The primary goal of this study is to determine the key aspects of internet banking service quality and assess their effect on customer satisfaction.



Methodology

This study was carried out in Ayodhya, Uttar Pradesh, India, focusing on customers with accounts at both private and public sector banks. A questionnaire was employed to gather data from these bank customers, structured into three sections: the first section captures the demographic profile, while the second and third sections address Internet Banking Service Quality dimensions and Customer Satisfaction, respectively. The questionnaire was developed in both Hindi and English to accommodate respondents.

Prior to data collection, the purpose of the research was communicated to participants. Using a convenience sampling method, 320 customers were approached, with 280 agreeing to complete the questionnaire. However, 30 responses were discarded due to missing data, resulting in a final sample of 250 completed questionnaires. Data collection took place over four months at various intervals across selected banks. To ensure the content validity of the questionnaire, a thorough review was conducted. The variables included in this study were adapted from previous research conducted by Herington and Weaven (2009) and Parasuraman et al. (1988).

Proposed hypothesis

H01: There exists a relationship between the Responsiveness and the customer satisfaction.

H02: There exists a relationship between the Trust and the customer satisfaction.

H03: There exists a relationship between the Convenience and the customer satisfaction.

H04: There exists a relationship between the efficiency of the website and the customer satisfaction.

Table I. Demographic Profile

Sl.No	Profile Variables	Description	Percentage
1.	Gender of the Respondents	Male	60
		Female	40
2.	Annual Income	Below Rs.2,00,000	30
		Rs.2,00,000–Rs. 5,00,000	40
		Rs. 5,00,000 – Rs.10,00,000	15
		Above–Rs.10,00,000	05
3.	Occupation	Businessman	54
		Private Employment	34
		Agriculture	12
4.	Educational Qualification	Upto+2	20
		Under Graduation	38
		Post Graduation	26
		Others	16
5.	Type of Account	Current account	40
		Savings account	50
		Fixed deposit account	10
6.	Age of the Respondents	Less than 30 years	20
		30 to 45 years	30
		45 to 60 years	28
		Above 60 years	22



The demographic profile of respondents reveals that 60% are male and 40% female. In terms of annual income, 30% earn below Rs. 2,00,000, while 40% earn between Rs. 2,00,000 and Rs. 5,00,000. Occupation-wise, 54% are businessmen, 34% work in private employment, and 12% are involved in agriculture. Educationally, 20% have qualifications up to +2, 38% hold undergraduate degrees, 26% have postgraduate qualifications, and 16% fall under other categories. Regarding account types, 40% maintain current accounts, 50% have savings accounts, and 10% have fixed deposit accounts. Age distribution shows that 20% are under 30 years, 30% are between 30-45 years, 28% are 45-60 years, and 22% are above 60 years, indicating a diverse sample in various demographic aspects.

Table II - Reliability of the Data

Dimensions	No. of Original items	No of items retained	Cronbach's Alpha
Responsiveness	4	4	.781
Trust	4	4	.727
Convenience	4	4	.763
Efficiency of website	5	5	.717

The table presents the dimensions of internet banking service quality along with the number of original items and the items retained for each dimension, as well as their corresponding Cronbach's Alpha values, which measure internal consistency. The dimensions include **Responsiveness**, **Trust**, **Convenience**, and **Efficiency of Website**, with each dimension retaining all original items: 4 for Responsiveness, Trust, and Convenience, and 5 for Efficiency of Website. The Cronbach's Alpha values range from 0.717 to 0.781, indicating acceptable to good reliability for these constructs, suggesting that the items effectively measure their respective dimensions of service quality.

Table III - KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.721
Bartlett's Test of Sphericity	Approx. chi-square df Sig.	631.964 4.231 .000

In order to validate the adequacy of the sample, Kaiser - Meyer -Olkin (KMO) and Bartlett's tests were used. If the value of KMOtestisgreaterthan0.50, it is revealed that each factor is adequate items for making proper group. From table III, the KMO value is more than 0.5 and the



significance level is 0.000 which revealed that factor analysis is appropriate. Table III reveals that the value $\chi^2 = 631.964$, $df = 4.231$, significance ($P < 0.001$) and the suitability of data for factor analysis. The factor analysis results in four factors.

The Four items have been loaded on this factor.

F1: Responsiveness: This is the significant factor as it explains 22.100 percent of the total variance

F2: Trust. The second factor explains 17.542 percent of the total variance which is trust.

F3: The third factor named as convenience as it explains 11.692 percent of the total variance.

F4: Efficiency of website: Efficiency of the website is the fourth factor which explains 10.825 percent of the total variance.

Table IV - An Analysis of the Influence of Internet Bank Service Quality Dimensions (IBSQ) on Customer Satisfaction

Factors	Unstandardized coefficient		Standardized Coefficients	T	Sig
	B	Std. Error	Beta		
Constant	.167	.176	—	.948	.345
Responsiveness	.136	.098	.124	1.388	.168
Trust	.184	.087	.177	2.124	.036**
Convenience	.131	.097	.109	1.353	.179
Efficiency of Website	.401	.115	.353	3.501	.001**
R ²	.660				
Adjusted R ²	.642				
F statistics	36.300				
Significance	.000				

**** - Significant at the 0.05 percent level.**

Multiple regression analysis has been used to examine how IBSQ dimensions affect customer satisfaction. Customer satisfaction represented the dependent variables, whereas the independent variables were the factor scores of the five service quality factors—responsiveness, trust, convenience, website efficiency, and security—obtained by factor analysis. According to Table V, the regression model as a whole is significant ($F = 36.300$, $p < 0.000$). The five IBSQ dimensions account for 64.2% of the variation in customer satisfaction, as indicated by the adjusted R of 0.642. Customer satisfaction is impacted by trust ($\beta = 0.177$, $t = 2.124$, $p < 0.05$), but the responder does not affect customer satisfaction ($\beta = .124$, $t = 1.388$, $p > 0.05$), according



to the data connected with trust. Moreover, there is no evidence of an effect on consumer satisfaction from convenience ($\beta = .109$, $t = 1.353$, $p > 0.05$) or security ($\beta = .124$, $t = 1.353$, $p > 0.05$)

Conclusion

The aim of this research study is to identify the dimensions of Internet Banking Service Quality (IBSQ) and assess their impact on customer satisfaction in the context of banking in Ayodhya. Data was collected through a questionnaire method, and the results of exploratory factor analysis revealed five key dimensions—Responsiveness, Convenience, Trust, Efficiency of the Website, and Security—accounting for 72.173% of the total variance. These five dimensions are treated as independent variables, while Customer Satisfaction is the dependent variable. The analysis indicates that Trust and Efficiency of the Website significantly influence customer satisfaction, whereas the other dimensions—Responsiveness, Convenience, and Security—do not show significant effects. This suggests that banks in Ayodhya should prioritize enhancing trust and website efficiency to improve overall customer satisfaction.

Limitation and scope for further study

This study on "Customer Perception of Service Quality in Internet Banking: A Study of its Impact on Satisfaction and Loyalty" faces several limitations, including its geographical focus on Ayodhya, which may restrict the generalizability of findings, and a relatively small sample size of 250 respondents, which could affect reliability. The reliance on self-reported data may introduce biases, and the cross-sectional design limits the ability to assess changes in perceptions over time. Additionally, while five key dimensions of service quality were identified, other relevant factors like customer service interactions were not included. For further study, expanding the geographical scope to include multiple regions could provide comparative insights, while longitudinal studies would help understand evolving perceptions over time. Exploring additional dimensions of service quality, investigating diverse customer segments, and incorporating qualitative research methods could also enrich understanding of customer experiences and satisfaction in internet banking. Addressing these limitations and expanding the research scope can enhance the banking sector's ability to meet customer expectations effectively.

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