

The Impact of the Internet on Service Quality in the Banking Sector

Dr. Qazi Muhammad Moinuddin

Abstract—The decisive aim of any firm is to satisfy their customers. Many researchers in business and management area have conducted different studies to measure the perception of the customer's satisfaction; however the actual thinking of customer's mind is still questionable. The aim of this paper is to focus on the impact of Internet services provided by the banking sector in four dimensions of sagacity named as reliability, responsiveness, security, and communication. The methodology used is quantitative approach, in which the correlations between different factors are examined. The results revealed that the service quality is highly dependent on the reliability of using internet banking by the customers.

Keywords— Service Quality, Internet Banking, Security, Communication, Reliability, and Responsiveness.

I. INTRODUCTION

THE firms are taking competitive advantage through new technologies by reducing the cost and giving better satisfaction levels to their customers. The web is an engine which drives the novel economy, and it has also given birth to internet banking. Now after the emergence of ecommerce and fully integrated systems it is possible for the banks and service sector to offer a variety of services to their customers.

Today the internet is playing a crucial role in our modern living such as online shopping, online entertainment, online booking and etc (Qazi, et al, 2009). Therefore, internet banking has significantly influenced on people' life. ATM and internet banking quality influence customer retention negatively and none of the automated service quality factors have a significant direct relationship with the bank financial performance. Quality of service is important in the banking sector. Therefore, the sector has moved from a product-centric to a customer centric position. Customer's satisfaction is also of great interest to practitioners because of its important effect on customer retention. However, as the services are becoming expensive not only in the developed countries but also in the developing countries, therefore, the banks also want their users and customer to use the internet banking facilities as much as they can. Obviously, it is evident that, internet banking saves time of the customers and also provides convenience and accessibility. In this scenario, the battle between the banks will be to service quality as best as possible as to retain the existing

Dr. Qazi Muhammad Moinuddin, Associate Professor and Secretary, Mehran University-Institute of Science, Technology and Development Mehran University of Engineering and Technology, Jamshoro, Sindh Pakistan.

customers as well as to attract new customers. After the quality the factor is the reliability, that how reliable bank is for the customers or how customers rely on the bank in terms of security and data encryption. Banks are working towards remedying these shortcomings for take full advantage of the digital revolution. Research had shown high quality contributes to significant profitability. Four dimensions had been identified i.e. reliability, responsiveness, security, and communication to be evaluated.

Service quality is vital to a banking sector. E-service quality is defined as overall customer assessment and judgment of e-service delivery in the virtual marketplace (Santos, 2003). Internet banking is an important innovation which could a attain competitive advantage through cost reduction and better satisfaction of customer needs (Carrington, 1997; Kassim and Abdulla, 2006; Mols, 1999)

A. Theoretical Framework

The paper focuses on main four factors of service quality namely: reliability, responsiveness, security and communication. The first factor is the impact of the internet on reliability. As already defined above, reliability clearly means that the sector delivers and performs the service right through the first time and keeps its promise at all times. The second factor is concerning with the impact of the Internet on responsiveness. The third factor is impact of the Internet on security. The fourth factor is communication. This whereby the customers are kept abreast of all current information with regards to services provided and communicated in their desired language. Communication here refers to both verbal and written in complete clarity.

B. Hypothesis Development

The aim of this paper is to gain a better understanding of the service quality dimensions that affect customer satisfaction in the internet banking sector from a customer perspective. Based on how the internet affects the four determinant factors mentioned and elaborated above the relationship among the variables is obtained.

H1: Reliability has positive relationship with customer satisfaction.

H2: Responsiveness has positive relationship with customer satisfaction.

H3: Security has positive relationship with customer satisfaction.

H4: Communication has positive relationship with customer satisfaction.

C. Research Methodology

The research is based on quantitative data collection and analysis and a questionnaire survey was developed. A 5-point Likert-scale (1=strongly disagree, 5=strongly agree) was used and respondents were asked to rate the factors according to this provided scale. A total number of 200 questionnaires were sent to the customers through emails. The most of the customers are well educated and belonged to Karachi, Lahore, and Islamabad. A total of 50 questionnaires were voluntarily returned. The research examines the relationship between how the Internet impacts the service quality in the prominence banks in Pakistan. Based on the research problem and hypothesis developed, it is believed that the quantitative approach is the most appropriate method.

II. DATA ANALYSIS AND FINDINGS

Correlation coefficients were calculated to describe the relationship between two variables. The correlation provided

information on the strength and direction of the relationship between variables

Reliability Statistics

Cronbach's Alpha	N of Items
.855	12

Reliability test was done over the respondents, Cronbach's Alpha Showing .855 which means the survey conducted is valid. Reliability, security, communication and access are all interrelated on internet banking. The results show that the users give importance on service quality dimensions towards below sequence:- firstly Reliability, Security, Communication and lastly Responsiveness.

ITEM	PEARSON	SIGNIFICANT
Reliability a) if a response is promised in a certain time, does it happen. b) the processing via internet is error free. c) services are performed right the first time.	.472** .392** .200	.001 .005 .164
Responsiveness a) you are satisfied with the customer service response to queries. b) the processing time taken to process transaction prompt enough c) complaints from customers handle effectively.	.444** .438** .402**	.001 .001 .004
Security a) clients' are confident that services provided was done in secured manner. b) you are confident with management of customer's personal information held in the bank. c) all files of customers prior banking records and transactions are safely kept.	.425** .381** .125	.002 .006 .389
Communication a) bank provide multiple language offering online b) bank ensure that customers informed in a language they can understand online. c) internet makes communication easier and work efficient.	.406** .118 .406**	.003 .415 .003

**Correlation is significant at the 0.01 level (2 tailed)

A. Relationship between Internet Banking and Reliability

The results show reliability as the most important dimension on service quality. This is because, consistent performance and trustworthy are playing vital roles in reliability. There were three questions asked to measure for all variables. The participants, defined the reliability as services they used for example processing transaction via the internet is error free and response time kept as promised by banks through online. Response time and processing via Internet is error free (.392) and processing via the Internet is error free and services perform right the first time (.472) showing a moderate significant relationship. This may be caused by customers required to use machine reliability rather than human reliability in dealing with banks such as cash credit, cash withdraw, cheque, credit transfer and many other services. However, there is no significant relationship between response time and services perform right the first time (.2).

B. Relationship between Internet Banking and Responsiveness

This research shows that responsiveness ranks the last dimension in service quality. Under this dimension includes, are users satisfied with customer service response time and complaints are taken care efficiently. The relationship between Internet Banking and responsiveness showed moderate correlation coefficient is significant. This is between satisfied with customer service response and process time taken to process transaction (.438), satisfied with customer service response and complaints handled effectively (.402) and process time to process transaction and complaints handled effectively (.444). This indicates that, customers prefer to machine reliability rather than human reliability. This probably by time concerning or human being not be emotionally stable. In addition, customers can accept if the machines are in out of services, but when it's comes to banks' staffs they cannot tolerate with their low services. Once again, this result shows that customers have different perception and understanding between machines and human being.

C. Relationship between Internet Banking and Security

This involves financial safety and confidentiality. Security is chosen as the third important dimension in service quality, although it is no major difference from reliability. This covers users' confidence that services provided in a secure manner, all customer files and records kept safely and customer personal information would not be misused. There is a moderate significant between services provide secure and users confident with bank management online (.381) and customers' information files kept safe and users confident with bank management online (.425). However, there is no significant relationship between customer information files kept safe and services provided secure through online (.125). This illustrated customers' concerns about privacy matters and insecurity of banks misused personal information. Even though the incredible growth of internet influences everyone, when it

comes to the topic of security, customers are less confident of exploring it. This result is contrary to the findings by Chun Wang & Zheng Wang, (2006). Therefore, banks can increase customers' confidence by utilizing a complex certified process such as personal number, password and code.

D. Relationship between Internet Banking and Communication

Respondents stated that communication is less important and ranks fourth place in the dimension in service quality. Santos (2003) stated that communication has improved since the internet has been used. Banks must ensure customers are informed in a language they can understand and offer multiple languages online. Results show that no significant relationship between providing multiple online language and ensure customer understand online language (.118). Although, bank has improved the methods of communication, still customers dissatisfy with the system because hard to understand or limited language alternatives and, etc. But there is a moderate significant between the bank providing multiple language through the internet and makes communication easy (.459) and also bank ensures customer understand online language and the internet makes communication easy (.406). Therefore, to make communication easier, banks can have face-to face on line services for effective communication.

III. CONCLUSIONS

Based on the findings of this paper, it can be concluded that reliability is the most important dimension of service quality, followed by security, communication and responsiveness. This shows that, the Internet leads banking service more convenience, time saving and easier to reach. However, still there are a lot of improvements needed for the banking sector to reform and train their customers to the Internet. Going through the questionnaire survey, the main problem lies that customers still face the lack of security. Therefore, they have fear of account hacking and thus do not go for internet banking. Although, bank is trying the best level by providing that best security options to the customers but still there are a lot of factors, which betray customer interaction via the Internet. The statistical analysis was conducted on a limited number of respondents only in a limited number of big cities of Pakistan only. This might have been biased as they could have given wrong answers and may be based on their opinions. The differences could be based on different backgrounds of culture, age groups and personal experience. With consideration to the limitation identified in this paper, it would be useful to replicate the study and if possible to use the demographic data of the employee. This would give a better accuracy to the dimensions of service quality in internet banking as this information would vary depending on the proposal characteristics of the users of internet banking. Further research can be conducted on service quality and customer satisfaction in e-banking.

REFERENCES

- [1] Mols N, Bukh P, Neilsen J (1999). Distribution Channel Strategies in Danish Retail Banking. *International Journal of Bank Marketing*, 27(1): 37-47.
- [2] Jun M, Cai S (2001). "The key determinants of internal banking service quality: a content analysis", *International Journal of Bank Marketing*, 19(7): 276-91.
<http://dx.doi.org/10.1108/02652320110409825>
- [3] Parasuraman A, Grewal D (2000). The impact of technology on the quality-value- loyalty chain: a research", *Journal of the Academy of Marketing Science*, 28(1): 168-175.
<http://dx.doi.org/10.1177/0092070300281015>
- [4] Elliot S, Loebbecke C (2000). "Interactive, Inter-Organisational innovations in electronic commerce; *Information Technology and People*, 13(1): 46-66.
<http://dx.doi.org/10.1108/09593840010312753>
- [5] Jayawardhena C (2004). 'Measurement of service quality in internet banking: the development of an instrument', *Journal of Marketing Management*, 20: 185-207.
<http://dx.doi.org/10.1362/026725704773041177>
- [6] Hiltunen M, Heng L, Helgesen L (2004). Personalized Electronic Banking Services. In C.-M. Karat, J Blom, J Karat (Eds.), *Designing Personalized User Experiences in eCommerce*, 5: 119-140. Netherlands: Kluwer Academic Publishers.
- [7] Joseph M, McClure C, Joseph B (1999). "Service quality in the banking sector: The Impact of technology on service delivery", *International Journal of Bank Marketing*, 17(4): 182-91.
<http://dx.doi.org/10.1108/02652329910278879>
- [8] Parasuraman A, Zeithaml V, Berry L (1985). "A Conceptual Model of Service Quality and its Implications for Future Research," *Journal of Marketing*, 49(4): 41-50.
<http://dx.doi.org/10.2307/1251430>
- [9] Parasuraman A, Zeithaml V, Berry L (1988). "SERVQUAL": a multipleitem scale for measuring consumer perception of service quality", *Journal of Retailing*, 64(1): 12-40.
- [10] Yang Z, Jun M (2002). "Consumer perception of e-service quality: Internet Purchaser and Non-Purchaser perspectives", *Journal of Business Strategies*, 19(1): 19-41.
- [11] Jun M, Cai S (2001). "The key determinants of internal banking service quality: a content analysis", *International Journal of Bank Marketing*, 19(7): 276-91.
<http://dx.doi.org/10.1108/02652320110409825>
- [12] Zeithaml V A, Parasuraman A, Malhotra A (2000). "A Conceptual Framework for Understanding e-service quality: Implication for Future Research and Managerial Practice," Working Paper, Report No.00-115, Marketing Science Institute, Cambridge, MA.
- [13] Santos J, (2003). E-Service Quality : A Model of Virtual Service Quality Dimensions, *Journal of Managing Service Quality* 13(3), 233-246.
<http://dx.doi.org/10.1108/09604520310476490>
- [14] Carrington M, Languth P, Steiner T (1997). *The Banking Revolution- Salvation or Slaughter*, Pitman: London.
- [15] Kassim NM, Abdulla A.K.M.A (2006). The Influence of Attraction on Internet Banking: An Extension to the Trust –Relationship Commitment Model. *The International Journal of Bank Marketing* 24(6): 424-442.
<http://dx.doi.org/10.1108/02652320610701744>
- [16] Wang C, Wang Z (2005). The impact of Internet on Service Quality in the Banking Sector; Master's Thesis, Lulea University of Technology.
- [17] Abro, Q. M., Rashdi, P.I.S and Bhutto, A., (2010) 'Innovations in nanotechnology organizations', *Int. J. Technology and Innovation Management*, Vol. 7, No. 4, pp. 377-388.
<http://dx.doi.org/10.1142/S0219877010002069>
- [18] Abro, Q. M., Memon, N.A. and Rashdi, P.I.S. (2009) 'Strategic factors for enhancing the innovativeness of the nanotechnology firms', *Int. J. Business Innovation and Research*, Vol. 3, No. 6, pp.582-598
<http://dx.doi.org/10.1504/IJBIR.2009.027204>