Analysing relationship among service quality, satisfaction and loyalty in internet banking: a study from India

Sita Mishra
Institute of Management Technology Ghaziabad,
P.O. Box 137, Raj Nagar,
Ghaziabad 201 001, Uttar Pradesh, India
E-mail: smisha@imt.edu
E-mail: sitamish@gmail.com

Abstract: Internet banking is one of the most upcoming phenomena which is helping banking sector’s growth in India. With changing patterns of consumer behaviour and the increasing use of technology in the delivery of banking services in India, there is a need to understand consumers’ perspective towards service quality of internet banking. The objective of this paper is to identify features that determine the service quality perception by internet banking consumers in India. Furthermore, study analyses the impact of service quality on customer satisfaction and additionally customer satisfaction on consumer loyalty towards the bank. Data was analysed with SPSS 18.0 and AMOS 18.0. Structural equation modelling (SEM) was used as main analytical tool to analyse the cause and effect relation of the research model constructs.

Keywords: internet banking; service quality; consumer satisfaction; loyalty; India.


Biographical notes: Sita Mishra has more than 18 years of experience and presently working as an Associate Professor in IMT, Ghaziabad. In her previous stint, she worked in Marketing Division of Steel Company thereby helping herself in imparting better learning experience to her students. She has qualified National Eligibility Test for Faculty, conducted by University Grants Commission (UGC), Government of India, New Delhi, 1993 and is also a Junior Research Scholarship holder, granted by UGC. Her research interests include consumer behaviour, marketing communication, retail and services marketing, and brand management. She has published more than 40 research papers in international/national journals and presented papers in international/national conferences.

1 Introduction

India’s banking sector is on a high-growth trajectory and is expected to become fifth largest in the world by the year 2020 (KPMG-CII Report, 2013). To augment, it
requires alliance among service providers with financial institutions partnering with telecom and technology. Information technology is widely applicable to deliver banking services to the consumers in this dynamic and competitive environment.

Internet banking is one of the integral features of e-banking (which encompasses providing banking products and services through electronic delivery channel) with potential to change the structure and nature of banking. E-banking is an improvement over the traditional banking system because it has reduced the cost of transaction, processing, advanced the payment efficiency, financial services and developed the customer relationship. Internet banking is one of the most upcoming phenomena in the market which is helping banking sector’s growth in India.

Today, most of the banks are not only competing in traditional banking services, but have also expanded the scope of competition to an e-environment with internet banking services (Gonzalez et al., 2004). While the banks in developed countries are operating mostly through internet as non-branch banks, banks in the developing countries use the internet as an information delivery tool to develop and maintain relationship with customers. Internet banking opens up new avenues and horizons for banks as well as provides them global reach (Mavri and Ioannou, 2006).

Technology is creating convenience to customers as well as it allows banks to expand their businesses faster, build and maintain close relationships with their customers and bring down costs (Mols, 2000). DeYoung et al. (2007) described that internet banking helps in achieving more efficient and enhanced financial performance. Banks are now commencing internet banking as an assurance to their customers to uphold a competitive quality of service in the future, and in order to avoid losing their customers to the branches of foreign banks (Jenkins, 2007). Qureshi et al. (2008) mentioned that the core reasons of moving into the adoption of online banking services are perceived usefulness, perceived ease of use, security and enhancement of privacy.

In India, internet banking services are still in its early stages. Therefore, if banks have to acquire the benefits of this technology-based service, then they need to understand how the service is perceived by consumers. Apart from this, comprehending the factors affecting their level of satisfaction and permanence to deal with such services in future is crucial. Service quality allows companies to differentiate themselves from their competitors, increasing sales and obtaining market share. It also leads to repeat purchase behaviour and brand loyalty; even more, new customers are attracted through positive word of mouth (Wang et al., 2003). Service quality and customer satisfaction goes hand in hand in the banking sector (Avkiran, 1994). Banks realised that service quality in delivery is essential for their success and survival within today’s competitive and global environment (Wang et al., 2003).

Apart from service quality, banks understand customer satisfaction as one of the vital criteria for a successful banking industry. Currently, the perception of customers regarding service quality of internet banking has gained importance because service quality has been shown to be a strong predictor of customer satisfaction and loyalty (Dabholkar et al., 2000; Dean, 2002; Naeem and Saif, 2009). Customer satisfaction and loyalty has been shown to be of utmost importance for firm performance in the long run (Hallowell, 1996). Excellence in service quality is a key to accomplish customer loyalty that is the prime goal aim of business organisations, because of the advantages of customer retention (Ehigie, 2006).

With the patterns of consumer behaviour changing and increasing use of technology in the delivery of banking services, there is a need to understand the perception of
Analysing relationship among service quality, satisfaction and loyalty

59

consumers towards service quality of internet banking in Indian context. The objective of this paper is to firstly identify those aspects that determine the service quality perceived by internet banking consumers in India and secondly, to observe how service quality influences customer satisfaction and how customer satisfaction affects the loyalty towards the bank.

These three constructs (service quality, satisfaction and loyalty) have been analysed in many sectors and using scales already known, but the research studies which have examined these three together in case of banking institutions are still partial and moreover, studies done on actual consumers are rare in Indian context. Therefore, in this study, based on relevant literature, a new scale for service quality measurement in the banking sector is developed which is further linked with satisfaction and loyalty.

2 Literature review

2.1 Service quality

Service quality is predominantly imperative for financial service providers who characteristically offer products that are homogeneous in nature (Stafford et al., 1998). Various researchers have arrived to several dimensions for service quality measurements. However, the SERVQUAL instrument (Parasuraman et al., 1988), a 22-item scale that measures service quality along five factors, namely reliability, responsiveness, assurance, empathy and tangibles, forms the foundation on which all other works have been built.

Concept of SERVQUAL is applicable to an extensive spectrum of service sectors such as financial institutions, libraries, hotels, medical centres, etc. (Parasuraman et al., 1994). Kettinger and Lee (1994) identified four dimensions in a study of information systems (IS) quality, which did not have tangible dimension. Grönroos (2000) described three dimensions of service quality as output technical quality, service performance quality and organisation’s mental picture.

Othman and Owen (2001) have offered a model called CARTER, consisting of Complaint, Assurance, Reliability, Tangibles, Empathy and Responsiveness that includes 34 components. Sureshchandar et al. (2002) explained service quality from the customers’ perspective and discussed five dimensions viz. core service or service product; human element of service delivery; systematisation of service delivery; non-human element; tangibles of service and social responsibility. Though, Spohrer and Maglio (2008) mentioned that knowledge intensive services businesses require reliable methods of measurement, assessment and improvement.

Many researchers have developed a number of different scales to measure e-service quality. Yang et al. (2001) identified 19 internet service quality dimensions in three categories: product cost and availability; customer service and the online information system. Ribbink et al. (2004) discussed five dimensions in case of e-service viz. assurance; ease of use; e-scape; responsiveness; and customisation. Similarly, Yang and Jun (2002) redefined the service quality dimensions from online services perspective, and proposed seven dimensions such as reliability, access, ease of use, personalisation, security, credibility and responsiveness.

Tsikriktsis (2002) found two dimensions of customer culture were related to quality expectations in online banking. Ibrahim et al. (2006) investigated service quality for
various forms of e-banking services and revealed six dimensions of electronic service quality:

- convenient/accurate operations
- accessibility and reliability
- good queue management
- service personalisation
- friendly and responsive customer service provision
- targeted customer service provision.

2.2 Consumer satisfaction

Satisfaction is usually considered as a broader concept than service quality assessment, with service quality being a constituent of customer satisfaction or dissatisfaction (Zeithaml and Bitner, 2003). Boeselie et al. (2002) explained satisfaction as a positive, affective state resulting from the appraisal of all aspects of a party’s working relationship with another. From the growing body of literature on customer satisfaction, one can easily observe that there has been research work that measure satisfaction on single item (Cronin and Taylor, 1992) while other focus on multiple items (Oliva et al., 1992; Shemwell et al., 1998).

Bitner and Hubert (1994) introduced the concept of encounter satisfaction and applied four items to measure the customers’ overall satisfaction with the service provider. Sureshchander et al. (2002) considered customer as multi dimensional construct just as service quality and found that service quality and customer satisfaction are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another. According to Cronin and Taylor (1992) quality is one of the service dimensions factored in to customer satisfaction judgment.

2.3 Consumer loyalty

Retaining a customer is far more cost effective than acquiring a new one. In marketing literature, a large number of studies have been conducted to recognise the benefits that consumer loyalty brings to an organisation. Service loyalty is “the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition towards the provider, and considers using only this provider when a need for this service exists” (Gremler and Brown, 1996, p.173).

Customer satisfaction has been considered as leading determinant of loyalty (Lam and Burton, 2006). Most of the studies focused on the financial benefits derived from retaining customers, in addition to impacts such as increase in the number of purchases; raise the value of purchases; spread of positive word of mouth and the consumer’s better understanding of the organisation and vice versa. Colgate et al. (1996) described that within the banking industry, a reduction of defection from 17.8% to 15%, increased profits by 105%.
2.4 Indian studies

Several researchers (Bhat, 2005; Gupta and Bansal, 2012) have studied service quality in context of banking sector by varying number of dimensions affecting service quality. Prameela et al. (2012) compiled literature related to e-banking loyalty in order to understand the overall structure of formation of e-loyalty.

Khare (2010) carried out a study in India to explore consumer’s perceptions about online banking and found that customers are using the services but are sceptical about the financial transactions and service quality dimensions. Singh and Kaur (2013) studied impact of six factors (ease of use, reliability, convenient accessibility, security, low transaction cost and the time consumption) on customer satisfaction and found ease of use, low transaction cost and security as significant factors.

Kumbhar (2011) evaluated the association between perceived quality, brand perception and perceived value with satisfaction. Findings of the study indicated compensation, convenience, contact facilities, easy to use, responsiveness, cost effectiveness and system availability as most important dimensions in the eBankQual model.

Singh (2011) examined current scenario of multichannel banking in India and discussed the impact of ATM, internet banking and Tele-banking services on customer satisfaction and retention by leading Indian banks. Findings of the study revealed that information and communication technology channels have positive impact on the customer satisfaction.

Mittal and Gera (2012) examined relationship of the service encounter constructs of perceived service quality dimensions, customer satisfaction and perceived value with behavioural intentions in public sector banks in India and found service quality has significant direct effect on customer value perceptions, satisfaction judgements and behavioural intentions. Kumar and Dash (2013) in their study measured service quality for Indian banks and established a causal relationship of service attributes performance with customer satisfaction using SERVQUAL model and found the service dimension of intangibles had a higher possibility to improve customer satisfaction.

3 Relationship among service quality, satisfaction and loyalty

Over the past few years, there has been an increased prominence on studying service quality and customer satisfaction in business and academic researchers and most of the studies indicated positive relationship between these two constructs (Parasuraman et al., 1988; Spreng and Mackoy, 1996; Sureshchander et al., 2003; Ribbink et al., 2004). Yavas et al. (1997) conducted their study in Turkey banking sector and revealed tangibles, empathy and responsiveness to be important predictors of customer satisfaction while Arasli et al. (2005) shown the higher impact of assurance, reliability, empathy and tangibles dimensions on customer satisfaction in Cyprus.

In a similar study, Zhou (2004) reported reliability and assurance dimensions as important predictor of consumer satisfaction in China. Likewise, Baumann et al. (2007) in their study of Australian banking consumers disclosed impact of every dimension of service quality apart from tangibility on the customer satisfaction. Yee et al. (2010) conducted a survey of 210 high-contact service shops in Hong Kong and established a positive influence of service quality on customer satisfaction. However, Al-Hawari and
Ward (1996) have shown non-significant relationship between internet service quality and satisfaction.

Many studies have examined the positive relationship between consumer satisfaction and their willingness to continue the relationship and make repurchases but Grönroos (2000) described “this function is normally far from linear”. Satisfaction does not guarantee loyalty. There is possibility of consumer defect even after satisfaction. Banwari and Walfried (1998) in their study have shown that 65–85% of customers that defected pointed out that they were satisfied while Levesque and McDougall (1993, p.52) suggested that, “even a problem is not solved, approximately half of the customers would remain with the firm”. Customers may continue with a service provider as they generally have a good opinion of the provider and may consider the service failure as an aberration. Gustafsson et al. (2005) found satisfaction across the product and service provided by e-banking has a strong positive effect on customer loyalty.

3.1 Research hypotheses

In light of above literature review, a series of hypotheses were developed in order to explore the relationship among consumers’ perception regarding service quality, satisfaction and loyalty in internet banking.

- **H1**: Different factors of service quality have a positive and significant influence on quality.
- **H2**: Consumers’ perception regarding service quality of internet banking has a positive and significant influence on the satisfaction.
- **H3**: Consumer’s satisfaction with internet banking services has a positive and significant influence on loyalty.

4 Research objectives and methodology

Research questions:

- What factors influence internet banking service quality in India?
- Does consumer’s perception regarding service quality leads to satisfaction in internet banking?
- Does satisfaction with internet banking services directs loyalty?

4.1 Research objectives

The previous discussion presents a concise overview of internet banking and emphasises the need to further strengthen understanding of internet banking services in the context of customer satisfaction and loyalty. Consequently, the following research objectives were considered useful for exploration in context of internet banking services in India:

- to analyse the impact of the factors on service quality regarding internet banking services
- to determine the impact of users’ perceived quality on satisfaction
Analysing relationship among service quality, satisfaction and loyalty

- to establish the relationship between consumers’ satisfaction and loyalty with respect to internet banking services
- to study the correlation between the different constructs in the model of the study.

4.2 Sample and data collection

On the basis of literature review, the questionnaire for the study was designed and pilot testing was done with a sample of 16 consumers. Few modifications in phrasings and the questions were carried out after pilot survey. The main survey was conducted online with a free survey conducting portal www.google.com. First question of questionnaire was qualifying question regarding whether respondent is using internet banking or not. Respondents were asked to continue further if their answer to this question was ‘yes’. Total 205 complete responses were considered for the study.

The questionnaire comprised of two sections; first section dealt with demographic profile of respondents while second section looked for responses towards various statements related to service quality, satisfaction and loyalty in context of internet banking. Total 20 statements drawn from the relevant literature were considered in this section. These statements were measured by five point Likert scales of agreement, running from strongly disagree to strongly agree. These statements were subjected to a factor analysis for identification of the key factors preferred by the respondents. All scale items were examined and reverse-coded wherever appropriate to reflect the hypothesised directions. Preliminary data screening was carried out for missing values and outliers, and the normality of the dataset was also tested. Data were analysed with SPSS 18.0 and AMOS 18.0. We have used structural equation modelling (SEM) as main analytical tool to analyse the cause and effect relation of the research model constructs.

Demographic characteristics of respondents were examined, sample comprised of 184 male and 21 females. In all, 137 respondents were belonging to an age group of 18 and 35 while 47 and 21 respondents were from more than 35–45 years and more than 45 years categories, respectively.

5 Findings and discussions

5.1 Factors influencing internet banking service quality

Principle component analysis (PCA) with varimax rotation was conducted on 16 measurement items to screen them and identify the underlying dimensions of consumers’ perceived service quality. The rule of minimum eigenvalue of 1.0 was applied. Only those items were selected whose factor loadings were at least 0.50 in PCA. The measurement items of the ‘tangible’ dimension were not appropriately loaded; as a result, this dimension was completely deleted. Remaining, four dimensions of SERVQUAL Reliability, Responsiveness, Empathy and Assurance were used for the final analysis. The PCA produced four factors: responsiveness value 5.4, reliability with eigenvalue 2.3, accuracy with eigenvalue 2.1 and empathy with eigenvalue 1.8. The four identified factors affecting consumer’s perceived service quality explained 73.795 of the total variance.
In this study of Indian online banking, tangible dimension of SERVQUAL was left out. One possible justification for this can be unique characteristics of online banking services perceived by Indian consumers. Respondents may not considering importance of visual appealing website and technology, as these seems to be the obligatory features of internet facility. Accordingly, users’ assessments for service quality are mainly influenced by the reliability, responsiveness, assurance and empathy features of online banking. This finding is similar to issue raised by Van Dyke et al. (1999) regarding the dimensional instability of SERVQUAL.

Table 1 depicts the KMO and overall significance of correlation matrices with the help of Bartlett’s test of sphericity, which supported the application of factor analysis. Table 2 shows the factors underlying the consumers’ perceived service quality with factor loadings and Cronbach’s  \( \alpha \) (reliability). Reliability of the constructs demonstrates high internal consistency of the constructs. Value of Cronbach’s  \( \alpha \) exceeded 0.7 in each case which indicates that factor analysis is appropriate for the dataset (Nunnally and Bernstein, 1994).

These items were consequently subjected to confirmatory factor analysis (CFA) to examine the proposed hypothesis and relationships amongst the constructs taken. A completely standardised solution produced by Amos 18.0 using maximum likelihood method was taken. This confirmed the unidimensionality of the constructs and provided strong empirical verification of their validity.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>KMO and Bartlett’s test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin measure of sampling adequacy</td>
<td>0.810</td>
</tr>
<tr>
<td>Bartlett’s test of sphericity</td>
<td>Approx. chi-square: 533.843</td>
</tr>
<tr>
<td></td>
<td>df: 171</td>
</tr>
<tr>
<td></td>
<td>Sig.: 0.000</td>
</tr>
</tbody>
</table>

| Table 2 | Constructs and factor loading |
| --- | --- | --- | --- |
| Constructs | Indicator | Factor loading | Cronbach’s  \( \alpha \) |
| Responsiveness | Res1 | 0.732 | 0.764 |
| | Res2 | 0.805 |
| | Res3 | 0.819 |
| | Res4 | 0.759 |
| | Res5 | 0.672 |
| Reliability | Rel1 | 0.898 | 0.792 |
| | Rel2 | 0.839 |
| | Rel3 | 0.754 |
| | Rel4 | 0.690 |
| | Rel5 | 0.748 |
| Accuracy | Acc1 | 0.835 | 0.813 |
| | Acc2 | 0.703 |
| Empathy | Emp1 | 0.692 | 0.794 |
| | Emp2 | 0.721 |
As value of CR is more than 0.6 which is desirable (Bagozzi, 1994), thus this requirement is met for all four factors. Average variance extracted (AVE) was also calculated for each construct, and is more than 0.5 for each factor (Fornell and Larcker, 1981). Discriminant validity verifies if a determined construct is significantly distinct from other construct that are not theoretically related to it. On the basis of the criteria mentioned above, it can be concluded that the measures in the study provided sufficient evidence of reliability, convergent and discriminant validity.

To examine the goodness-fit of the measurement model for service quality factors, CFA was carried out. Amos version 19 was used for the structural modelling analysis. As proposed by Garver and Mentzer (1999) the non-normed fit index (NNFI); the comparative fit index (CFI) and the root mean squared approximation of error (RMSEA) are calculated. The normally applied fit indices are NNFI and CFI (>0.90 indicates good fit), RMSEA (<0.05 indicates acceptable fit) and commonly used χ² statistic (χ²/df ratio of 3 or less). Table 3 indicates the measurements of various parameters for Goodness of fit.

The model provides the good fit to the data with a Chi-square (χ²) = 147.5, df = 31, P = 0.000 (P < 0.05). χ²/df = 4.758 is satisfactory, as the value of χ²/df is <5, it is believed to be satisfactory to accept the model (Thomson et al., 2005). In addition to χ² and χ²/df, six other indices, goodness of fit index (GFI), incremental fit index (IFI), comparative fit index (CFI), normed fit index (NFI), Tucker-Lewis index (TLI) and root mean square error of approximation (RMSEA) were used to examine the model fit of the measurement model for service quality factors. Perusal of values of these six indexes (as shown in Table 4) calculated in the current study indicates: CFI = 0.912, TLI = 0.929, NFI = 0.916, GFI = 0.939, IFI = 0.904 and RMSEA = 0.046. Thus, the study meets typical cut-off criteria; the values of CFI, TLI, NFI, GFI, IFI should be ≥0.90 and more specifically, the value of RMSEA should be below 0.05.

<table>
<thead>
<tr>
<th>Factor validity test results</th>
<th>CR</th>
<th>AVE</th>
<th>MSV</th>
<th>ASV</th>
<th>Convergent validity AVE &gt; 0.5</th>
<th>Discriminant validity MSV &lt; AVE ASV &lt; AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness</td>
<td>0.853</td>
<td>0.593</td>
<td>0.127</td>
<td>0.104</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Convenience</td>
<td>0.752</td>
<td>0.613</td>
<td>0.127</td>
<td>0.105</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Reliability</td>
<td>0.816</td>
<td>0.624</td>
<td>0.134</td>
<td>0.096</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Accuracy</td>
<td>0.851</td>
<td>0.659</td>
<td>0.084</td>
<td>0.082</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2 Structural model analysis

With the objective of testing the proposed hypotheses, a structural equation model was developed. The results are shown in Table 5 and in Figure 1, respectively.

The results shown in Table 5 indicate that responsiveness and reliability have a positive and significant effect on service quality in case of internet banking while empathy and assurance have positive effect on service quality but not significant. Thus, H1 was supported partially. Service quality has positive and significant effect on satisfaction as well as satisfaction is significantly and positively associated with loyalty. Thus, H2 and H3 were supported.
Table 4  Model fit summary for path model

<table>
<thead>
<tr>
<th>Key goodness of fit parameters</th>
<th>Criteria</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative fit index (CFI)</td>
<td>&gt;0.9</td>
<td>0.912</td>
</tr>
<tr>
<td>Tucker-Lewis index (TLI)</td>
<td>&gt;0.9</td>
<td>0.929</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>&gt;0.9</td>
<td>0.916</td>
</tr>
<tr>
<td>Goodness of fit index (GFI)</td>
<td>&gt;0.9</td>
<td>0.939</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>&gt;0.9</td>
<td>0.904</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>&lt;0.05</td>
<td>0.043</td>
</tr>
</tbody>
</table>

Figure 1  Structural equation model of service quality, satisfaction and loyalty (see online version for colours)
Standardised regression weights (as depicted in Table 6) were used to evaluate the relative contributions of each predictor variable to each outcome variable. As shown in Figure 1, the factors having influence on service quality were reliability, responsiveness, empathy and assurance (having value 0.727, 0.488, 0.377 and 0.303, respectively). Consequently, internet banking management should place more importance on offering reliable, responsible, assured and empathic customer service. Reliability is found to be strongest predictor of service quality of internet banking in India followed by responsiveness. These two factors were significantly and positively related with service quality. As a result, in India banking institutions need to emphasise utmost on these two factors. Impact of service quality on satisfaction was 0.891 and impact of satisfaction on loyalty was 0.901. This is in line with other studies (Patterson and Spreng, 1997; Hellier et al., 2003; Ranaweera and Prabhu, 2003), which emphasise positive relationship between online customer satisfactions and repurchase intention.
### Table 6  Standardised regression weights: (group number 1 – default model)

<table>
<thead>
<tr>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>qua ← ass</td>
</tr>
<tr>
<td>qua ← res</td>
</tr>
<tr>
<td>qua ← Emp</td>
</tr>
<tr>
<td>qua ← rel</td>
</tr>
<tr>
<td>sat ← qua</td>
</tr>
<tr>
<td>loy ← sat</td>
</tr>
<tr>
<td>ass2 ← ass</td>
</tr>
<tr>
<td>ass1 ← ass</td>
</tr>
<tr>
<td>res5 ← res</td>
</tr>
<tr>
<td>res4 ← res</td>
</tr>
<tr>
<td>res3 ← res</td>
</tr>
<tr>
<td>res2 ← res</td>
</tr>
<tr>
<td>res1 ← res</td>
</tr>
<tr>
<td>rel1 ← rel</td>
</tr>
<tr>
<td>rel2 ← rel</td>
</tr>
<tr>
<td>rel3 ← rel</td>
</tr>
<tr>
<td>rel4 ← rel</td>
</tr>
<tr>
<td>rel5 ← rel</td>
</tr>
<tr>
<td>emp2 ← emp</td>
</tr>
<tr>
<td>emp1 ← emp</td>
</tr>
<tr>
<td>sat1 ← sat</td>
</tr>
<tr>
<td>sat2 ← sat</td>
</tr>
<tr>
<td>loy1 ← loy</td>
</tr>
<tr>
<td>loy2 ← loy</td>
</tr>
</tbody>
</table>

### 6 Conclusion

The current study makes a contribution to understand the key dimensions of internet banking service quality in India. Factor analysis is used to arrive at SERVQUAL dimensions relevant to Indian consumers. The respondents perceived reliability, responsiveness, empathy and assurance as important dimensions affecting service quality in internet banking. Despite five factors of SERVQUAL are highly correlated and significant with service quality in most of the studies, findings of this study show that tangibles are not important in case of internet banking in India. Tangibles, which involves the physical facilities, equipment, personnel and communication materials is not regarded as predictive factor for internet banking services.

Furthermore, the focus of this study is to analyse a link between service quality, customer satisfaction and loyalty for internet banking services in India. Measuring and
Analysing relationship among service quality, satisfaction and loyalty

modelling the strong predictors suggested in this study may be sufficient. The current study demonstrates service quality to be significantly related with satisfaction and satisfaction is highly associated with loyalty. Thus, improvement in service quality will lead to high satisfaction which may result into developing loyalty among consumers.

The research findings of this study suggest a number of implications to internet banking service providers in India. Internet banking lacks face to face interactions albeit importance of responsiveness, reliability, empathy and assurance is still realised by customers. These dimensions directly make impact on consumers’ perception of overall service quality in internet banking. Thus, internet banking service providers should not consider general measures of online service quality, but should ensure to evaluate various dimensions of online service specific to their industry.

Reliability is found to be the most vital dimension affecting Indian consumers’ perception of internet banking service quality. Consequently, service providers need to pay utmost importance to preserve and enhance the reliability of internet banking services. As internet banking lacks direct human interaction, Indian consumers may be considering reliability (i.e., freedom from risks pertaining to financial, confidentiality and technical security) to be most important issue. Thus, if the reliability dimension of internet banking is taken care, definitely it can upsurge service quality and customers’ satisfaction with online banking.

Surprisingly, tangibility is not regarded as important dimension to influence internet banking service quality. This implies that Indian consumers are not be able to realise the impact of technological or other infrastructural materials (such as website design) on internet banking as they are not able to see all these. They may be overlooking this dimension because it is most implicit item and as a result they may not associate it with service quality.

The strong positive relationship between internet banking service quality and customer satisfaction advocates that customers are more likely to be satisfied when they perceive internet banking service quality to be high and subsequently will be more loyal with their bank. Internet banking service providers should also measure satisfaction continuously in case they aspire customers to remain loyal to their online banking services. It is pertinent for them to understand how to create, offer and enhance value for customers’ service quality. There is need to look beyond simply providing good online service quality so as to satisfy their customers and build strong, enduring relationships with them.

Though, SERVQUAL model is used by practitioners across service industry but till date there exists academic discussion regarding its structure and dimensionality. SERVQUAL model specifically measures the process quality dimensions but it is silent in addressing the service encounter outcomes. Thus, future study may focus on outcome quality dimension which is also an important part of service quality evaluations. Apart from this, future study can also examine the dimensions and their impact on internet banking service quality across a wider sample of banks (internet-only banks vs. bricks-and-mortar banks) and across different countries in order to extend the model’s generalisability.
References


Analysing relationship among service quality, satisfaction and loyalty  


S. Mishra


