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Impact of SERVQUAL Dimensions on consumer Satisfaction from Mobile Banking in Mid-Size Banks of India

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Abstract

The present study focuses on investigating the influence of SERVQUAL dimension on consumer satisfaction of mid-size banks in India. In order to represent Indian mid-size banks data was collected from two top performing mid-size banks. Dimensions of SERVQUAL model (Responsiveness, reliability, assurance, Empathy, and tangibles) are taken as independent variables whereas consumer satisfaction is considered as the dependent variable. The questionnaire was developed and distributed to consumers of Yes Bank and IndusInd Bank in India. A sample of 836 was gathered with the help of purposive sampling. Respondents were selected from four metros of India with the highest population namely Chennai, Mumbai, Delhi, and Kolkata. Data gathered from the questionnaire was analyzed with the help of Pearson correlation and multiple regressions. The study conducted found that assurance and empathy and a relationship with customer satisfaction however tangibles, responsiveness, and reliability has no significant relationship with customer satisfaction. The study found banks should focus more on assurance and empathy as key indicators of consumer satisfaction in mobile banking services provided by mid-size banks in India.

Keywords: Mobile Banking, SERVQUAL, Customer Satisfaction, India, Mid –Size Banks.

Introduction

Financial institutions in India are internet enabled platforms to provide better services to customers. E-Banking is a buzz word nowadays which provides speedy and convenient services to consumers (Nupur, 2010). Mobile banking is a mobile application based service and becoming very popular among customers.Mobile banking helps customers to avail various banking services like insurance, paying fees of different, transferring and receiving funds through the application of a bank. All banks be it large size, mid-size or small size are providing these services to customers to increase its operational efficiencies and profits.

Moreover, service quality of mobile banking and its impact on consumer satisfaction it an important matter of research.This will not only help banks to take strategic decisions but also provide information to the government. It will be easy for the service provider to compete against other banks and also focus on those dimensions of service quality which have an impact on customer satisfaction.SERVQUAL is a popular instrument to measure the quality of service from the consumer perspective.This scale is adapted and tested in various service industries and cultural contexts /geographical locations (Aghdaie and Faghani, 2012). However, very few studies have been conducted in India which is establishing a relationship between service quality dimensions of mobile banking service providers and customer satisfaction in mid-size banks of India.

Thus, the present paper is trying to examine the relationship between mobile banking service quality and customer satisfaction in mid-size banks of India.

Review of Literature

Mobile banking is generally referred to as M-banking. Mobile banking is an internet based application which helps customers to perform all banking related transactions (Kim et al., 2009). Mobile banking is an additional and continent platform which helps consumers in managing money without involving cash in it (Karjaluoto, 2002). There are various factors affecting satisfaction from mobile banking which includes

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convenience and security as primary influencer whereas cost, reliability, network procedure, confidentiality and knowledge also have an important role in it Deb et al. (2011).

Satisfaction is a feeling of pleasure derived by consuming product or service (Kotler& Keller, 2009).

(Al-Jazzazi,2017) Quality of service can be understood as a comprehensive customer evaluation of a particular service and the extent to which it meets their expectations and provides satisfaction.

Parasuraman (1988) defines service quality as "the differences between customer perceptions and expectations of service".

Another way of measuring service quality is to form an attitude and opinion on the basis of long term evaluation of services (Bitner& Hubert, 1994).

By understanding service quality various banks will be able to provide better services which might help in increasing customer satisfaction (Ghylin et al., (2008).

SERVQUAL is the most popular model to measure the services across various service organization which includes banking, hotel or healthcare industry.Berry, Parasuraman and Zeithaml (1988) created this instrument to measure consumer perception. This instrument is proven to be consistent and reliable by other authors (Brown et al., 1993). Parasuraman et al. (1988) presented SERVQUAL with ten dimensions which were further refined and Zeithaml et al (2006) proposed five dimensions of SERVQUAL model.

(Anderson & Sullivan, 1993) proved that customer satisfaction is the result of service quality. Cronin (2000) examined the relationship between service quality and customer satisfaction across six industries and found that service quality influence customer satisfaction. Aghdaie and Faghani (2012) conducted a mobile banking study and found four dimensions of SERVQUAL model affect consumer satisfaction which is responsiveness, tangibility, reliability, and empathy whereas assurance does not have any relationship with customer satisfaction in case of mobile banking. Banks try to satisfy customers by increasing the perceived service quality; in this respect, (Parasuraman, 1985) stated the importance of a strong relationship between quality of service and customer satisfaction. In other words, one can state that the most important fact is that the customer is at the centre of attention (Braciníková, 2017).Shohag (2013) found that mobile users have an average level of customer satisfaction from mobile banking. (Golec,2018) Banks have imperative needs in the competitive market to find methods to improve service quality, and to systematically attain, monitor, and maintain this quality in order to reach optimal customer satisfaction. (C injarevic, 2018)emphasizes on the importance of the sustainability of service quality dimensions in their empirical research into the banking industry. A study by (Wikhamn, 2019) concludes that sustainable human resource management practices improve the capability of the service to have satisfied customers.

All the above-discussed research found a relationship between SERVQUAL dimensions and customer satisfaction but not this relationship is not studied with respect to Indian mid-side banks which is identified as a research gap. Thus the research attempts to explore the relationship between five dimensions of SERVQUAL on customer satisfaction from mobile banking services offered by mid-size banks.

Objective of the Study

How does the SERVQUAL dimension of mobile banking of mid-size banks help to satisfy the customers?

Hypotheses and Framework

The study is trying to understand the effect of Mobile Banking Service Quality dimensions on customer satisfaction in mid-size banks of India. The operational definitions of these SERVQUAL dimensions are stated below

Tangibles

The interior and exterior of my bank, furniture and fixture, parking space, drinking water facility, receipt and payment counter, brochures and pamphlets, signage boards.

Employee Responsiveness

Willingness of mobile banking service agents to help the customers, Responsive service providers.

Assurance

Security of transactions, knowledge provided by the service provider.

Reliability

Prompt and quick services, hassle-free banking.

Empathy

Creating awareness about mobile banking and its operations, particular about solving mobile baking issues and problems.

From the above, an in-depth review of literature, it can be assumed service quality (mobile banking) and customer satisfaction have a strong relationship in India.

Following Hypotheses (H) is formulated to study the relationship;

H1

There is a strong association between service quality and customer satisfaction in Mid-size banks of India.

As service quality has five dimension tangibility, assurance, empathy, reliability, and responsiveness, above hypotheses is divided into five sub-hypotheses.

H_{0a}

There is no association between tangibility dimension and customer satisfaction of mobile banking.

H_{1a}

There is an association between tangibility dimension and customer satisfaction of mobile banking.

H_{0b}

There is no association between dimension reliability and customer satisfaction of mobile banking.

H_{1b}

There is an association between the reliability dimension and customer satisfaction of mobile banking

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H$_{0c}$

There is no association between the responsiveness dimensionand customer satisfaction of mobile banking

H$_{1c}$

There is an association between the responsiveness dimension and customer satisfaction of mobile banking.

H$_{0d}$

There is no association between the empathy dimensionand customer satisfaction of mobile banking.

H$_{1d}$

There is an association between the empathy dimension and customer satisfaction of mobile banking.

H$_{0e}$

There is no association between assurance dimensionand customer satisfaction of mobile banking.

H$_{1e}$

There is an association between assurance dimension and customer satisfaction of mobile banking.

Research Methodology

Sample Selection and Collection of Data

In order to conduct this study four metros of India are selected which have the highest population. Two top-performing mid-size banks Yes bank and IndusInd bank are considered to represent mid-size banks of India. These four metros have the highest number of branches of these two banks. A structured questionnaire was formulated using a five-point Likert scale to measure customer satisfaction. The

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questionnaire was divided into three sections where section A had a demographic question,section B had questions related to five dimensions of service quality and section C had questions related to mobile banking application.Data was collected with the help of online with the help of purposive sampling. A total sample of 836 was collected from two banks (420 customers of IndusInd Bank and 416 customers of Yes Bank).

Data Analysis

In order to analyze the data collected from two banks researchers has used frequency analysis correlation and regression. The relationship hypothesized in the study is examined with the help of Pearson correlation and multiple regression analysis techniques.

Analysis and Results

The research design is used is exploratory in nature as it is trying to explore a relationship between SERVQUAL dimension and customer satisfaction of Indian mid-size banks. The data gathered with the help of questionnaire was first of all tabulated into the sheets and analyzed with the help of SPSS. After that descriptive analysis was conducted to analyze the profile of responded and mean values of service quality dimensions and customer satisfaction were calculated, which was important to reach a concrete conclusion. This was followed by Pearson's correlation coefficient and finally, regression analysis was used to estimate the cause and effect relationship between the variables of services quality and customers satisfaction. below mentioned is the analysis and findings of the study.

Mobile banking

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
Mobile banking	.330	.109	.104	.70441

ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	50.338	5	10.068	20.290	.000
	Residual	411.841	830	.496		
	Total	462.180	835			

Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.937	.307		3.048	.002	.334	1.541
	Facilities at the Bank (X1)	.022	.064	.014	.341	.734	-.104	.148
	Employee Responsiveness(X2)	-.102	.054	-.090	-1.882	.060	-.209	.004
	Reliability(X3)	-.047	.091	-.031	-.509	.611	-.226	.133
	Assurance(X4)	.448	.091	.264	4.904	.000	.269	.627
	Empathy (X5)	.395	.108	.182	3.656	.000	.183	.608

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Interpretation

Above regression, modal demonstrate the relationship between the dependent and independent variables used in the present study. To determine the relationship between the dependent and independent variable multivariate regression and correlation statistical techniques have been used. The correlation coefficient measured value was. 330 which shows there is a Low degree of correlation between all the variables. The coefficient of determination (R^2) and Adjusted R^2 were .109 and .104 respectively which implies that selected independent variables have a 1.04% impact on DV. The result of R^2 has been verified or tested by the Durbin- Watson test. Results reflect that there exists a low degree of the positive correlation coefficient. To test the significance of the above correlation coefficient, the ANOVA test has been applied. The value of 'F' ratio was found 20.290 at a significance level of 5%. 'P' value reflects that the value of the correlation coefficient is significant in nature since it is less than 0.05. From the above ANOVA table, F value is significant (significant value is less than 0.05) it means dependent variables are more reliable. This implies that results are significant. Above table also indicates Alpha and Beta coefficients of Multivariate Regression model. The table reflects that for all independent variables which are significant, the regression coefficient is positive. For testing of its significance 't' test has been applied. Hence the regression equation will be

Customer satisfaction for Mobile Banking Services as a Dependent Variable (Y):

$Y = B_0 + B_4*X_4 + B_5*X_5 + e_1$

From the above table regression equation:

$Y= .937+ .448*X_4 + .395*X_5 + e_1$

The variables considered in the equation are:
1. Y, customer satisfaction is the response variable;
2. X_1 facilities at the bank are the first predictor variable;
3. X_2 Employee Responsiveness is the second predictor variable;
4. X_3, Reliability the third predictor variable;
5. X_4, Assurancethe fourth predictor variable; and
6. X_5, Empathy is the fifth predictor variable;
7. e_1, the residual error, which is an unmeasured variable.
8. B_0, the Y-intercept;

Thus the alternative hypotheses there is an association between tangibility dimension and customer satisfaction of mobile banking,There is an association between the reliability dimension and customer satisfaction of mobile banking,There is an association between responsiveness dimension and customer satisfaction of mobile banking are rejected and two other alternative hypotheses: There is an association between empathy dimension and customer satisfaction of mobile banking,There is an association between assurance dimension and customer satisfaction of mobile banking are accepted.

Conclusion

The study found that two dimensions of service quality have an impact on customer satisfaction of mid-size banks which are assurance and empathy and highlighted that the other three dimensions of SERVQUAL model which are tangible, reliability and responsiveness is not affecting customer satisfaction.hence banks in India should pay close attention to these dimensions to increase customer satisfaction from mobile banking. Tangible and reliability might be perceived as hygiene factors by customers and hence their absence may affect the customer satisfaction but their presence is not affecting satisfaction among customers of two banks take into consideration.

Managerial Implications

Mobile banking is an upcoming concept in the Indian banking industry where marketers are trying to provide it to customers as it is a cost-effective interactive platform and may help banks in increasing their operational efficiencies. As the study found empathy and assurance are two important dimensions of SERVQUAL model which affect customer satisfaction so bank manager and strategy makers should try to focus more on these two elements of service quality and in addition to this customer satisfaction level should be measured on yearly basis as it keeps on changing which might help marketer to understand the area of improvement. The study also found that less than 50% of customers are using mobile banking as an interactive platform so banking officials should educate, train and persuade customers to use these platforms. Benefits of mobile banking should be explained by the bank employees who might help them in using this interactive platform. Mobile banking is secure and safe, this information should be communicated to customers which might result in higher numbers of mobile users of mid-size banks like Yes Bank, IndusInd bank or Kotak Mahindra Bank. The Indian banking industry as a whole can focus little more on empathy and assurance as it has an impact on consumer satisfaction from mobile banking.

Limitations of the Study and Directions for Future Research

There are some limitations for conducting this research which is given below:
1. Data is collected from four metro cities of India but customers in rural and semi-urban areas are to have a different point of view.
2. The questionnaire was used as an instrument of research which might not be able to collect the subjective opinion of customers
3. Only Yes bank and IndusInd bank are considered two represent mid-sized banks.

Direction for further research:
1. Other research can focus on the impact of mobile banking on profitability in mid-sized banks in India.
2. Other studies can be conducted on other efficient mid-size banks like Kotak Mahindra

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