

Underpinnings of Customer Satisfaction and Loyalty in Indian Technology Banking: Comparison between Private and Government Banks

Extended Abstract

Key words: Service Quality; Customer Satisfaction & Loyalty; Technology Banking; Private and Government Banks; Structural Equation Modeling (SEM); Discriminant Analysis

Introduction:

Due to turbulence in the financial markets, consumer confidence has been affected adversely. In this scenario, banking industry is one such industry which has become highly competitive in nature. So, the importance of customer satisfaction and loyalty has increased manifold. Banking industry has evolved over the times to use lot of technology in service delivery process e.g. ATMs, online banking, phone banking etc. In fact, rise of information technologies (IT) especially the internet, have changed the delivery process of retail banking as human-human interactions in service delivery is increasingly replaced by digital technologies (Bitner et al., 2000). The usage of digitization actually increases the efficiency and effectiveness of service delivery. However, there is a need to implement proper strategy for increasing the level of customer satisfaction and loyalty (Roy and Shekhar, 2010), while using the technology-based services; as customers are still not ready and confident enough to avail the tech-based service delivery and handle those technology interfaces (Parasuraman, 2000).

Research Gap and Research Problem:

There have been studies which have looked at service quality dimensions in technology based banking (Mittal and Gera, 2013; Parasuraman et al, 2005). But the dimensions identified are technology specific. This study aims to identify the generic service quality dimensions of technology banking, in India which influences the customer satisfaction and loyalty. These underpinnings of customer satisfaction and loyalty will be identified by looking at two different sets of banks viz. private and government banks. This is because the technology implementation levels are different at these two categories of banks and so the perceptions of customers about the service quality dimensions and their effects on customer satisfaction and loyalty are also likely to differ. Hence, this research provides a significant contribution to the banking services literature by identifying the service quality dimensions for technology banking (in generic terms) in India and testing how these dimensions discriminate between satisfied and unsatisfied customers as well as between loyal and disloyal customers for two different types of banks in India - private and government banks.

Objectives of the study:

The specific objectives that we intend to meet are -

- (1) Identify the generic service quality dimensions of technology based banking in India, w.r.t. both private and government banks.
- (2) To check how these dimensions discriminates between satisfied and unsatisfied customers as well as between loyal and disloyal customers in both types of banks.

Research Methodology and Analysis:

The survey instrument was developed based on literature review. Data were collected through online questionnaire from different parts of India. The sample was chosen with qualifying criteria of them being users of technology-based banking. Of the 700 responses, 632 were usable, resulting in a 90.3 percent response rate, which is more than reasonable for a survey of this type. 240 responses were from the customers of government bank while rest 392 was from the private bank. Respondents were asked to state their level of agreement with the series of statements using a seven-point Likert scale ranging from “strongly disagree” to “strongly agree.”

Data analysis proceeds in three steps. First, the exploratory factor analysis (EFA) is used to identify the underlying dimensions of service quality for technology-based banking. EFA was performed on the 18 items of the measurement scale using the principal component analysis with varimax rotation. Also EFA was performed to check the uni-dimensionality of customer satisfaction and loyalty. Next, confirmatory factor analysis (CFA) was used to confirm the factor structure of service quality. Then discriminant analysis was used in order to check which dimensions were differentiating between satisfied and unsatisfied customers as well as between loyal and disloyal customers in both types of banks.

Findings of the study:

From EFA the service quality dimensions that were extracted for -

Government Banks:

(1) Call Centre Service: The service provided to customers through call centers.

(2) Technology Reliability: The reliability of the technology used.

(3) Technology Accessibility & Information Handling: The advantage of accessing banking services through technology and proper handling of information.

(4) Technology Information Quality & Convenience: Quality of information provided through technology and convenience of using technology.

Private Banks:

(1) Call Centre Service: The service provided to customers through call centers.

(2) Technology Reliability: The reliability of the technology used.

(3) Technology Convenience: The convenience of using technology.

(4) Technology Accessibility & Information Provision: Quality of information provided through technology and advantage of accessing banking services through technology.

All the factors had satisfactory value of Cronbach's alpha (above 0.7). Cronbach's alpha for customer satisfaction and loyalty were also above 0.9 for government and private banks, which confirmed their reliability and the EFA on the items also confirmed uni-dimensionality.

After identifying four clear factors through exploratory factor analysis, the next stage is to confirm the factor structure. Structural equation modeling (SEM) using AMOS 20.0 was used to perform the CFA. All the 6 constructs were taken for CFA viz. the 4 service quality dimensions, as well as customer satisfaction and loyalty. Confirmatory factor analysis revealed that the measurement items loaded in accordance with the pattern revealed in the exploratory factor analysis for both types of banks. The measurement models for both government and private banks indicated an acceptable model fit. Evidence of the reliability of the scale is provided through satisfactory composite reliability (CR) and average variance extracted (AVE) scores of the different factors obtained (Fornell and Larcker, 1981; Hair et al., 2006). The convergent and discriminant validity of the constructs were also checked.

Then the discriminant analysis was used. The dependent variables were satisfaction (satisfied / unsatisfied) and loyalty (loyal/disloyal) and the independent variables were the four dimensions. As per the analysis, customers' satisfaction judgment in government banks is discriminated, in order of importance by "technology reliability" and "call centre service" and the other 2 dimensions have no impact. But service quality dimensions does not have any impact on loyalty in case of government banks. In case of private banks, customers' satisfaction judgment is discriminated, in order of importance by "technology accessibility & information provision", "technology convenience" and "technology reliability". The order of importance of the discrimination of service quality dimensions on loyalty judgement is same as customer satisfaction in case of private banks.

Implications of the Study:

The current research makes important contributions to the field of banking services. The first contribution lies in the identification of the service quality dimensions related to technology banking in generic terms for both private and government banks in India. Although the 1st two dimensions are similar for both categories of banks, difference lies in the last 2 dimensions. The different dimensions obtained in this study highlights that service quality for technology based banking has some universal aspects for both types of banks such as convenience of technology use, the quality of information provided through technology channels, the reliability of technology based banking, accessibility of technology and call centre service. But some of them are looked at differently by the customers while evaluating the service quality. Information handling is a fact which is considered important in case of government banks, not for private. All these dimensions are applicable to different technology based channels of delivery used by banks e.g., ATMs,

Internet banking, phone banking etc. Since the dimensions are generic in nature, they will be applicable even for any future technologies introduced in the banking sector.

The service quality does not have any impact on loyalty decision of customers in government banks. However, technology reliability (how reliable is the usage of technology channel) impacts satisfaction and also the functioning of call center induces satisfaction. In private banks, the most important dimension discriminating between satisfaction and loyalty is technology accessibility & information provision. Convenience of using technology and Reliability of the technology also discriminates customer satisfaction and loyalty judgements significantly. These dimensions and their impact on customer satisfaction and loyalty will help the managers of banking services to understand the things that customers consider while evaluating the technology-based service delivery process of banks. This is particularly important today because inadequate knowledge of handling technology properly, makes it important for managers to have proper knowledge of customer's service quality perceptions in technology based banking.

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