



INTERNET BANKING SYSTEM – A TOOL TO ENHANCE CUSTOMER LOYALTY IN SELF SERVICE TECHNOLOGY ERA

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ABSTRACT

The banking services have been dynamic during the last decade due to the advent and application of the Internet. One of the most vital challenges of the Internet is providing and maintaining service quality. Service quality is base for customer trust which becomes satisfaction and leads to loyalty. Customer loyalty is a concern of any organizations, banking sector is no exception to this. The purpose of this research was to gain better understanding of the impact of the Internet Banking on customer loyalty. Based on detailed literature review, a frame of reference was developed which helped to yield answer for research questions and guide to data collection. Empirical data were collected through questionnaires with the research questions and the frame of reference. The collected data are tested against the hypothesis using chi-square test and Pearson's correlation is used to identify the strength of relationship between the service quality, customer satisfaction and customer loyalty. In the research it was found that the Internet has affected from two different directions on customer loyalty. Another most important finding of this study is service quality forms an integral part of loyalty creation.

Index Terms: Customer Loyalty, Customer Satisfaction, Internet Banking, Self Service Technology

INTRODUCTION

The Banking services have undergone many changes during the last few decades with the growth of the Internet in the banking sector. According to Liljander and Strandvik (1995) bank loyalty as the biased behavioral response expressed overtime, by some decision –making

unit with respect to one bank out of a set of banks, which is a psychological (decision making and evaluative) processes resulting in brand commitment. Customer loyalty is defined as the “degree to which a customer repeats his/her purchasing behavior from a service provider, possesses a positive attitude toward the provider, and considers using only this service provider whenever need arises” (Gremler and Brown, 1996). The above definition signifies loyalty as an action and how the customer is committed towards a product or service, which includes emotional attachment, identification and involvement (Allen & Meyer, 1990).

NEED FOR THE STUDY

The way people use banks and their services have changed. A few years ago, almost all service encounters were in the form of personal meetings between a service provider and a customer. Today banking on the Internet, demonstrate no interpersonal contact between both the party namely, the service provider and the customer. Customer loyalty in service industries has received attention in both marketing and management theory and practice. As customer loyalty may act as a barrier to customer's switching behavior it has an impact on the development of a sustainable competitive edge. Although many researches and projects have been conducted on this project before, this project is not redundant because e-banking is a very dynamic subject in today's scenario and hence it needs to be constantly updated and studied.

OBJECTIVES OF THE STUDY

The primary objective of the study is to know the loyalty of the customer towards the internet banking by means of analyzing various factors linked with the customers and banks.

LITERATURE SURVEY**Customer Loyalty**

Oliver (1997) defined customer loyalty as a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause a switching behavior.

Dick and Basu (2001), loyalty is a state of mind, such is, it's perceived importance that it has claimed that customer loyalty is emerging as the marketplace currency for the 21 century and that it represents an important basis for developing sustainable competitive advantage. The frequent assumption is that loyalty translates into unspecified number of repeat purchases from the same supplier over a specified period

Reichheld & Sasser, (1990), there is a positive relationship between customer loyalty and profitability. Increase in profit from loyalty is as a result of reduced marketing costs, increased sales and reduced operational costs. However loyal customers are less likely to switch because of price and they make more purchases than similar non-loyal customers.

Customer Trust

Reichheld, F.F. and Schefter, P. (2000), Trust is proposed as another important antecedent of loyalty. The trust concept has been studied in a number of disciplines, and various definitions have been proposed (**Lewicki, 1998**). Trust is consistently related to the vulnerability of the trustor (**Bigley & Pearce, 1998**), because without vulnerability of the trustor upon the trustee, trust becomes irrelevant. In business studies, trust has been found to be important for building and maintaining long-term relationships (**Geyskens, 1996**).

Customer Satisfaction

McGoldrick and Andre (1997), argues that the term loyalty is been used loosely and includes affection, fidelity or commitment. For this reason, customer satisfaction is been used as a measure of loyalty because it has been assumed that satisfaction affects buying intentions in a positive way. Loyalty is seen to be difficult to define and measure. The problem lies in identifying whether loyalty is an attitudinal or behavioral measure.

Gummerus (2004), customer satisfaction is positively related to loyalty in traditional services and a criterion of a company's past, current and future performance. In the online

context, satisfaction has a stronger impact on loyalty than offline, as searching for alternative providers offline is more cost intensive.

Objectives of Customer Loyalty Programs with the Advent of the Internet

Gremler & Brown, (1996), the development of customer loyalty is one of the most important issues organization face today. Creating loyal customers has become more and more important. This is due to the fact that competition is increasing, as never before, which has a great impact on many companies. To deal with this high concentrated market, businesses are attempting not only to attract and satisfy customers but also create a long-term relationship with these customers **Gould (1995)** mentioned that creating satisfied and loyal customer is one of the most focal objectives of loyalty programs. It was argued that creating satisfied and loyal customers is a critical matter for many corporations survival. In the past decades many firms have (re)adopted a customer focus – often through a formal program of customer relationship management (CRM)

The Internet as a Support to Activities in Creating Loyal Customers

(Peterson, 1997), in a competitive market place understanding customer's needs become an important factor. As a result companies have moved from a product-centric to a customer's centric position. Satisfaction is also of great interest to practitioners because of its important effect on customer retention. (**Khalifa & Liu, 2003**), Retention is a major challenge particularly in the Internet based services, (**Van Riel, 2001**), as customers can easily switch from one service provider to another at low cost considering the high costs of acquiring new customers and the apparently high customer satisfaction.

RESEARCH METHODOLOGY

RESEARCH TYPE: Descriptive study is used for this research project.

DATA COLLECTION METHOD: Primary Data is collected through Structured Questionnaire. The scaling used in this research is the 5-point Likert scale & Secondary Data is collected through Websites, Published Journals, and Magazines.

SAMPLING TECHNIQUE: Non-Probability Convenience sampling technique is used for this study. Convenience sampling is used as the each member of sampling unit are fit to be chosen as

a sample for the research.

SAMPLE SIZE: Sample size for this study is 119.

SAMPLING UNIT: The Sample unit for this study is the Internet Banking users of selected private sector banks.

DATA ANALYSIS AND INTERPRETATION: Data is interpreted and analyzed through Percentage analysis, **DATA ANALYSIS AND INTERPRETATION PERCENTAGE ANALYSIS**

Correlation and Chi Square.

LIMITATIONS

- Time constraint.
- Respondents are reluctant to spend time in filling the questionnaire.
- Meeting with respondent was very difficult due to their non-availability of time.

GENDER	%	AGE	%	E banking Usage	%	Qualification	%
Male	68	21-25	14	< 2 years	8	Undergraduate	55
Female	32	26-33	52	2-4 years	32	Postgraduate	40
		33-40	20	4-6 years	23	Doctoral	5
		>40	14	>6 years	37		
TOTAL	100		100		100		100
Banks	ICICI	HDFC	KOTAK	IDBI	CITI	AXIS	TOTAL
%	22	18	13	28	15	3	100
Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
Efficiency of Software	15	67	12	3	2		
Comfort in Reading Characters	5	69	15	6	5		
Clarity in Organizing Information	13	75	11	4	5		
Easiness in Operating	28	70	2	0	0		
Usefulness of Help Message	18	58	2	5	6		
Speed of Website	18	58	17	4	3		
Easiness in Correcting Mistakes	23	55	10	8	4		
Faster Response	10	53	32	5	0		
Confirmation for Transaction	40	48	1	5	6		
Quicker Solution to Problem	53	32	8	2	5		
Prompt Service	32	47	8	9	4		
Service Convenience	30	35	10	15	10		
Information based on Need	12	68	8	7	5		
Accuracy of Link	28	60	1	9	2		
Privacy Policy	18	65	5	9	3		
Guarantees of Service	10	62	8	4	6		
Provision of Aspects	12	75	8	3	2		
Safety	22	43	7	18	10		
Confidentiality	18	62	13	5	2		
Security from hackers	22	62	12	3	2		
Lesser possibility of transaction loss	13	72	5	5	5		
Adequateness of Security Policy	12	63	12	1	4		
Need Fulfillment	10	68	2	11	9		
Satisfaction of Purchase Decision	12	67	10	8	3		
Joy in E-Banking	10	88	2	0	0		
Satisfaction	8	75	8	6	3		
Comfort ability	23	63	7	6	1		
Assurance in Transaction	31	62	2	5	0		
Recommend to family & friends	12	78	6	2	2		
Derived benefits	10	83	2	3	2		
Friendliness of System	40	42	10	4	4		
Trustworthiness	17	65	12	3	3		

**STATISTICAL ANALYSIS
CORRELATION AMONG USER
INTERFACE (UI), RESPONSIVENESS
(RS), FULFILLMENT (FT), SECURITY
(ST), CUSTOMER SATISFACTION (CS)
AND CUSTOMER LOYALTY (CL)**

HYPOTHESIS

1. There is a significant and positive effect between user interface and customer satisfaction.
2. There is a significant and positive effect between Responsiveness and customer satisfaction.
3. There is a significant and positive effect between need fulfillment and customer satisfaction.
4. There is a significant and positive effect between security and customer satisfaction.
5. There is a significant and positive effect between service quality and customer satisfaction on customer loyalty.

	CS	CL
UI	0.886	0.798
RS	0.635	0.573
FT	0.769	0.882
ST	0.561	0.541
CS	-	0.868
CL	0.868	-

Coefficient of correlation(r) is 0.886, 0.769, 0.868 for User Interface and Customer Satisfaction, Fulfillment and Customer Satisfaction, Customer Satisfaction and Customer Loyalty respectively. Hence there exist a High Positive Correlation.

Coefficient of correlation(r) is 0.635 & 0.561 for Responsiveness and Customer Satisfaction & and Security and Customer Satisfaction respectively. Hence there exist a Moderate Positive Correlation.

HYPOTHESIS

H₀: There is a significant relationship between user interface and customer satisfaction

H₁: There is no significant relationship between user interface and customer satisfaction.

The degree of freedom is $(3-1) \times (2-1) = 2$, from χ^2 table, with $\alpha=0.05$ and d.f. (degree of freedom) = 2, $\chi_{\alpha}^2 = 5.991$, Calculated $\chi^2 < \text{Tabulated } \chi_{\alpha}^2$. Calculated value is lesser than tabulated value, we accept H₀. Hence there is significant relationship between user interface and customer satisfaction.

**DATA RELATED TO THE RELATIOSHIP
BETWEEN RESPONSIVENESS AND
CUSTOMER SATISFACTION**

H₀: There is a significant relationship between responsiveness and customer satisfaction

H₁: There is no significant relationship between responsiveness and customer satisfaction.

The degree of freedom is $(3-1) \times (2-1) = 2$, from χ^2 table, with $\alpha=0.05$ and d.f. (degree of freedom) = 2, $\chi_{\alpha}^2 = 5.991$, Calculated $\chi^2 < \text{Tabulated } \chi_{\alpha}^2$. Calculated value is lesser than tabulated value, we accept H₀. Hence there is significant relationship between responsiveness and customer satisfaction.

**DATA RELATED TO THE RELATIOSHIP
BETWEEN FULFILLMENT AND
CUSTOMER SATISFACTION**

H₀: There is a significant relationship between fulfillment and customer satisfaction

H₁: There is no significant relationship between fulfillment and customer satisfaction.

The degree of freedom is $(3-1) \times (2-1) = 2$, from χ^2 table, with $\alpha=0.05$ and d.f. (degree of freedom) = 2, $\chi_{\alpha}^2 = 5.991$, Calculated $\chi^2 < \text{Tabulated } \chi_{\alpha}^2$. Calculated value is lesser than tabulated value, we accept H₀. Hence there is significant relationship between fulfillment and customer satisfaction.

**DATA RELATED TO THE RELATIOSHIP
BETWEEN SECURITY AND CUSTOMER
SATISFACTION**

H₀: There is a significant relationship between security and customer satisfaction

H₁: There is no significant relationship between security and customer satisfaction.

The degree of freedom is $(3-1) \times (2-1) = 2$, from χ^2 table, with $\alpha=0.05$ and d.f. (degree of freedom) = 2, $\chi_{\alpha}^2 = 5.991$, Calculated $\chi^2 < \text{Tabulated } \chi_{\alpha}^2$. Calculated value is lesser than tabulated value, we accept H₀. Hence there is significant relationship between security and customer satisfaction.

**DATA RELATED TO THE RELATIOSHIP
BETWEEN CUSTOMER SATISFACTION
AND CUSTOMER LOYALTY**

H₀: There is a significant relationship between security and customer satisfaction

H₁: There is no significant relationship between security and customer satisfaction.

The degree of freedom is $(3-1) \times (2-1) = 2$, from χ^2 table, with $\alpha=0.05$ and d.f. (degree of freedom) = 2, $\chi_{\alpha}^2 = 5.991$, Calculated $\chi^2 < \text{Tabulated } \chi_{\alpha}^2$. Calculated value is lesser than tabulated value, we accept H₀. Hence there is significant

relationship between security and customer satisfaction.

SUGGESTIONS AND RECOMMENDATIONS

- System is an important factor to improve the responsiveness. Bank should upgrade the systems and network and increase the nationwide bandwidth, servers and the system storage capacity to support the growing demand of internet banking users in the future.
- Banks should provide the instruction for main services on internet banking such as guideline for money transfer, checking balance etc.
- Security is most important factor not only for online customer service, but also for whole part of internet banking services. Banks should improve the tolls, better awareness and more effective processes about the security.
- Feeling of safety while using internet banking should be developed by banks to the customers by making them aware of the security feature that the banks has and guidelines towards the right way of accessing the account information.
- Banks should gather the customer's expectations and design their service accordingly so that the customer can easily use e-banking website.
- Banks should arrange the demonstration programs by conducting workshops for the clients to enjoy the services properly.

CONCLUSIONS

Customers seem to be content with and trusting their Internet bank. The feeling of satisfaction seems to be connected to repeat visit and they tend to recommend to friends and family members. Customers also looking for the instructions and process to follow while using the internet banking. Customers are willing to use internet banking for every transaction wherever it can be used and they feel comfortable in using it. Customers do not seem eager to customize or try new services. Internet bank customers do show indications of loyalty. They feel that they got many benefits and feel friendly and have trust and satisfaction in using internet banking. User Interface, Responsiveness, Fulfillment and Security has positive correlation and significant relationship with Customer Satisfaction and Customer

Loyalty. Customer Satisfaction also has positive correlation with Customer Loyalty.

DIRECTIONS FOR FUTURE RESEARCH

Since relations between Internet banks and their customers are complex, we think that for the future it would be interesting to examine an Internet bank's relations to its customers from a deeper perspective. What do banks do to create relations to their Internet bank customers? How well does a bank's apprehensions of service quality correspond to its customer's apprehension of service quality? For these purposes we recommend a qualitative study among bank personnel as well as among Internet bank customers. With a qualitative study it would be possible to expound a deeper understanding of the subject. It would also be interesting to do a quantitative study of customer loyalty among Internet bank customers with a greater selection of customers. Does customer loyalty differ in cities compared to on the countryside? The study also can further extended by comparing private sector banks with public sector banks.

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