

SERVICE QUALITY FACTORS AFFECTING ADOPTION OF INTERNET BANKING IN PAKISTAN

Sundas Saeed 

Department of Management Sciences

COMSATS Institute of Information Technology, Vehari, Pakistan

sundasaed@gmail.com

Maliha Azim

Department of Management Sciences

COMSATS Institute of Information Technology, Vehari, Pakistan

Ali Iftikhar Choudhary

Department of Management Sciences

COMSATS Institute of Information Technology, Vehari, Pakistan

Asad Afzal Humyon

Department of Management Sciences

COMSATS Institute of Information Technology, Vehari, Pakistan

Abstract

Banks are the back bone of the every country. Development of an economy depends on the efficient networking of banking system. This study argues on service quality impact in the internet banking. It explains the relationship between the customer service quality and customer satisfaction. The purpose of this study is to understand that which service quality factors of internet banking can give the higher customer satisfaction level. This conceptual paper justifies the soundness of relationships through intense literature review. Based on our findings from previous literature, management can establish a sequential priority to improve customer service quality in online banking service. Five service quality dimensions namely, Reliability, Privacy, Reputation, Empathy and Website design plays a vital role to fill the gap between customer expectations and customer perceptions regarding the internet banking services.

Keywords: Internet banking, Customer service quality, Customer satisfaction, Pakistan

INTRODUCTION

Banks play an important role in the financial development of the country. The need of internet banking has been analyzed in order to provide satisfactory services to the customers. The internet banking has been used as a method to bring improvements in providing the service, particularly in banking. Technology has been enhanced and people are severely using the internet in their routine life, the banking sector has also introduced the net banking service. The need of internet banking has been analyzed in order to provide satisfactory services to the customers, which make them happy. In general, the internet banking has been discovered and used as a method to bring improvements in providing the services, particularly in banking industry as well as in other service sectors. Customer's needs are changing day by day so it is important for the banks to establish the latest information technology system to compete more effectively in this global world (Malhotra & Mukherjee, 2004).

Banks are the back bone of the every country. The development of the economy depends on the efficient networking of the banking system. Effective internet banking can minimize the cost and also can lead towards the healthy economy. Banks have to develop the good E-internet banking system in Pakistan that can lead towards the prosperity. In Pakistan the Internet banking is not growing in speed as compare to other countries that is why banks have to make the better plan for the development of E-banking. Pakistan stepped late into E-banking, the first ATM switch was set up in 1999 and in 2000 internet banking was introduced (A. Ahmad, 2006). Researcher determines the factors which has an impact on adopting online banking among the internal and external customers in the context of Pakistan (Raza and Hanif, 2013).

In traditional banking, the major problems are the convenience and operating hours of physical bank branches. The branches of banks are only serving customers for 8 to 9 hours, and most of the customers have to wait for their turn in case of utility bills. One more thing is that the banks are closed on gazette holidays. The Internet banking is the solution of all these problems but in Pakistan the internet banking system is not adopted by everyone due to the services quality standards. People are illiterate they can't understand the net banking. They mostly preferred to go bank for the transaction because they don't have the trust. They also think that the transaction by the net banking may not be secure. Smaller and larger companies where internet is being used can make product information, ordering, customer support and can help buyers and sellers making contact. (Laudon,1999)

Following are the main questions which are the base of this research.

- 1- Does Reliability have an impact on customer service quality in Internet banking?
- 2- Does Empathy affect the customer service quality in Internet banking?
- 3- Does Privacy is important for the customer service quality in Internet banking?

- 4- Does web site design can provide the ease of use for customer service quality in Internet banking?
- 5- Does reputation bring customer service quality in Internet banking?
- 6- Does customer service quality in internet banking have impact on the customer satisfaction?

The main objective of the research is to find does Service Quality affect Customer satisfaction & to find the impact of reliability, Empathy, Privacy, Website design, and reputation on the service quality in the Internet banking.

- 1- To find the Reliability affect on the customer service quality in Internet banking.
- 2- To find how Empathy affect the on customer service quality in Internet banking.
- 3- To find that Privacy has any affect on the customer service quality in Internet banking.
- 4- To find web site design affect on the customer service quality in Internet banking.
- 5- To find the reputation affect on the customer service quality in Internet banking.
- 6- To find the affect of customer service quality in internet banking on the customer satisfaction.

LITERATURE REVIEW

Service quality is the difference between the customer's normative expectations for service and their perceptions of service performance (Parsuraman et al., 1985). Service Quality is defined as the customer's expectations (Smith, 1998). Latter on service qualities can be extended to the overall evaluation of the specific service with ten service quality dimensions tangibles, reliability, responsiveness, competency, courtesy, credibility, security, access, communication and understanding/knowing the customer (Parasurman et al., 1985, 1988). (Zethmal, parasuman and berry, 1990) refined the ten dimensions into five for the measurement of customer satisfaction which is SERVQUAL. SERVQUAL developed for the service sector, tangibility, Reliability, assurance, responsiveness, & empathy (Van iwaradhan et al., 2003). Many scholars tried to find the exact factors for service quality (yang and fang, 2004). For example, Identified the online customer service quality vis-a vis satisfaction according to these authors the service quality dimensions are reliability, responsiveness, ease of use, and competence. (Jawardhana and floey, 2000) proposed to another sets website, download speed, content, design, interactivity navigation and security.

According to (Herington and Weaven, 2009) that personal needs, site organization and user friendliness have been found to have a positive as well as compelling influence on satisfaction level of customers. The management of online banking should also be very

conscious about the services which have been provided conventionally in order to maintain the relationships with the customers.

The recommendation by the researcher is that banks should evaluate their performance of the e-service quality. (Nupur, 2010) analyzed on internet banking and the customer satisfaction in Bangladesh. The SERVQUAL model has been used to measure the association between the level of customer satisfaction and internet banking. The main dimensions examined are reliability, empathy, responsiveness and assurance. According to him the tangibles dimension hasn't any link with customer satisfaction.

Sadeghi and Hanzae (2010) have studied about the variables which effect the customer satisfaction in the internet banking. The study shows that reliability, design of the website, image, accuracy and impression of the management of bank has the most significant impact on the satisfaction level of customers. Privacy and security also have an impact on customer satisfaction, but in small amount. (Ahmad and Zubi, 2011) discussed that three variables namely, privacy, content and security have the most numerous impact on customer satisfaction. Zhangwei (2012) introduced the set of price, reputation, privacy, personalization & customization, empathy and physical back up. (Fatemah, Ahmad & Ezzatollah, 2014) shows that the reliability has the most relation with website design & has latest relation with website design. It also has the latest relation with the customer satisfaction in net banking.

Reliability

Reliability refers to the promises given by the Manager of bank or staff. If the staff cannot keep or breaks the promises, it dissatisfies customers and results in negative word-of-mouth. In contrast, when the company is able to keep its promises, it increases customer confidence on the staff and creates customer satisfaction and lead to (Yuen & Chan, 2010:236).

It is very important dimension of service in conventional sectors (Parasuraman, Zeitham, & Berry, 1985) Banks introduce different methods to secure the data of customers (Parasuraman, 1988). While doing financial transaction with banks, there are doubts in minds of customers about the reliability of bank services (Wang, 2003). Measuring reliability through the service customers without errors and quick page downloading can be helpful to satisfy customer needs and trust on the company. NatWest, one of the U.K big leading banks was the only site monitored to have no errors on any page during the peak period hours of the study. Poorly organized home pages of the bank can push potential customers to the competitors and it lacks customer support.

Empathy

Empathy is about the personal attention extra care and better understanding of customers. Empathy is all about entertaining the customers in term of place, better communication and time. It focuses on customer's importance even complains of customers really matter (Lee et al, 2009). It is argued that customer satisfaction can be achieved by cutting off complains (Ahmed et al, 2001). It also focus on what type of services are providing to customers (Mohammad & Shireen, 2011). Empathy has an important but inverse influence on customer satisfaction.

According to a research empathy and responsiveness are the leading factor of service quality (Shanka, 2012). Empathy seems to be a light of human concern for others. Empathy plays an important role to improve the market segments, economics and service. Through quality, competition can be best managed as well as customer satisfaction can be achieved. By anticipating customer's needs and providing them personal care customer loyalty can be gained and it can be the cause of cost reduction.

Reputation

It means keeping promises, goodwill, image, mass popularity and reputation for transaction with beneficiaries. Along with it seems to be a critical factor (Wang et al, 2011). It is also argued that reputation is a tool which measures the impact of an organization on customer satisfaction (McKnight & Chevany, 1998). It's all about the trust people have on an organization and trust can be earned by making them convinced that the organization really has some worth of its words. For this construct, all indicators were adopted from (Flavian *et al.* 2004). Reputation has been defined as an estimation of the consistency over time of attribute of an entity (Herbig and Milewicz, 1993). An organization can therefore have numerous reputations (i.e. price, product quality and innovativeness reputations) and/or global reputation. (Casalo et al. 2008), reputation must be understood as referring not only to the website, but also the entire organization. When comparing on- and offline exchange, (Standifird et al, 1999) argued that the reputation of online suppliers are significantly more important to online consumers than any offline context .It was the idea of banking that by the monetary and financial policies of author, the business was being influenced strongly, it depicts that reputation is the spark of human concern (Ghezzi and Magnani,1998).By using internet and providing facilities to the customers an organization can have a strong and good reputation.

Privacy

It is the degree to which the customer believes the site is safe from intrusion and personal information is protected. (Rangnathan and Ganapathy, 2002) found that privacy is the one

dimension that make the effective web site. (Furnell and Karweni, 1999) describe that people don't trust on the website and avoid putting the data on it. Privacy is becoming most important and risky part in banking sector due to advance information technology sector.

Fraud immobile banking is so common and highly risky now days. It can be reduced by implementing password on the phones, sms and e-mail alerts with every transaction. Freeze the accounts until the verification from customer. Privacy violations can be take place in many ways while sharing personal information's with third parties. The need is for some satisfaction and rules to gain trust on customers. This will help out not only reduced the risk but also gain the trust on customer satisfaction.

Web Site Design

The website is simply the main communication channel between consumer and organization. A more positive reputation tends to develop sales and market share (Shapiro, 1982) and to establish greater customer loyalty (Andreassen and Lindestad, 1998). It is very easy and useful source to communicate with the customers in a friction of second. It can be introduced with customers even in remote areas by secure and ensuring websites customers can find information easily they need.

Reliability, Empathy, Privacy, Website design & Reputation all are the very important factors in the Internet banking system. In Pakistani scenario Internet Banking is mostly less used technology as compare to the other countries because people do not trust, they do not have the reliability that their transaction can be done by the internet banking, they mostly want to go bank physically to do the transaction. Based on above arguments, reliability is the first condition for customer satisfaction then privacy, every person wants that their transaction must be kept secret by the bank.

DISCUSSION

Customers often have the risks of improper usage of their personal data. Although they are not having much awareness yet they must have the assurance of privacy. It develops a sense of trust on the organization Privacy holds much importance in enhancing the service quality of an organization. Empathy is required because customer wants the attention. Personal attention and extra care are the best elements which create trust and satisfaction. Reputation is important because the banks reputation is very helpful in trust building customer don't accept the missing entry or may b error in the records.

If an individual has heard negative things from his friends and siblings he must lose his trust. So to create good reputation organization must have good fame and Website design must be easy to use or efficient that every type of customer can easily do the transaction. It is the way of communication between customer and organization. This thing clearly indicates that good reputation, fame and trust make him agreed to have a relationship with the organization. All these variables play an important role in establishing best service quality in internet banking to satisfy the customers.

Increase in service quality of the internet banking can enhance customer satisfaction by which valued customers can be retained. Customer satisfaction in internet banking is directly related to, and influenced by five factors including reliability, reputation, privacy, empathy and website design. Management should establish a sequential priority to improve customer service quality in on line banking service. The sequential priority depends on the influence to customer satisfaction. All these factors play an important part towards customer satisfaction in internet banking. The above mentioned factors are not only used in the performance enhancement, but also the performance evaluation.

Reliability is found to be the most important in forming service quality in internet banking. This would suggest that efforts to improve the quality of interactions between a customer and a service provider are likely to have an important and positive effect on customer satisfaction. Reliability related to performance standards and can be addressed as process quality. Considering the banking sector the identification of this dimension seems sound as consumers do not want to have problems when dealing with their financial matters. They want to get a service without errors, performed to high standards, correctly, promptly and timely (S. M. Furnell, T. Karweni, 2012).

Empathy can be addressed as the quality of social interactions between the customer and the service provider. Customers want employees to be competent, helpful and polite, to understand their needs, to respect them as individuals and to provide clear and understandable information (Zhangwei Ma, 2012).

Privacy also has the direct impact on the service quality in the internet banking. People want that their transaction must be kept secret. Privacy can improve the service quality in internet banking and due to the independent variable privacy can also effect the dependent variable which is service quality and then service quality will affect the customer satisfaction. Although the banks are becoming more and more high-tech the identification of a dimension that is high touch shows that personal contact still needs to be addressed (Zhengwei Ma, 2012).

Website design must be simple easy to use and it must understandable by any one. It is found that this one has the more impact on the service quality in the Internet banking because this one is the major reason that mostly people not use the net banking (S.F shakeel, A.J Afshari & E.Esmail , 2014).

Reputation, last independent variable of this model also has the impact on the service quality in the internet banking. Bank's reputation can satisfy customers and be valuable for organizations growth (Zhengwei Ma, 2012).

Efficient utilization of even the scarce resources will enhance the system performance. Every system does not necessarily have the sufficient resources so every system relies on the available system and tries to get the best results out of the available resources, even scarce, so outcome improves by efficient use of resources.

Reviewing the literatures, online-banking customer satisfaction cannot be described as one fact construct. Instead, it represents a multi-factor construct that is composed of customer service quality judgments with regard to the service categories. Based on our findings from previous literature, management can establish a sequential priority to improve customer service quality in online banking service. For example, when limited resources become the barrier to improve all of five factors, banks can improve Reliability, reputation and Empathy to be the first step, and the banks could put privacy & web site design to be the second step.

Figure 1: Internet Banking Services Factors & Customer Satisfaction



CONCLUSION

ATM, Mobile banking, or online banking can make the loyal customers by giving the quality services. Bank can also reduce their counter customer. ATM should be at a secure place where use is convenient with reasonable maintenance cost and adequate back up cash etc. Along with financial institutions have to do efforts to cut down the operational risks (Shamshad Akhtar, 2006). Mobile banking should be considered minimum error, quick response about every transaction like last three transaction, balance enquiry, bill payment etc. Internet banking requires the service quality because all type of transactions is done digitally. It is observed that all the variables are very important in the net banking because customer can only be captured if the net banking system has these 5 major elements, Reliability, Empathy, Reputation, Website design & Privacy.

The customer needs to have a confidence in the reliability of the system that he/she uses. Sometimes the system failure creates not only the disturbance in customer's daily affairs but distracts and dissatisfies him consequently.

Empathetic system can attract the customers but a consistent performance is required out of the system. Some institutions and departments perform well as compared to others. When the customer compares the services, he can make out the differences. Efficient services bring good name to the organization. Effective and efficient working of the system depends on the efficiency of website and efficient backend services. In that case website design plays a vital role. Along with the proficiency, the customer demands privacy too. They want the system not only to be safe, secure and efficient but also helpful to maintain the privacy of the customer. Efficient and timely use of resources is the key to success for every system.

Due to short time it was not possible to collect data through personally administrative survey and researcher only relied on comparative study of previous literature. Future studies can focus on this concept in another context and can also perform empirical testing; moreover effect of organizational culture can be checked on this model. Online banking services also have lot of competition in the market, so they can triumph by considering the five above mentioned factors and keeping themselves up to date with the new market trends and technologies.

REFERENCES

- Ahmad, D. A., & Zu'bi, D. H. (2011). E-Banking Functionality and Outcomes of Customer Satisfaction: An Empirical Investigation. *International Journal of Marketing Studies* , Vol. 3 (1), 50-65.
- Baosen Wang, Xiaojun Ma, Yunfeng Cui, "Study on Risk Management of Commercial Bank Credit CardOf China ", "Journal of Convergence Information Technology" ,JCIT: Journal of Convergence Information Technology ,vol.6, No.9,pp.186-191,2011.

- Furnell, S. M., T. Karweni, "Security implications of electronic commerce: *A survey of consumers and businesses*", *Internet Research*, MCB UP Ltd: Emerald Group Publishing Limited, vol. 9, no. 5, pp. 372-382, 1999.
- Harrison, D., McKnight, Larry L. Cummings, Norman L. Chervany, "Initial trust formation in new organizational relationship", *Academy of Management Review*: Academy of Management Review, vol. 23, no. 3, pp. 473-490, 1998.
- Ishfaq Ahmed, Shafiq Gul, Umer Hyat, Mohammad Qasim, "Service quality, service features and customer complaint handling as the major determinants of customer satisfaction in banking sector: A case study of National Bank of Pakistan", 2001.
- Malhotra, N. & Mukherjee, A. (2004). The relative influence of organizational commitment and job satisfaction on service quality of customer-contact employees in banking call centres. *Journal of Services Marketing*, 18 (3), 162-174. <http://dx.doi.org/10.1108/08876040410536477>
- Nupur, J. M. (2010). E-Banking and Customers' Satisfaction in Bangladesh: An Analysis. *International Review of Business Research Papers*, Vol. 6 (4), 145-156.
- Parasuraman, A., Berry, L.L & Zeithaml, V (1985). A conceptual model of service quality and the implications for future research. *Journal of Marketing Management*, 49, 41-51.
- Parasuraman, A., Zeithaml, V. & Berry, L (1988). SERVQUAL: A multiple item scale for measuring customer perceptions of service quality. *Journal of Retailing*, 64(1), 12-40.
- Raza, S. A., & Hanif, N. (2013). *Factors Affecting Internet Banking Adoption Among Internal and External Customers: A Case of Pakistan*. *International Journal of Electronic Finance*, Vol. 7 (1), 82-96.
- Sadeghi, T., & Hanzadee, K. H. (2010). Customer Satisfaction Factors (CSFs) with Online Banking Services in an Islamic Country: I.R. Iran. *Journal of Islamic Marketing*, Vol, 1 (3), 249-267.
- Sakhaei S. F., A.J. Afshari & E Esmaili (2014). The Impact of Service Quality on Customer Satisfaction in Internet Banking. *Journal of Mathematics and cComputer Sciences*. Vol (9), 33-40.
- Shamshad Akhtar, 2006, financial sector of Pakistan-*The roadmap, dawn Asiafinance conference, vol(1)*
- Herington, C., & Weaven, S. (2009). E-Retailing by Banks: E-Service Quality and its Importance to Customer Satisfaction. *European Journal of Marketing*, Vol. 43 (9), 1220- 1231.
- Van Iwaarden, J., van der Wiele, T., Ball, L. & Millen, R. (2003). Applying SERVQUAL to Web sites: An exploratory study. *International Journal of Quality and Reliability Management*, 20 (8), 919-935. <http://dx.doi.org/10.1108/02656710310493634>
- Yu-Cheng Lee, Hsiu-Yuan Hu, Tieh-Min Yen, Chih-Hung Tsai, "An integration of Kano's model and exit-voice theory: A study of medical service in Taiwan", *Asian journal on Quality*, MCB UP Ltd: Emerald Group Publishing Limited vol. 10, no 2, pp. 109_126, 2009.
- Zeithaml, V. A., Parasuraman, A. & Berry, L. L. (1990). *Delivering Quality Service: Balancing Customer Perceptions and Expectations*. New York: NY: Free Press.