

## **AN ANALYSIS OF BEHAVIOURAL INTENTS AND E-SERVICE QUALITY IN THE CONTEXT OF INDIAN RETAIL BANKING**

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### **ABSTRACT**

Information technology (IT) has transformed the functioning of businesses all over the world. It has bridged the gaps in terms of reach and coverage of systems and has also enabled better decision-making based on latest and accurate information, reduced costs and overall improved efficiency. With the increasing acceptance of information and communication technology as an exchange medium (notably, the internet) and the growing importance of services, e-services have recently received considerable attention in academic research. E-services can be defined as the provision of service over electronic network. The incredible growth of internet is changing the way corporations conduct business with customers (Siu & Mou, 2005). It has not only created opportunities for businesses to reach out to consumers directly but also allows customers an immediate access to the electronic markets. The banking industry is no exception. Many banks, in India, have entered the banking industry, providing customers with financial services over the internet.

Internet is emerging as a powerful channel for banks to receive instructions and deliver products and services to their customers. E-banking or internet banking industry has emerged as one of the most dynamic segments of the banking industry. Banks have begun to set up their own web portals to provide internet services and gain the advantages of unlimited time and areas, fewer costs, and more customers from internet banking.

**KEYWORD:** E-Service Quality, Business, Banking, Customer, Portal

### **INTRODUCTION**

E-banking is the term that signifies and encompasses the entire sphere of technology initiatives that have taken place in the banking industry. E-banking signifies making use of electronic channels like telephone, mobile phones, internet etc. for delivery of banking services and products. According to Mols (2000), the introduction of e- banking services may change crucially the way banks build and maintain their customer relationships. According to Fassnacht and Koese (2006), e-banking is a fast- growing sector and banks can exploit it as an opportunity to gain competitive advantage and companies cannot afford to be complacent. Indian banks offer various e-banking products and services to their customers like automated teller machines (ATMs), internet banking, mobile banking, phone banking, tele-banking, electronic clearing services, electronic clearing cards, smart cards, door step banking and electronic fund transfer. Noticeably, customers' fondness for e-services in general or e-banking in particular is due to the convenience it offers, like making it possible to embark on business transaction without any restriction on opening time from wherever internet access is available.

Since competing services are just a mouse click away from each other in case of e-services, that is, there are no geographic or physical constraints associated with e-service, as a consequence, e-service providers have to compete on quality of service delivered in order to attract and retain their customers.

During the last 30 years, the role of service quality has been emphasized and scrupulously studied in service literature, because of its vital role as a key factor in differentiating service offerings; and its strong impact on customer satisfaction, customer loyalty and business performance (Parasuraman, Zeithaml, & Berry, 1985; Reichheld & Review, 1990; Herington & Weaven, 2009; Honore Petnji Yaya, Marimon, & Casadesus, 2011).

### **Need for the study on e-service quality in Indian context**

Indian banking industry has witnessed tremendous developments due to sweeping changes that are taking place in the information technology. Internet banking, both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching up in India with more and more banks entering the e-banking world. India can be said to be on the threshold of a major banking revolution with internet banking having already been unveiled. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999 (Iyengar & Belvalkar, 2009). Several initiatives have been taken by the Government of India as well as the Reserve Bank to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank of India is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

In India, the development of e-banking (also referred as internet banking or online banking in the present study) has a great potential and has grown significantly along with the use of smart phones and tablets. E-banking or internet banking is a banking transaction, carried out over the internet, via, respective bank or financial institution's website, under a personal profile, with a personal computer (or laptop). Though mobile banking is also considered as a part of e-banking, but nowadays, mobile banking is usually app-based, i.e., mobile banking is accessed through an application on the smartphone and hence it is out of the scope of the present study. With over 460 million internet users, India is the second largest online market, ranked behind China only. By 2021, there will be about 635.8 million internet users in India ([www.statista.com](http://www.statista.com)). As of 2017, the number of internet banking users is just 45 million, which is expected to reach 150 million by 2020 with the ongoing digital drive in India ([www.financialexpress.com](http://www.financialexpress.com)). Despite the increasing number of internet users, customer adoption of internet banking has not yet reached the level as expected. One of the common concerns in adopting internet banking is poor service quality and customer satisfaction (Calisir & Gumussoy, 2008), and lack of awareness and understanding of the benefits provided by internet banking (Laforet & Li, 2005).

### **Framework of the study**

Service quality measurement in online banking services is an area of growing interest to researchers and managers. Consequently, an increasing number of research studies have focused on understanding online service quality and many different scales measuring online service quality have been developed (Prakash, 2019). These include WebQual (Barnes & Vidgen, 2002), WebQualTM (Loiacono, Watson, & Goodhue, 2002), SITEQUAL (Yoo & Donthu, 2001), e-SQ (Zeithaml, Parasuraman, & Malhotra, 2002), and e-TailQ (Wolfenbarger & Gilly, 2003), E-S-QUAL and E-RecS-QUAL (Parasuraman et. al., 2005), eTransQual (Bauer, Falk, & Hammerschmidt, 2006) and PeSQ (Cristobal, Flavian, & Guinaliu, 2007). Overall these studies provided useful insights into dimensions or criteria that are relevant for evaluating electronic service quality (e-SQ). However, the conceptualization and measurement of electronic service quality is still at an early stage of development and most of the online service quality dimensions identified are to some extent incomplete and incongruent (Ladhari, 2010; Petnji Yaya, Marimon, & Fa, 2012).

E-service can be regarded as information-driven service process. In online banking context, information is vital for customers to make their decisions. Customers need adequate information to make their purchase decision and conduct their self-service. Collier and Bienstock (2006) considered information accuracy as an important dimension to study e-service quality. According to them, information accuracy means presenting information about a product or service in a clear and concise manner. Thus, in internet banking, offering sufficient information for conducting smooth transactions and providing efficient services is very important. According to Fassnacht and Koese (2006), information quality covers the extent to which complete, accurate, and timely information is provided to the customer during the interaction process with the user interface (e.g., product descriptions, payment information, or frequently asked questions). It is found that the same term „information quality“ has been used by Loonam and O’Loughlin (2008) in e-banking context, therefore, the present study is also following the same term.

### **Consequences of e-service quality: Reliability and validity analysis**

E-service quality is an important construct because it affects customer satisfaction, perceived value, revisiting intentions as well as word-of-mouth. Before relating e-SQ to its consequences, an analysis was performed with a view to perform reliability and validity analysis of its constructs relating to consequences. EFA and CFA analysis was performed to assess the validity and reliability of the constructs with respect to consequences.

### **Exploratory Factor Analysis (EFA)**

A procedure similar to the one used for assessing reliability and validity of e-SQ constructs was adopted for conducting EFA in respect of the four variables viz. customer satisfaction, perceived value, revisiting intentions and word-of-mouth. A principal component analysis (PCA) was conducted using varimax with the Kaiser normalization rotation procedure extracting factors with an eigen value above 1.0. Initial data analysis included a principal components analysis on each of these variables (customer satisfaction, perceived value, revisiting intentions and word-of-mouth). A similar criterion was applied for retaining the items based on the significance of factor loadings as done in case of e-SQ dimensions above. All the items were retained in respect of all variables except one.

### **Statistical tools applied for data analysis**

The study analyzed data using statistical packages like SPSS 17 and AMOS 20. A descriptive analysis (mean and standard deviation) was used to present and interpret the data collected on various variables. A principal component analysis (PCA) was conducted using varimax with the Kaiser normalization rotation procedure extracting factors with an eigen value above 1.0.

The collected data was analyzed with the help of structural equation modeling (SEM) technique which is considered as a method robust enough to take care of the measurement errors present in the data set. The term structural equation modeling conveys two important aspects of the procedure: (a) that the causal processes under study are represented by a series of structural, i.e., regression equations, and (b) that these structural relations can be modeled pictorially to enable a clearer conceptualization of the theory under study. The hypothesized model can then be tested statistically in a simultaneous analysis of the entire system of variables to determine the extent to which it is consistent with the data. If goodness-of-fit is adequate, the model argues for the plausibility of postulated relations among variables; if it is inadequate, the tenability of such relations is rejected (Byrne, 2010).

It, moreover, performs reliability and validity analysis and investigates direct and indirect linkages between the exogenous<sup>1</sup> and endogenous<sup>2</sup> constructs in a single round of analysis. As suggested by Anderson and Gerbing (1988), a two stage SEM model building process was employed. First, the measurement model was specified and tested depicting the links between the latent (unobserved) variables and their observed measures, and then the structural model entailing both the direct and indirect paths among the latent constructs was analyzed using AMOS 20 software. Various parameters were estimated using maximum likelihood (ML) method.

### **Measurement model**

The initial measurement model consisted of six constructs and 26 measurement items. A measurement item with weak factor loadings below .60 were dropped (Hair et al., 2010). Convergent validity of the constructs was assessed using the average variance extracted (AVE) of .5 in addition to checking the significance of loadings (Fornell & Larcker, 1981; Hair et al., 1998). Discriminant validity was also assessed by comparing the squared correlation of the paired constructs with the AVEs of each construct (Fornell & Larcker, 1981); if the AVEs are greater than the squared correlation, the construct demonstrates discriminant validity, sharing more variance with its measures than it shares with other constructs (Fornell & Larcker, 1981; Hair et al., 1998). The overall fit of the measurement models was assessed through fit indices such as  $\chi^2$  (chi-square) statistics and its p-value (CMIN/df), changes in  $\chi^2$ , Goodness-of-Fit Index (GFI), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Residual (RMR), and Root Mean Squared Error of Approximation (RMSEA).

### **CONCLUSION**

E-banking industry has emerged as one of the most dynamic segments of the banking industry. In India, the development of e-banking (also referred as internet banking or online banking in the present study) has a great potential. Internet banking is fast catching up in India with more and more banks entering the e-banking world. Delivering effective electronic service quality (e-SQ) is essential to becoming, and remaining, competitive in e-banking service. Banks should

try to make customers satisfied with their services and offerings, and this can be achieved by measuring and improving dimensions of e-SQ in e-banking. The purpose of this study is to examine the e-service quality and its impact on customer satisfaction, perceived value and behavioral intentions (revisiting intentions and word-of-mouth) in the context of Indian retail banking context.

Broadly, seven dimensions of e-SQ have been identified in the banking sector. These include Web site design, system availability, efficiency, information quality, privacy/security, fulfillment and emotional (hedonic) benefits. A revised research model was used based on the extended E-S-Qual model as proposed by Parasuraman et.al. (2005) with the addition of Web site design, information quality and emotional benefits from the works of Collier and Bienstock (2006) and Fassnacht and Koese (2006).

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