

CUSTOMER SATISFACTION ON E-BANKING SERVICES IN PUBLIC AND PRIVATE SECTOR BANKS – A COMPARATIVE ANALYSIS IN DHOFAR REGION OF SULTANATE OF OMAN

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***Abstract:** Banks play a major role in all the economic and financial activities in modern society. A strong banking sector is a necessity for all economies to develop and expand. Banking in the present scenario demands continuous innovation in order to meet the aspirations of the demanding customers. E-banking is an innovation which allows customers to access banking services electronically such as to pay bills, funds transfer or to obtain any banking information and advice through the internet. It has been widely adopted by customers worldwide. The present paper attempts to examine the impact of service quality dimensions on customer satisfaction in e-banking services in Oman through a comparative analysis using SERVQUAL model. The study tries to find out opinion of customer about the quality of services, responsiveness and courtesy of the staff etc. The study also attempts to make a comparative analysis of customer satisfaction between private and public sector banks in Oman. Two banks in Oman namely Bank Muscat and National Bank of Oman were selected for the purpose of this study.*

***Key words:** Customer Satisfaction, Service Quality, SERVQUAL Model*

INTRODUCTION

E-banking is an umbrella term for the process by which customer may perform banking transactions electronically without visiting financial institution. Compared with traditional channels of offering banking services through physical branches, e-banking uses the Internet to deliver traditional banking services to their customers, such as of opening accounts, transferring funds, and electronic bill payment.

E-banking services are delivered to customers through the Internet and the web using **Hypertext Markup Language (HTML)**. In order to use e-banking services,

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customers need Internet access and web browser software. Multimedia information in HTML format from online banks can be displayed by the web browsers. The heart of the e-banking application is the computer system, which includes web servers, database management systems, and web application programs that can generate dynamic HTML pages.

Bank customers' account and transaction information is stored in a database, a specialized software that can store and process large amounts of data at high speed. The function of the web server is to interact with online customers and deliver information to users through the Internet. e-banking enables the customers to perform the basic banking transaction by sitting at their offices or home through the internet. The customers can access the bank website for viewing their account details and perform the transactions on account as per their requirements. Customers are being provided with additional delivery channels like ATM Smart cards, home banking, mobile banking etc, which are more convenient to customers and are cost effective to the banks.

Customer satisfaction has been considered the essence of success in today's highly competitive banking industry. Prabhakaran and Satya (2003)¹ mentioned that the customer is the king. Customer satisfaction is an overall customer evaluation of a product or service based on purchase and consumption experience over a time period. Satisfaction of customer is the most important factor in judging the services quality of banking sector. Thus an increase in satisfaction levels leads to decrease in operating and service costs and provides an opportunity for banks to expand their product portfolio and services for the future development.

Banking is a service and service quality has been found to be an important criterion in achieving customer satisfaction. However, measuring service quality has always been a challenge for service providers because of the intangible, inseparable and heterogeneous nature of services. As such services are more akin to performances rather than objects. These distinctions enabled Parasuraman, Zeithmal & Berry (1988) to develop an instrument for measuring service quality named SERVQUAL (an acronym derived from the term "Service Quality"). SERVQUAL measures perceptions of service quality across ten dimensions: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communications and understanding the customer.

REVIEW OF LITERATURE:

Service quality has been found by many researchers to be the antecedent of customer satisfaction (Bedi, 2010; Kumar *et al.*, 2010; Kumar *et al.*, 2009; Naeem and Saif, 2009; Balaji, 2009; Parasuraman *et al.*, 1988). Quality customer service and satisfaction are recognized as the most important factors for bank customer acquisition and retention (Jamal, 2003; Armstrong and Seng, 2000; Lassar *et al.*, 2000). Service quality is considered as one of the critical success factors that influence the competitiveness of an

organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector (Stafford, 1996; Johnston and Jeffrey, 1996; Angur *et al.*, 1999; Lassar *et al.*, 2000; Gounaris *et al.*, 2003; Choudhury, 2008).

The important studies related to customer satisfaction in e banking services are briefly reviewed as below:

Dr. Geeta Sharma & Mr. Surendra Malviya(2014)² in their study “Internet Banking Service Quality and its Impact on Customer satisfaction in Indore district of Madhya Pradesh “mainly focused on internet banking service quality to maintain customer satisfaction. The work attempts to develop a model based on service quality dimensions with purpose to investigate impact of service quality factors and to analyse its impact on customer satisfaction. The main objective of this empirical study was to explore internet banking service quality dimensions like website ease of use, comfort and accessibility which are influential factors while confidence and responsiveness also have significant impact on satisfaction of the online customers. The empirical results show that there is a direct relationship between internet banking service quality dimensions and customer satisfaction in the banking industry,

Manilall Dhurup Jhalukpreya Surujlal & Ephraim Redda (2014)³ in their paper “Customer perceptions of Online Banking Service Quality “ provide an insight of customer perceptions of technology based banking service and quality in a developing country . The results show that periodic measurement of the levels of online banking service quality should become an integral part of any bank’s efforts and strategy in improving service quality levels.

Justus Muthuri Marete, Henry Peter Gommans & Gongera Enock George (2014)⁴ in their study “Evaluation of E- Banking Services on Customer Satisfaction: Case of National Bank of Kenya” provide empirical evidence regarding satisfaction of customers with e-banking and provide recommendations. It also evaluated customer satisfaction with e-banking service at National Bank of Kenya. The main objective of the study was to investigate e-banking web design; exploration of e-banking customer service; assessment of e-banking assurance and examination of preferential treatment of e-banking effect on customer satisfaction in the banking industry. It was found that more customers were satisfied with most dimensions of e-banking service in NBK.

Ogunlowore Akindede John & Oladele Rotimi(2014)⁵ made “An Analysis of Electronic Banking and Customer Satisfaction in Nigeria.” This study examines the impact of electronic banking on satisfaction of corporate bank customers in Nigeria. The study found that there is a significant relationship between electronic banking and customers’ satisfaction. The paper suggests that critical infrastructure like power; security and telecommunication should be strengthened to ensure the application of electronic banking in Nigeria and optimum satisfaction on the part of customers. There is a significant improvement in general banking services as a result of the introduction of electronic banking, while the level of profit made by banks can be attributed partly

to the introduction of electronic banking. Electronic banking has help to increase banks market share.

Fatemeh S., Sakhaei Ahmad J. and Afshari Ezzatollah Esmaili (2014)⁶ assesses the impact of Service Quality on Customer Satisfaction in Internet Banking. This study attempts to investigate service quality indexes in Internet Banking. The purpose of this research is to understand the impact of service quality factors of Internet Banking on customer satisfaction in Iran. The paper also attempts to evaluate the influence of service quality on customer satisfaction in Internet Banking. The study found that the reliability has most relation and website design has least relation to customer satisfaction.

OBJECTIVES OF THE STUDY

The specific objectives of the study are as follows:

- I. To examine the impact of services quality dimensions on customer satisfaction in e- banking
- II. To make a comparative analysis of customer satisfaction on banking services of public and private banks.

RESEARCH METHODOLOGY

Hypotheses

The following hypothesis have been developed and tested:

- I. There is no significant relationship between service quality dimension and customer satisfaction.
- II. There are no significant differences between customer satisfaction of both public and private banks.

Data Collection

The present study is an empirical one based on a structured questionnaire. Both primary as well as secondary data were collected and analyzed for the study.

Primary data have been collected from selected customers of public sector bank namely National bank of Oman and private bank namely Bank Muscat through a structured questionnaire based on SERVQUAL . A total number of 50 customers were administered the questionnaire using the stratified sampling method. Out of the total of 50 customers who were administered the questionnaire, 25 were customers of a public sector bank and 25 were customers of a private sector bank.

In this study, eight dimensions out of the total ten dimensions mentioned in the model have been used. To evaluate these service dimensions, sixteen statements were selected from the structured SERVQUAL questionnaire format and then modified to

make it precise and suitable for the banking sector. A five point Likert scale has been used to measure the level of expectation and perception associated with each quality criterion.

Secondary data have been collected from books, articles, annual reports and the web sites of the selected banks.

Data Analysis

The data collected through the questionnaire based on SERVQUAL was analyzed by employing mathematical and statistical tools like percentage , mean scores, standard deviation, regression analysis and t – test.

RESULTS OF THE ANALYSIS

A. Customer Profile Analysis

Descriptive analysis was done to present the demographic information of the respondents. In order to have an effective banking policy and marketing strategy it is required to study the customer profile as the customers are mile stone of banking business. This section contains gender, age and educational qualifications of the customers.

Table 1
Gender wise classification of customers

<i>Gender</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative percent</i>
Male	30	60	60
Female	20	40	100
Total	50		

Source: Primary data

Table 1 shows that majority of the respondents are male that is 30 (60%) and females are 20 (40%).

Table 2
Age wise classification of customers

<i>Age</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative percent</i>
Below 25	5	10	10
25-35	15	30	40
35-45	18	36	76
45-55	8	16	92
Above 55	4	8	100
Total	50	100	

Source: Primary data

From the above table it has been observed that maximum of 18 (36%) customers are in the age group of 35-45 years followed by 15 (30%) customer in the age group of

25-35. 8 (16%) customers are in the age group of 45-55 years and only 4 customers (8 %) are in the age group above 55 years. 5 (10%) of the customers surveyed were below 25 years of age.

Table 3
Educational qualification of customers

<i>Education</i>	<i>Frequency</i>	<i>Percent</i>	<i>Cumulative percent</i>
Below 10+2	2	4	4
Diploma Graduate	10	20	24
Bachelor Graduate	18	36	60
Master/professional	15	30	90
others	5	10	100
Total	50	100	

Source: Primary data

Table 3 shows the educational qualification of customers of both the banks. It has been found that out of 50 respondent majority of customers (18) are graduates followed by 15 Masters/professionals, 10 diploma graduates, 2 respondent have educational below secondary school and 5 others .

B. Analysis on Service Quality Dimensions and Customer Satisfaction.

SERVQUAL fills a gap between what the customer expects by way of service quality (SQ) and what he is actually getting. SQ is presented as a multi dimensional construct. In the original formulation Parasuraman et. al (1988) identified ten components of SQ but in the present study only eight dimensions are taken into consideration in order to know the impact of service quality dimensions on customer satisfaction in e-banking services a questionnaire has been developed and administrated. It consists of 16 items related to service quality.

Dimensions items in scale

- I. Tangibility -3
- II. Reliability -2
- III. Responsiveness -2
- IV. Competence-1
- V. Access -2
- VI. Communication-2
- VII. Credibility-2
- VIII. Security- 2

Table 4
Descriptive Statistics

	<i>Mean</i>	<i>Std. Deviation</i>	<i>N</i>
Overall Customer satisfaction	139.09	12.99	50
Tangibility	24.55	3.28	50
Reliability	12.60	1.62	50
Responsiveness	15.93	1.74	50
Competence	12.72	1.45	50
Access	16.54	1.75	50
Communication	18.57	2.75	50
Credibility	19.43	2.78	50
Security	18.75	2.59	50

Source: Primary data

Table 4 shows that the mean value of overall customer's satisfaction is 139.09. The above table contains the main factors that contain the customer's satisfaction in e-Banking services of both public and private sector banks. The customer is fairly satisfied on all the eight dimensions. The customers are highly satisfied on tangibility with 24.55 mean score followed by credibility, security communication, Access responsiveness and reliability, competence. The most important factor affecting customer satisfaction was found to be physical facilities and advanced equipments and technology used in the banks. Out of the eight dimensions, reliability had the least score. A regression analysis was done to identify level of satisfaction and to explain the variables affecting the level of satisfaction in e- banking services.

Table 5
Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Standard Error</i>	<i>R square change</i>	<i>F change</i>	<i>Change Statistics</i>			
							<i>df 1</i>	<i>df 2</i>	<i>Sig</i>	<i>Sig F</i>
1	0.99	0.981	0.979	1.56	0.981	384.4	8	41	00	.002

Source: Primary data

Significant level at 0.05

a. Dependent Variable: Customer Satisfaction.

b. Predictors : (Constant)Reliability, Responsiveness Competence, Access, Communication, Credibility, Security, Tangibility

Table 6
ANOVA

<i>MODEL</i>		<i>Sum of Square</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	7750.154	8	965.18	384.4	.002 ^b
	Residual	128.331	41	2.316		
	Total	N-1= 50-1	49			

Source: Primary data

Significant level at 0.05

a. Dependent Variable: Customer Satisfaction.

b. Predictors : (Constant)Reliability, Responsiveness Competence, Access, Communication, Credibility, Security, Tangibility

The ANOVA table shows that tabular significant value at 5 % level (0.05) is greater than the calculated significant value .002. so it rejects the null hypothesis at 5% level of significance. This means there is a significant correlation between dependent variable and independent variables. Therefore customer satisfaction level depends on quality dimensions of banks. The overall predictability of the model is shown in the table. The adjusted R square value is 0.979 which means that 97.9% variation in customer satisfaction in e banking service can be predicted by the service quality dimensions.

H_0 : there is no significant relationship between service quality dimensions and customer satisfaction in e -banking services.

Table 7
Coefficient Analysis

Model	Unstandardized Coefficient		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
Constant	0.215	2.59		0.085	0.930
Tangibility	1.000	0.080	0.295	12.84	0.000
Reliability	1.060	0.152	0.149	7.002	0.000
Responsiveness	0.923	0.132	0.150	6.952	0.000
Competence	0.852	.169	0.120	4.95	0.000
Access	1.075	1.499	0.165	7.130	0.000
Communication	0.985	0.083	0.245	12.005	0.000
Credibility	0.950	0.106	0.225	9.970	0.000
Security	1.098	.098	0.230	11.3	0.000

Source: Primary data

a. Dependent Variable: Customer Satisfaction.

b. Predictors: (Constant) Tangibility, Reliability, Responsiveness Competence, Access, Communication, Credibility, Security.

R square (adjusted) =0.979 F= 384.4 at 5% level of significance.

From the **table 7** the coefficient analysis shows the relationship between dependent variable and each independent variable. The Beta coefficient indicates the influences of service quality dimensions on customer satisfaction. All independent variables like tangibility, reliability, responsiveness competence, access, communication, credibility, and security have strong impact on customer satisfaction level in e- banking services. So it rejects the null hypotheses of the study because the calculated significance value is less than the significance level of 5% (0.05). From the above table it is very clear that all the independent beta value is high with their significance level.

The dimension tangibility has the highest impact on overall customer satisfaction followed by communication, security, credibility, access, responsiveness, reliability and competence. The dimension competence has least importance, so it has less impact on customer satisfaction. However regression model is adequate and highly significant that all independent variable together must be good predictors of overall customer satisfaction in e- banking services.

H_0 : There is no significant difference between customer satisfaction of public sector banks and private sector banks.

Table 8
't'- test

	Type	N	Mean	Std. Deviation	Std. Error	t value	sig
Customer Satisfaction	Public Bank	25	139.37	11.75	2.30	2.10	0.043
	Private Bank	25	135.50	9.88	1.85		

Source: Primary data
Level of significance is 5%

Table 8 shows the mean and standard deviation of customer satisfaction of public and private sector banks in e banking services. The results show that there is significant difference between the customer satisfaction of the 25 customers of public banks and the 25 customers of private banks. So the null hypotheses are rejected because the significance level is less than the actual significance level. The mean value of public sector bank is 139.37 and that of private sector bank has mean value of 135.50. This also shows that the customers of public sector banks are more satisfied than private sector banks.

CONCLUSION

The success of a bank depends on its ability to attract and retain its customers. Thus customer satisfaction is an important indicator of strategic success and helps in better understanding of customers' perceptions. It also helps the banks to determine the action required to meet the customers' needs .E-banking has become a competitive strategy in the banking sector in Oman because of the convenience and comfort that it brings to the customer. Therefore it has become a necessity to evaluate the e-banking services and its effect on customer satisfaction through service quality. The main objective of the study is to examine the impact of service quality of e-banking services on the satisfaction of Omani customers. The main findings of the study indicate that customers are fairly satisfied on all service quality dimensions.

The value of adjusted R square is 0.979 which means that 97.9% variation in customer satisfaction is due to the influence of all services quality dimensions. The regression model developed is adequate and highly significant in predicting the overall customer satisfaction of e-banking services in both banks. The study shows that all the service quality dimensions have strong impact on customer satisfaction. Thus it rejects the first hypotheses that there is no significant relationship between service quality dimensions and customer satisfaction in e banking services. It is found that there is significant difference between customer satisfaction of public and private sector

banks. The results reveal that customers of public sector banks in Oman are more satisfied than private sector banks.

It is important that the banking atmosphere must focus on quick and fair services to their customers. Banking service can increase customers' confidence and trust if employees are able to provide appropriate service to each customer. The performance of customer service providers requires interaction with customers, which leads to a focus on employee relations and customer service to achieve goals. The efficient and effective management of customer relationships through cutting edge CRM systems is an advantage banks should concentrate on to win the competition.

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