

Chapter 7

Technology–Based Self– Service Banking Quality Dimensions, Customer Satisfaction, and Loyalty: Linkages and Implications for Management

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ABSTRACT

Technology enabled automated banking is referred to as technology-based self-service banking (TBSSB). This paper probes the relationship between TBSSB service quality, customer satisfaction and loyalty. The EFA and CFA identify and confirm the structure constituting of four factors of TBSSB service quality (Convenience, Reliability and Security, Responsiveness, and Personalization), one factor of customer satisfaction, and one factor of loyalty. The model is empirically tested for reliability and validity. AMOS is used to investigate the relationship amid dimensions using SEM. It is found that convenience and personalization have a significant effect on customer satisfaction, and personalization and customer satisfaction have a significant effect on loyalty. The two structural models (partially and fully mediated) are also developed and compared. Customer satisfaction is confirmed as a mediating factor. The study presents managerial implications covering useful insights about the TBSSB factors that need to be focused on for increasing customer satisfaction and loyalty.

INTRODUCTION

Significance of customer service and its impact on customer satisfaction and customer loyalty is highlighted in marketing literature (Hooley et al., 2003). As the products offered by the banks are mostly indistinguishable in nature, banks are trying to compete on other parameters which may influence customer satisfaction and loyalty (Sindwani & Goel, 2012a). Throughout world, the banks are increasingly

DOI: 10.4018/978-1-5225-5026-6.ch007

using technology for providing services through self service mode using various electronic channels. The services through these channels offer numerous advantages to both the banks and their customers. For the banks, the advantages are reduction in cost of transaction and lesser load on branches. For the customers, technology banking provides value by anytime and anywhere banking (Sindwani & Goel, 2012b). Today almost all commercial Public, Private and Foreign National banks are offering automated self service banking services in India (Joshua, 2009). With time automated banking services acceptance is growing among customers. This is apparent from the increase in the transactions through automated self service modes in many of the banks. Measuring and managing service quality has become a key area of interest for practitioners, managers and researchers as service quality influences business performance, helps build competitive advantage, customer satisfaction, loyalty and profitability (Storbacka et al., 1994; Al-Hawari et al., 2005). Investigations of banks' automated service quality are necessary because of their strong impact on: attractiveness, customer retention, positive word-of-mouth, and maximising competitive advantages (Al-Hawari et al., 2005; Santos, 2003).

The purpose of the present study is to propose and investigate the dimensions of technology based self service banking (TBSSB) service quality and their relationship with customer satisfaction and loyalty. The study also examines the mediating role of customer satisfaction in the relationship. TBSSB service quality is measured taking into consideration common service quality attributes applicable to all the automated banking technologies (ATM, Internet Banking, Mobile Banking, Tele Banking etc.). The TBSSB encompass all automated banking services that customer avail in self service mode without any interaction with bank employees. The study will provide an insight of customer perceptions of technology based banking service quality to bankers and academicians. The TBSSB quality dimensions found in this study will provide guidelines for bank managers to improve customer experience with automated services. The study will also help them to understand which service delivery attributes of TBSSB effect customer satisfaction and loyalty and how a bank may take advantage of them to create value for customers.

The remainder of the paper is organized as follows: The following section present the literature review on automated banking service quality, customer satisfaction and loyalty. Next, the paper discusses the research methodology used in the paper as well as the survey instrument used for data collection. Afterwards, results are presented along with research findings and implications. Finally, limitations and future directions are discussed.

LITERATURE REVIEW

Various models to measure service quality have been proposed by researchers time to time. In literature, main conceptualizations of service quality are either based on the disconfirmation between perception and expectation (Grönroos, 1984; Parasuraman et al. 1988) or performance only approach (Cronin & Taylor, 1992). Page and Spreng (2002) found that performance-only measure is more reliable and stronger indicator of service quality than performance-expectations measure. Lee et al. (2000) showed that perception/performance based measures of service quality capture more of the variation in service quality than considering difference between perception and expectation. In addition to this, the performance-based scale reduces the number of items to be measured by half as compared to the disconfirmation scale.

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