

Original Article

# Study on Customer Satisfaction on Digital Banking Service Quality with Reference to Navanagara Urban Co-Operative Bank Ltd

<sup>1</sup>Hemalatha S., <sup>2</sup>T S Devaraja

<sup>1</sup>Research Scholar, University of Mysore, P G Centre, Hemangothri, Hassan, India.

<sup>2</sup>Professor of Commerce, University of Mysore, P G Centre, Hemangothri, Hassan, India.

Received Date: 26 July 2023

Revised Date: 31 July 2023

Accepted Date: 06 August 2023

Published Date: 12 August 2023

**Abstract:** The banking sector in India has undergone a significant transformation in recent years, moving from traditional banking to digital banking. This shift has been driven by the adoption of information technology, which has enabled banks to offer a wider range of products and services to customers. Navanagara Urban Co-Operative Bank Ltd. is an example of a bank that has embraced digital banking and is providing a range of services to meet the needs and expectations of its customers. The study conducted by the researchers aimed to assess the service quality and customer satisfaction with the digital banking services offered by Navanagara Urban Co-Operative Bank Ltd. The researchers used a structured questionnaire with a five-point scale to collect data from bank customers. The questionnaire covered major variables relevant to service quality, such as reliability, responsiveness, assurance, empathy, and tangibles. The data collected through the questionnaire were analyzed using statistical techniques to draw final conclusions on the service quality and customer satisfaction of the bank's digital banking services. The study found that Navanagara Urban Co-Operative Bank Ltd. is providing high-quality digital banking services that meet the expectations and needs of its customers. The bank scored high in all the major service quality variables, indicating that it is reliable, responsive, provides assurance, has empathy towards its customers, and offers tangible benefits. In conclusion, the study highlights the importance of digital banking in meeting the needs and expectations of customers in the present market condition. Navanagara Urban Co-Operative Bank Ltd. is a good example of a bank that has successfully adopted digital banking and is providing high-quality services to its customers. The study provides valuable insights for other banks planning to adopt digital banking and enhance their service quality to meet the changing needs of their customers.

**Keywords:** Digital Banking, Service Quality, Urban Co-operative Bank, Information Technology, Customer Satisfaction.

## I. INTRODUCTION

Digital banking has brought significant changes to the banking sector in India, promoting cashless transactions and reducing the circulation of black money. Customers can now access banking products and services from anywhere and at any time, eliminating the need to visit a branch physically. Digital banking also offers features such as automatic bill payments, alerts for upcoming payments, and reporting and blocking misplaced credit cards. In order to succeed in digital banking, financial institutions must offer a range of features such as customizable standing options, card blocking, safety vaults, and integration with stock market investment channels. They must also provide easily accessible assistance to customers.

Customer satisfaction is an important factor in the success of digital banking. Service quality is the key factor differentiating customer expectations from their perceptions of the services received. Co-operative banks such as the Navanagara Urban Co-Operative Bank Ltd. in KR Nagara (T), Mysore (D) are playing a significant role in providing digital banking services to their customers. Indeed, digital banking has transformed the banking industry and has become a necessity for banks to remain competitive in today's market. Meeting customer expectations and providing a high level of service quality is crucial for banks to retain their customers and attract new ones. Banks that are able to provide innovative, robust, secure, and optimized digital banking services that meet the needs and expectations of their customers are likely to be more successful. Customer satisfaction with digital banking services is a key indicator of service quality and can impact a bank's reputation and long-term success. Banks must continuously monitor and improve their digital banking services to ensure they meet their customers' changing needs and expectations. (Oliver, 1980). Overall, adopting digital banking has become a norm in India, with banks striving to become fully digital and provide flexible banking services to their customers.



## **II. REVIEW OF LITERATURE**

Digital banking services have become increasingly important in the financial sector, and banks are investing heavily in improving the quality of their digital services to attract and retain customers. This literature review explores various studies examining the factors influencing customer satisfaction with digital banking services. One significant factor highlighted in the literature is the importance of ensuring the security of the digital banking system. Maha Lakshmi and Kavitha (2020) stated that customers must have trust and confidence in the system's security, which can be achieved through various measures such as two-factor authentication, encryption, and regular security audits. A secure digital banking system will attract more customers and increase customer loyalty and satisfaction. Another important factor is service quality. Ghazi Zouari and Marwa Abdelhedi (2021) found a positive and significant relationship between the main dimensions of customer service quality and customer satisfaction, except for tangibles. The five service quality dimensions identified were confidence, compliance, digitalization, tangibles, and human skills. Service quality can be improved by investing in reliable and robust systems, providing customer ICT skills training, and conducting customer satisfaction surveys (Rajan et al., 2018). The literature also highlights the impact of various factors, such as complexity, assistance, security, accessibility, and applicability, on overall satisfaction with digital banking services (Ishan and Viral, 2018). Banks should motivate customers to use digital banking services more frequently, increase customer awareness of the various digital banking services, and address any problems customers may face to improve the overall customer experience.

In terms of digital transformation, Oanhthi Nguyen (2020) suggests that enhancing customers' sense of usefulness through advertising and consulting, building information security layers to ensure customers, and ensuring ease of use to avoid annoying customers are key to increasing customer satisfaction with digital banking services. Windasari et al. (2022) found that economic value, ease of use, social influence, firm reputation, promotion, features, curiosity, and reward significantly influenced the intention of Generation Y and Z to use digital banking services. A user-friendly digital banking interface that supports an easy-to-use experience for customers is crucial, and other factors such as rewards, unique features, and positive word-of-mouth also play an essential role in ensuring a positive customer experience. Hazlina et al. (2011) investigated the effects of online and ATM services on customer satisfaction in Malaysian banks. The study found that some dimensions of the ESERVQUAL model were unable to respond to customers' needs in the online banking system. At the same time, tangible and responsiveness dimensions out of the five dimensions of the SERVQUAL model were also found unable to fulfill the respondents' demands in ATM services. The study suggests that Malaysian banks should improve their services related to these dimensions to fulfill customers' needs and enhance their satisfaction level.

Madana Mohan (2021) conducted a study to explore the factors affecting customers' perception, satisfaction, and preference towards digital banking services. The study found that people of all ages prefer digital banking to traditional banking and mainly use mobile phones to access digital banking services. Customers find digital banking services convenient and widely available, leading to their overall satisfaction with these services. Manilall et al. (2014) conducted a study in South Africa to explore customer perceptions of technology-based banking service quality. The study identified seven factors influencing customer perception of online banking service quality: assurance, responsiveness, ease of use, accessibility, fulfillment, speed and accuracy, and contact. The study suggests that banks should conduct periodic measurements of online banking service quality levels to improve customer satisfaction. Hammoud et al. (2018) investigated the relationship between E-Banking service quality dimensions and customer satisfaction in the Lebanese banking sector. The study found that reliability, efficiency, ease of use, responsiveness, communication, security, and privacy all significantly impact customer satisfaction, with reliability being the dimension that had the strongest impact. The study recommends that banks focus on improving their E-Banking services' reliability to enhance customer satisfaction.

Finally, the Syed et al. (2020) study found that service quality is a critical factor influencing how customers perceive and interact with online banking services. All dimensions of internet banking service quality had a positive and significant influence on customer satisfaction, and customer satisfaction had a significant and positive impact on customer loyalty. In conclusion, the literature suggests that ensuring the security of the digital banking system, improving service quality, addressing customer needs, enhancing the usefulness of digital banking services, and improving the user interface are key factors in influencing customer satisfaction with digital banking services. By focusing on these factors, banks can improve customer loyalty and satisfaction and attract new customers.

## **III. OBJECTIVE OF THE STUDY**

Co-operative banks play an important role in providing financial services to their local communities and studying their digital banking services. Customer satisfaction can provide insights into better serving their customers and competing with larger commercial banks. It will be interesting to see what specific digital banking services Navanagara Urban Co-operative Bank Ltd. offers and how satisfied their customers are with them.

#### IV. METHODOLOGY

It's important to note that using both primary and secondary data sources can provide a comprehensive understanding of the research topic. In this case, primary data was collected through a structured questionnaire using a digital platform, while secondary data was used to identify research gaps and understand the concept of digital banking and service quality measurements. The use of five service quality dimensions is also a standard approach in the literature. These dimensions allow researchers to assess various aspects of service quality that are important to customers. The study can provide a holistic view of the customer's experience with digital banking services by considering tangibility, reliability, responsiveness, assurance, and empathy. Using the Statistical Package for Social Science (SPSS) for data analysis is also a common approach in research. It is a powerful tool for analyzing quantitative data and can provide valuable insights into the relationships between variables. In this case, frequency, dispersion, and regression analysis are used to measure the relationship between digital banking service quality and customer satisfaction. These methods can help to identify the key drivers of customer satisfaction and provide recommendations for improving service quality.

#### V. DATA ANALYSIS

The study collected data on the socioeconomic and demographic profile of the respondents, which is presented in Table 1. The majority of the respondents were male customers of co-operative banks, and most of them were married. The age group of 40 to 60 years had the highest representation in the study. Regarding educational qualifications, the study found that educational qualifications played a significant role in terms of confidence building and understanding the issues related to digital banking. The majority of the customers who accessed digital banking services were graduates and postgraduates. The study also found that the usefulness of digital banking services offered by co-operatives was mainly perceived by salaried and self-employed customers.

**Table 1: Socio-Demographic Profile of the Respondents**

Indicator	Factors	Frequency	Percentage
Gender	Female	26	26.5
	Male	72	73.5
Civil Status	Single	33	31.14
	Married	71	66.98
	Single parent	2	1.88
Age	20-40	27	27.6
	40-60	62	63.3
	60 & above	9	9.2
Education	Up to SSLC	9	9.2
	Up to PUC	9	9.2
	Graduate	44	44.9
	Post Graduate	36	36.7
Place of domicile	Urban	71	71.7
	Rural	28	28.3
Occupation	Farmer	9	9.2
	Salaried	35	35.7
	Self Employed	27	27.6
	House Wife	9	9.2
	Other	18	18.4
Monthly Income	Below 10000	44	44.9
	10001-20000	27	27.6
	20001-30000	18	18.4
	Above 30000	9	9.2

**Source:** Primary data

Table No. 2 shows the survey results on the customers' perception of the service quality dimensions of Navanagara Urban Co-operative Bank's digital banking services. The dimensions are tangibles, reliability, responsiveness, assurance, and empathy. The table displays the number of customers who rated each dimension as SA (strongly agree), A (agree), N (neutral), D (disagree), and SD (strongly disagree), as well as the mean and standard deviation of the ratings.

For tangibles, 36.7% of customers strongly agreed, and 45.9% agreed that the bank's modern-looking equipment, visually appealing physical facilities, professional appearance of employees, and visually appealing materials met their expectations. The mean rating was 4.11, with a standard deviation of 0.884.

For reliability, 45.9% of customers strongly agreed, and 27.6% agreed that the bank's services were performed right the first time, provided services at the time promised, and insisted on error-free records. The mean rating was 4.11, with a standard deviation of 0.983.

For responsiveness, 36.7% of customers strongly agreed, and 45.9% agreed that the bank's employees were always willing to help and provided prompt services. The mean rating was 4.02, with a standard deviation of 1.035.

For assurance, 55.1% of customers strongly agreed, and 27.6% agreed that the bank's employees instilled confidence, customers felt secure in their transactions, and employees were consistently courteous. However, 9.2% of customers disagreed that the bank had employees with the customers' best interests at heart. The mean rating was 4.11, with a standard deviation of 1.307.

For empathy, 55.1% of customers strongly agreed, and 27.6% agreed that the bank's employees had the knowledge to answer questions, provided individual attention, and understood the needs of their customers. The mean rating was 4.29, with a standard deviation of 0.963.

**Table 2: Service Quality Descriptive Statistics**

Service quality dimension	SA		A		N		D		SD		Mean	Std. D
	N	%	N	%	N	%	N	%	N	%		
Tangibles	36	36.7	45	45.9	9	9.2	8	8.2	0	0	4.11	0.884
Reliability	45	45.9	27	27.6	18	18.4	8	8.2	0	0	4.11	0.983
Responsiveness	36	36.7	45	45.9	0	0	17	17.3	0	0	4.02	1.035
Assurance	54	55.1	27	27.6	0	0	8	8.2	9	9.2	4.11	1.307
Empathy	54	55.1	27	27.6	8	8.2	9	9.2	0	0	4.29	0.963

*Source: Primary data*

It appears that the customers of Navanagara Urban Co-operative Bank are generally satisfied with the digital banking services provided by the bank, as indicated by the high mean value of 4.03 (out of 5) for customer satisfaction. This is a positive finding that suggests that the bank is meeting the needs and expectations of its customers in terms of accuracy, ease of use, usefulness, timeline, and safety. The standard deviation (SD) value of 1.256 indicates some variability in the level of satisfaction among customers, but overall the satisfaction level is quite high.

**Table 3: Customer Satisfaction on Digital Banking Service Quality of Navanagara Urban Co-operative Bank (Descriptive Statistics)**

Customer Satisfaction on Accuracy, Ease, Usefulness, Timeline, and Safety	SA		A		N		D		SD		Mean	Std. D
	N	%	N	%	N	%	N	%	N	%		
	45	45.9	36	36.7	0	0	9	9.2	8	8.2	4.03	1.256

*Source: Primary data*

**Table 4: Regression Analysis Relationship between Digital Banking Service Quality of Navnagara Urban Co-operative Bank and Customer Satisfaction (Coefficient)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.714	.214		-3.341	.001
Tangibles	2.286	.135	1.609	16.973	.000
Reliability	-.429	.052	-.336	-8.307	.000
Responsiveness	-1.571	.139	-1.296	-11.295	.000
Assurance	1.429	.111	1.487	12.846	.000
Empathy	-.571	.136	-.438	-4.192	.000

Note: F Value 1075.743, Adjusted R2.982

Based on the results in Table 4, it can be concluded that there is a strong and highly significant relationship between the dimensions of service quality (tangibles, reliability, responsiveness, assurance, and empathy) and customer satisfaction in the context of digital banking services provided by Navanagara Urban Co-operative Bank. This means that customers perceive the quality of digital banking services offered by the bank to be highly related to their level of satisfaction. In this analysis,

tangibles, assurance, and responsiveness have positive standardized coefficients, indicating that they are positively associated with customer satisfaction. Reliability and empathy have negative standardized coefficients, indicating they are negatively associated with customer satisfaction.

Additionally, the adjusted R<sup>2</sup> value of 98.2 percent suggests that the dimensions of service quality included in the analysis explain a large proportion of the variance in customer satisfaction. This indicates that the quality of digital banking services provided by Navanagara Urban Co-operative Bank significantly impacts the overall satisfaction level of its customers.

## **VI. FINDINGS**

Based on the information provided, it seems that the Navanagara Urban Co-operative Bank provides quality digital banking services to its customers. However, there are still some areas that the bank needs to work on to improve its services. These include:

Informing customers regarding the delivery of services: The bank needs to ensure that customers are informed about the delivery of their services in a timely and efficient manner. This could involve sending regular updates or notifications to customers regarding the status of their transactions.

Providing prompt services: The bank should aim to provide prompt and efficient services to its customers. This could involve reducing customer wait times and ensuring that transactions are processed quickly and accurately.

Willingness to help through: The bank needs to be willing to assist customers who require help or support with their digital banking services. This could involve providing guidance and assistance to customers who are new to digital banking or experiencing difficulties with their transactions.

Availability of employees to assist customers: The bank should ensure sufficient employees are available to assist customers with their queries and concerns. This could involve increasing staffing levels or providing training to existing employees to improve their knowledge and skills.

Building confidence in using digital banking services: The bank needs to work on building confidence among its customers for using digital banking services. This could involve providing education and training to customers on the benefits and risks of using digital banking services and highlighting the measures taken by the bank to ensure the safety and security of their transactions.

Overall, by addressing these issues, the Navanagara Urban Co-operative Bank could achieve 100 percent success in offering digital banking services to its customers.

## **VII. RECOMMENDATIONS**

Customer education and awareness about digital banking services and safety measures are crucial for ensuring a seamless and secure digital banking experience. It is essential for co-operative banks to take the initiatives to educate their customers about digital banking services, including the features and benefits of such services, how to use them safely, and the precautions they need to take to prevent fraudulent activities. This can be done through various channels, such as online tutorials, webinars, workshops, and training sessions. Co-operative banks can also collaborate with the Reserve Bank of India (RBI) to promote customer awareness campaigns on digital banking frauds and the precautionary measures to be taken to avoid such frauds. This can help customers to be more vigilant while using digital banking services and to report any suspicious activity immediately. Additionally, co-operative banks can offer 24/7 customer support to help customers with any issues they may face while using digital banking services. By doing so, co-operative banks can build customer trust, loyalty, and satisfaction, leading to increased usage of digital banking services and higher customer retention rates.

## **VIII. CONCLUSION**

It is true that commercial banks were the pioneers in initiating digital banking services for their customers. However, co-operative banks have also realized the importance of digital banking services and have gradually started providing such services to their customers. While it may have taken some time for co-operative banks to catch up with commercial banks, they have made significant progress in providing ATMs, internet, and other digital banking services. In terms of customer satisfaction, it is essential for banks to provide high-quality digital banking services. This can be challenging because digital banking services depend not only on the banks' digital technology but also on the resources owned by customers. Therefore, co-operative banks compete with large commercial banks in providing quality digital banking services to their customers and ensuring customer satisfaction with service quality. To achieve a high level of customer satisfaction, co-operative banks need to focus on resolving issues related to the responsiveness of employees and meeting the given assurance. By doing so, they can enhance customer satisfaction levels, resulting in the long-term success of co-operatives.

## IX. REFERENCES

- [1] EvdokimovaYuliaViktorovna, S. O. Digital Banks: Development Trends, *Advances in Social Science, Education and Humanities Research*, Atlantis Press, 240 151-153 (2019).
- [2] FotisKitsois, I. G. Digital Transformation and Strategy in the Banking Sector: Evaluating the Acceptance Rate of E-Services, *Journal of Open Innovation: Technology, Market, and Complexity*, 1-14 (2021).
- [3] N Maha Lakshmi, P. D. A Study on Customer Satisfaction on Digital Banking, *Journal of Xi'an University of Architecture & Technology*, XII (III) 727-734 (2020).
- [4] Rajan, P. Digital Banking Services: Customer Perspectives, *Journal of Emerging Technologies and Innovative Research (JETIR)*, 5(12) 306-31 (2018).
- [5] Race, C. I. Digital Banking Capsule, Federal Bank PO & Clerk, Race Coaching Institute Pvt Ltd, 2018.
- [6] Roy, A. Digital Banks - A Proposal for Licensing & Regulatory Regime for India, NitiAyog, Government of India, 2021.
- [7] Samir Mansuri, a. B. A Study on Customer Satisfaction for Digital Banking Services of Indian Banks, *International Journal of Creative Research Thoughts (IJCRT)*, 9 (3) 280-284 (2021).
- [8] Sumit, Digital Transformation in Banking - The Future of Banking, Happiest Minds.
- [9] Vipin Jain, A. K. Digital Banking A Case Study of India, 63 (6)19980-19988 (2020).
- [10] Furst, K., Lang, W.W. and Nolle, D. 'Internet banking: developments and prospects', Working Paper 2000-9, Office of the Comptroller of the Currency, Economic and Policy Analysis, September, 2000.
- [11] Mukherjee, A., & Nath, P. A Model of Trust in Online Relationship Banking, *International Journal of Bank Marketing*, 21(1) 5-15 (2003).