CHAPTER 3

CONCEPTUAL FRAMEWORK OF THE STUDY

Based on the review of literature discussed in previous chapter, the concepts and scales used to fulfill the objectives of this study are discussed in the subsequent sections. These concepts and scales are based on the ideas given by different researchers in the earlier studies. In this chapter, these ideas are further explored to meet the objectives of the current study.

3.1 Customer Perception

Perception of the customers towards different products and services plays an important role in the success of every organization. It helps the organizations to understand what the customers feel and think about their products and services. The word perception is derived from Latin word ‘perceptio’ which literally means ‘to receive or collect’ something. According to Schiffman and Kanuk (2007, p. 172), “Perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world”. Lindquist and Sirgy (2003) have also defined perception as a process in which a person collects information and makes inferences based on the surroundings. In addition, Mooij (2010) has mentioned that perception gives information about the environment and the perception towards a stimulus depends upon the stimulus itself and the perceiver. It has been observed that customer perception is concerned with the realization of needs, wants and desires of the customers (Cadotte et al., 1987). Even in context of service organizations, Llosa, Chandon and Orsinger (1998) have defined customer perception as the customer’s evaluation of the services provided by these organizations.

Schiffman and Kanuk (2007, pp. 172-175) have highlighted some of the basic concepts which support the perceptual process. These concepts are also called the elements of perception. A brief description of these concepts and the perceptual process is presented further.
I) Elements of Perception

These elements include the different psychological concepts which lay the foundation of the perception of an individual and further assist in the fulfillment of perceptual process.

a) Sensation: It is the quick reaction of the sensory organs to a stimulus in which a stimulus may include any kind of input from the products, brand names and advertisements. These sensory organs may include eyes, ears, nose, mouth and skin of an individual.

b) Absolute Threshold: It is the minimum level at which an individual can have feeling of sensation in context of a stimulus i.e. able to find out the difference between something and nothing.

c) Differential Threshold: It is viewed as the minimum amount of difference which can be found between the two identical sets of stimuli and is also called as just noticeable difference (j.n.d).

d) Subliminal Perception: It means that the stimulus may be quite weak to be viewed or may be powerful enough to be observed by the receptor cells. In other words, the stimulus is below the level of conscious awareness and is above the level of absolute threshold.

II) Perceptual Process

The interpretation of two individuals about one stimulus may be different and each individual can perceive or give different meaning to the same stimulus based on his/her environment. Schiffman and Kanuk (2007, pp. 178-190) have discussed the following aspects of perception:

a) Perceptual Selection: In this phase, an individual may go through different stages such as selective exposure, selective attention, perceptual defense or perceptual blocking. In selective exposure, the individual may tend to like the messages which are enjoyable, align with his/her preferences and assist in buying of a product or service. In selective attention, the individual may generate preferences for different messages and become enthusiastic due to high level of awareness about the stimulus
in consideration. Further, in case of perceptual defense, the individual may put to side the stimulus which does not suit his/her preferences. Finally, in perceptual blocking, the individual may save himself or herself from over exposure to certain stimulus by removing it from the conscious awareness.

b) Perceptual Organization: In this phase of the perceptual process, the individual may take into consideration the figure and ground, grouping, closure or good figures. In figure and ground, the individual may pay attention to only a specific part concerning him or her there by ignoring the rest of the details. In grouping, the individual may use memory and recall, and try to group different stimulus in order to create a complete picture or an image of a particular entity. Further in the next component i.e. closure, the individual may tend to complete the missing pieces of information through self-perceived notion about the missing part. Finally, in good figures, the individual may quickly perceive and retain the known, balanced and sequential practices in memory for a longer period of time.

c) Perceptual Interpretation: In this phase, the individual may consider physical appearances, stereotypes, first impressions, jumping to conclusions or hallo effect. In physical appearances, the individual having fruitful experiences from a stimulus may form a positive perception towards the product or service. In stereotypes, the individual may tend to provide meanings to stimulus based on previous information. In the next component i.e. first impression, it is believed that the foremost image of a stimulus in individual’s mind will be retained for longer period of time and may be considered quite useful. In jumping to conclusion, the individual may tend to jump to conclusion even without appropriate evaluation of the provided facts. Finally, in hallo effect, the individual may have the feeling to judge different good or services based on one characteristic.

Measurement of customer perception has always received greater attention of the researchers independent of the nature of product or service. There has been increase in the power of customers due to introduction of e-commerce in different business domains (Han and Han, 2001). Banking sector in India is going through immense competition in which the different players are trying to serve their customers in the best possible way. In order to positively affect the perception of customers in their favor, the banks need to combine the technology usage with the behavioral
aspects (Khare, 2011). Innovations in technology help in improving the customer satisfaction and thus lead to the formation of a positive perception about the banking services (Adholiya et al., 2012). It has been observed that the rapid use of technology has made the customers more powerful and increased their concern for mobility (PWC, 2015).

Technology enabled services such as internet banking and m-banking are considered as the positive outcome of technology implementation in banking. In the present scenario of changing customer requirements and demographics, the technology has a great role to play in future and carries special relevance for the developing nations (PWC, 2014). This has created greater emphasis on the measurement of customer perception in case of ICT enabled banking services such as m-banking. In the current study, the perception of the customers towards m-banking is ascertained by identifying the awareness level, general views, quality perceptions and the impression of the service in the mind of customers. These components have been selected based on the literature review conducted during the course of this study. Further discussion on each of these components is presented in the subsequent sections.

3.1.1 Perception and Awareness

Measuring awareness of the customer about a certain product of service could be considered as the first step towards ascertaining perception. The term awareness is related with the knowledge about the existence of something. Perception and awareness have an important relationship with each other in which higher awareness can affect the perception of the customer towards a product or service (Schiffman and Kanuk, 2007, p. 175). In other words, it has been observed that the positive perception of a person could only be formed with proper awareness about a particular product or service.

3.1.2 Perception and General Views

The general views related to perception towards a product or a service may include some general notions which exist in the minds of customers. They may be specific to the nature of product or service and may encompass the word of mouth view or general comparisons made by the customers in terms of its usage. These
Comparisons may reflect the future prospects and usage pattern of the product or service in consideration. In the current study, the general views about the preference of m-banking over traditional mode of banking are taken into account. In addition to this, the statements depicting the utility of m-banking service to a customer and its future prospects are also utilized to have a complete evaluation of the general views of the customers towards m-banking. The statements used in this step have been formulated based on the review of literature conducted in this study.

### 3.1.3 Perception and Service Quality

Perception and service quality have a very important relationship with each other in which higher service quality may lead to positive perception about a product or service. The issue of service quality has always gained great significance among different types of businesses and the organizations which ride high on service quality are going to survive in the long run. In marketing literature, service quality is considered as the complete evaluation of the service by the customer (Eshghi et al., 2008). Parasuraman et al. (1988) defined service quality as “The discrepancy between consumers’ perceptions of services offered by a particular firm and their expectations about firms offering such services”. Further, they proposed a model named SERVQUAL to measure the service quality of different organizations. The model also suggested that quality of service is positively associated with the perception of customers. SERVQUAL included a 22 item scale suitable for measuring service quality in case of service and retailing organizations. These 22 items were based on the 5 dimensions of service quality which were tangibles, reliability, responsiveness, assurance and empathy. The model works on identifying the gap between customers’ expectation of the service and the perception of the actual service delivered. Previous research has suggested that SERVQUAL model is more suitable for measuring the service quality of traditional types of businesses. However, the introduction of technology in services has transformed the traditional service quality into electronic service quality. Thus, the field of electronic service quality also needs some attention.

1) **Concept of E-Service Quality**

In context of e-services, quality of service is considered as one of the important factor in the success of electronic commerce (Yang, 2001). Some of the
researchers have even considered increased use of technology in business as a parameter contributing towards service quality (Joseph et al., 1999). Colier and Bienstock (2006, p. 260) have defined e-service quality as “customer’s perceptions of the outcome of the service along with recovery perceptions if a problem should occur”. E-service quality has also been described as an overall assessment of the service by the customer and his/her appraisal about the delivery of e-service in the virtual market environment (Santos, 2003). It is different from the conventional service quality in context of human and technology communication (Rotchanakitumnuai, 2008). Lin and Shih (2013) in their study have also found that the measurement of e-service quality is different from the traditional service quality as the attributes of electronic commerce are completely distinct from the other physical services industry specific attributes. Ease of the customers in accessing internet enabled services in comparison to the conventional services has increased the significance of examining e-service quality (Santos, 2003). Oliveria et al. (2002) in their study have also highlighted that e-service quality is becoming crucial for generating new customers and maintaining the existing ones. With the greater adoption of e-services among different businesses there is high need to measure and examine the e-service quality in the virtual market place (Li et al., 2009). Consequently, the analysis of e-service quality has become a famous topic in the field of research (Sylvie and Ina, 2010) and this increases the scope of the current study.

II) E-Service Quality in Banking

Banks being the part of service industry have always strived to attain highest level of service quality in their operations. Measurement of e-service quality has great scope in banking. There has been increased competition among the banks to provide quality services to their customers. The banks must work on finding out customer satisfaction in relation to their e-service quality (Zavareh et al., 2012). Efficient delivery of e-service quality has become important for the banks in order to remain competitive in the market (Ariff et al., 2012). For achieving this objective, the banks must have the knowledge about keeping their customers satisfied in terms of e-service quality (Methlie and Nysveen, 1999). As a point of difference from traditional banking, there has been less human interaction in e-banking which increases the need to study the role of technology in electronic customer satisfaction (Schaupp and
Bélanger, 2005). It has been observed that there is positive effect of e-service quality on customer satisfaction in banking (Al-Hawari and Ward, 2006) and the dimensions of e-service quality positively affect customer satisfaction (Yen and Lu, 2008; Kassim and Abdullah, 2010).

**III) Outcome of E-Service Quality**

As in the case of traditional services, customer satisfaction is the outcome of e-service quality and there have been many research studies which support this view. Chang, Wang and Yang (2009) have found that e-service quality, customer satisfaction and customer loyalty are related to each other and e-service quality positively affects customer satisfaction. Wenying and Quan (2010) in their research have also highlighted a positive effect of e-service quality on customer satisfaction, perceived value and electronic loyalty. It has also been found that dimensions of e-service quality positively affect customer satisfaction and perceived value (Sun et al., 2009).

**IV) Measures of E-Service Quality**

Traditionally SERVQUAL has been a considered as a famous scale used in the measurement of service quality. Previous research has revealed that this scale is generally considered better tool for measuring service quality of ‘brick and mortar’ or traditional businesses (Ladhari, 2009). However, based on the different nature of the e-services, Zeithaml (2002) developed a new scale called E-SERVQUAL which was having seven dimensions. Later on, these seven dimensions of E-SERVQUAL were further classified into four dimensions of E-S-QUAL and three dimensions of E-RecS-QUAL by Parasuraman et al. (2005). The dimensions in E-S-QUAL scale were efficiency, fulfillment, system availability and privacy, and in E-RecS-QUAL scale were responsiveness, compensation and contact. The two scales E-S-QUAL and E-RecS-QUAL were differentiated on the basis of e-core service quality and e-recovery service quality. Among the two, e-core service quality deals with the quality of service provided at the time of service delivery and e-recovery service quality is concerned with the quality of service provided while extending any service support to the customers that may include trouble shooting and handling of their queries. These scales were originally proposed by Parasuraman et al. (2005) to judge
the service quality of different websites. However, there is enough evidence in the literature which classifies m-banking as an e-service. In addition, research also suggests that consumers use similar kind of dimensions in evaluation of e-services (Zeithaml et al., 2000). Thus, both E-S-QUAL and E-RecS-QUAL could be considered as effective measures to assess the service quality of different types of e-services such as m-banking. In the current study, 22 items of E-S-QUAL and 11 items of E-RecS-QUAL were selected in line with the original study proposed by Parasuraman et al. (2005). However, the description of different dimensions of these scales has been adjusted as per the nature of m-banking service. The brief description about the dimensions after necessary modifications is presented below:

i) **E-S-QUAL:**

a) **Efficiency:** It includes simplicity and convenience of accessing and using the m-banking service.

b) **Fulfillment:** It specifies the level to which m-banking service assures about completion of request.

c) **System availability:** It is related to proper execution and reach of the m-banking service.

d) **Privacy:** It refers to the extent up to which m-banking service is considered secured and protects customer record.

ii) **E-RecS-QUAL:**

a) **Responsiveness:** It is concerned with the proper handling of problems related to m-banking service.

b) **Compensation:** It includes the level to which m-banking service copes up with the customers for problems.

c) **Contact:** It refers to the ease of support on m-banking service through telephone or online representatives.

In the present study 33 statements based on the E-S-QUAL and E-RecS-QUAL scales are used to ascertain the perception towards m-banking service and are presented in the next chapter.
3.1.4 Perception and Feelings

In order to have a complete picture of the perception of the customers towards m-banking, the impression of the service in the minds of customers after its usage is taken into consideration. It has been mentioned that perception is closely related to attitude where attitude is the result of inner feelings which may or may not be favorable towards a given stimuli (Schiffman and Kanuk, 2007). Attitude results in direct observable consumer behavior which may be reflected from the feelings that the customers may have after using the service. Thus, feelings about the service could also be considered as an effective indicator of customer perception. In the current study, in order to find out the perception of customers based on their post usage experience, their feelings after using the service are evaluated. This evaluation of the feelings can further help to understand the image of m-banking service in the mind of customers based on their usage experience.

3.2 Customer Satisfaction

The second objective of the current study is related with the level of satisfaction in using m-banking service. Customer satisfaction is considered as an important determinant of consumer behavior and is related with the perception of customers. Satisfied customers usually have positive perception towards organizations’ offerings. Customer satisfaction is considered as the result of positive experience from the usage of a product or service. It is treated as the customer’s complete assessment of a product or service based on its performance (Johnson and Fornell, 1991) and is also linked with his/her perception towards a product or service. Oliver (1997, p. 13) has proposed a comprehensive definition of customer satisfaction and defined “Satisfaction is the consumer’s fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under or over fulfillment”.

Apart from this, Kotler et al. (2009, p. 120) have also defined customer satisfaction as “a person’s feeling of pleasure or disappointment after comparing a product’s perceived performance or outcome against his/ her expectations”. Customer satisfaction results from the appraisal of prior expectations and the
perceived performance of a product or service entity (Homburg et al., 2005). Gómez et al. (2004) have also defined customer satisfaction as an evaluation of the ratings of different features of a product or service by the consumer.

According to Schiffman and Kanuk (2007), perceived value and satisfaction are related with each other where the goal of providing high value is to gain more customer satisfaction than the competitors. Similarly, different research studies have found that satisfaction and customer loyalty are also associated with each other in which customer loyalty has been considered as a predictor of customer satisfaction (Cronin et al., 2000; Yang and Peterson, 2004). Oliver (1997) has also argued that customer satisfaction leads to customer loyalty and helps to generate profits for the business. It has been observed that perceived value, satisfaction and loyalty are related to each other in which perceived value leads to satisfaction and satisfaction further leads to loyalty among the customers (Sugiati et al., 2013).

In past few years, the importance of customer satisfaction has also increased tremendously in the banking sector. The ever increasing competition in banking has forced the banks to operate on lower margin and raise new standards of customer satisfaction. These banks have also realized the need to implement technology based services which may include the introduction of new banking channels such as internet banking and m-banking. This transition has further raised more concerns among the banks to understand the customer satisfaction in case of technology based services. In the current study, based on the above discussion and the literature review, perceived value and loyalty intentions are used as the important parameters to measure customer satisfaction. Brief description about each of these parameters is presented in the subsequent sections.

3.2.1 Perceived Value

It is considered as one of the important indicators of customer satisfaction. Perceived value helps the customers to ascertain the actual benefits of the service based on cost/benefit analysis (Kumbhar, 2011). Perceived value is also known as customer value (Butz and Goodstein, 1996) or simply value (Zeithaml, 1988). It is considered as a full-fledged appraisal of a product or service in consideration based on the perception of benefits received and resources foregone by the customers.
Zeithaml, 1988). Patterson and Spreng (1997) have proposed that perceived value and loyalty intentions are related to each other and this relationship is mediated through customer satisfaction. Perceived value helps to predict customer loyalty (Zeithaml, 1988). It has been observed that perceived value is strongly linked to the satisfaction and loyalty of the customers (Roig et al., 2006) and this is also true in case of banking sector (Bloemer et al., 1998). Perceived value also helps the business organizations to gain advantage over their competitors (Lee and Overby, 2004).

In the current study, perceived value is measured based on the four items which include price paid, overall value, perceived control and perceived convenience. This matches with the measurement of perceived value based on previous studies carried out by Dodds, Monroe and Grewal (1991) and Sirdeshmukh, Singh, and Sabol (2002). In this study, four items of perceived value used by the above researchers have been adjusted as per the nature of m-banking and the brief description of each of these items is presented below:

a) **Price Paid:** It includes the prices paid for using m-banking service and helps to know how economical is the service usage?

b) **Perceived Convenience:** It is related with the overall convenience of using m-banking service.

c) **Perceived Control:** It is concerned with the extent to which m-banking service gives the customer a feeling of being in control of banking operations.

d) **Overall Value:** It includes the overall value provided by m-banking service to the customer.

3.2.2 Customer Loyalty

It is considered as an important outcome of customer satisfaction and the second indicator used in the study. Marketers believe that in long run, the success of any type of organization belonging either to manufacturing or service sector depends upon the loyalty of customers. Customer loyalty has been defined as the strong willingness to make a repeated purchase of a product or service over a period of time despite of the efforts made by marketer to increase the switching behavior (Oliver, 1999). In marketing, every organization wants to maintain a good number of loyal
customers. It has been observed that customer loyalty has a strong relationship with customer satisfaction which is considered as a precondition for achieving customer loyalty (Wu and Wang, 2005).

Maintenance of customer loyalty has become a more challenging task in case of e-services and this is also applicable in case of e-banking. Even the studies related to banking also find a positive relationship between customer satisfaction and loyalty (Bontis et al., 2007) where more satisfaction leads to more loyalty (Yoon, 2010). In the present study, customer loyalty is measured on the basis of five item loyalty scale proposed by Zeithaml, Berry and Parasuraman (1996). This scale is based on the loyalty intentions of customers. The loyalty scale proposed by Zeithaml, Berry and Parasuraman (1996) has been adjusted as per the nature of the current study and the brief description is given below:

a) **Loyalty to Service**: It is reflected by saying positive things about m-banking service to other people.

b) **Propensity to Switch**: It is visible by the recommendation of m-banking service to someone who seeks advice.

c) **Willingness to Pay More**: It is concerned with encouragement of friends and other people to make more usage of the m-banking service.

d) **External Response to Problem**: It is related with the consideration of m-banking service as the first choice for future transactions.

In the current study, based on the above discussion and literature review, perceived value and customer loyalty are considered as the two indicators of customer satisfaction. The measurement of these two indicators will help to measure customer satisfaction. In case of technology based services, it has also been observed in past that there is mediation effect of customer satisfaction between perceived value and loyalty of customers in which perceived value reflects customer satisfaction which further affects customer loyalty (Wu, 2011).

### 3.3 Consumer Demographics

Consumer demographics have great importance in the field of marketing and play a vital role in understanding the behavior of target market. Demographics are
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considered as the size, structure and distribution of a population (Moskowitz et al., 2009, p. 105). Roscoe, LeClaire and Schiffman (1992) have defined demographics as “a range of population, ecological and socioeconomic characteristics that may be portrayed statistically or qualitatively to provide information input to management decisions in marketing a product or service.” According to Macmillan Dictionary, demographics are considered as the specific characteristics of a population which may include different variables such as age and race.

Demographics play a key role in marketing and consumer research. They assist in the categorization of new markets, alignment of the products with consumer preferences and in understanding the complex behavior of consumers (Claxton, 1995). Demographic segmentation helps the marketers to find the right kind of customers for their products and services. In past, it has been found that segmentation variables can significantly affect the purchase behavior and can lead to variations in the purchase decisions of the consumers (Lee, 2005). Previous research has also revealed that demographic variables can considerably affect the behavior of customers (Okazaki and Hirose, 2009). These demographic variables may include the age, gender, occupation, marital status, education and income of the consumers. It has also been observed that consumer demographics can have important relationship with the product or service usage and further have key implications on the use of technology (Chang et al., 2007). Previous studies have highlighted that demographics are considered to be key determinant of consumer behavior in case of technology services (Sulaiman et al., 2007; Venkatesh and Morris, 2000; Comin and Hobjin, 2004). Inan and Lowther (2009) have observed that the demographic characteristics including gender, age, education, occupation and income all can have substantial impact on the usage of ICT based applications.

Banking Industry being the important part of service sector is always keen to understand the important role of demographics in the delivery of its services. The literature review conducted in the current research work highlighted that different studies have been conducted in past to understand the important role of demographics in case of banking services. Review of literature also suggested the need to conduct studies involving internet banking, m-banking and demographics. Premalatha (2015) in a study on adoption of internet banking has highlighted that demographic variables can considerably affect the usage of this service. Similarly, Suoranta and Mattila
(2004) have found that demographic characteristics of the customers can have significant impact on the implementation of the m-banking solutions. In another study conducted on m-banking, Singh (2014) has found that these characteristics can also considerably affect the perception of customers in case of m-banking. However, the usage of technology services like m-banking can vary as per the different demographics of customers and the usage of service may be dependent more upon one demographic than the other. In the current study, based on the above discussion and the literature review, the association of different demographics variables including age, marital status, occupation, education, gender and income, and the purpose of transaction with the usage of service is ascertained. This will help to understand the role of demographic segmentation in the consumer behavior in case of m-banking service.