CHAPTER 1
INTRODUCTION

1.1 INDIAN BANKING INDUSTRY

The banking sector continues to be one of the prime drivers of economic growth. With India experiencing a cycle of growth, the Rs 81 trillion (US$ 1.34 trillion) Indian banking industry in 2014 is poised to grow exponentially as the sector reflects the health of an economy. Strong fundamentals in the banking sector, supported by increased credit and growth of assets have resulted in increased profitability. Banking sector of India has stable core customers’ deposits with limiting dependence on external borrowings. It is widely believed that one industry wherein India has an edge over China is banking Industry.

Needless to say, it is the banking industry of any country that can give a fillip to its economy. The Indian Banking industry has been scanned in subsequent paragraphs.

1.1.1 HISTORICAL DEVELOPMENT OF BANKING IN INDIA

The roots of banking in India can be traced back in Vedic period. The ancient Hindus had framed various policies pertaining to credit, deposits, loans and interests. Moreover, in ancient India there was considerable use of certain banking instruments like adesha (corresponds to the definition of a bill of exchange), letters of credit etc. that played a crucial role in financing of the trade and commerce.

The beginning of modern banking in India however can be traced in British period of 18th century. The journey of Indian Banking System can be segregated into following three phases:
Early phase from 1786 to 1969 of Indian Banks (Pre Nationalisation Phase)

Time period prior to Indian banking sector Reforms from 1969 to 1991 (Nationalisation phase)

New phase of Indian Banking System with the advent of Indian Financial & Banking Sector Reforms after 1991 (Liberalisation, Privatisation and Globalisation phase).

• PRE- NATIONALISATION PHASE

Banking in India has its origin in the last decade of the 18th century. Two formal banks i.e. Bank of Hindustan (1770) and General Bank of India (1786) laid the foundation of modern banking in India. However, both the banks were declared to be short lived experiments.

The beginning of the nineteenth century is characterised by the tremendous growth of trading and administration in India leading to the requirement of modern banking and uniform currency to finance foreign trade. As a result, first presidency bank, Bank of Bengal (State bank of India in modern Banking) was established in 1806. Subsequently two more presidency banks - Bank of Bombay (1840) and Bank of Madras (1843) came into existence. The Presidency banks acted as quasi-central banks and were governed by Royal charters.

The first formal regulator for banks was the Companies Act, 1850 which stipulated unlimited liability for banking and insurance companies until 1860. However in 1861, the Indian law permitted the principle of limited liability. With Limited liability many new banking companies were added during this period. The first Indian owned bank, Allahabad Bank was established in 1865. Thereafter, Punjab National Bank (1895) and Bank of India (1906) came into existence and are still functioning today. All these banks were started under private ownership.
In the first decade of the 20th century Swadeshi movement gave a great impetus to many more Indian commercial banks such as Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore between 1906 and 1913. However during the war period (1913-1918), a number of banks failed.

The recommendations by the Central Banking Committee in 1931 lead the emergence of a regulating body, Reserve Bank of India, in 1935 under the Reserve Bank of India Act, 1934. After Independence, Government of India took various steps in regard to banking sector reforms. The major reform initiated with the nationalisation of Reserve bank of India in 1949 with the passage of the Banking Regulation Act, 1948. Under this act, Reserve Bank of India was conferred with extensive powers for the supervision of banking sector in India.

This phase had witnessed various meaningful reforms with the empowerment of central regulatory authority, RBI. However, regardless of these provisions, banks in India except the State Bank of India continued to be owned and operated by private persons till their nationalisation in 1969.

- **NATIONALISATION PHASE(1968-1991)**

  Though the pre-nationalization phase changed the outlook of the Indian banking industry but neglecting share of bank credit in agriculture sector and non-industrial sector was one of the disturbing features of the pre-nationalization banking policy. Therefore, nationalization of Banks was done to ensure the allocation of credit to meet the diverse kinds of borrowers, in particular farmers, small-scale industries, and self-employed professionals. This nationalization of 14 major commercial banks on July 19, 1969 changed the direction of Indian banking system. It resulted in spurred growth of agricultural sector and small scale industries and also improved the credibility of private banks which were now backed by government of India. Looking at the successful implementation of nationalisation policy of banks (1969) another six banks were nationalized in 1980, thereby raising the number of nationalized banks to 20. Thus, the
developing phase of banking industry in India can be truly accredited to major reforms of nationalisation phase.

- LIBERALISATION, GLOBALISATION AND PRIVATISATION PHASE (1991 Onwards)

The most modern phase of banking has made the banking industry to move into the new horizons of competitiveness, efficiency and productivity. In 1990s’ the recommendations of Narsimha Rao government embarked on a policy of Liberalisation, Privatisation and Globalisation. This paved the way for many new banks (private and foreign) to enter in Indian banking industry. The new banks set up as a result of this policy includes Global Trust Bank (the first of such new generation Bank that later amalgamated with Oriental Bank of Commerce), Axis Bank (former named as Unit Trust of India), Industrial Credit and Investment Corporation of India Bank (modern day ICICI Bank) and Housing Development Finance Corporation Limited Bank (HDFC). No doubt these changes have not only strengthened the India’s financial system by making it internationally competitive but also helped with advanced technologies and profitability. With a view to further penetrate into the large Indian market and create competition for the benefits of the customers, RBI has again started issuing banking licenses to the competent players in 2014. In this regard, IDFC ltd. and Bandhan financial services got the nod to start banking in 2014. It was after a gap of 10 years that banking licenses were issued by RBI.
1.1.2 BANKING STRUCTURE IN INDIA

India has a diverse banking structure. The same is explained with the help of figure 1.1

**Figure 1.1   Banking Structure in India**

![Banking Structure in India Diagram]

Source: RBI bulletin, 2014

Fig 1.1 makes it clear that RBI, the central Institution of the banking system monitors the entire gamut of banking industry. The organised banking system in India, under the governance of RBI, comprises of Scheduled and unscheduled banks.

Unscheduled banks in India mean “a banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949, which is not a scheduled bank”. Scheduled Banks in India constitute those banks, which
have been included in the Second Schedule of Reserve Bank of India (RBI) Act, 1934. The Scheduled Banks can be further segregated in the following categories:

- Commercial banks
- Regional Rural Banks
- Cooperative Banks

Commercial banks, which account for major proportion of business in Indian Banking industry, offer a wide range of services for individuals, businesses, and governments. Till date, there are 90 scheduled commercial banks in India. These are grouped into five categories based on their ownership. State Bank of India and its five associates (excluding State Bank of Saurashtra, which has been merged with the SBI with effect from August 13, 2008 and state bank of Indore) are recognised as a separate category of SCB (governed by SBI Act, 1955 and SBI Subsidiary Banks Act, 1959). Nationalised banks (19) and SBI and its associates (6), (2)other public sector banks (IDBI & Bhartiya Mahila Bank) together form the public sector banks. They are estimated to control around 80% of the total credit and deposits businesses in India. The country has also 20 private banks (13 old and 7 new) making the banking industry quite competitive. Foreign banks are present in the country either through complete branch/subsidiary route presence or through their representative offices. At present, 43 foreign banks are operating in India.

Regional Rural Banks (RRBs) were set up in September 1975 to develop the rural economy by providing credit to the weaker sections of the rural areas, particularly the small and marginal farmers, agricultural labourers, and small entrepreneurs. RRBs’ work under the control of NABARD which oversee all its functioning. There are 64 RRBs in India at present.

Cooperative banks are another main constituent of India banking system. They are registered under Cooperative Credit Societies Act 1904 but large Urban Cooperative Banks operate under the Banking Regulation Act 1949. RBI as well as State governments control them. Main functions of these banks include financing of agricultural activities, small-scale industries and self-employed
workers. Scheduled cooperative banks in India can be broadly classified into rural cooperative institutions and urban cooperative credit institutions.

1.1.3 BANKING IN INDIA-PRESENT AND FUTURE

Last few years saw the top banks of the world falling apart because of global downturn. But the Indian Banking industry remained resilient and withstood all such downturns with ease. No one can argue on the fact that Indian Banking industry is deep rooted, sound, adequately capitalised and well regulated. Table 1.1 throw the light on current statistics pertaining to Indian Banking Industry.

<table>
<thead>
<tr>
<th>Table 1.1 INDIAN BANKING SECTOR AT A GLANCE (FY 2013 vs. FY 2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Billion</strong></td>
</tr>
<tr>
<td>Items</td>
</tr>
<tr>
<td>Total Liabilities/Assets</td>
</tr>
<tr>
<td>Deposits</td>
</tr>
<tr>
<td>Loans and advances</td>
</tr>
<tr>
<td>Investments</td>
</tr>
<tr>
<td>Net profit</td>
</tr>
</tbody>
</table>

Source: RBI Bulletin, 2014

Table 1.1 indicates that key parameters of banking performance viz. assets, deposits, loans and advances, investments and net profit stands at impressive levels by the end of the financial year 2014. Infact, bank deposits of the country have grown at a CAGR of 19.7% during FY 2007-14. Similarly, a double-digit CAGR growth has been witnessed in last 8 years in case of assets, loans and advances, investments etc.
Factors such as steady economic growth, rising disposable income, increasing consumerism and easier access to credit would further stimulate the banking growth in the country in future. Recent schemes, which have targeted untapped banking market, are also likely to stimulate banking in the country. For instance, at the end of February, 2015, 13.7 crores accounts have been opened under Pradhanmantri Jan Dhan Yojna (PMJDY) and 12.2 crore Rupay debit cards were issued. These new accounts only have mobilised deposits worth Rs.12,694 crores. If we go by the estimates of Standard and Poor, credit growth in Indian banking sector would improve to 12-13 percent in FY 2016 from 10 percent in second half of 2014. Factors such as positive business sentiments, more controlled inflation, improved customer confidence, higher spending on infrastructure, speedy implementation of projects and so on would translate into a strong growth for banking sector too.

1.2 SERVICE PROFIT CHAIN AND ITS RELEVANCE IN BANKING INDUSTRY

1.2.1 MEANING AND LINKS IN SERVICE PROFIT CHAIN

Traditionally, companies were merely interested in transforming their physical resources to generate financial performance and only customers were considered as the sole contributors to organisational performance. Focussing on physical resources and the customers only to ensure profitability is no longer considered a viable approach in the present competitive era. Today Marketers agree that employees can also make a significant difference when it comes to organizational performance and competitiveness. Service persons (employees) are the vital resource in the service sector who delivers excellent service to the customers. In addition, employees help to achieve the desired level of customer satisfaction and thus upgrade the entire performance of the enterprise (Hwang 2005). Thus, relating employees to customers and the impact of employee customer interface to organizational financial performance has become the primary domain that has attracted the interest of marketers. In the context of service operations, there has been a significant pressure in businesses to reveal the implication of service encounter and demonstrate the financial viability of
employee customer relationship. The linkage is clearly exhibited together into one comprehensive framework called Service Profit chain. This creates a seamless integration between different factors that leads to growth of the organisation. The availability of physical resources along with customers and employees satisfaction is seen as one of the critical aspects for service organisations to generate revenue. Thus, Service Profit Chain creates linkage between employees’ satisfaction, customers’ satisfaction, retention and organisational performance. In addition, Service organizations have to count their investments in people—both customers and employees (Heskett et al, 1994).

- **SERVICE PROFIT CHAIN**

The competition era has brought significant changes in the strategies adopted by different marketers leading to the evolution of new models and theories in the field of marketing. Understanding and applying these concepts/theories is essential to gain competitive advantage, generate profit and to make long-term relationships with the customers.

Heskett J.; Sasser W.E., and Schlesinger L.A. propounded the Model of Service Profit Chain, in 1994. “The service-profit chain (SPC) is a framework for linking service operations, employee assessments, and customer assessments to a firm's profitability”. This model posits that profit and growth are crucial aspects of any organisation that are stimulated primarily by customer loyalty. Loyalty is the direct outcome of customer satisfaction. Satisfaction is largely affected by the value of services provided to customers. The value is the function of satisfied, loyal, and productive employees. Employee satisfaction, in turn, is the consequence of high-quality support services and policies that enable employees to deliver superior services. The service-profit chain also emphasizes the importance of each employee and each customer (Heskett et al., 1994).

The base in the concept of Service Profit chain is provided by three factors namely Internal Service Quality, External service quality and profitability. The linkages in these components are made through employee satisfaction, employee retention, customer satisfaction and customer loyalty. SPC starts with
internal service quality, which refers the extent to which an organisation is able to provide support services to the employees of the organisation for successful service encounter. Included in the concept of Internal Service quality are the variables such as good working conditions, effective recruitment, employee friendly work policies, job design, reward systems, training and support practices etc. This internal service quality enhances the satisfaction level of employees, which consequently results in employees’ productivity and retention. When the employees are satisfied they will be able to deliver superior value to the customers’ thereby generating customers’ satisfaction and loyalty that consequently results in increased profitability and revenue of the organisation.
FIG 1.2 MODEL OF SERVICE PROFIT CHAIN

Internal Service Quality
- Workplace Design
  - Job design
  - Employee Selection
  - Employee Rewards
- Employee Satisfaction
- Employee Retention
- Employee Productivity

External Service Value
- Value for customers

Customer Satisfaction
- Service Designed to meet the customers' need
- Retention
- Repeat Purchase
- Referral

Customer Loyalty

Revenue

Growth

In essence, we can say that Service Profit Chain is a model that transforms employee satisfaction and retention to customers’ satisfaction and loyalty that consequently result in organisational profitability.

- **LINKAGES IN SERVICE PROFIT CHAIN**

  The links in the model of Service Profit Chain have been discussed in the subsequent paragraphs:

  ➢ **INTERNAL SERVICE QUALITY**

    Internal service quality is all about managing employees’ perception of quality at the workplace. It is a powerful tool focussed on improving the commitment, motivation and satisfaction of the employees through effective job design, employee selection, empowerment, supportive resources etc. Internal service quality is applying the marketing concept inwards with the aim of selling the organisation to the internal customers and suppliers of the organisation. *(Helman and Payne, 1992).* Thus, organisations that attempt to deliver superior service quality to the external customers must start with satisfying the needs of the internal customers first. *(Hallowell, 1996)*

    Healthy internal service practices enable an organisation to improve productivity, reduce costs, overcome organisational resistance to change, improve interdepartmental coordination etc and ultimately profitability by delivering excellent superior quality customer service.

  ➢ **EMPLOYEE SATISFACTION**

    Employee satisfaction is a measure of employees’ contentment with the job. It describes the extent to which employees are satisfied and delighted with the job and organisation. It can be understood in terms of satisfaction with the job, policies, practices and culture of the organisation. Contributing factors to employees’ satisfaction include treating employees with respect, empowering employees and positive management. Employees’ satisfaction not only improves the employees’ engagement but also increases their productivity. It is therefore necessary that the
organisations should analyse what employees think and how the workforce devotion and commitment can be increased (Naseem et al., 2011).

In short, it can be said that satisfied and committed employees are indispensable assets for any organisation. Therefore, companies should make biggest investments in its employees as promoting employee satisfaction ensures a maximum return on investment.

**EMPLOYEE RETENTION**

Employee Retention is the process of retaining the employees for desirable period to meet the organisational objectives. “It is the process in which the employees’ are encouraged to remain with the organization for the maximum period of time or until the completion of the project” (Laddha et al, 2012). Employee retention includes all the policies and practices that a company use to put off valuable employees from leaving their job (Chee- Hong et al, 2012).

According to Sibson & company, it is estimated that 55 percent of employees plan to quit or often think of quitting at any given time. It costs approximately $120,000 to replace 10 professionals according to a report by Ernst & Young. Thus Employee turnover significantly affect the revenue of the company. Proper measures should be taken to promote the satisfaction and thereby the retention of the employees.

**EMPLOYEE PRODUCTIVITY**

Productivity is a defined as the comparison between inputs and outputs. Inputs are the resources, time and effort employees spent on working, while outputs are the outcomes. If the outputs are equivalent to the inputs, the worker is considered productive. It is an indicator of efficiency of a worker or a group of workers. On an average, only 59% of work time is productive (Proudfoot consulting, 2002) Productivity is the outcome of employees’ morale and satisfaction.
➢ **EXTERNAL SERVICE VALUE**

It is the ability of a company to create value perception in the minds of customers through a well-defined service concept. It is the worth customers’ observe in exchange process of the services. The value perception is achieved when the organisations are able to meet or surpass the expectations of the customers. Therefore, it is essential that the companies should design customised value propositions for different categories of customers to improve organisational performance.

➢ **CUSTOMER SATISFACTION**

Customer Satisfaction is the degree to which customers of an organization are delighted with those of its products or services. The extent to which a product or service meet the customers’ expectations. This can be measured by comparing the expectations of customers from the service versus perception of experience. Better the experience, more will be the satisfaction. If the organisations want to surpass their competitors, it is very important that customers’ expectations should be met thoroughly (Cengiz, 2010).

➢ **CUSTOMERS’ LOYALTY**

Customer loyalty is used to describe the behaviour of repeat customers. The loyalty programs of an organisation not only persuade an existing customer to purchase again but also forces to recommend that company’s products or services to others.

➢ **REVENUE AND PROFITABILITY**

The concept of revenue and profitability speaks about how sustainable and predictable the revenue and profit is likely to be in the future. “Increased revenues, profits, and shareholder value are the result of marketing activities directed toward developing, maintaining, and enhancing successful company–customer relationships” (Bolton et al, 2006). Thus, the organisations that focus on quality
aspects for making the people satisfied are more profitable and have higher returns on investments.

1.2.2 INTERNAL SERVICE QUALITY

In a progressively dynamic business environment, banks view marketing as a continuous social and economic process where operant resources (skills and knowledge) are paramount. A new dominant logic began to emerge in which how a service is delivered has attained more importance than what is delivered. Banks recognise that value creation can not only be realised through tangible and functional benefits but through the element of uniqueness/differentiation in delivery of services. This has put employees at the primacy. Changing bank marketing utters that competitive advantage can be attained through exploiting the potential available in the employees by creating positive work culture and enlisting support of internal service quality of the organisation. In particular, a new way of looking at the role of the marketing function with internal marketing as the central premise has evolved. Hence, a thorough understanding of the employees’ expectations of internal service quality nowadays has become the focal point for sustainable growth and a new brand image of the bank.

Berry (1981) proposed that employees are the internal customers of the organisations. The needs of the employees must be satisfied first to meet the customers’ needs effectively. The concept of Internal Marketing was introduced with the objective of improving the performance of the employees in the service encounter. Internal service quality is the achievement of organisational effectiveness through efficient and coordinative efforts of employees. Thus, by treating employees as the internal customers, the organisation can ensure satisfaction of the employees and subsequently a more conscious sales-minded workforce (Gronroos, 1981).

Employees’ in the organisation can be segregated into two classes – one category is front office employees who serve the external customers and another category is of top management & back office support staff who meet the requirements of the front office employees. The front line employees of the
organisation are the internal customers for top management, back office staff and supervisors.

The internal customers are the representatives of the organisation to the external customers so they need to motivated and committed in order to ensure effective service delivery. Some researchers argued that internal marketing and human resource management are same but the fact is human resource management provides tools that are used in Internal marketing such as selection and development of the employees, empowerment etc. (Javadein, 2011).

(I) MANAGING PEOPLE FOR SERVICE ADVANTAGE

Front line employees are important to any organisation for brand positioning. They play the role of service, brand, marketers as well as they are the organisation in the eyes of the customers. In high contact services, employees are visible part of the product each and every time customer uses it. In low contact services, employees are most commonly reached by phone or mails and are rarely seen but play a vital role in building customer confidence by resolving their problems. Furthermore front line employees play a key role in anticipating customer’s needs, customizing Service Delivery and building customized relationships with customers.

(II) CYCLES OF FAILURE, MEDIOCRITY AND SUCCESS

Schlesinger and Heskett (1991) posited that organisations with high employee turnover are frequently stuck in a cycle of failure and organizations with job security but with a limited scope for personal initiative suffer from cycles of mediocrity. Firms with well-organised working environment in service employment have the potential to succeed.
➢ Cycles of Failure

The cycle of failure has two concentric cycles, Inner cycle is called Employee cycle of Failure and outer cycle is called customer cycle of failure. The employee cycle of failure begins with narrow job design to put up low skill levels, emphasis on rules rather than service and use of technology to control quality. They hire workers at low wages and take minimal efforts for providing training to the employees. This consequently results in bored employees who lack the ability to respond to customers’ problems. They become dissatisfied and further develop a poor service attitude resulting in low service quality and high employee turnover. Customers cycle of failure is characterised by customers’ dissatisfaction and customers’ churn. Firms require new customers to maintain sales volume every time. The situation results in departure of discontented customers affecting the profitability of the firm. Managers need to calculate all potential losses by adopting such strategy instead of making short sighted assumptions of financial implications of low pay and high turnover.

➢ Cycle of Mediocrity

The cycle of mediocrity is characterised by lack of service flexibility, narrow defined job responsibilities and have tightly categorized scope of responsibilities. Salary increases and promotions are based on tenure of relationship with the organisation. Training is imparted for improving the technical aspects of the job and not on improving human interactions with co-workers or customers. Because of lack of flexibility jobs tend to be boring or repetitive but in comparison to cycle of failure, wages and benefits are good. But customers find it difficult to deal with such organizations because of lack of willingness of employees to serve them well. The net result is the unhappy customers who continually complain to employees and other customers about bad service and attitudes and lack of caring on the part of staff.
Cycle of Success

These organizations tend to invest in human resources considering the long term view of financial performance. Attractive compensation packages, broadened job description, adequate training, empowerment make the customers happy resulting in higher quality customer pleasing services. This led to increased customer loyalty. These strategies are more profitable than attracting new customers.

(I) Managing Human Resources

Wilson in 2008 has proposed a model for effective management of human resources in the organisations. Model consists of HR strategies that can be executed to improve the Internal Service quality. The model is depicted with the help of fig 1.3.

FIG 1.3 STRATEGIES TO MANAGE HUMAN RESOURCES

Source: Zeithaml, Bitner, Gremler and Pandit (2009), Services Marketing, Tata Mcgraw- Hill, pp. 378
(a) **Hire the right people**

To effectively deliver service quality, considerable attention should be focused on recruiting and hiring the service personnel.

(b) **Develop people to deliver Service Quality**

The organization must train and develop the employees to ensure service performance.

(c) **Provided needed support Systems**

Employees must be provided supportive technologies and systems to deliver effective services.

(d) **Retain the Best People**

Organisations should make efforts to retain the talent in the organization

### 1.2.3 EXTERNAL SERVICE QUALITY

Measuring service quality is very complex in comparison to tangible products as it is a subjective experience. Moreover lack of possibility to standardise most of the services has made it more difficult to define it in a precise form. Generally, there are on accepted definitions of service quality. Reference sources have offered various approaches to define service quality. Different perspectives of service quality are:

**Transcendent view** of service quality defines service quality as a mark of uncompromising standards and high achievement.

**Product based approach** defines quality as a precise and measurable experience and argues that difference in quality reflects difference in ingredients or attribute possessed by the product.
**User Based definitions** start with the premise that quality lies in the eyes of the beholder.

**Manufacturing based approach** is concerned with engineering and manufacturing practices that focuses on conformance to design specifications.

**Value based definitions** define quality in terms of value and price.

Thus, the service quality varies according to the different approaches and sources (service providers) where customer evaluation of the service quality is the most perceptible factor.

Service quality is one of the most important factors that affect the demand of the service product. It is one of the most significant tools for brand positioning and achieving competitive advantage.

The concept of service quality therefore starts with customers and perception of quality is the consequence of their experience from the services rendered to them. Therefore, customers’ perception has become the basis of evaluating service quality. Undoubtedly, customers are satisfied if the services delivered to them meet or exceed their expectations.

Service quality is one of the most important factors that affect the demand of the service product. It is one of the most significant tools for brand positioning and achieving competitive advantage.

In service marketing, it is imperative to understand the concept of service quality as it one of the significant element of service design process and has a significant bearing on financial performance of the organisation. Marketing strategies based on quality sustain in the end and pose a great challenge before competitors to increase their market share. Thus, it must be viewed as a strategic tool to increase market share, profitability and sustainable competitive advantage.
1.2.4 IMPACT OF INTERNAL AND EXTERNAL SERVICE QUALITY ON BANKING

During the last decade, banking Industry has undergone a paradigm shift resulting in modification in the structure, scope and functions of the banks in the global market. The banking industry in India has also witnessed a major boom during the last few years. In bank marketing, efficient and effective services have become the important catchphrases for successful banking operations.

Due to advent of new technologies and fierce competition, customers have become more demanding. They need world-class products to satisfy their needs. They expect services delivery processes to be streamlined and simplified so that there can be ease in receiving services. Nowadays banks are also acknowledging that for attaining technical superiority customers’ needs should be taken into account for designing and delivering services.

Measuring service quality in banking sector is herculean task due to variation and differentiation of services. The various focal service areas in banking are retail banking, investment banking, corporate banking, commercial banking, wholesale banking, Personal banking and internet banking. Moreover, the tangibility and non-standardisation of such services has made it more complex in comparison to manufactured goods. In this regard, employees who serve as representatives for the organization can either portray a positive or negative experience in the minds of the customers. Employees have a major role to play in determining a customers’ lifetime value. Until and unless employees are not able to receive internal quality in the services of the organization, they would not deliver the same to the customers. Therefore, employees should be treated as the internal customers in order to step towards the realization of organisational goals. Needless to say, satisfied customers and employees are of great worth to the organization.

The present study is an attempt to help bank marketers to understand the driving factors that have a bearing on the perception of the employees and customers thereby helping the banking industry to progress rapidly.
1.3 Profiles of Selected Banks

1.3.1 Profile of State Bank of India

- Origin and Progress over the Years

State Bank of India (SBI) is the largest commercial bank in India. Its origin goes back to the first decade of the nineteenth century, with the establishment of Bank of Calcutta in 1806. Since then the bank has undergone tremendous changes in its name, structure, charter and areas of operation to become a monolith and giant among the commercial banks in India as it is today.

From 1809-1921, three presidency banks - Bank of Bengal (established in 1809 after redesigning of charter of bank of Calcutta), Bank of Bombay (1840) and Bank of Madras (established in 1843) remained at the apex of modern banking in India. The trio saw their 70 branches merging together in 1921 to form were Imperial Bank of India. Imperial Bank of India initially played the dual role of central bank of the country and commercial bank. However, with the establishment of the Reserve Bank of India in 1935, the Imperial Bank ceased to have a central banking function. It then became a purely commercial bank.

Imperial Bank recorded an impressive growth in terms of offices, reserves, deposits, investments and advances during the three and a half decades of its existence. The financial status and security enabled the Imperial Bank to acquire a pre-eminent position in the Indian banking industry. Government of India, by passing an act of parliament in 1955 made it the apex bank of the industry and named it State Bank of India. Later, the State Bank of India (Subsidiary Banks) Act was passed in 1959, enabling the State Bank of India to take over eight former State-associated banks as its subsidiaries. These subsidiaries are later named as associates of SBI.

The bank has a capitalization of US$ 129.3 million with a government holding of 62.31 per cent as on May 2013. SBI is one of the largest employers in India with an employees’ strength of 2.28 lakhs at the end of March 2013. Total
number of branches has increased to 15,869 with 1,053 branches opened during the year 2013-14. In 2013–14, SBI Group had a total of 51491 ATMs, which makes it one of the largest ATM networks in the world. Total number of customers stands at 21.92 crores in 2013-14.

- **MISSION AND OBJECTIVES OF STATE BANK OF INDIA**

  Before the establishment of SBI in 1955, commercial banks operations were mainly restricted to urban sector. To respond to the needs of the rural areas in particular, All India Rural Credit Survey Committee proposed the creation of a state sponsored bank leading to the emergence of SBI. It aimed at providing coverage to all sections of the society who otherwise were dependent on informal sources or moneylenders. The major objective for which SBI constituted was to cater to the needs of the priority sector by increasing its reach to the rural areas. The other prominent objectives of SBI at the time of its establishment are:

  ✓ To expand the branch network by making accessibility at least in every district
  ✓ To respond to the needs of agriculture sector by easy availability of agricultural credit.
  ✓ To provide assistance to small-scale industries and support self-employment.
  ✓ To provide facilities for cheap and quick payments in different regions of the country.

  With intense competition in the banking sector, bank has revised its objectives. The objectives redefined are in the areas of customer satisfaction, profitability and competitive advantage.
PRODUCTS AND SERVICES OF STATE BANK OF INDIA

Figure 1.4: Products and Services of SBI Bank

From Fig 1.4, it is clear that Product portfolio of SBI is very large in itself. Bank offers three product lines namely deposits, loans and advances and auxiliary services to its customers. The first product line is savings and deposits. Further deposits schemes provide customers with different options of saving, current and term deposits. Under saving account there are three alternatives available for customers namely saving bank account, saving plus account and salary plus account.

Current account provides customers with the facility of unlimited number of transactions. The term deposits are offered to customers for fixed time.
Second product line comprises of loans and advances. It includes three types of services namely bills purchased & discounting, cash credits and overdrafts and loan payable on demand & term loans. Customers are provided with loans for varying purposes such as car loans, house loans, vehicle banks, loan to agriculture sector, education loans etc.

The auxiliary services offered by the banks comprises of different services including Payment of cheques, Bills of Exchange, Foreign Exchange, Custodial Services, Drafts, Subscription etc.

Specialised products cater to the needs of particular segments by proving customised products. Personal banking meets the needs of individual customers and NRI banking provides non-residential Indians with various products to meet their needs. Likewise different categories of banking like international banking, agricultural banking, SSIs’ banking and gold banking meet the needs of specialised segments for which it was created.

The specialised services along with specialised products are also provided to customers to carry out their banking operations. The category of specialised services comprise of demat services, ATM services, internet services, safe deposit, forex, gift cheques etc.

- **Recent Financial Performance**

The financial performance of SBI bank has been studied for the last 10 years. The parameters which have been taken into consideration are assets, advances, reserves and funds, total deposits and net profit. The financial position of the bank has been studied with the help of table 1.2.
## TABLE 1.2  **FINANCIAL PERFORMANCE OF STATE BANK OF INDIA**

**(FY 2005- FY 2014)**

(Amount in Rs. Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets</th>
<th>Loans &amp; Advances</th>
<th>Reserves</th>
<th>Total Deposits</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>4598828.4</td>
<td>19689.6</td>
<td>235458.2</td>
<td>3670475.3</td>
<td>43045.2</td>
</tr>
<tr>
<td>2006</td>
<td>4941606</td>
<td>3526.7</td>
<td>271177.8</td>
<td>3800460.5</td>
<td>44066.7</td>
</tr>
<tr>
<td>2007</td>
<td>5668061.4</td>
<td>21524.4</td>
<td>307722.5</td>
<td>4355210.9</td>
<td>45413.1</td>
</tr>
<tr>
<td>2008</td>
<td>7221250.9</td>
<td>24778.7</td>
<td>484011.9</td>
<td>5374039.5</td>
<td>67291.2</td>
</tr>
<tr>
<td>2009</td>
<td>9650429.6</td>
<td>36428.1</td>
<td>573128.2</td>
<td>7420731.2</td>
<td>91212.3</td>
</tr>
<tr>
<td>2010</td>
<td>10539566.1</td>
<td>43910.8</td>
<td>653143.2</td>
<td>8041162.3</td>
<td>91660.5</td>
</tr>
<tr>
<td>2011</td>
<td>12246938.1</td>
<td>58480.1</td>
<td>643510.4</td>
<td>9339328.1</td>
<td>82645.2</td>
</tr>
<tr>
<td>2012</td>
<td>13377094.4</td>
<td>82408.3</td>
<td>832801.6</td>
<td>10436473.6</td>
<td>117072.9</td>
</tr>
<tr>
<td>2013</td>
<td>15686991.9</td>
<td>53336.7</td>
<td>981996.5</td>
<td>12027395.7</td>
<td>141049.8</td>
</tr>
<tr>
<td>2014</td>
<td>17945700.8</td>
<td>118805.1</td>
<td>1175356.8</td>
<td>13944085</td>
<td>108911.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficient of Variation</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.454832</td>
<td>290.2</td>
</tr>
<tr>
<td>0.737072</td>
<td>503.4</td>
</tr>
<tr>
<td>0.506020</td>
<td>399.1</td>
</tr>
<tr>
<td>0.457724</td>
<td>279.9</td>
</tr>
<tr>
<td>0.402777</td>
<td>153</td>
</tr>
</tbody>
</table>

Source: Prowess Database

Table 1.2 indicates that SBI is growing phenomenally in various financial indicators viz. assets, loans and advances, reserves, deposits and net Profit in last 10 years. The percentage increase witnessed from 2005 to 2014 in case of assets has been 290%, 503% in loans and advances, 399% in reserves, 280% in deposits and 153% in net profit. Needless to say, with this whooping growth rate, SBI has become the first bank of the country to feature in Fortune 500 list of global companies.

- **KEY ACHIEVEMENTS IN RECENT YEARS**

State Bank of India is the primary banker of Indian banking Industry. It is largest bank in terms of deposits, reserves and surplus, capital base, branch network and market share. It has been rated as the Best Public Sector Bank for Rural Reach
by Dun & Bradstreet, 2013 and has won the prestigious Asian Banker Achievement award for being the strongest bank in Asia Pacific region (2010). It has improved its ranking in “Fortune” 500 Global List and is the only Indian bank to find a place in the list of “FORTUNE”. SBI has won several awards over the years.

- **Social Responsibility**

State Bank of India contributes heavily in serving the society. This is evident from the fact that more than 45% of its branches are in rural areas. In fact, SBI bank was started with the sole purpose of promoting the banking services to rural areas. Moreover, the bank also undertakes various activities like blood donation camp, family welfare camps, literacy mission, promotion and upgradation of primary education etc. The bank contributes 2% of its profit to social welfare activities. It has emerged as a true corporate citizen of the country.

### 1.3.2 Profile of ICICI Bank

- **Origin and Progress over the Years**

The origin of ICICI bank is the outcome of chain of reforms that took place after the introduction of New Economic Policy by the government of India in 1991. It ushered in an era of liberalised domestic financial environment. To keep up this trend, the Government of India had opened doors for the private sector to expand their business activities. It was, therefore, through the initiatives of new private entrants tracing their mark that ICICI banking corporation came into existence in June 1994.

ICICI Bank commenced in 1994 as a wholly owned subsidiary of ICICI Limited, an Indian financial institution established in 1955 at the initiative of World Bank, the Government of India and representatives of Indian industries. However, ICICI's shareholding in ICICI Bank was reduced to 46% due to following factors:

- Public offering of shares in India in fiscal 1998
- An equity offering in the form of ADRs listed on the NYSE in fiscal 2000
ICICI Bank’s acquisition of Bank of Madura Limited in an all–stock amalgamation in fiscal 2001

Secondary market sales by ICICI to institutional investors in fiscal 2001 and fiscal 2002.

In the year 2002, ICICI and two of its wholly–owned retail finance subsidiaries, ICICI Personal Financial Services Limited and ICICI Capital Services Limited merged with ICICI Bank to make it a single entity thus marking a move to universal banking.

Since its inception, the bank has shown considerable progress over the years. It has become the first universal bank of the country and has been expanding outburstly. It has opened a number of subsidiaries in diversified sections including ICICI venture, ICICI Prudential Life Insurance and ICICI securities etc. It offers a wide range of banking products and financial services to Personal, corporate and retail customers through a variety of delivery channels and through its specialized group companies and subsidiaries.

Today it is India’s largest private sector bank with total assets of Rs. 5,946.42 billion (US$ 99 billion) on March 31, 2014. It has a network of 4050 branches that makes it to be the largest among private sector banks in India. A network of 12613 ATM’s supplements this across India.

• VISION AND MISSION

The principal objective behind the formation of ICICI bank was to create a financial institution for providing medium-term and long-term project financing to Indian businesses. However, in this competitive scenario with the advent of many new entrants in banking industry, ICICI group aims to become the leader in financial services as highlighted in the vision statement:

“To be the leading provider of financial services in India and a major global bank”.
Mission of ICICI Bank: The bank strives to achieve its vision by embarking on the following statements as specified in the mission statements.

i. To become the first choice of the customers by delivering high quality, world-class products and services
ii. Expanding the frontiers of business globally.
iii. To play a proactive role in the full realisation of India’s potential.
iv. To maintain a healthy financial profile and diversify the earnings across businesses and geographies.
v. Maintaining high standards of governance and ethics and create value for our stakeholders.

• Products and services of ICICI Bank

ICICI bank can boast of being the first universal bank of the country. Needless to say, having attained this distribution the bank must be having wide range of products and services in its kitty. The same have been discussed with the help of figure 1.5.
Fig 1.5 makes it clear that ICICI bank has wide range of products and services. Prominent are:

i. Accounts and Deposits: ICICI bank has a gamut of accounts and deposits to cater to the needs of the customers. The deposits of ICICI bank meet the needs of diverse customers ranging from young kids to senior citizens. The bank has various alternatives available like recurring deposits, Tax saving fixed deposits, Security deposits and advantage deposits through which investors can invest their money.
ii. Loans of ICICI bank are addressed to meet the needs of wide segments of people. It provides various categories of loans consisting of home loans, car loans, personal loans, Loans against securities and other loans. Along with loans, bank also provides different services attached with loans and products.

iii. Various cards like Debit cards, credit cards, prepaid cards, travel cards, corporate cards and other cards are also offered to customers to facilitate exchange process and cash withdrawals.

iv. Along with the products bank also offer certain types of services to facilitate accessibility to banking services. It includes internet banking and mobile banking etc.

v. ICICI bank also sells insurance services to its customers through its sister concern branches- ICICI Lombard and ICICI Prudential. Various types of insurance services provided by bank are Life insurance, General Insurance, social security scheme and card protection.

vi. ICICI bank also offers investment options to its customers in the form of fixed income products, Investment products and online services.

vii. Besides all the products of personal banking it also has special offering for NRIs’ customers, corporate customers, privilege banking and Agri-business customers.

Thus on account of its product range, ICICI boasts itself to be the first universal bank of the country.

• **RECENT FINANCIAL PERFORMANCE**

The financial performance of ICICI bank has been studied for last ten years. The parameters included in the analysis are assets, loans & advances, reserves and funds, deposits and net profit. The same has been explained with the help of table 1.3.
Table 1.3 Financial Performance of ICICI Bank (FY 2005-2014)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets</th>
<th>Loans &amp; Advances</th>
<th>Reserves</th>
<th>Total Deposits</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1684353.4</td>
<td>64868.2</td>
<td>118132</td>
<td>998187.8</td>
<td>20052</td>
</tr>
<tr>
<td>2006</td>
<td>2520587</td>
<td>53987.5</td>
<td>213161.6</td>
<td>1650831.7</td>
<td>25400.7</td>
</tr>
<tr>
<td>2007</td>
<td>3453124.5</td>
<td>69199.9</td>
<td>234139.1</td>
<td>2305101.9</td>
<td>31102.2</td>
</tr>
<tr>
<td>2008</td>
<td>4004171.1</td>
<td>68267.6</td>
<td>453575.2</td>
<td>2444310.5</td>
<td>41577.3</td>
</tr>
<tr>
<td>2009</td>
<td>3798495.8</td>
<td>63005.5</td>
<td>484197.2</td>
<td>2183478.3</td>
<td>37581.3</td>
</tr>
<tr>
<td>2010</td>
<td>3638668.3</td>
<td>55770.1</td>
<td>505034.7</td>
<td>2020166.1</td>
<td>40249.8</td>
</tr>
<tr>
<td>2011</td>
<td>4066780.9</td>
<td>46753.8</td>
<td>539391.1</td>
<td>2256021.2</td>
<td>51513.8</td>
</tr>
<tr>
<td>2012</td>
<td>4894963.2</td>
<td>44830.8</td>
<td>592524.8</td>
<td>2554999.6</td>
<td>64652.6</td>
</tr>
<tr>
<td>2013</td>
<td>5372629.4</td>
<td>46966.5</td>
<td>655523.2</td>
<td>2926136.4</td>
<td>83254.7</td>
</tr>
<tr>
<td>2014</td>
<td>5968823.1</td>
<td>50387.1</td>
<td>720582.8</td>
<td>3319136.5</td>
<td>98104.8</td>
</tr>
<tr>
<td></td>
<td>Coefficient of Variation</td>
<td>0.322703</td>
<td>0.164868</td>
<td>0.443316</td>
<td>0.283543</td>
</tr>
<tr>
<td></td>
<td>Growth (%)</td>
<td>254.3</td>
<td>-22.3</td>
<td>509.9</td>
<td>232.5</td>
</tr>
</tbody>
</table>

Source: Prowess Software

Table 1.3 indicates that the years 2009 and 2010 were not ideal ones for the bank. During these two years, the bank saw its assets, loans and advances and deposits falling in comparison to the previous year. These were the years of global financial crisis and perhaps same had the bearing on performance of ICICI bank.
However, since then the bank has revived itself and witnessed significant surge on various financial aspects. In the last 10 years, the bank has witnessed 254%, 510 %, 233% and 389% increase in assets, reserves, deposits and net profits respectively. But loan and advances have decreased by 22% in FY 2014 as compared to FY 2005. Although the performance of ICICI bank has not been as consistent as of SBI yet, the bank is truely and surely moving towards a very successful private bank of the country.

The reserves, deposits and net profit, meanwhile, have shown upward movement since 2005 to FY 2014.

- **ACHIEVEMENTS**

  ICICI bank has tremendous accomplishments to its credit. Since its inception, it has been honoured several times for its achievements under various categories. It was the first Indian bank to become universal, when it was merged with its parent company, ICICI in 2002. It became the first Indian financial institution from non–Japan Asia to be enlisted on the NYSE. It emerged out as the second largest bank of the country in less than a decade of its commencement. The Asian Banker has adjudged ICICI Bank the ‘Best Retail Bank in India’. It has also emerged as winner in the categories of ‘Best Internet Banking Initiative’ and ‘Best Customer Risk Management Initiative’ awards given by The Asian Banker in the year 2015. Thus, ICICI bank strives to make a difference to its customers, to the society and to the nation directly through its products and services and the accolades it has got since its inception is testimony to it.

- **CORPORATE SOCIAL RESPONSIBILITY**

  ICICI Bank primarily focuses on youth in its CSR endeavours. It provides job oriented skill training to youth at various centres. Its foundation i.e. ICICI foundation also make liaison with corporate sector to get the youth employed. This bank has also contributed in promoting primary education and in providing financial and logistical support during natural disasters in the past.
1.3.3 **PROFILE OF VIJAYA BANK**

- **ORIGIN AND PROGRESS OVER THE YEARS**

  Vijaya Bank is one of the medium sized banks in India with significant branch network in India. It came into existence on 23 October, 1931. Shri A.B. Shetty along with some enterprising farmers in Mangalore played an instrumental role for the establishment of one of the steadily growing commercial organization, Vijaya Bank (named as it was established on Vijayadashmi day). From 1963 to 1968, nine smaller banks merged with Vijaya Bank under the leadership of Shri. Mulki Sunder Ram Shetty, leading it to the status of an All India Bank. The bank was nationalized on April 15, 1980.

  Currently, Vijaya bank has an extensive network of 1512 branches, 48 Extension Counters and 1528 ATMs, that span all 29 states and 4 union territories in the country. It also has a dedicated workforce of 12822 employees as on 31.03.2014.

- **MISSION AND OBJECTIVES OF THE BANK**

  “To emerge as a Prime National Bank backed by modern technology, meeting customers’ aspirations with professional banking services and sound growth contributing to national growth.”

  The bank was initialized with the major objective of promoting the habit of banking, savings and entrepreneurship among the farming community in Karnataka state. The bank has done earnest efforts to achieve the same by establishing the highest number of branches in its home state Karnataka.

  Other objectives of the bank as reflected in the mission statement are:

  - To turn out to be the primary bank in the category of nationalised banks.
  - To meet customers’ expectations by offering innovative and attractive products and services to the customers.
  - To provide the best services to the customers through innovative technologies.
• To contribute to the growth of the nation.
The Mission statement and objectives of the Vijaya bank makes it clear that the bank not only has the focus of promoting the growth of the bank but has inclination to social and national growth.

• **PRODUCTS AND SERVICES**

Vijaya Bank offers a range of financial products and services to its customers. The same has been explained with the help of figure 1.6
As evident from figure 1.6, Savings and Deposits are the key products in the product portfolio of Vijaya Bank. Under this category there are three types of accounts namely saving account, current account and term deposits.
Under saving account, the bank offers different categories of savings schemes catering to the needs of varied customers. These include **V-Payroll Savings Bank Account** which is specifically designed for salaried working class earning not less than average salary Rs. 5000/month. It has a facility of zero balance along with 50% concession in service charges for remittances. **V Genuth Savings Bank Account** is designed for children with age above 1 day and for students undergoing various courses. It can be opened with minimum initial deposit of Rs.10/- and can continue with zero balance. It also offers education loan to students at concession of 0.50% on the prevailing rate. **V Balika Savings Bank Account**, as the name suggests is specifically designed for girls below 16 years of age. The basic incentive of this national scheme is to reduce school dropouts and promote the enrolment of girl child. The account can be opened with zero balance and the interest on this account is as applicable to normal SB A/c of the Bank. **V Platinum savings bank** has been designed for those customers who maintain certain minimum balances in their current account. Under V Platinum Current Account, the high Net-worth Individuals, corporates, institutions, Government departments, Government undertakings, reputed commercial organisations, etc. with a minimum balance of Rs.5 lakhs and above and maintaining a quarterly average credit balance of Rs.5 lakhs comes under this purview. Term deposits are offered to the customers for predetermined period of time.

Loans and advances are other important products in the portfolio of Vijaya Bank. Under the category of loans and advances there exists various facilities available for home loans, personal loan, vehicle loan, education, loan against property, loans for business etc. catering to needs of individuals and corporates. It also offers various funding schemes for women, minorities, agri-business and has various options of non fund based activities for existing customers of the bank. Moreover, government sponsored schemes is getting an edge over the existing schemes.

Also it provides card services with domestic cards, debit cards, global cards, visa and also provide new offers attached with these cards. In addition to this bank also
provides some special products and services including merchant banking, corporate banking, NET banking, online a/c opening etc.

- **Recent Financial Performance**

  The idea of financial performance of Vijaya bank in the last ten years has been given with the help of table 1.4. The performance has been observed in terms of assets, loans and advances, reserves, total deposits and net profit.

  **Table 1.4 Financial Performance of Vijaya Bank (FY 2005–FY 2014)**

  (Amount in Rs. Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets</th>
<th>Loans &amp; Advances</th>
<th>Reserves</th>
<th>Total Deposits</th>
<th>Net Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>293404.5</td>
<td>1747.4</td>
<td>11556.6</td>
<td>256179.8</td>
<td>3805.7</td>
</tr>
<tr>
<td>2006</td>
<td>315370.7</td>
<td>2497.1</td>
<td>12356.4</td>
<td>277092.9</td>
<td>1268.8</td>
</tr>
<tr>
<td>2007</td>
<td>423575.7</td>
<td>3371.6</td>
<td>14631.6</td>
<td>376045</td>
<td>3313.4</td>
</tr>
<tr>
<td>2008</td>
<td>561851.3</td>
<td>5270.3</td>
<td>20255.3</td>
<td>479520.2</td>
<td>3612.8</td>
</tr>
<tr>
<td>2009</td>
<td>623821.6</td>
<td>5210.4</td>
<td>22157.8</td>
<td>545354.2</td>
<td>2624.8</td>
</tr>
<tr>
<td>2010</td>
<td>702070.8</td>
<td>3090.9</td>
<td>25416.5</td>
<td>619317.5</td>
<td>5073</td>
</tr>
<tr>
<td>2011</td>
<td>820134</td>
<td>6289.7</td>
<td>31443.6</td>
<td>732483.1</td>
<td>5238.2</td>
</tr>
<tr>
<td>2012</td>
<td>957640.3</td>
<td>10342.9</td>
<td>35566.9</td>
<td>830555.1</td>
<td>5810</td>
</tr>
<tr>
<td>2013</td>
<td>1109817.6</td>
<td>15055.3</td>
<td>38631.1</td>
<td>970172.4</td>
<td>5856.1</td>
</tr>
<tr>
<td>2014</td>
<td>1373586.2</td>
<td>16857.4</td>
<td>50288.1</td>
<td>1242961.7</td>
<td>4159.1</td>
</tr>
</tbody>
</table>

| Coefficient of Variation | 0.489860 | 0.765173 | 0.482597 | 0.499810 | 0.360023 |
| Growth(%)                | 368.154  | 864.7133 | 335.1462 | 385.191  | 9.2860   |

*Source: Prowess Software*
Table 1.4 indicates a percentage increase of 368%, 865%, 335%, 385%, 9% in the assets, loans and advances, reserves, total deposits and net profit respectively of Vijaya Bank in 2014 compared to 2005. The progress of Vijaya Bank too is pretty consistent over the period like SBI and unlike ICICI bank. This gives us a hint that public sector/nationalised banks were not much deterred by turmoil in the financial markets. The same had a bearing though on the performance of the private sector banks.

- **ACHIEVEMENTS**

  Some of the noticeable achievements of Vijaya Bank in the last decade or so are as under:

  - The National Bank for Agriculture and Rural Development (NABARD) has awarded Vijaya Bank, the first prize (indirect category) in the credit linkage to self help groups (SHGs), for the year 2003-2004. Also, bank has been awarded first prize for highest share of SHG business to overall for the year 2010-11 in Karnataka state by NABARD. Bank has won 2nd Prize for best performance in Pune division and 3rd prize in Maharashtra state among commercial banks operating in Maharashtra for SHG Bank Linkage for the year 2010-11 from NABARD.

  - The Public Sector Vijaya Bank has been awarded the first prize in Indira Gandhi Rajbhasha Awards for the year 2006-07.

  - Reserve Bank of India has conferred 'Second Prize' on Vijaya Bank in 'C' Region for excellence in progressive use of Hindi for 2008-09 and has been awarded I prize for progressive use of Hindi under Reserve Bank Rajbhasha Shield Scheme for the year 2009-10.

  - In 2008, Vijayas’ Bank Chairman and Managing Director, Prakash P Mallya has been chosen for Best Banker Award, instituted by ‘Dehali Kannadiga’ monthly magazine.
- In 2012, Vijaya Bank received ‘Best Customer Friendliness Award’ at Best Bankers’ Award.

- In 2013, Bank CMD H. S. Upendra Kamath received the Global HR Excellence Award for 'Organization with innovative HR practices. ‘The Global HR Excellence Award’ was hosted by the Institute of Public Enterprise (IPE).

**CORPORATE SOCIAL RESPONSIBILITY**

Vijaya bank engages itself in CSR initiatives for social and community development by disbursement of ample amount of funds to various societies. For its CSR initiatives, it was awarded as the 'Caring Company Award' by world CSR Congress in 2013.

Some of the highlights of the CSR initiatives of Vijaya Bank are:

- In 2013, Vijaya Bank included financial support / adoption of needy 15 girl students from rural background for their studies up to graduation level. In 2014, Bank has again adopted 35 girl students for financial support for education.

- It has also provided contribution in upgrading the facilities at villages by Construction' of bus shelter, providing drinking water facility at Govt. schools, establishment of rural health centres with doctors’ facility and medicines in 2012-13.

- In year 2014, other initiatives taken by Vijaya bank to promote the welfare of the society include donations for the purchase of an ambulance and medical support, water purifiers to government Schools, and construction of building for orphanages and disabled.

1.3.4 PROFILE OF FEDERAL BANK

**ORIGIN AND PROGRESS OVER THE YEARS**

Federal Bank Limited is a major Indian commercial bank in the private sector headquartered at Aluva, Kerala. It has more than thousand branches and ATMs
spread across different states in India. The history of Federal Bank dates back to the pre-independence era. It was incorporated in 1931 as the Travancore Federal Bank, gradually transformed into a well established bank under the competent leadership of its Founder, Mr. K P Hormis. In 1947, Travancore Federal Bank emerged with its new official name Federal Bank, with its headquarters located on the banks of the river Periyar. Since then it has become one of most stable banks in the country. Bank has 1174 branches and 1359 ATMs as on 31st March 2014. It has the maximum number of branches in the chosen states of Tamil Nadu, Punjab, Gujarat, Karnataka, Maharashtra and Kerala.

- **VISION AND MISSION OF FEDERAL BANK**

  The vision of the Federal bank is enunciated in the following points:

  - To be a "customer-centric" organisation with outstanding customer experience.
  - To become a ‘trusted’ partner of choice for target customers.
  - To turn out to be the numero uno bank in Kerala and a leading player in chosen segments/markets.
  - To offer innovative and simple products to customers supported by state-of-the art technology.
  - To have more apt and energised workforce with a strong sense of belonging.
  - To provide superior value to stakeholders by delivering top tier financial performance.
  - To become a role model for corporate governance and social responsibility.

- **MISSION**

  Federal bank explained its existence by the taking into account the interests of the all the stakeholders. The mission of Federal bank is to “**Devote balanced attention to the interests and expectations of stakeholders, and in particular**”:

  **Shareholders:** Achieve a consistent annual post-tax return of at least 20% on net worth.
**Employees:** Developing a high degree of pride and loyalty among the employees so as to deliver better customer service.

**Customers:** Meeting and even exceeding expectations of target customers by delivering appropriate products and services with wide range. Servicing customers 24*7 with strengthened physical base, state of art technologies and widened distribution channel thus ensuring the highest standards of service at all times.

- **PRODUCTS AND SERVICES**

  The products and service range of Federal bank has been explained with the help of figure 1.7

**FIGURE 1.7 PRODUCTS AND SERVICES OF FEDERAL BANK**

![Diagram of Products and Services of Federal Bank](source: www.federalbank.co.in)

Fig 1.7 makes it clear that Federal bank has a variety of products in its depository. In the category of accounts and deposits, the bank provides different variants of products and services to meet up the need of its customers. They include savings accounts, salary account, demat account, priority banking, deposits etc.

The second category of product and services comprises of diverse categories of loans catering customers’ specification. They provide customers’ with housing loan, gold loan, car loan, property loan, car loans etc.
To facilitate the exchange process, the bank offers various options like debit cards, travel cards and credit cards to its customers.

The banks speed up the accessibility of banking services to customers through ATMs’, internet banking, mobile banking and various online services.

Under the category of insurance and investments the bank provides various sub products like life insurance, general insurance, mutual funds, online trading and new pension scheme.

In the section of specialised services, bank alters its offerings catering to the needs of NRIs’, agri business, SME business and corporates.

- **ACHIEVEMENTS OF FEDERAL BANK**

The prominent achievements of Federal Bank have been explained with the help of figure:

- In 2004, Federal Bank became the first traditional bank to network all its branches and attain 100% connectivity. Also became the first bank in India to implement RTGS facility in all the branches. It is pioneer to launch automated bill payment through interactive Voice response system (IVR) and is also first traditional bank to issue global depository receipts. Bank launched an innovative product 'Fed-e-Pay' for automated payment of utility Bills.

- In 2006, Bank won the award under category of “Best Clearing & Settlement System” and in 2009 was awarded for 'Best Customer Relationship Achievement' in the Banking Technology awards ceremony instituted by IBA, Infosys & TFCI. It is the sole recipient of ‘Best Core Banking Project Award’ 2007 as affirmed by ‘The Asian Banker’, together with the technology advisory council of ‘The Asian Bankers’ Summit’.
- Federal Bank became part of national financial switch ATM Network – the largest ATM network in India in 2010 and also received the ‘Financial Express-India’s Best Banks Award ’2009-10.

- The Bank received ‘ IDRBT Best Bank Award’ for the year 2010-11, for the category IT for internal effectiveness among small Banks and won two IDRBT awards for excellence in banking technology for the year 2012-13 for best IT team and best mobile banking in the small bank category.

- Bank won ‘Kerala Management Association Award’ for excellent in-house magazine and for implementing innovative cost management measures.

- Federal Bank won the prestigious ‘ACI Excellence Award’ 2012 for Banks’ Visa money transfer using debit cards and banks’ Aadhar based authentication for payments .In 2013, it has got the ‘ACI Award for Product Innovation’ and ‘Golden Peacock Award’ for HR excellence for the year 2013.

- Federal Bank won the ‘Banking Frontiers' Finnoviti’, 2013 award for its innovation virtual accounting system (VAS) and ‘IBA Innovation Award’, 2013 for its innovative mobile application "FedBook".

- **RECENT FINANCIAL PERFORMANCE**

  The performance of Federal bank for the last ten years has been observed with the help of table 1.5
The financial performance of Federal bank has shown with the help of table 1.5. It clearly depicts that bank has witnessed tremendous growth in the last 10 years. There has been an increase of 345%, 353%, 930%, 293% and 831% in the number of assets, loans and advances, reserves and surplus, total deposits and net profit in 2014.
as compared to 2005. The position clearly points out the emergence of Federal bank as one of the successful and upcoming private banks of the country.

- **CORPORATE RESPONSIBILITY**

  The CSR policy of Federal Bank has been characterized by active participation in various social welfare and charitable projects all over the country. For its corporate responsibility initiatives, Bank was awarded with the Global CSR Award for "Best Corporate Social Responsibility Practice Overall” and “Golden Peacock Award” for corporate social responsibility in 2012.

  Federal Bank provides scholarships to the economically needy students for pursuing professional education courses and endeavours to impart better knowledge and awareness in the field of banking to the less privileged and rural community through a public charitable trust instituted by the bank.

  The Bank has a customer contact centre that provides support to community by sponsoring ambulances, computers, dialysis machines, medical equipments, elevators, by offering free midday meals, supporting environmental and healthcare projects, social cultural and educational programs etc.

  The programs related to health, family welfare, environment, education, providing potable water, sanitation and empowerment of women and other marginalized groups are included in the initiatives of federal bank.

**1.4 CONCLUSION**

To sum up, it may be said that banking industry of India has established for itself a strong base. With ever increasing competition and enhanced customers’ expectations it has become imperative for Indian banking industry to make its customers satisfied to the desired extent. Customer satisfaction, to a great extent, is dependent upon service quality they get from bank. It is anybody’s guess that motivated employees can give better service quality. To motivate employees, it is
must for the bank to work on internal service quality. Internal service quality and external service quality thus have become very important for progress of banking industry.