Chapter 1
INTRODUCTION

1.1 Marketing

Definition of marketing as per The Western arts of marketing and distribution is “The action or business of promoting and selling products or services, including market research and advertising”

As per AMA\(^1\), “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (Approved in July 2013)

1.2 Services

Services can be defined as an action(s) or organisation(s) that maintains and improves the well-being and functioning of the people\(^2\)

“A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems”\(^3\)

Services as products represent a wide range of intangible product offerings that customers value and pay for in the market place.

Service industries and companies include those industries and companies typically classified within the service sector whose core product is a service. All of the following companies can be considered as pure service companies: Taj Palace Hotels (lodging), Indian Airlines (transportation), Birla Sun Life (Insurance and financial), Fortis (Health care).

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\(^1\) http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx
\(^2\) Hasen Filed Y and Richard A.E., Human Service Organisations; The University of Michigan Press, 1974, p.1
\(^3\) (Grönroos, 2000, p. 46)
Goods and Services: A comparative analysis

Goods can be defined as “Products that are purchased for consumption by the average consumer”. Alternatively called final goods, consumer goods are the end result of production and manufacturing and are what a consumer will see on the store shelf. Clothing, food, automobiles and jewellery are all examples of consumer goods.

Goods can be items of merchandise, finished products, supplies, or raw materials. Sometimes the term is extended to cover all inventoriable items or assets such as cash, supplies, and fixed assets.

Goods and services can be differentiated on the following basis:

1. Table 1.1 Differences between Goods and Services

<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
<th>Resulting Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible</td>
<td>Intangible</td>
<td>Service cannot be patented, inventoried, displayed, or communicated and pricing is difficult</td>
</tr>
<tr>
<td>Standardized</td>
<td>Heterogeneous</td>
<td>Service delivery and satisfaction depends on employee actions, and uncontrollable factors</td>
</tr>
<tr>
<td>Production separate from</td>
<td>Simultaneous</td>
<td>Customers participate and affect the transaction, employees affect the service outcome, Mass production is difficult</td>
</tr>
<tr>
<td>consumption</td>
<td>production &amp; consumption</td>
<td></td>
</tr>
<tr>
<td>Non Perishability</td>
<td>Perishable</td>
<td>Services cannot be returned or resold, saved or stored.</td>
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1) Intangibility:
The most basic distinguishing characteristic of services is intangibility. Because services are performances or actions rather than objects, they cannot be seen, felt, tasted or touched in the same manner that you can sense tangible goods. For example, health care services are actions (such as surgery, diagnosis, examination
and treatment) performed by providers and directed toward patients and their families. These services cannot actually be seen or touched by the patient, although the patient may be able to see and touch certain tangible components of service like the equipment or hospital room.

2) Heterogeneity: Because services are performances, frequently produced by humans, no two services will be precisely alike. The employees delivering the service frequently are the service in the customer’s eyes and people may differ in their performance from day to day or even hour to hour. Heterogeneity also results because no two customers are precisely alike; each will have unique demands or experience the service in a unique way. Thus the heterogeneity connected with services is largely the result of human interaction (between and among employees and customers) and all of the vagaries that accompany it.

3) Simultaneous Production and Consumption: Whereas most goods are produced first, then sold and consumed, most services are sold first and then produced and consumed simultaneously. For example, an automobile can be manufactured in Detroit, shipped to San Francisco, sold two months later, and consumed over period of years. But restaurant services cannot be provided until they have been sold, and the dining experience is essentially produced and consumed at the same time. Frequently this situation also means that customers are present while the service is being produced and thus view and may even take part in the production process as co-producers or co-creators of the service.

4) Perishability: Perishability refers to the fact that services cannot be saved, stored, resold or returned. A seat on an airplane or in a restaurant, an hour of lawyer’s time, or telephone line capacity not used or purchased cannot be reclaimed and used or
resold at a later time. Perishability is in contrast to goods that can be stored in inventory or resold another day, or even returned if the consumer is unhappy.

The above characteristics of services have their own implications on marketing the services to the customers. Unlike goods marketing services marketing should be based on completely different marketing strategy.

1.4 Challenges and Questions for Service Marketers:

Because of the basic characteristics of services, marketers of services face some very real and distinctive challenges. Answers to questions such as the ones listed here still elude managers of services:

- How can service quality be defined and improved when the product is intangible and not standardized?
- How can new services be designed and tested effectively when the service is essentially an intangible process?
- How can the firm be certain it is communicating a consistent and relevant image when so many elements of marketing mix communicate to customers and some of these elements are the service providers themselves?
- How can the firm best motivate and select service employees who, because the service is delivered in the real time, become a critical part of the product itself?
- How does the firm communicate quality and value to consumers when the offering is intangible and cannot be readily tried or displayed?
- How can the organization ensure the delivery of consistent quality service when both the organization’s employees and the customers themselves can affect the service outcome?
1.5 Quality

In the words of Kotler quality means, "The totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs."

In this increasingly competitive world, customers are in a position to demand forever increasing levels of service and quality. Rather than simply react to their demands, successful companies are proactive in the way they manage quality and continuously seek to improve levels of customer satisfaction.

Research shows a relationship between quality, market share, and return on investment. It is a known fact that, Higher quality yields a higher return-on-investment (ROI) for any given market share. Quality also pays a key role in customer retention and adopting quality principles strongly correlates to corporate stock and earnings appreciation too.

1.6 Service Quality

There are certain service firms who offer identical services under competing with each other, may it be a fast food restaurant or a bank. Here the quality of service can be used to differentiate from each other. Service quality is crucial to the customer as well as the service firm. The service firm can be use the service quality in maintaining competitive advantage and the customer can use the service quality for quality differentiation. Measuring quality in services is not a simple task since they are in tangible and cannot be stored.

We can define service quality in terms of satisfaction that the customers derives by comparing perception of the service received with the expectation of service desired.

Customers also form perceptions of quality during the service transaction - how effectively and efficiently the service was delivered and the speed and convenience
of completing the transaction. Finally, customers evaluate support activities that occur after the transaction, which can be termed as post-sale services.

Service quality can also be defined according to both the ‘what’ and ‘how’ of a product or service delivered.

Christian Gronroos distinguishes between “technical quality” and “functional quality”.

*Technical Quality* is concerned with the outcome of the delivered product or service. Customers use service quality attributes such as reliability, competence, performance, durability, etc. to evaluate technical quality.

*Functional Quality* has more to do with how the technical quality is transferred to the consumer. Service quality attributes such as responsiveness and access would be important in helping the customer judge the functional quality of the service encounter.

**Process of Service Quality Management**

1) Setting the Right Standard:
It is necessary to have the right standard for service quality or else the quality assurance process will deliver in appropriate levels of service. Standard quality is not just related to manufacturing, it covers all other functions also.

2) Implementing Quality Service:
The implementation process involves total commitment from all the levels of organization. Team efforts play an important role. Effective implementation of service quality is possible through excellent internal marketing program one of the approaches is total quality management (TQM).

3) Monitoring Service Quality:
In order to monitor service quality various tools and techniques can be used, like Statistical Tool, Quality Function Deployment, Internal Performance Analysis, Customer Satisfaction Analysis.
Undoubtedly, the greatest gap between customer expectations and service delivery exists when customers travel from one country to another. For example, in Japan the customer is supreme. At the morning opening of large departmental store in Tokyo, sales personnel line up to welcome patrons and bow as they enter. Because of the wonderful treatment Japanese customers are used to in their home country, they often have service expectation that exceed service delivery even when shopping in ‘civilized’ countries such as Great Britain they feel annoyed.

Customer expectations are beliefs about service delivery that serve as standards or reference points against which performance is judged. Because customers compare their perceptions of performance with these reference points when evaluating service quality, thorough knowledge about customer expectations is critical to services marketers. Knowing what the customer expects is the first and possibly most critical step in delivering good quality service. Being wrong about what customers want can mean losing a customer’s business when another company hits the target exactly. Being wrong can also mean expending money, time and other resources on things that do not count to the customer. Being wrong can even mean not surviving in a fiercely competitive market.

Among the aspects of expectations that need to be explored and understood for successful services marketing are the following: what types of expectation standards do customers hold about services? What factors most influence the formation of these expectations? What role do these factors play in changing expectations? How can a service company meet or exceed customer expectations?
1.9 Meaning and types of service expectations

To say that expectations are reference points against which service delivery is compared is only a beginning. The level of expectation can vary widely depending on the reference point the customer holds. Although most everyone has an intuitive sense of what expectations are, service marketers need a far more thorough and clear definition of expectations in order to comprehend, measure and manage them.

2. Figure 1.1 Possible levels of customer expectations

Let us imagine that you are planning to go to a restaurant. Figure 1.1 shows a continuum along which different possible types of service expectations can be arrayed from low to high. On the left of the continuum are different types or levels of expectations, ranging from high (top) to low (bottom). At each point we give a name to the type of expectation and illustrate what it might mean in terms of a restaurant you are considering. Note how important the expectation you held will be to your eventual assessment of the restaurant’s performance. Suppose you went
into the restaurant for which you held the minimum tolerable expectation, paid very little money and were served immediately with good food.

Next suppose that you went to the restaurant for which you had the highest (ideal) expectations, paid a lot of money and were served good (but not fantastic) food. Which restaurant experience would you judge to be best? The answer is likely to depend a great deal on the reference point that you brought to the experience.

1.10 Expected service: levels of expectations

As we showed in Figure 1.1, customers hold different types of expectations about service. For purposes of our discussion in the rest of this discussion, we focus on two types. The highest can be termed desired service: the level of service the customer hopes to receive – the ‘wished for’ level of performance. Desired service is a blend of what the customer believes ‘can be’ and ‘should be’. For example, consumers who sign up for a computer dating service expect to find compatible, attractive, interesting people to date and perhaps even someone to marry. The expectation reflects the hopes and wishes of these consumers; without these hopes and wishes and the belief that they may be fulfilled, consumers would probably not purchase the dating service. In a similar way, you may use an online travel-planning and flight-booking site such as Expedia to book a short holiday to Venice at Easter. What are your expectations of the service? In all likelihood you want Expedia to find you a flight exactly when you want to travel and a hotel close to the key sights in Piazza San Marco at a price you can afford – because that is what you hope and wish for.

However, you probably also see that demand at Easter may constrain the availability of airline seats and hotel rooms. And not all airlines or hotels you may be interested in may have a relation-ship with Expedia. In this situation and in general, customers hope to achieve their service desires but recognize that this is not always possible. We call the threshold level of acceptable service adequate service – the level of service the customer will accept.4 So the customer may put up with a flight at a less than ideal time and stay at a hotel further away from the key Venetian sites, if he or

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she really wants to travel at Easter. Adequate service represents the ‘minimum tolerable expectation’\(^5\), the bottom level of performance acceptable to the customer.

Figure 1.2 shows these two expectation standards as the upper and lower boundaries for customer expectations. This figure portrays the idea that customers assess service performance on the basis of two standard boundaries: what they desire and what they deem acceptable.

3. Figure 1.2 Dual Customer Expectation Level

![Dual Customer Expectation Level](image)

Among the intriguing questions about service expectations is whether customers hold the same or different expectation levels for service firms in the same industry. For example, are desired service expectations the same for all restaurants? Or just for all fast-food restaurants? Do the levels of adequate service expectations vary across restaurants? Consider the following quotation:

Levels of expectation are why two organizations in the same business can offer far different levels of service and still keep customers happy. It is why McDonald’s can extend excellent industrialized service with few employees per customer and why an expensive restaurant with many tuxedoed waiters may be unable to do as well from the customer’s point of view\(^6\).

Customers typically hold similar desired expectations across categories of service, but these categories are not as broad as whole industries. Among subcategories of restaurants are expensive restaurants, ethnic restaurants, fast-food restaurants and

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airport restaurants. A customer’s desired service expectation for fast-food restaurants is quick, convenient, tasty food in a clean setting. The desired service expectation for an expensive restaurant, on the other hand, usually involves elegant surroundings, gracious employees, candlelight and fine food. In essence, desired service expectations seem to be the same for service providers within industry categories or subcategories that are viewed as similar by customers.

The adequate service expectation level, on the other hand, may vary for different firms within a category or subcategory. Within fast-food restaurants, a customer may hold a higher expectation for McDonald’s than for Burger King, having experienced consistent service at McDonald’s over time and somewhat inconsistent service at Burger King. It is possible, therefore, that a customer can be more disappointed with service from McDonald’s than from Burger King even though the actual level of service at McDonald’s may be higher than the level at Burger King. A Global feature illustrates some of the challenges firms face in understanding what customer’s expectations are, particularly when delivering service to customers in the other country.

1.11 The zone of tolerance

As we discussed in earlier, services are heterogeneous in that performance may vary across providers, across employees from the same provider, and even with the same service employee. The extent to which customers recognize and are willing to accept this variation is called the zone of tolerance and is shown in Figure 1.3. If service drops below adequate service – the minimum level considered acceptable – customers will be frustrated and their satisfaction with the company will be undermined.

4. Figure 1.3 The Zone of tolerance

If service performance is higher than the zone of tolerance at the top end – where performance exceeds desired service – customers will be very
pleased and probably quite surprised as well. You might consider the zone of tolerance as the range or window in which customers do not particularly notice service performance. When it falls outside the range (either very low or very high), the service gets the customer’s attention in either a positive or negative way. As an example, consider the service at a checkout queue in a grocery store. Most customers hold a range of acceptable times for this service encounter – probably somewhere between five and 10 minutes. If service consumes that period of time, customers probably do not pay much attention to the wait. If a customer enters the line and finds sufficient checkout personnel to serve him or her in the first two or three minutes, he or she may notice the service and judge it as excellent. On the other hand, if a customer has to wait in line for 15 minutes, he or she may begin to grumble and look at his or her watch. The longer the wait is below the zone of tolerance, the more frustrated the customer becomes.

Customers’ service expectations are characterized by a range of levels (like those shown in Figure 1.2), bounded by desired and adequate service, rather than a single level. This tolerance zone, representing the difference between desired service and the level of service considered adequate, can expand and contract within a customer. An airline customer’s zone of tolerance will narrow when he or she is running late and is concerned about making it in time for his or her plane. A minute seems much longer, and the customer’s adequate service level increases. On the other hand, a customer who arrives at the airport early may have a larger tolerance zone, making the wait in line far less noticeable than when he or she is pressed for time. This example shows that the marketer must understand not just the size and boundary levels for the zone of tolerance but also when and how the tolerance zone fluctuates with a given customer.

1.11.1 Different customers possess different zones of tolerance

Another aspect of variability in the range of reasonable services is that different customers possess different tolerance zones. Some customers have narrow zones of tolerance, requiring a tighter range of service from providers, whereas other
customers allow a greater range of service. For example, very busy customers would likely always be pressed for time, desire short wait times in general and hold a constrained range for the length of acceptable wait times. When it comes to meeting plumbers or repair personnel at their home for problems with domestic appliance, customers who work outside the home have a more restricted window of acceptable time duration for that appointment than do customers who work in their homes or do not work at all.

An individual customer’s zone of tolerance increases or decreases depending on a number of factors, including company-controlled factors such as price. When prices increase, customers tend to be less tolerant of poor service. In this case, the zone of tolerance decreases because the adequate service level shifts upward.

1.1.2 Zones of tolerance vary for service dimensions

Customers’ tolerance zones also vary for different service attributes or dimensions. The more important the factor, the narrower the zone of tolerance is likely to be. In general, customers are likely to be less tolerant about unreliable service (broken promises or service errors) than other service deficiencies, which means that they have higher expectations for this factor. In addition to higher expectations for the most important service dimensions and attributes, customers are likely to be less willing to relax these expectations than those for less important factors, making the zone of tolerance for the most important service dimension smaller and the desired and adequate service levels higher\(^7\).

5. Figure 1.4 Zones of Tolerance for Different Service Dimensions

![Diagram](image)

Figure 1.4 portrays the likely difference in tolerance zones for the most important and the least important factors.

The fluctuation in the individual customer’s zone of tolerance is more a function of changes in the adequate service level, which moves readily up and down because of situational circumstances, than in the desired service level, which tends to move upward incrementally because of accumulated experiences. Desired service is relatively idiosyncratic and stable compared with adequate service, which moves up and down and in response to competition and other factors. Fluctuation in the zone of tolerance can be likened to an accordion’s movement, but with most of the movement coming from one side (the adequate service level) rather than the other (the desired service level).

In summary, we can express the boundaries of customer expectations of service with two different levels of expectations: desired service and adequate service. The desired service level is less subject to change than the adequate service level. A zone of tolerance separates these two levels. This zone of tolerance varies across customers and expands or contracts with the same customer.

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1.12 Factors that influence customer expectations of service

Because expectations play such a critical role in customer evaluation of services, marketers need and want to understand the factors that shape them. Marketers would also like to have control over these factors as well, but many of the forces that influence customer expectations are uncontrollable.

1.12.1 Sources of Desired Service Expectations

As shown in Figure 1.5, the two largest influences on desired service level are personal needs and philosophies about service. Personal needs, those states or conditions essential to the physical or psychological well-being of the customer, are pivotal factors that shape what customers desire in service. Personal needs can fall into many categories, including physical, social, psychological and functional. A cinema-goer who regularly goes to see films straight from work, and is therefore thirsty and hungry, hopes and desires that the food and drink counters at the cinema will have short queues and attentive staff, whereas a cinema-goer who regularly has dinner elsewhere has a low or zero level of desired service from the food and drink counters. A customer with high social and dependency needs may have relatively high expectations for a hotel’s ancillary services, hoping, for example, that the hotel has a bar with live music and dancing.

6. Fig 1.5 Factors that influence desired service

drink counters at the cinema will have short queues and attentive staff, whereas a cinema-goer who regularly has dinner elsewhere has a low or zero level of desired service from the food and drink counters. A customer with high social and dependency needs may have relatively high expectations for a hotel’s ancillary services, hoping, for example, that the hotel has a bar with live music and dancing.
Some customers are more demanding than others, having greater sensitivity to, and higher expectations of, service. Lasting service intensifiers are individual, stable factors that lead the customer to a heightened sensitivity to service. One of the most important of these factors can be called derived service expectations, which occur when customer expectations are driven by another person or group of people. A niece from a big family who is planning a ninetieth birthday party for a favourite aunt is representing the entire family in selecting a restaurant for a successful celebration. Her needs are driven in part by the derived expectations from the other family members. A parent choosing a vacation for the family, a spouse selecting a home-cleaning service, an employee choosing an office for the firm – all these customers’ individual expectations are intensified because they represent and must answer to other parties who will receive the service. In the context of business-to-business service, customer expectations are driven by the expectations of their own customers. The head of an information technology department in an insurance company, who is the business customer of a large computer company, has expectations based on those of the insurance customers he or she serves: when the computer equipment is down, his or her customers complain. The need to keep the system up and running is not just his or her own expectation but is derived from the pressure of customers.

Business-to-business customers may also derive their expectations from their managers and supervisors. Employees of a marketing research department may speed up project cycles (increase their expectations for speed of delivery) when pressured by their management to deliver the study results. Purchasing agents may increase demands for faster delivery at lower costs when company management is emphasizing cost reduction in the company.

Another lasting service intensifier is personal service philosophy – the customer’s underlying generic attitude about the meaning of service and the proper conduct of service providers. If you have ever been employed as a member of waiting staff in a restaurant, you are likely to have standards for restaurant service that were shaped by your training and experience in that role. You might, for example, believe that
waiters should not keep customers waiting longer than 15 minutes to take their orders. Knowing the way a kitchen operates, you may be less tolerant of lukewarm food or errors in the order than customers who have not held the role of waiter or waitress. In general, customers who are themselves in service businesses or have worked for them in the past seem to have especially strong service philosophies.

To the extent that customers have personal philosophies about service provision, their expectations of service providers will be intensified. Personal service philosophies and derived service expectations elevate the level of desired service.

1.12.2 Sources of adequate service expectations

A different set of determinants affects adequate service, the level of service the customer finds acceptable. In general, these influences are short term and tend to fluctuate more than the factors that influence desired service. In this section we explain the five factors shown in Figure 1.6 that influence adequate service: (1) temporary service intensifiers, (2) perceived service alternatives, customer self-perceived service role, (4) situational factors, and (5) predicted service.

7. Figure 1.6 Factors that influence adequate service
accident and the need for car insurance or a breakdown in office equipment during a busy period) raise the level of adequate service expectation, particularly the level of responsiveness required and considered acceptable. A mail-order company that depends on free phone numbers for receiving all customer orders will tend to be more demanding of the telephone service during peak periods of the week, month and year. Any system breakdown or lack of clarity on the lines will be tolerated less during these intense periods than at other times.

Problems with the initial service can also lead to heightened expectations. Performing a service right the first time is very important because customers value service reliability above all other dimensions. If the service fails in the recovery phase, putting it right the second time (that is, being reliable in service recovery) is even more critical than it was the first time. Car repair service provides a case in point. If a problem with your car’s brakes sends you to a car repair provider, you expect the company to fix the brakes. If you experience further problems with the brakes after the repair (a not uncommon situation with car repairs), your adequate service level will increase. In these and other situations where temporary service intensifiers are present, the level of adequate service will increase and the zone of tolerance will narrow.

Perceived service alternatives are other providers from whom the customer can obtain service. If customers have multiple service providers to choose from, or if they can provide the service for themselves (such as lawn care or personal grooming), their levels of adequate service are higher than those of customers who believe it is not possible to get better service elsewhere. An airline customer who lives in a provincial town with a small airport, for example, has a reduced set of options in airline travel. This customer will be more tolerant of the service performance of the carriers in the town because few alternatives exist. He or she will accept the scheduling and lower levels of service more than will the customer in a big city who has myriad flights and airlines to choose from. The customer’s perception that service alternatives exist raises the level of adequate service and narrows the zone of tolerance.
It is important that service marketers fully understand the complete set of options that customers view as perceived alternatives. In the provincial town, small airport example just discussed, the set of alternatives from the customer’s point of view is likely to include more than just other airlines: taxi service to a nearby large city, rail service or driving. In general, service marketers must discover the alternatives that the customer views as comparable rather than those in the company’s competitive set.

A third factor affecting the level of adequate service is the customer’s self-perceived service role. We define this as customer perceptions of the degree to which customers exert an influence on the level of service they receive. In other words, customers’ expectations are partly shaped by how well they believe they are performing their own roles in service delivery. One role of the customer is to specify the level of service expected. A customer who is very explicit with a waiter about how rare he or she wants his or her steak cooked in a restaurant will probably be more dissatisfied if the meat comes to the table overcooked than a customer who does not articulate the degree of cooking expected. The customer’s active participation in the service also affects this factor. A customer who does not get his or her car serviced regularly is likely to be more lenient on the car manufacturer when he or she experiences problems than one who conscientiously follows the manufacturers service schedules.

A final way the customer defines his or her role is in assuming the responsibility for complaining when service is poor. A dissatisfied customer who complains will be less tolerant than one who does not voice his or her concerns. A car insurance customer acknowledged responsibility in service provision this way: ‘You can’t blame it all on the insurance broker. You need to be responsible too and let the broker know what exactly you want.’

Customers’ zones of tolerance seem to expand when they sense they are not fulfilling their roles. When, on the other hand, customers believe they are doing their part in delivery, their expectations of adequate service are heightened and the zone
of tolerance contracts. The comment of a car repair customer illustrates this: ‘Service staff don’t listen when you tell them what is wrong. I now prepare a written list of problems in advance, take it to the car dealership, and tell them to fix these.’ This customer will expect more than one who did not prepare so well.

Levels of adequate service are also influenced by situational factors, defined as service performance conditions that customers view as beyond the control of the service provider. For example, where personal emergencies such as serious car accidents would likely intensify customer service expectations of insurance companies (because they are temporary service intensifiers), catastrophes that affect a large number of people at one time (floods or storms) may lower service expectations because customers recognize that insurers are inundated with demands for their services. Customers who recognize that situational factors are not the fault of the service company may accept lower levels of adequate service given the context. In general, situational factors temporarily lower the level of adequate service, widening the zone of tolerance.

The final factor that influences adequate service is predicted service (Figure 1.7), the level of service that customers believe they are likely to get. This type of service expectation can be viewed as predictions made by customers about what is likely to happen during an impending transaction or exchange. Predicted service performance implies some objective calculation of the probability of performance or estimate of anticipated service performance level. If customers predict good service, their levels of adequate service are likely to be higher than if they predict poor service. For example, travellers may expect poorer service from some of the no-frills airlines such as Ryanair or easyJet in comparison to some of the full-cost airlines (British Airways, KLM, Air France). This prediction will mean that higher standards for adequate service will exist in the full-cost airlines. On the other hand, customers of mobile phone companies may know that the companies’ call centre operations will provide poor service around Christmas time when myriad people are setting up the mobiles that they have received as gifts. In this case, levels of adequate service decrease and zones of tolerance widen.
Predicted service is typically an estimate or calculation of the service that a customer will receive in an individual transaction rather than in the overall relationship with a service provider. Whereas desired and adequate service expectations are global assessments comprising many individual service transactions, predicted service is almost always an estimate of what will happen in the next service encounter or transaction that the customer experiences. For this reason, predicted service is viewed in this model as an influencer of adequate service.

Because predictions are about individual service encounters, they are likely to be more concrete and specific than the types of expectation levels customers hold for adequate service or desired service. For example, your predicted service expectations about the length of time you will spend in the waiting room the next time you visit your doctor will likely be expressed in terms of the number of minutes or hours you have spent in the waiting room on your last visit.
Sources of both desired and predicted service expectations

When consumers are interested in purchasing services, they are likely to seek or take in information from several different sources. For example, they may call a store, ask a friend or deliberately track newspaper advertisements to find the needed service at the lowest price. They may also receive service information by watching television or hearing an unsolicited comment from a colleague about a service that was performed well. In addition to these active and passive types of external search for information, consumers may conduct an internal search by reviewing the information held in their memory about the service. This section discusses one internal and three external factors that influence both desired service and predicted service expectations: (1) explicit service promises, (2) implicit service promises, (3) word-of-mouth communications and (4) Past experience.

Explicit service promises are personal and non-personal statements about the service made by the organization to customers. The statements are personal when they are communicated by salespeople or service or repair personnel; they are non-personal when they come from advertising, brochures and other written publications. Explicit service promises are one of the few influences on expectations that are completely in the control of the service provider.

Promising exactly what will ultimately be delivered would seem a logical and appropriate way to manage customer expectations and ensure that reality fits the promises. However, companies and the personnel who represent them often deliberately over-promise to obtain business or inadvertently over-promise by stating their best estimates about delivery of a service in the future. In addition to over-promising, company representatives simply do not always know the appropriate promises to make because services are often customized and therefore not easily defined and repeated; the representative may not know when or in what final form the service will be delivered.
All types of explicit service promises have a direct effect on desired service expectation. If the sales visit portrays a banking service that is available 24 hours a day, the customer’s desires for that service (as well as the service of competitors) will be shaped by this promise.

A hotel customer describes the impact of explicit promises on expectations: “They get you real pumped up with the beautiful ad. When you go in you expect the bells and whistles go off. Usually they don’t.” A business equipment repair customer states, “When you buy a piece of equipment you expect to get a competitive advantage from it. Service is promised with the sale of the equipment.” A particularly dangerous promise that many companies today make to their business customers is to provide a “total solution” to their business needs. This promise is very difficult to deliver.

9. Figure 1.8 Explicit Service Promise influence desired service

Explicit service promises influence the levels of both desired service and predicted service. They shape what customers desire in general as well as what they predict will happen in the next service encounter from a particular service provider or in a certain service encounter.
Implicit service promises are service-related cues other than explicit promises that lead to inferences about what the service should and will be like. These quality cues are dominated by price and the tangibles associated with the service. In general, the higher the price and the more impressive the tangibles, the more a customer will expect from the service. Consider a customer who shops for insurance, finding two firms charging radically different prices. He or she may infer that the firm with the higher price should and will provide higher-quality service and better coverage. Similarly, a customer who stays at a five-star hotel is likely to desire and predict a higher standard of service than from a hotel with less impressive facilities.

10. Figure 1.9 A service Firm with a “posh” interior is likely to lead to greater customer expectations

The importance of word-of-mouth communication in shaping expectations of service is well documented⁹. These personal and sometimes non-personal statements made

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⁹ D.L. Davis, J.G. Guiltinan and W.H. Jones, 'Service characteristics, consumer research, and the classification of retail
by parties other than the organization convey to customers what the service will be like and influence both predicted and desired service. Word-of-mouth communication carries particular weight as an information source because it is perceived as unbiased. Word of mouth tends to be very important in services that are difficult to evaluate before purchase and before direct experience of them. Experts (including consumer reports, friends and family) are also word-of-mouth sources that can affect the levels of desired and predicted service.

Past experience, the customer’s previous exposure to service that is relevant to the focal service, is another force in shaping predictions and desires. The service relevant for prediction can be previous exposure to the focal firm’s service.

For example, you probably compare each stay in a particular hotel with all previous stays in that hotel. But past experience with the focal hotel is likely to be a very limited view of your past experience. You may also compare each stay with your experiences in other hotels and hotel chains. Customers also compare across industries: hospital patients, for example, compare hospital stays against the standard of hotel visits.

In a general sense, past experience may incorporate previous experience with the focal brand, typical performance of a favourite brand, experience with the brand last purchased or the top-selling brand, and the average performance a customer believes represents a group of similar brands. The different sources vary in terms of their credibility as well as their potential to be influenced by the marketer. Figure 1.9 shows the breakdown of various factors and how services marketers can influence them.

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11. Figure 1.9 How Service Marketers can influence factors

<table>
<thead>
<tr>
<th>Factor</th>
<th>Possible influence strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explicit service promises</td>
<td>Make realistic and accurate promises that reflect the service actually delivered rather than an idealized version of the service.</td>
</tr>
<tr>
<td></td>
<td>Ask contact people for feedback on the accuracy of promises made in advertising and personal selling.</td>
</tr>
<tr>
<td></td>
<td>Avoid engaging in price or advertising wars with competitors because they take the focus off customers and escalate promises beyond the level at which they can be met.</td>
</tr>
<tr>
<td></td>
<td>Formalize service promises through a service guarantee that focuses company employees on the promise and that provides feedback on the number of times promises are not fulfilled.</td>
</tr>
<tr>
<td>Implicit service promises</td>
<td>Ensure that service tangibles accurately reflect the type and level of service provided.</td>
</tr>
<tr>
<td></td>
<td>Ensure that price premiums can be justified by higher levels of performance by the company on important customer attributes.</td>
</tr>
<tr>
<td>Lasting service intensifiers</td>
<td>Use market research to determine sources of derived service expectations and their requirements. Focus advertising and marketing strategy on ways the service allows the focal customer to satisfy the requirements of the influencing customer.</td>
</tr>
<tr>
<td></td>
<td>Use market research to profile personal service philosophies of customers and use this information in designing and delivering services.</td>
</tr>
<tr>
<td>Personal needs</td>
<td>Educate customers on ways the service addresses their needs.</td>
</tr>
<tr>
<td>Temporary service intensifiers</td>
<td>Increase service delivery during peak periods or in emergencies.</td>
</tr>
<tr>
<td>Perceived service alternatives</td>
<td>Be fully aware of competitive offerings, and where possible and appropriate, match them.</td>
</tr>
<tr>
<td>Self-perceived service role</td>
<td>Educate customers to understand their roles and perform them better.</td>
</tr>
<tr>
<td>Word-of-mouth communications</td>
<td>Simulate word of mouth in advertising by using testimonials and opinion leaders.</td>
</tr>
<tr>
<td></td>
<td>Identify influencers and opinion leaders for the service and concentrate marketing efforts on them.</td>
</tr>
<tr>
<td></td>
<td>Use incentives with existing customers to encourage them to say positive things about the service.</td>
</tr>
<tr>
<td>Past experience</td>
<td>Use marketing research to profile customers’ previous experience with similar services.</td>
</tr>
<tr>
<td>Situational factors</td>
<td>Use service guarantees to assure customers about service recovery regardless of the situational factors that occur.</td>
</tr>
<tr>
<td>Predicted service</td>
<td>Tell customers when service provision is higher than what can normally be expected so that predictions of future service encounters will not be inflated.</td>
</tr>
</tbody>
</table>

1.13 Customer Satisfaction Analysis

Most effective tool to monitor service quality will be Customer Satisfaction analysis. *Perceived service quality* can be a very good customer-based performance measure.

12. Fig. 1.10 SERVQUAL or GAPS model

An empirical examination of organizational barriers using an extended service quality model was done by A. Parasuraman, Leonard L. Berry, Valarie A. Zeithaml.

Perceived service quality as customer-based performances measure is also known as SERVQUAL Model. This study empirically examines organizational barriers to delivering high-quality service performance as measured by customer perceptions and expectations. Using the extended service-quality model developed by Zeithaml, Berry, and Parasuraman as a conceptual framework, five specific propositions implied by the model and by earlier studies contributing to its development were tested. Such testing required a complex research design involving five service companies as well as samples of customers, contact employees, and managers from
each company. The results have practical implications and suggest an agenda for future organizational research.

SERVQUAL was originally measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customer and tangibles. It measures the gap between customer expectations and experience.

By the early nineties the authors had refined the model to the useful acronym RATER:

**Reliability.** Ability to perform the promised service dependably and accurately.

**Assurance.** Knowledge and courtesy of employees and their ability to convey trust and confidence.

**Tangibles.** Appearance of physical facilities, equipment, personnel, and communication materials.

**Empathy.** The firm provides care and individualized attention to its customers. and

**Responsiveness.** Willingness to help customers and provide prompt service.

This has been adapted later by some to cover:

**Tangibles.** Appearance of physical facilities, equipment, personnel, and communication materials.

**Reliability.** Ability to perform the promised service dependably and accurately.

**Responsiveness.** Willingness to help customers and provide prompt service.

**Competence.** Possession of required skill and knowledge to perform service.

**Courtesy.** Politeness, respect, consideration and friendliness of contact personnel.

**Credibility.** Trustworthiness, believability, honesty of the service provider.

**Feel secure.** Freedom from danger, risk, or doubt.

**Access.** Approachable and easy of contact.

**Communication.** Listens to its customers and acknowledges their comments. Keeps customers informed. In a language which they can understand.

**Understanding the customer.** Making the effort to know customers and their needs.
1.14 Origin of SERVQUAL - History

The authors conducted a qualitative study, from which they concluded that customers ranked the importance of two SERVQUAL dimensions consistently. Regardless of service industry. Reliability is the most important contributing factor to service quality and tangibles is the least important.

1.15 Usage of Servqual - Applications

- SERVQUAL is widely used within service industries to understand the perceptions of target customers regarding their service needs. And to provide a measurement of the service quality of the organization.
- SERVQUAL may also be applied internally to understand employees' perceptions of service quality. With the objective of achieving service improvement.
- e servqual: SERVQUAL scale, when used specifically for measuring online services (e-services) quality can be termed as ‘e servqual’. It includes two scales: the E-S-QUAL scale consists of 4 dimensions with 22 attributes, including efficiency, fulfillment, system availability and privacy and the E-RecS-QUAL scale which consists of 3 dimensions with 11 attributes, including responsiveness, compensation and contact (Parasuraman, Zeithaml & Malhotra, 2005).
1.16 Steps in SERVQUAL - Process

The method essentially involves conducting a sample survey of customers so that their perceived service needs are understood. And for measuring their perceptions of service quality for the organization in question.

Customers are asked to answer numerous questions within each dimension that determines:

- The relative importance of each attribute.
- A measurement of performance expectations that would relate to an "excellent" company.
- A measurement of performance for the company in question.

This provides an assessment of the gap between desired and actual performance, together with a ranking of the importance of service criteria. This allows an organization to focus its resources. To maximize service quality whilst costs are controlled. Furthermore, the reasoning of the SERVQUAL instrument is based on the concept “Zone of Tolerance”, suggested by Berry and his colleagues. This concept assumes that customers do not have expectations for a service attribute on one given level, but rather can accept a range in the real experience and still regard the service as satisfactory. The borders of the customer’s “Zone of tolerance” are formed by a Desired Level – the level on which the customers believe the service should be, and an Adequate Level – the minimum level of service that customers are willing to accept. Customers consider the service performance which falls within the borders of this “Zone of Tolerance” to be good (Grönroos, 2000).
This instrument has been widely used by researchers, but still, there are some controversies in its applicability across different service industries. In some studies the five dimensions of the instrument (determinants) have been found to be unstable across different types of services. Therefore, the SERVQUAL tool should be applied very carefully and the set of determinants and attributes used should be adapted to the specific situation (Grönroos, 2000).

1.17 Strengths of SERVQUAL

Most users would agree that a comprehensive and thorough examination of service needs and service quality provides an invaluable approach to improving service quality. SERVQUAL provides detailed information about:

- Customer perceptions of service (a benchmark established by your own customers)
- Performance levels as perceived by customers
- Customer comments and suggestions
- Impressions from employees with respect to customers expectations and satisfaction
1.18 Limitations of SERVQUAL

There have been a number of studies that doubt the validity of the 5 dimensions and of the uniform applicability of the method for all service sectors. According to an analysis by Thomas P. Van Dyke, Victor R. Prybutok, and Leon A. Kappelman, it appears that the use of difference scores in calculating SERVQUAL contributes to problems with the reliability, discriminant validity, convergent validity, and predictive validity of the measurement. These findings suggest that caution should be exercised in the use of SERVQUAL scores and that further work is needed in the development of measures for assessing the quality of information services.

1.19 Assumptions of SERVQUAL

- The results of market surveys are accurate. The validity of the model is based around the results of empirical studies.
- Customer needs can be documented and captured, and they remain stable during the whole process.

SERVQUAL has its detractors and is considered overly complex, subjective and statistically unreliable. The simplified RATER model however is a simple and useful model for qualitatively exploring and assessing customers' service experiences and has been used widely by service delivery organizations. It is an efficient model in helping an organization shape up its efforts in bridging the gap between perceived and expected service.

Customer service is about perception. Perceptions are judgments of the customers about the actual service performance or delivery by a company. Since services are intangible, customer search for the evidence of quality in every transaction they have with a service firm.
Chapter 1 – Introduction

The evidences of service that are experienced by the customer are people, process and physical evidence. The corporate image of the service provider as well as the price of the service can also influence the perceived quality.

While comparing the expected and the perceived service quality the following may be the outcomes:

1) Perceived Quality > Expected Quality
   Result = Delighted Customer.

2) Perceived Quality = Expected Quality
   Result = Satisfied Customer.

3) Perceived Quality < Expected Quality
   Result = Dissatisfied Customer.

1.20 An overview of Indian Banking Sector

The banking system in India is significantly different from that of other Asian nations because of the country’s unique geographic, social, and economic characteristics. India has a large population and land size, a diverse culture, and extreme disparities in income, which are marked among its regions. There are high levels of illiteracy among a large percentage of its population but, at the same time, the country has a large reservoir of managerial and technologically advanced talents. Between about 30 and 35 percent of the population resides in metro and urban cities and the rest is spread in several semi-urban and rural centers. The country’s economic policy framework combines socialistic and capitalistic features with a heavy bias towards public sector investment. India has followed the path of growth-led exports rather than the —export led growth|| of other Asian economies, with emphasis on self-reliance through import substitution.

These features are reflected in the structure, size, and diversity of the country’s banking and financial sector. The banking system has had to serve the goals of
economic policies enunciated in successive five year development plans, particularly concerning equitable income distribution, balanced regional economic growth, and the reduction and elimination of private sector monopolies in trade and industry. In order for the banking industry to serve as an instrument of state policy, it was subjected to various nationalization schemes in different phases (1955, 1969, and 1980). As a result, banking remained internationally isolated (few Indian banks had presence abroad in international financial centers) because of preoccupations with domestic priorities, especially massive branch expansion and attracting more people to the system. Moreover, the sector has been assigned the role of providing support to other economic sectors such as agriculture, small scale industries, exports, and banking activities in the developed commercial centers (i.e., metro, urban, and a limited number of semi-urban centers)

The Banking sector in India has always been one of the most preferred avenues of employment. In the current decade, this has emerged as a resurgent sector in the Indian economy. As per the McKinsey report _India Banking 2010_, the banking sector index has grown at a compounded annual rate of over 51 per cent since the year 2001, as compared to a 27 per cent growth in the market index during the same period. It is projected that the sector has the potential to account for over 7.7 per cent of GDP with over Rs.7,500 billion in market cap, and to provide over 1.5 million jobs.

Today, banks have diversified their activities and are getting into new products and services that include opportunities in credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Further, most of the leading Indian banks are going global, setting up offices in foreign countries, by themselves or through their subsidiaries.
1.21 Perceived vs GAP analysis

It is now understood that, when it comes to analysis of service quality we need to perform:

a) Perceived service quality analysis and
b) GAP (Perceived – Expected) analysis

When you perform the above analysis, they will result in two scores,

a) Perceived Score and
b) GAP (Perceived – Expected) Score

When you study both of them, they give the results in two different dimensions. GAP will measure the level of happiness/unhappiness or satisfaction/dis satisfaction of the customers. Whereas Perceived will give the level of quality of service rendered. For example, in terms of a particular quality attribute it may say, one service provider has given the better quality other has given not so better quality.

We can conclude that both are not same and both of them give two different dimensions. Hence, it is suggestible to study both the scores. Further in this study, one can find the analysis is made under both the dimensions and it is very interesting to study their nature and the results they have produced.

1.22 Banking Structure in India

The Indian Banking system comprises the following institutions:

1. Commercial Banks
   a. Public Sector (Nationalized & SBI and its associates)
   b. Private sector
      i. Old Private Sector
      ii. New Private Sector
   c. Foreign Banks
   d. Co-operative institutions
About 92 percent of the country's banking segment is under State control while the balance comprises private sector and foreign banks. The public sector, commercial banks are divided into three cries.

In summary, India's banking system was at least until an integral part of the government's spending policies. Through the directed credit rules and the statutory pre-emptions it was a captive source of funds for the fiscal deficit and key industries. Through the CRR and the SLR more than 50% of savings had either to be deposited with the RBI or used to buy government securities. Of the remaining savings, 40% had to be directed to priority sectors that were defined by the government. Besides these restrictions on the use of funds, the government had also control over the price of the funds, i.e. the interest rates on savings and loans.

This was about to change at the beginning of the 1990s when a balance-of payments crisis was a trigger for far-reaching reforms.
In 1921, three major banks i.e. Banks of Bengal, Bank of Bombay, and Bank of Madras, merged to form Imperial Bank of India. In 1935, the Reserve Bank of India (RBI) was established and it took over the central banking responsibilities from the Imperial Bank of India, transferring commercial banking functions completely to IBI. In 1955, after the declaration of first-five year plan, Imperial Bank of India was subsequently transformed into State Bank of India (SBI).

Following this, occurred the nationalization of major banks in India on 19 July 1969. The Government of India issued an ordinance and nationalized the 14 largest commercial banks of India, including Punjab National Bank (PNB), Allahabad Bank, Canara Bank, Central Bank of India, etc. Thus, public sector banks revived to take up leading role in the banking structure. In 1980, the GOI nationalized 6 more commercial banks, with control over 91% of banking business of India.

**Private sector banks:** Private banking in India was practiced since the beginning of banking system in India. The first private bank in India to be set up in Private Sector Banks in India was IndusInd Bank. It is one of the fastest growing Bank Private Sector Banks in India. IDBI ranks the tenth largest development bank in the world as Private Banks in India and has promoted world class institutions in India.

The first Private Bank in India to receive an in principle approval from the Reserve Bank of India was Housing Development Finance Corporation Limited, to set up a bank in the private sector banks in India as part of the RBI's liberalization of the Indian Banking Industry. It was incorporated in August 1994 as HDFC Bank Limited with registered office in Mumbai and commenced operations as Scheduled Commercial Bank in January 1995.
1.23 Growth drivers of the banking sector

**High growth of Indian Economy:** The growth of the banking industry is closely linked with the growth of the overall economy. India is one of the fastest growing economies in the world and is set to remain on that path for many years to come. This will be backed by the stellar growth in infrastructure, industry, services and agriculture. This is expected to boost the corporate credit growth in the economy and provide opportunities to banks to lend to fulfill these requirements in the future.

**Rising per capita income:** The rising per capita income will drive the growth of retail credit. Indians have a conservative outlook towards credit except for housing and other necessities. However, with an increase in disposable income and increased exposure to a range of products, consumers have shown a higher willingness to take credit, particularly, young customers. A study of the customer profiles of different types of banks reveals that foreign and private banks share of younger customers is over 60% whereas public banks have only 32% customers under the age of 40. Private Banks also have a much higher share of the more profitable mass affluent segment.

**New channel – Mobile banking is expected to become the second largest channel for banking after ATMs:** New channels used to offer banking services will drive the growth of banking industry exponentially in the future by increasing productivity and acquiring new customers. During the last decade, banking through ATMs and internet has shown a tremendous growth, which is still in the growth phase. After ATMs, mobile banking is expected to give another push to this industry growth in a big way; with the help of new 3G and smart phone technology (mobile usage has grown tremendously over the years). This can be looked at as branchless banking and so will also reduce costs as there is no need for physical infrastructure and human resources. This will help in acquiring new customers, mainly who live in rural areas (though this will take time due to technology and infrastructure issues).
IBA-FICCI-BCG report predicts that mobile banking would become the second largest channel of banking after ATMs.

**Financial Inclusion Program:** Currently, in India, 41% of the adult population doesn’t have bank accounts, which indicates a large untapped market for banking players. Under the Financial Inclusion Program, RBI is trying to tap this untapped market and the growth potential in rural markets by volume growth for banks.

Financial inclusion is the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. The RBI has also taken many initiatives such as Financial Literacy Program, promoting effective use of development communication and using Information and Communication Technology (ICT) to spread general banking concepts to people in the under banked areas. All these initiatives of promoting rural banking are taken with the help of mobile banking, self help groups, microfinance institutions, etc. Financial Inclusion, on the one side, helps corporate in fulfilling their social responsibilities and on the other side it is fueling growth in other industries and so as a whole economy.

1.24 Indian banking environment at a glance:

### Table 1.2 – Indian Banking Sector at a Glance

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Items</th>
<th>Amount Outstanding (as at end-March) (Amount in ₹ billion)</th>
<th>Percentage variation 2012-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Balance Sheet Operations</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>1.1</td>
<td>Total Liabilities/ assets</td>
<td>83,209</td>
<td>95,733</td>
</tr>
<tr>
<td>1.2</td>
<td>Deposits</td>
<td>64,535</td>
<td>74,295</td>
</tr>
<tr>
<td>1.3</td>
<td>Borrowings</td>
<td>8,438</td>
<td>10,105</td>
</tr>
<tr>
<td>1.4</td>
<td>Loans and advances</td>
<td>50,736</td>
<td>58,797</td>
</tr>
<tr>
<td>1.5</td>
<td>Investments</td>
<td>22,339</td>
<td>26,133</td>
</tr>
<tr>
<td>1.6</td>
<td>Off-balance sheet exposure (as percentage of on-balance sheet liabilities)</td>
<td>175.4</td>
<td>138.5</td>
</tr>
<tr>
<td>1.7</td>
<td>Total consolidated international claims</td>
<td>2,809</td>
<td>3,312</td>
</tr>
<tr>
<td>2</td>
<td>Profitability</td>
<td>817</td>
<td>912</td>
</tr>
<tr>
<td>2.1</td>
<td>Net profit</td>
<td>1.08</td>
<td>1.03</td>
</tr>
</tbody>
</table>

### SR. No.
1. Balance Sheet Operations
2. Profitability
### Chapter 1 – Introduction

#### 2.3 Return on Equity (RoE) (Per cent)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>14.60</td>
<td>13.84</td>
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</table>

#### 2.4 Net Interest Margin (NIM) (Per cent)

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>2.9</td>
<td>2.8</td>
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</table>

#### 3 Capital Adequacy

#### 3.1 Capital to risk weighted asset ratio (CRAR) (under Basel I)

<p>| | | |</p>
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<tbody>
<tr>
<td></td>
<td>12.9</td>
<td>12.8</td>
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#### 3.2 Capital to risk weighted asset ratio (CRAR) (under Basel II)

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<th></th>
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<tbody>
<tr>
<td></td>
<td>14.2</td>
<td>13.9</td>
</tr>
</tbody>
</table>

#### 3.3 Tier I capital (as percentage of total capital)

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>72.8</td>
<td>74.1</td>
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</table>

#### 3.4 CRAR (tier I) (Basel I) (Per cent)

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<tbody>
<tr>
<td></td>
<td>9.4</td>
<td>9.5</td>
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#### 3.5 CRAR (tier I) (Basel II) (Per cent)

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<tr>
<td></td>
<td>10.4</td>
<td>10.3</td>
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#### 4 Asset Quality

#### 4.1 Gross NPAs

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<tr>
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<tbody>
<tr>
<td></td>
<td>1,429</td>
<td>1,940</td>
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#### 4.2 Net NPAs

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<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>652</td>
<td>986</td>
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</table>

#### 4.3 Gross NPA ratio (Gross NPAs as percentage of gross advances)

<p>| | | |</p>
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<tbody>
<tr>
<td></td>
<td>3.1</td>
<td>3.6</td>
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#### 4.4 Net NPA ratio (Net NPAs as percentage of net advances)

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</thead>
<tbody>
<tr>
<td></td>
<td>1.3</td>
<td>1.7</td>
</tr>
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#### 4.5 Provision Coverage Ratio (Per cent)**

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td>51.9</td>
<td>51.0</td>
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#### 4.6 Slippage ratio (Per cent)

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<tbody>
<tr>
<td></td>
<td>2.5</td>
<td>2.7</td>
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</table>

#### 5 Sectoral Deployment of Bank Credit

#### 5.1 Gross bank credit

<p>| | | |</p>
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<tr>
<td></td>
<td>43,793</td>
<td>49,642</td>
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#### 5.2 Agriculture

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<tbody>
<tr>
<td></td>
<td>5,477</td>
<td>5,899</td>
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#### 5.3 Industry

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<tbody>
<tr>
<td></td>
<td>19,408</td>
<td>22,302</td>
</tr>
</tbody>
</table>

#### 5.4 Services

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<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>10,188</td>
<td>11,486</td>
</tr>
</tbody>
</table>

#### 5.5 Personal loans

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>7,900</td>
<td>9,009</td>
</tr>
</tbody>
</table>

#### 6 Technological Development

#### 6.1 Total number of credit cards (in million)

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<thead>
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<tbody>
<tr>
<td></td>
<td>18</td>
<td>20</td>
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</table>

#### 6.2 Total number of debit cards (in million)

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<thead>
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<tbody>
<tr>
<td></td>
<td>278</td>
<td>331</td>
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</tbody>
</table>

#### 6.3 Number of ATMs

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<tr>
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<tbody>
<tr>
<td></td>
<td>95,686</td>
<td>114,014</td>
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</table>

#### 7 Customer Services*

#### 7.1 Total number of complaints received*

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<tr>
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<tbody>
<tr>
<td></td>
<td>72,889</td>
<td>70,541</td>
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</table>

#### 7.2 Total number of complaints addressed*

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<tbody>
<tr>
<td></td>
<td>72,885</td>
<td>69,704</td>
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</table>

#### 7.3 Percentage of complaints addressed

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<tr>
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<tbody>
<tr>
<td></td>
<td>99.99</td>
<td>98.81</td>
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</tbody>
</table>

#### 8 Financial Inclusion

#### 8.1 Credit-deposit ratio (Per cent)

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<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>78.6</td>
<td>79.1</td>
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</table>

#### 8.2 Number of new bank branches opened

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<tr>
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<tbody>
<tr>
<td></td>
<td>7,401</td>
<td>6,897</td>
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#### 8.3 Number of villages covered under Financial Inclusion Plan (FIP)

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<tr>
<td></td>
<td>181,373</td>
<td>268,454</td>
</tr>
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</table>

Notes: *Position as on end-June 2012. Also, number of complaints received and addressed are inclusive of RRBs and co-operatives.

** Based on off-site returns.

1.25 Studies on Traditional Banking Services Quality

Many researchers have used the SERVQUAL scale to measure the quality of various services, including bank services (Cowling & Newman, 1995). According to the study conducted by Cowling and Newman in 1995 concerning the SERVQUAL scale, one bank found out that the highest disparity between the expectations and perceptions of customers was found to exist for reliability, responsiveness, and empathy, and the lowest for tangibles. Also, concerning the banking industry, by using the critical incident technique, Johnston (1995) examined the service quality perceptions of the customers. He found out 18 service quality attributes: access, aesthetics, attentiveness/helpfulness, availability, care, cleanliness, tidiness, comfort, commitment, communication, competence, courtesy, flexibility, friendliness, functionality, integrity, reliability, responsiveness and security.

Furthermore, an alternative measure of service quality in retail banking that comprises 31 items with six underlying key dimensions was proposed by Bahia and Nantel (2000). These six dimensions are: effectiveness and assurance, access, price, tangibles, service portfolio and reliability.

In addition, by using conjoint experiments to measure the service quality of retail banks, Oppewal and Vriens (2000) proposed the use of 28 attributes including four service quality dimensions to evaluate service quality. These four dimensions are: accessibility, competence, accuracy and friendliness, and tangibles. Of those four dimensions, the most important in determining banking preference turned out to be the accuracy and friendliness, followed by competence, tangibles and accessibility.
1.26 E-Banking Services

E-Banking services are banking services delivered over the Internet. The services provided by banks over the Internet which once included only checking of accounts, have recently evolved to include a full range of banking services. It is not rare the case nowadays, when nearly all services accessible at the branch or by phone can be accessed on the Internet as well. The development of technology allows banks to offer not only “branch-based” services over the Internet, but also new added-value services which are available only online such as electronic commerce, real-time brokerage, financial information menus, e-mail alerts and third party services (tax payment, portals or management of electricity bills) (Centeno, 2003). Figure 1.12 below shows a possible classification of Internet banking services (Centeno, 2003).

16. Fig 1.13 e banking services

1.27 Core Banking Solutions

“The banking sector is no exception to this changing scenario which is sweeping across the world. Most of the banks have already started to feel the impact of the operations of the new banks in the country. The single biggest advantage of these banks is the large scale deployment of IT in their business environment. Their business processes have been architectured around IT Solutions that solve problems as they emerge so that IT has become an integral part of their regular operations.”

-Dr. Rakesh Mohan (The then Deputy Governor of RBI, in one of his keynote speech during a 2004 conference)

Core Banking Solutions or CBS is one of the recent developments in the field of banking and has proved to be very useful. It is a facility provided by banks in which a customer, having an account in one branch, can operate his account, in any other branch of the bank. This has become possible, because each account holder is given a specialised, computerised and unique account number. The advancement in technology especially internet and information technology has led to new way of doing business in banking

CBS is networking of branches, which enables Customers to operate their accounts, and avail banking services from any branch of the Bank on CBS network, regardless of where he maintains his account. The customer is no more the customer of a Branch. He becomes the Bank’s Customer. Thus CBS is a step towards enhancing customer convenience through Anywhere and Anytime Banking.

In simple terms, CBS is a type of banking, in which a person, who opens a bank account in a particular branch of a bank, will be a customer of the bank, rather than being a customer of a particular branch.

The prime features of the CBS are that it facilitates banking operations like ATM's,
Chapter 1 – Introduction

Electronic Fund, Transfers, Telebanking, Internet banking, Mobile banking etc. Moreover, introduction of new facilities and products wouldn't be a time-consuming process, and branch clearings would become instantaneous.

The technologies have cut down time, working simultaneously on different issues and increased efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions. Here computer software is developed to perform core operations of banking like

- Recording of transactions,
- Passbook maintenance,
- Interest calculations on loans and deposits,
- Customer records,
- Balance of payments and withdrawal

Core banking is about knowing customers' needs and providing them with the right products at the right time through the right channels 24 hours a day, 7 days a week.

The rapid advancement in Information and Communication Technology (ICT) has had a profound impact on the banking industry and the wider financial sector over the last two decades and it has now become a tool that facilitates banks’ organizational structures, business strategies, customer services and other related functions. The recent “IT revolution” has exerted far-reaching impacts on economies, in general, and the financial services industry, in particular.

Within the financial services industry, the banking sector was one of the first to embrace rapid globalization and benefit significantly from IT development.

The technological revolution in banking started in the 1950s, with the installation of the first automated bookkeeping machines at banks. This was well before the other industries became IT savvy. Automation in banking became widespread over the next few decades as bankers quickly realized that much of their labor-intensive
information-handling processes could be automated with the use of computers. The first Automated Teller Machine (ATM) is reported to have been introduced in the USA in 1968, and it was only a cash dispenser. The advent of ATMs helped both to improve customer convenience and reduce costs, as before ATMs, withdrawing funds, accounts inquiries and transferring funds between accounts required face-to-face interaction between bank staff and customers.

**Benefits**

Core banking solution helps by:

- Facilitating 24 X 7 Banking
- Anywhere Banking
- Integration with strategic sectors
- Enabling Business Process Re-engineering (BPR)
- Reducing operating costs significantly
- Increasing operational efficiencies & productivity
- Helping a bank comply quickly with changing regulatory requirements
- Driving product innovation
- Ensuring rapid customer acquisition
- Enhancing customer relationship management
- Increasing the scalability to support rapid growth and M&A initiatives
- Enabling offline functionality.
- Reducing dependency
- Facilitating Speedy remittances across the country
- Creating One stop shop for all banking needs
- Empowering through improved service quality
Due to its benefits, almost all the banks in India in recent years have taken steps to implement the Core Banking Solutions with a view to build relationship with the customer based on the information captured and offering to the customer, the customized financial products according to their need.

**Advantages for Customer:**

- Transaction of business from any branch,
- Lower incidence of errors. Hence accuracy in transactions.
- Better funds management due to immediate availability of funds.
For Banks:

- Standardisation of process within the bank.
- Better customer service leading to retention of customer and increased customer traffic.
- Availability of accurate data & Better use of available infrastructure.

Following are some of the Core Banking services provided by Indian public and private sector banks.

1. Internet Banking

The total number of registered users for Internet banking in India is over two million. But this figure needs to be adjusted for dormant users and multiple accounts (a user having accounts with more than one bank). India has a little less than a million active Internet banking users. Thus indicating that, the concept of Internet banking is surely catching on. India lags behind other countries in Internet banking. In the US, the number of commercial banks with transactional websites is 1,275 or 12 percent of the total number of banks. Of these, seven could be called ‘virtual banks.’ From the Asian market experience, it is clear that Internet banking is here to stay and will be a major channel to acquire and service customers. Markets like Korea and Singapore have nearly 10 percent of their population banking over the Internet.

Indian banks have an insignificant Internet banking record. ICICI Bank kicked off online banking way back in 1996 and a host of other banks soon followed suit. But even for the Internet as a whole, 1996 to 1998 marked the adoption phase, while usage increased only in 1999 due to lower ISP online charges, increased PC penetration and a tech-friendly atmosphere. Concept of Internet banking is more like an add-on service which the customers should gradually adopt. In line with this strategy, initially the Net banking facility was provided in order to meet the information requirements of the customers and gradually it ventured into fund transfers and third party transfers.
2. Automatic Teller Machine

The introduction of ATM’s has given the customers the facility of round the clock banking. The ATM’s are used by banks for making the customers dealing easier. ATM card is a device that allows customer who has an ATM card to perform routine banking transaction at any time without interacting with human teller. It provides exchange services. This service helps the customer to withdraw money even when the banks are closed. This can be done by inserting the card in the ATM and entering the Personal Identification Number and secret Password. ATM’s are currently becoming popular in India that enables the customer to withdraw their money 24 hours a day and 365 days. It provides the customers with the ability to withdraw or deposit funds, check account balances, transfer funds and check statement information. The advantages of ATM’s are many. It increases existing business and generates new business.

It allows the customers:

- To transfer money to and from accounts.
- To view account information.
- To receive cash.

**Advantages of ATM’s:**

**To the Customers**

- ATM’s provide 24 hrs. 7 days and 365 days a year service.
- Service is quick and efficient
- Privacy in transaction
- Wider flexibility in place and time of withdrawals.
- The transaction is completely secure – you need to key in Personal Identification Number (Unique number for every customer).
To Banks

- Alternative to extend banking hours.
- Crowding at bank counters considerably reduced.
- Alternative to new branches and to reduce operating expenses.
- Relieves bank employees to focus on more analytical and innovative work.
- Increased market penetration.

ATM’s can be installed anywhere like Airports, Railway Stations, Petrol Pumps, Big Business arcades, markets, etc. Hence, it gives easy access to the customers, for obtaining cash. The ATM services was provided first by the foreign banks like Citibank, Grind lays bank and now by many private and public sector banks in India like ICICI Bank, HDFC Bank, SBI, UTI Bank etc. The ICICI has launched ATM Services to its customers in all the Metropolitan Cities in India. By the end of 1990 Indian Private Banks and public sector banks have come up with their own ATM Network in the form of “SWADHAN”, a system of shared payments networks, introduced by the Indian Bank Association (IBA).

3. Mobile Banking

Mobile Banking (also known as M-Banking or SMS Banking) is a term used for performing balance checks, account transactions, payments, etc., via a mobile device such as a mobile phone. It was Internet Banking, which ushered in a new era in banking convenience by bringing the entire operations to the computer, and now mobile banking promises to take it to the next level.

Mobile Banking addresses this fundamental limitation of Internet Banking, as it reduces the customer requirement to just a mobile phone. Mobile usage has seen an explosive growth in most of the Asian economies like India, China and Korea. The main reason that Mobile Banking scores over Internet Banking is that it enables ‘Anywhere Anytime Banking’.
Reserve Bank of India has set-up the Mobile Payments Forum of India (MPFI), a ‘Working Group on Mobile Banking’ to examine different aspects of Mobile Banking (M-banking). The Group had focused on three major areas of M-banking, i.e.

1. Technology and security issues,
2. Business issues and
3. Regulatory and supervisory issues.

**Various Mobile Banking Services to the Consumers**

Banks offering mobile access are mostly supporting some or all of the following services:

**Account Information**

- Mini-statements and checking of account history
- Alerts on account activity or passing of set thresholds
- Monitoring of term deposits
- Access to loan statements
- Access to card statements
- Mutual funds / equity statements
- Insurance policy management
- Pension plan management

**Payments & Transfers**

- Domestic and international fund transfers
- Mobile re-charging
- Commercial payment processing
- Bill payment processing
Support

- Status of requests for credit, including mortgage approval, and insurance coverage
- Check (cheque) book and card requests
- Exchange of data messages and e-mail, including complaint submission and tracking

Content Services

- General information such as weather updates, news
- Loyalty-related offers
- Location-based services

4. Telebanking

Telebanking refers to banking on phone services. A customer can access information about his/her account through a telephone call and by giving the coded Personal Identification Number (PIN) to the bank. Telebanking is extensively user friendly and effective in nature.

Telebanking offers the following services to its customers:

- To get a particular work done through the bank, the users may leave his instructions in the form of message with bank.
- Facility to stop payment on request. One can easily know about the cheque status.
- Information on the current interest rates.
- Information with regard to foreign exchange rates.
- Request for a DD or pay order.
- DEMAT Account related services.
- And other similar services.
5. Multi City Cheque

“Multi City Cheque” or MCC is a facility wherein the customer can issue cheques drawn at the base branch and payable at any branch at remote center. These cheques will be treated as local cheques at the remote branch. There will be no collection charges and the credit will be given on the same day, as applicable to local cheques. Even if the cheque is dropped at any other bank other than the base bank, there will not be any collection charges. For example, if Mr. A is paid a Multi city cheque by Mr. B at SBI branch in Delhi, Mr. A can drop the same at any bank in Mumbai where he holds an account, and there will not be any collection charges.

6. Credit Card

The credit card can be defined as a small plastic card that allows its holder to buy goods and services on credit and to pay at fixed intervals through card issuing agency. The credit card releases the customers from botheration of carrying cash and ensures safety.

7. Debit Card

Debit cards will offer direct withdrawal of funds from a customer’s bank account. The spending limit is determined by the user’s bank depending upon available balance in the account of the user. It is a special plastic card connected with electromagnetic identification that one can use to pay for things purchased directly from its bank account. Under the system, cardholder’s accounts are immediately debited against purchase or service to the computer network. Hence, under debit card the card holder must have adequate balance in his account. The system is intended to replace cheque system of payment. These can be maintained only for customers maintaining satisfactory accounts and for a minimum period of 6 months.
1.28 Retail banking and Corporate banking

A typical bank with a widespread network of branches aims at serving the following broad customer groups

- **Retail customers**
- **Corporate customers**
- **Rural customers**
- **International customers**

**Retail banking** refers to the division of a bank that deals directly with retail customers. Also known as consumer banking or personal banking, retail banking is the visible face of banking to the general public. Customer deposits garnered by retail banking represent an extremely important source of funding for most banks.

**Corporate banking**, also known as business banking, refers to the aspect of banking that deals with corporate customers. Corporate banking is a key profit centre for most banks; however, as the biggest originator of customer loans, it is also the source of regular write-downs for loans that have soured.

1.29 Theoretical Framework:

1.29.1. Customer Satisfaction in Retail Banking

In the competitive business market, many firms are focusing on their efforts on maintaining a loyal customer base. Most of the retail banks set their strategies towards increasing satisfaction and loyalty of customers through the quality of service. Devlin (2001) pointed out that “customers perceive very little difference in the services offered by retail banks and any new offering is quickly matched by competitors.”

Zaim *et al* (2010) find out that tangibility, reliability and empathy are important factor for customer satisfaction, whereas responsiveness and assurance are important factor, found by Mengi (2009). Kumar *et al.* (2010) and Lai (2004) found that assurance, empathy and tangibles are the important factor, and on the other hand, Baumann *et al.* (2007) found that tangibles are not related to customer
satisfaction and Ahmed et al. (2010) find out that empathy is negatively related to customer satisfaction. Researchers have identified various determinants of customer satisfaction in the retail banking sector. Arasli et al. (2005) pointed out that reliability dimension of SERVQUAL has the highest impact on customer satisfaction in Greek Cypriot banking industry, whereas reliability is not related to customer satisfaction, found by Chaniotakis and Lymeropoulos (2009). According to Levesque and McDougall (1996), competitive interest rate is one of the important determinants of customer satisfaction in retail banking sector. They found that a good “employee-customer” relationship can increase the satisfaction level. They pointed out that problem-recovery is important to maintain the customer satisfaction.

However, the results did not confirm that satisfactory problem-recovery can increase satisfaction. At least, it can maintain the satisfaction level. Finally, they concluded that competitiveness and convenience of the banks are the two important determinants of customer satisfaction. On the other hand, Jamal and Naser (2003) found that convenience and competitiveness are not the critical factors for all gender, age and income groups.

1.29.2 Profitability
Profitability of a firm can be evaluated by comparing the amount of capital employed i.e. the input with income earned i.e. the output
Some of the major profitability based performance measurement metrics are:

<table>
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<tr>
<th>Parent Metric</th>
<th>Name</th>
<th>Derivation</th>
<th>Basis</th>
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<tbody>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
<td>Net Profit after Tax</td>
<td>Assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>/ Assets</td>
<td></td>
</tr>
<tr>
<td>RAROA</td>
<td>Risk Adjusted Return on Assets</td>
<td>Economic Profit/ Assets</td>
<td>Economic</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
<td>Net Profit after Tax</td>
<td>Equity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>/ Equity</td>
<td></td>
</tr>
<tr>
<td>RAROE</td>
<td>Risk Adjusted Return on Equity</td>
<td>Economic Profit/ Equity</td>
<td>Economic</td>
</tr>
<tr>
<td>RAROC</td>
<td>Risk Adjusted Return on Capital</td>
<td>Economic Profit/ Economic Cost</td>
<td>Economic</td>
</tr>
</tbody>
</table>

Apart from the above measurements, especially in case of banks the most familiar ones are,

- Business per employee (Total Business/Total number of employees) and
- Profit per employee (Total Profit/ Total number of employees).

### 1.29.3 Market Share:

Market share can be defined as, "Market share is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity."

In other words it can be termed as, the portion of a market controlled by a particular company or product

Market share is a key indicator of market competitiveness—that is, how well a firm is doing against its competitors.
1.29.4 Relationship between Service Quality and Customer Satisfaction

In marketing literature, Service Quality and Customer Satisfaction have been conceptualized as a distinct, but closely related constructs. There is a positive relationship between the two constructs (Beerli et al., 2004). The relationship between customer satisfaction and service quality is debatable. Some researchers argued that service quality is the antecedent of customer satisfaction, while others argued the opposite relationship. Parasuraman et al (1988) defined service quality and customer satisfaction as “service quality is a global judgment, or attitude, relating to the superiority of the service, whereas satisfaction is related to a specific transaction”. Jamal and Naser (2003) stated that service quality is the antecedent of customer satisfaction. However, they found that there is no important relationship between customer satisfaction and tangible aspects of service environment. This finding is contrasted with previous research by Blodgett and Wakefield (1999), but supported by Parasuraman et al (1991).

Most of the researchers found that service quality is the antecedent of customer satisfaction (Bedi, 2010; Kassim and Abdullah, 2010; Kumar et al., 2010; Naeem and Saif 2009; Balaji, 2009; Lee and Hwan, 2005; Athanassopoulos and Iliakopoulos, 2003; Parasuraman et al 1988). Yee et al (2010) found that service quality has a positive influence on customer satisfaction. On the other hand, Bitner (1990) and Bolton and Drew (1991) pointed out that customer satisfaction is the antecedent of service quality. In 2004, Beerli et al supported this finding. Beerli et al mentioned a possible explanation is that the satisfaction construct supposes an evaluative judgment of the value received by the customer. This finding is contrasted with most of the researchers.
1.29.5 Interrelationship between Service Quality, Customer Satisfaction and Profitability of the bank

Researchers argued that service quality has influence on customer satisfaction and generates customer loyalty (Chang et al., 2009). Some of the reviewed literatures are as follows:

Zeithaml et al (2008) developed a conceptual model that correlates Service Quality, Customer Satisfaction and Customer Loyalty in one frame. According to the model, service quality is the outcome of reliability, assurance, responsiveness, empathy and tangibles.

Several researchers attempt to find the interrelationships between service quality, customer satisfaction and customer loyalty in the retail banking sector. Researchers argue that service quality and customer satisfaction are the predictors of customer loyalty (Tariq and Moussaoui, 2009; Han et al., 2008; Ehigie, 2006).

Veloutsou et al. (2004) found the positive relationship among service quality, customer satisfaction and customer loyalty in the banking sector in Greece.

Caruana (2000) proposed a meditational model that links the service quality to the service loyalty via customer satisfaction. This model is supported by Santouridis and Trivellas, 2010; Cheng et al., 2008; Bei and Chiao, 2006;

Lewis and Soureli, 2006; Butcher et al., 2001, Caruana (2000) mentioned that service quality, customer satisfaction and service loyalty are related to each other. He applied this model to the customers of retail banking in Malta. The results proof the above mentioned relationship. The result confirms that Service Quality is an important input of Customer Satisfaction and depicts 53% of its variance. He stated that management should mainly focus on Customer Satisfaction, of which Service
Quality is an important antecedent. Finally, he concluded that a better understanding of this model can help managers ensure better targeting of limited marketing resources.

Johnston (1997) conducted a research to identify the critical determinants of Service Quality and to examine the effects of Service Quality on Customer Satisfaction. He found that responsiveness (one of the dimensions of Service Quality) is one of the important factors of Customer Satisfaction.

From the above discussion it can be concluded that there is a positive relationships between each of the study constructs. Most of the researchers pointed out that there is a positive relation between the service quality attributes and customer satisfaction and customer satisfaction is positively related to customer loyalty.
1.30 The role of perceived and GAP analysis in measuring the service quality of banks

As discussed, the results produced by using perceived score and GAP score are thought-provoking. Interpreting the same in the right manner will contribute to the increased performance of the bank, in turn results in a highly satisfied customer. The said analysis also gives us a picture about usage of perceived score vs GAP score and their supremacy on each other.

Further, the study attempts to test this relationship, quality of services with customer satisfaction with profitability, in the retail banking sector in India. Researcher opines that the relationship between the profit and customer satisfaction is as follows:

“Profit and growth are stimulated primarily by customer satisfaction - Satisfaction is direct result of quality of services provided to customers”

Moving ahead, following chapter gives a clear image about the research design of the current research.
# Annexure

## Banks in India

### Group wise Bank Classification

- **i. All Scheduled Commercial Banks**
- **ii. Public Sector Banks**
  - (a) SBI & Associates
  - (b) Nationalised Banks
- **iii. Private Sector Banks**
  - (a) Old Private Sector Banks
  - (b) New Private Sector Banks
- **iv. Foreign Banks**

### Bank wise: SBI & Associates

- **i. State Bank of India**
- **ii. State Bank of Bikaner & Jaipur**
- **iii. State Bank of Hyderabad**
- **iv. State Bank of Mysore**
- **v. State Bank of Patiala**
- **vi. State Bank of Travancore**

### Bank wise: Nationalised Banks

- **i. Allahabad Bank**
- **ii. Andhra Bank**
- **iii. Bank of Baroda**
- **iv. Bank of India**
- **v. Bank of Maharashtra**
- **vi. Canara Bank**
- **vii. Central Bank of India**
<table>
<thead>
<tr>
<th>Bank wise : Old Private Sector Banks</th>
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<tbody>
<tr>
<td>i. Catholic Syrian Bank</td>
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<tr>
<td>ii. City Union Bank</td>
</tr>
<tr>
<td>iii. Dhanlaxmi Bank</td>
</tr>
<tr>
<td>iv. Federal Bank</td>
</tr>
<tr>
<td>v. ING Vysya Bank</td>
</tr>
<tr>
<td>vi. Jammu &amp; Kashmir Bank</td>
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<tr>
<td>vii. Karnataka Bank</td>
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<tr>
<td>viii. Karur Vysya Bank</td>
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<tr>
<td>ix. Lakshmi Vilas Bank</td>
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<tr>
<td>x. Nainital Bank</td>
</tr>
<tr>
<td>xi. Ratnakar Bank</td>
</tr>
<tr>
<td>xii. South Indian Bank</td>
</tr>
<tr>
<td>xiii. Tamilnad Mercantile Bank</td>
</tr>
</tbody>
</table>
### Bank wise: New Private Sector Banks

1. Axis Bank
2. Development Credit Bank
3. HDFC Bank
4. ICICI Bank
5. Indus Ind Bank
6. Kotak Mahindra Bank
7. Yes Bank

### Bank wise: Foreign Banks

1. AB Bank
2. Abu Dhabi Commercial Bank
3. American Express Banking Corp.
4. Antwerp Diamond Bank
5. Australia And New Zealand Banking Group
6. Bank International Indonesia
7. Bank of America
8. Bank of Bahrain & Kuwait
9. Bank of Ceylon
10. Bank of Nova Scotia
11. Bank of Tokyo-Mitsubishi UFJ
12. Barclays Bank
13. BNP Paribas
14. Chinatrust Commercial Bank
15. Citibank
16. Commonwealth Bank of Australia
17. Credit Agricole
18. Credit Suisse AG
With this appropriate introduction, after getting a thorough knowledge about the research study, the next chapter gives a detailed understanding of the Research Design of the entire study.