CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1. INTRODUCTION

Banks play a tremendous role in the economic as well as socio-economic development of our country. Thus the importance of commercial banks in the process of economic development has been pointed out regularly by economic thinkers and policy makers of the country. Commercial banks played an important role in the Indian economy and considered as the heart of the financial structure. Banks offer several facilities and retail services to enhance the standard of living of our people. In the past, owing to lack of information and proper guidance, the general public could not avail the full benefits and retail banking services from the banking industries to improve their standard of living. It is now undeniable that the face of the Indian consumer is changing. This is reflected in the change of income pattern of the urban household. The direct fallout of such a change will be the consumption patterns and hence, the banking habits of Indians, which will now be skewed towards retail services. At the same time, India compares pretty poorly with the other economies of the world that are now becoming comparable in terms of spending patterns with the opening up of our economy.

The changes after globalization and liberalization process had a profound and significant impact on the financial system, especially on the banking sector. The fast changes had radically and perceptibly transformed the operational environment of the banking sector and their services. “It is rightly said that change is the only constant factor in a bid to develop sound and efficient banking system in
India at par with international banking standards and practices. After considerable and protracted years of regulated environment, although in a gradual and phased manner the challenges and pressures of the newfound environment have been intense. Public sector banks, which were considered strong and profitable, have now started signs of infirmities. No longer can these banks take for granted their business shares or profitability as ceteris paribus, as also the loyalty of their customer base. After liberalization the information technology revolution is entirely change the banking business, and has considerably widened the range of products and also increased the expectations and demands of customers. Post nationalization, the focus was on social banking.

At present more innovative financial products are offered by the banks, the issue of retail banking is highly crucial and has a lot of potential growth. Bank’s function is fundamentally divided into two categories, the corporate banking or wholesale banking and the retail banking. Corporate banking fulfils the financial needs of corporate houses, trusts, financial institutions and companies. On the other hand, retail banking is a form of mass banking where financial needs of individual consumers such as salaried persons, professionals, business people, house wives, students, etc., are dealt with. The most important characteristic that differentiates corporate banking from retail banking is that, in corporate banking, it is the size of customer’s account that matters, while in retail banking, it is the customer accounts that count. The products and services under retail banking are designed to meet the financial needs of customers.

Generally, banks remained indifferent to customer needs and dished out prescriptive banking products in the form of schematic lending under government
directives. The situation prevalent today is totally different. Bank, irrespective of their size, have been increasingly focusing on retail segment for both lending and resource mobilization. Both public sector and private sector banks, have all jumped into retail bandwagon, and the banking industry has embraced a retail culture.

Retail banking has emerged as a new buzzword in the Indian banking arena. The simplistic definition of the term “Retail Banking” encompasses mutual funds, debit cards, credit cards, retail deposit schemes, retail loans, insurance products, depository services including demat facilities and a host of other services catering to the needs of the individual customers. It would be seen from these list of available services that retail banking mainly includes various financial services and products forming part of the assets as well as the liabilities segment of the banks. It refers to taking care of the banking needs of individual customers in an integrated manner.

Retail banking is becoming an increasingly complex concept to define. While “pure” retail banking is generally conceived to be the provision of mass market banking services to provide individuals, it has been expanded over the years to include in many cases services provided to small and medium sized business. Some banks may also include their “Private banking” business (i.e. services to high net worth individuals) in their definition of retail banking.

The retail banking industry is diverse and competitive. In addition to provide loans, checking and savings account services, banks also offer underwriting, brokerage and insurance capabilities to manage all aspects of a customer’s financial portfolio. Identifying and attracting profitable customers from competitors is essential for long term success. Retail banking has both pros and
cons. In the present situation the bankers have very little option, but to chant the “retail mantra”. Banks today have to face complex challenges on multiple fronts. Customer expectations are higher than ever, with growing demand for more rapid service delivery and more flexible and personalized interaction.

The only way to counter competition was to widen customer base and increase income. The more the customers, the more the business. But the average customer of yester years was no longer existent. “He has been replaced by more aware, ever-demanding and fastidious new customer who stops around for the type of service he desires. He does not have to request, he can command, he does not have to stand in a queue and he can relax at home. He is the typical Indian bridegroom. He must be attracted, satisfied, leased and made happy. Then only he is loyal. To make a customer loyal, he should be satisfied. Even the ATM users and Mobile banking users, who have fewer reasons also satisfied when they visit their branch. Retail marketers also educate customers about the recent innovative features that are available.

It is commonly observed that a dissatisfied customer badmouths to at least nine other persons, while the satisfied customers tells the good thing only to two or three persons. It has been well acknowledged by the marketing pundits that the cost of retaining customer is just one tenth the cost of acquiring a new one. This shows how important it is to satisfy the existing customer. In this context, retail banking occupies an important place.

Bank customers expect very simple things, carrying out their work standing in queues, work in time, someone to be available in the counter to attend to them, getting the information at one place instead of running from pillar to post and the
like. After nationalization of major commercial banks in 1969 and 1980, majority of the banks are in public sector which change from ‘Class Banking’ to ‘Mass banking’ which led to the increase in volume of clientele. The increase in volume of customers automatically led to the deterioration in quality of customer service. Further, a settlement with the employee’s union does not permit the banks to go for rapid mechanization.

1.2. SERVICE ATTRIBUTES IN RETAIL BANKING SECTOR

A new era in retail banking emerged during the mid 1990. In retail banking segment, it is the individual customer who is a centre. Therefore, banks operating in this segment have devised innovative delivery channels, creative advertising and branding efforts along with competitive product and pricing strategies for customers with diversified background.

Retail banking has been regarded as one of the major drivers of the Indian banking sector. The retail banking segment of banks is experiencing many changes by adopting innovative strategies like cross-selling, packaged selling of retail products, acquisitions and alliances, leveraging their branch network, etc., “Public sector banks(PSB) are also adopting new strategies to retain their customers. PSBs are the base for the Indian banking system which accumulates more than 78% of total banking business”.

Banks today have a stiff competition in the markets. They have to cope with the challenges to gain the confidence of their customers. Having realized the importance of customer relationships as crucial factor to their success, banks are adopting Customer Relationship Management (CRM) as a strategy to establish long-
lasting relationship with them. Applying customer-focused strategies help bankers to be at the top-most position, keeping its share price at the maximum value.

The two important factors in retail banking sector are customers and information. The success of retail banking and retaining the richest payoffs of automation is a customer – driven strategy related to identification, acquisition and integration of information. The practical essence of retail banking technology is that the technology of a bank must absolutely cater to the requirements and expectations of its customers. Banks must aim to offer good products and should also serve their customers in a better way by formulating and creating new methods. The Pragmatic approach helps them to serve their customers in an outstanding and innovative way.

Customer Satisfaction is an indefinable area especially in service sector since offerings are intangible. In fact, it has been said that intangibility is the key to determine whether an offering is a service or a product. Customer satisfaction is the sum total of customer’s expectation of the service quality, what goes into making of service quality is important for the survival of the business itself and this can be identified only by diligent research banking. The survival of business has direct correlation with the satisfaction of the customer. Customer satisfaction, which is attributed to the conduct of business, has certain specific dimensions. Qualification and measurement of these dimensions is an area not sufficiently researched.

The customer is the king. Business starts with customers and ends with customers. No issue of ‘Harved Business Review’ is complete without an article or a research pertaining to customer satisfaction. The topic is as elusive as the
customer himself. Even companies, which have bagged awards for customer satisfaction, do not rest in peace since they update themselves constantly against the changing expectations and levels of the customer and strive to maintain the satisfaction level.

1.3. REVIEW OF LITURATURE

S.Bhattachara (1982)5, stated in his article “Self – renewal of a bank office in operations” studied the various dimensions of bank operation. He suggested that the system of distribution of bank service should be flexible enough to accommodate genuine needs of customers.

In the view of Bley leben V., Peter R and Wurster Thomas S. (1985)6, in his article “Changes in Retail Banking” the retail banking strategy of the past two decades that promoted branch expansion was driven by factors that no longer apply. The deregulation and technological changes of today are upsetting the competitive equilibrium that once allowed small and large branches to co-exist due to their similar total cost positions. Reasons for this change are, (1) Consumers are more willing to trade off the convenience of local branches for higher rates from a remote institution, (2) Interest – rate deregulation has eroded the funds cost advantage that banks had over non – banks, and (3) Local banks and non – banks have changed the competition into the process of exploiting the differences in product costs, distribution costs and the ability o realize higher prices. In this future, competitive advantages in banking will most likely take one of two forms: (1) Customer relations as a basis for selling a wide array of products and (2) The low cost position. Banks need to fully integrate the needs of their specific customer segments with their strategies.
K.K.Saxena (1988)\(^7\), in his article “Evolution of Bank Marketing in India” that the marketing concept in banking industry in India had changed dramatically in the 1970s. He observed that more publicity of the schemes would help in attracting rural customers.

The study made by Duffy and Helene (1990)\(^8\), attempted to study the opportunities available in the customer data base maintained by the banks. Marketing databases help to control the costs associated with reaching the retail customer. The software can enable a bank to focus on narrowly defined segments of the market and offer a bundle of services and products attractive to that market.

In the view of David Pirric (1990)\(^9\), in his article entitled “Service and cost”, highlights the areas of quality service and the Management of cost. He observed that today’s customers expect much more and those in the financial sector will be those who maintain a prudent approach to managing their business while keeping customers satisfied.

The study made by Franck Abramson(1990)\(^10\), in his article “Marketing and the branches”, observes that, for marketing of banking services, appropriate premises are no less important than appropriate advertising. He stated that customers decide which bank to use as the basis of image and quality of service.

The article “Banks designed by Customers” by Stan Comber (1990)\(^11\), observes that cash dispensary and automated deposit facilities can take care of normal business of a bank while the staff have to talk to customers about any
financial need they may have. He stressed the need for bank staff to be trained to fully understand the products and to relate them to individual customer needs.

Stephen Myhill (1990)\textsuperscript{12}, in his article “To Save your time are money”, focuses the time taken by the banks in transacting with the customers. He suggested a strategy of transacting banking business through telephone. Luis M. Granero and Juan Carius Reboredo (2006)\textsuperscript{13}, cost reducing research and development activities are undertaken in the context of Retail Banking sector where some entities exhibit an expensed preference. The results reveal that the effects from R&D interact with the effects in the previous literature in shaping the equilibrium configuration.

According to Thirumagal Vijaya (2006)\textsuperscript{14}, viewed that unlike in the past, the customers compare the services of public sector banks with the service of private sector banks. These necessitate the introduction of various new products and execute the services in a professional way to keep their customers happy. She concluded that the success of marketing of their service thus lie on how she is perceived by customers and the level of their expectations.

In the view of Rani (2006)\textsuperscript{15}, in her study analyses the customer satisfaction level of selected public sector banks in Coimbatore city before and after computerization. She is of the view that computerization has a strong impact on improving customers’ satisfaction.

Venkata Seshain and Vunyale Narneder (2007)\textsuperscript{16}, in their study, analyzed the factors that affect the choice of customers in choosing he retail banks by the customers. The 15 different factors that could be identified, approximately in the

According to the findings based on empirical study, the first six factors exert the greatest influence, next four have moderate importance and the rest five have relatively lower influence.

In the view of Sanjaykumar Joshi (2008)\textsuperscript{17}, in his paper has attempted to study the emergence of retail banking in India. He observed that a new era in retail banking emerged during mid 1990. India provides a very high-level growth potential in retail banking segment for banks. He analyzed the opportunities and challenges for retail banking in a growing country like India. He observed that the two important factors in retail banking sector are customers and information. In the paper, the author concluded that retail banking is the need of the hour and has bright future beyond any doubt. However, bankers should be careful while lending to customers with unsatisfactory record and should not be swayed by competition.

The study made by Smitha Ramachandran (2008)\textsuperscript{18}, regarding customer management in retail banking, focuses on relationship marketing adopted by retail banks to enhance their relationship with customers. According to him, relationship marketing is based on five strategic elements:-

(1) To develop a central element around which the stable relationship with customers is constructed.

(2) To personalize the relationships.
(3) To increase the central element by offering extra benefits.
(4) To augment loyalty to the provider through price fixation, and
(5) To make employees aware that they are immediately responsible in front of customers.

He concludes that the feature of retail banking lies in the advances made in the application of information technology. In future, technology is expected to play an important role in the process of innovation and in identifying specific communities and customers.

According to Srivatsa.H.S and Srinivasan.R.(2009)\(^1\), in their empirical study entitled “New age youth banking behavior: An explorative study in the Indian Banking Sector”. The study deploys the use of psychographics to study the Indian retail banking customers. This paper is a result of the research conducted by the state of Karnataka in India and is empirical by nature. This study was conducted with the following objectives.

(1) To find out the psychographic attributes that would play a role in the banking channel selection behavior of a customer.
(2) To find out the psychographic attributes that would play a role in the bank selection behavior of a customer.
(3) To find out the psychographic attributes that would play a role in the banking product selection behavior of a customer.

In this study, the population in the age group of 18 to 28 years was chosen.

The following are the major findings of this study.
(i) Convience plays a more important role than all other factors when it comes to bank selection criteria.

(ii) In terms of channel selection, the new channels like internet banking and ATM have became popular and they have been adopted by banking technology self starters, and

(iii) In terms of product selection, customers look at benefit maximization and convenience products as the most important factors.

Garry A. Gelade and Stephen Young (2005)\textsuperscript{20}, have analyzed the service profit chain model of business performance. The service profit chain model of business performance has identified customer satisfaction as a critical intervening variable, in this relationship. This paper examines the relationships between organizational climate, employee attitudes, customer satisfaction and sales performance in the retail – banking sector. The role of customer satisfaction, a mediator between employee attitudes and sales performance, is examined in a large sample of bank branches, spanning multiple organizations.

Ahmad Jamal (2004)\textsuperscript{31}, in his paper, observed he effect of self – image congruence on satisfaction and brand preferences among users and non users of technology based self – services in the retail banking sector. This paper has contributed towards the existing literature by demonstrating that, while self – image congruence may affect satisfaction in a normal context, it does not affect levels of satisfaction when customers are using self – service technologies. Finally, the paper has demonstrated that customers continue to prefer the same service provider even after experiencing dissatisfying incidents during their encounters involving self – service technologies.
Sharma (2006)\textsuperscript{22} stated that there are certain changes in the business and economic environment of the entire banking industry. This is due to competitive pressures on enabling technologies and further stated that in lieu of this business scenario it is making developments in Indian banking sector in relation to technology and improving efficiency. It is also observed that enhancing profitability and customer satisfaction can be possible through business intelligence which can help to make right strategies in pricing and finally results in profit margins.

Basu (1985)\textsuperscript{23} in his study on “\textit{A review of current Banking Theory and Practices}” clearly brings out the development of banking industry and changing role of commercial banking. According to study analysis new developments, strategies for enhancing the customer services in terms of quality, sustainability etc., have been made to grab the marketing opportunities and enhance profitability of commercial banks.

According to Rajan and Zingales (1998)\textsuperscript{24} the importance of banking on economic growth is banking has a prominent role in endogenous growth theory, through the positive impact on the capital and funds accumulations and savings can be done with fine and sound banking norms which can further gives scope for enhancing the operations. In his study he also stated that vital importance of financial sector development in facilitating and sustaining growth, for example, from the last two decades it has been witnessed that finance growth and banking development brings great impact on economic growth.

Levine (2004)\textsuperscript{25} discussed about the role of financial sectors on economic development as countries with better functioning banks and primary markets grow faster, and the countries that have better functioning financial systems ease external
finance problems that can show impact on firms and industrial expansion, he suggested these aspects as one mechanism through which financial development matters for growth. Further, economists who believe that vital role of banking and financial sectors in facilitating growth is to reduce enforcement, information, transaction costs. All these can be achieved by performing few functions in financial sectors, based on these studies the author identified and analysed five key functions that can help the financial sectors in showing good performance and facilitate growth aspect which are as follows:

- Mobilizing and pooling savings
- Producing information ex ante about possible investments and allocating capital
- Monitoring investments and exerting corporate governance.
- Facilitating the trading, diversification, and management of risks
- Facilitating the exchange of goods and services

Reddy (1994)\textsuperscript{26} in his research discuss about the issues in banking sector which has to emphasized speedy growth of banking in India for socio economic development of country. The study also focused on effective function of banking sector with higher profits and more efficiency, it can be possible when the said reforms of banking are analyzed properly and implemented, already existed reforms are available for growth and development, and there is need in slight change in reforms with regard to technology which bring fast accessing to the banking systems. According to him, reforms are inevitable and to be maintained in order to improve the health and competitive sprit among banks and maintain the challenges
in Indian economy, this brings opportunities in Public Sectors, Trade, Industry and Finance Sectors in India.

According to Verma committee (1999)\textsuperscript{27} discussed suggestions on ruling out mergers and acquisitions, privatization and recommended for cost reduction programs in banks by reducing the staff by VRS (Voluntary Retirement Scheme), asset management for taking over of NPAs from banks and rationalization of branches. The committee identified three weak banks i.e. Indian Bank, UCO, and United bank of India and created 7 parameters for assessing the banks strengths in the fields of solvency, profitability, earning capacity etc. for restructuring of weak banks.

In this regard Acharya (2001)\textsuperscript{28} in his study on ‘A vision for banking” emphasized on need for privatization of public sector banks as the financial reforms cannot solve the structural problems of public sector banks, as a proof the study shows the gross nonperforming assets related to commercial advances are high as 14\% as compared to 4\% for new private sector banks and for foreign banks it is 7\%. He pointed out that the public sector banks can be managed professionally and be converted into efficient private sector banks as they promise a rising curve of efficiency, confidence and growth.

As per descriptive and analytical study made by Rangarajan (1982)\textsuperscript{29} analyzed on important changes, issues and problems that have taken place in Indian Banking system after nationalization of 14 commercial banks in 1969, in areas of deposit mobilization, deployment of funds, suggested new approaches through district credit plans, credit camps, village adoption schemes etc. These changes
have brought significant impact on banks positively and shown improvement in performance.

According to Y.V. Reddy (2005)30 “Banking sector reforms in India-an Overview”, he stated that reforms that has introduced in banking sector is based on certain facts that have taken place and showed great negative impact on the economy, in order to enable a positive environment for banks and to overcome external constrains such as interest rates, credit allocation to certain sectors, pre-emption in the form of reserve requirements etc. He stated that interest deregulation is an important component of the reform process which shows great efficiency to resource allocation. The changes made in the regulation of reforms are taken on deregulation of interest rates is based on market behaviour, underlying macro economic conditions. The interest rates in banks system have largely deregulated except for few accounts like savings bank accounts, NRI deposits, and small loans up to 2 lakhs and credit export. The need for such prescriptions as well as those relating to priority sector lending has been identified for wider discussions in the latest annual policy of RBI.

The author studied with regard to funds mobilization, there was a contribution of capital by the government in public sector banks, which was continued by enhancing the capital base with equity participation by private investors. The share of the public sector banks in banking sector on aggregate assets has come down from 90 in 1991 to 75 percent in 2004. Diversification from banks led greater market accountability to improve its efficiency. Since the initiation of reforms, recapitalization of government in public banks amounted to less than one percent on India’s GDP which is much lower than for many countries.
Even after accounting for the decline in the Government's shareholding on account of losses set off, the current market value of the share capital of the Government in public sector banks has increased many and as such what was observed to be a bail-out of public sector banks by Government seems to be turning out to be a profitable investment for the Government.

The Bankers Association (2004)\textsuperscript{31} discussed the government involvement in public sector banks. The members pointed out various issues about the profitable investment made in banks through which the economy can improve its national income. The Association, discussed that the banking reforms plays an important role on deciding various issues of banks.

According to Uppul and Kaur (2007)\textsuperscript{32} the major objective of banking sector reforms is to enhance the efficiency and the productivity through competition. RBI’s approach made a free entry for foreign banks and private banks set ups laid down the competition. The government’s permissions to open new banks lead to setup 12 new banks has been set up. The author stated that an important element of private shareholding in private sector banks has been added by enabling in reducing in government shareholding public sector banks to 51%. As a major step taken by the RBI and started reforms on enhancing competition in banking sectors and resulted in foreign direct investment in private banks have increased to 74% subject to the guidelines changes from time to time.

According to Nair (2006)\textsuperscript{33} The Credit Information Companies (Regulation) Bill, 2004 has been passed by both the Houses of the Parliament while the Government Securities Bills, 2004 is under process. Certain amendments are being considered by the Parliament to enhance Reserve Bank’s regulatory and supervisory
powers. Major amendments relate to requirement of prior approval of RBI for acquisition of five per cent or more of shares of a banking company with a view to ensuring ‘fit and proper’ status of the significant shareholders, aligning the voting rights with the economic holding and empowering the RBI to supersede the Board of a banking company.

Satyasundaram (1994)\textsuperscript{34} analysed that retail financing in India finds no recognition even though it is the need of the hour for small people and it led to sectorial imbalances in granting of loans.

Nair (2006)\textsuperscript{35} discusses the future challenges of technology in banking. The author also observed how IT poses a bright future in rural banking, but is neglected as it is traditionally considered unviable in the rural segment. He recommended financial reforms to include the significance of IT on banking system and how it can be benefited to banks, as much importance is not given to technology in banking, is creating problems. Some of the problems like regular assessment of an account, monitoring of a account etc. A successful bank has to be rightly and responsive enough to respond to the new market standards and effectively controlling risks. The author concluded as \textit{Innovation will be the key to extend the banking services to the untapped vast potential at the bottom of the pyramid}.

Subbarao (2007)\textsuperscript{36} concludes that the Indian banking system has undergone a revolution by itself from domestic banking to international banking. However, still the banking system requires a combination of new technologies, well regulated risk and credit appraisal, treasury management, product modifications, internal control, external regulations and professional as well as skilled human resource to achieve the peaks of the international excellence to play its role critically in meeting
the global challenge. The paper examined many issues and trends in banking industry worldwide. These include mergers and acquisitions, globalization of players, implantations of new technology, universal banking, human resources and its importance, rural banking, profitability, risk management etc. Banks will have to gear up to meet rigorous prudential capital adequacy norms under Basel I and II, the free trade agreements. Banks will also have to cope with challenges posed by technological innovations in banking.

Shroff (2007) in his study discussed about the reforms of Banking in India and its threshold of paradigm shift. The author gave examples of comparable banking system with other countries and also discussed the application of technology and product innovations that bring changes in the structure of Indian banking systems. He concluded that the reforms with technology can improve the efficiency of banks and perform well to add a contribution to the economic development of a country.

Singh (2003) analyzed profitability management of banks by taking financial parameters of four major banks groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks, under the deregulated environment with some financial parameters, and concluded that profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment.

Uppal and Kaur (2007) analyzed the efficiency of all the bank groups i.e. private sector, public sector, foreign banks and retail banks in the post banking sector reforms era. The author compared second post banking reforms from 1999-2000 to 2004-05 and concluded that the efficiency of all the bank groups has increased in the
second post banking sector reforms period but these banking sector reforms are more beneficial for new private sector banks and foreign banks. This paper also suggests some measures for the improvement of efficiency of Indian nationalized banks. The sample of the study in Indian banking industry which includes five different ownership groups and the ratio method is used to calculate the efficiency of different bank groups. The author pointed out that new private sector banks are compelling with foreign banks for continuous improvement in their performance.

V.K.Chopra(2001)\textsuperscript{40} highlighted post VRS scenario, shrinking of profitability, new products like Tele-banking, Mobile banking, Internet banking, e-commerce related products and Nonperforming assets. He pointed out the synergy of mergers and acquisitions and some of the challenges before the Indian Public Sector Banks.

Chayya Ramachandran (2005)\textsuperscript{41} in his article “Boosting of fee based income of Banks- ways and Means”, opined non-funded income traditionally come from fee on corporate services like financial and performance guarantees, letter of credit, bankers acceptance, cash management services, forex remittances, retail services include issue of drafts, pay orders, bankers cheques, commission, exchange, collection charges, folio charges, service charges, handling charges, inspection charges and even attestation signatures.

Vashisht (2004)\textsuperscript{42} studied about the globalization environment and how recent developments have taken place to expand the commercial banks operations in that environment. Globalization has expanded economic interdependence and interaction of countries greatly. Under the regime of globalized environment, the financial performance of the commercial banks has changed showing positive side
on the performance and contributing to the economy. The author observed that it is not the end of the performance still several new challenges there are that will be taking in place in near future in the banking sector which is to be go through by banks. There are also opportunities ahead in coming years where the banks can expand their business by diverting its assets and business processes.

According to Kranthikiran (2010)\textsuperscript{13} the banking structure includes group of institutions that are helping the economy to match savings with the investments. The author in his study, ” The banking system in India” can be branched and sub branched into several types. The Reserve bank plays a vital role in controlling the functions of all banks through certain policies and rules and regulations. Further, the author discussed about the traditional banking operations in India and how changes has been taken place. It is observed that earlier commercial banks dominated entire banking operations and for these activities, RBI regulated all the norms, in 1955 GOI in accordance with recommendations of AIRCSC took over Imperial bank of India and reconstituted it as SBI. In this regard, in the year 1969 nationalization act was passed for 14 banks each with a minimum deposit of 50 crore. The main aim for this nationalization was to mobilize the savings into more productive purpose. In continuation of this six more banks were nationalized in 1980 each with 200 crore deposits. But unfortunately many public sector banks turn unprofitable due to accumulation of nonperforming assets and low rates of return and capital inadequacy.

Jain et al.(1997)\textsuperscript{44} in his study discussed that private sector banks in the state of Rajasthan and focused on the importance of different groups of banks which are giving importance on traditional parameters like deposits, advances, credit deposit
ratio etc. For improving the efficiency of banks, this is an example that Indian Banking sector is striving to bring the efficiency in banking system.

Shyamala Gopinath (2005)\textsuperscript{45} discussed about the customer satisfaction is dependent upon the up gradation in information technology and evolving macroeconomic environment. After the introduction of retail banking products, the bank’s management was more concerned with the customer satisfaction aspect. This brought both innovation and variety in retail banking products. The situation was faced with strong face by Indian banking system also. The evidence is given as retail loans are now one fifth of the bank’s overall credit of most of the banking system in India. The portfolio increased to the extent that it reversed the position of being buyer’s market rather than seller’s market. The public which was facing credit crunch prior to retail banking experienced a new era in banking for developing their business. Not only the volumes but the profitability angle was favorable to banks in retail banking and has become biggest profit making segments for various reasons.

Chopra (2001)\textsuperscript{46} in his study discussed that there are certain issues in Banking structure in India which has to be highlighted and needs changes as per the banking needs. For example, VRS Scenario, new products like tele-banking, internet banking, e-commerce and other related products. Nonperforming assets have to be controlled, which can bring great change in structure of banking sector. The author pointed out the importance of mergers and acquisitions and some challenges of Indian public sector banks, with regard to the same.
Vasudevan committee (1999)\textsuperscript{47} highlighted on the use of standard procedures to prevent data tampering during transmission, computerization of Government transactions legal frame work for electronic banking.

According to Gangadhar (1997)\textsuperscript{48} assessed private and public commercial banks in terms of banking services, and need for the introduction of new techniques and innovations in credit improvement and controlling on nonperforming assets which can ultimately brings changes in the efficiency of banking sector as a whole.

The Indian banking Industry realized very late in 1990 during liberalization of economy that the strength of the retail borrowers and retail loans is much below the expected level. It was found to be even less than 5% during 1990. The commercial banks lacked in many other business activities like treasury operations to Forex markets, money markets and insurance businesses. It can be agreed with the views of Reena ray in her article on Marketing Myopia that commercial banks before 1990 failed to notice their products and services through the eyes of the customers. It was opined by her that banks did not realize the expectations of the customers from the products and services offered by them. They were not even fully aware as to whether the customers used the offered products just because they did not have any alternative choice. Taking into consideration, most of the banks in India came up with various products in different areas of banking activities. The growth in retail lending also involved the growth in Information technology in the country.

Nachiket Mor (2010)\textsuperscript{49} described about the innovation of financial products in retail banking is related to income fluctuations, protect savings from inflation and
provide support against economic fluctuations. While implementing these products the commercial banks adhered to regulatory issues prior to introduction of these services in remote areas. The support from RBI while implementing the government policies is to reduce the poverty. The strategy initiated during 1990 to extent the financial services to remote areas and their diversity can transform the lives of the poor. Banks introduced the products which are safe and accessible savings and investment products which provide inflation free products and help the medium class clients from the vagaries of the local economy. Familiarity and easy approachability of the Insurance products allowed the customers to overcome the misfortune due to stoppage of earning member. The products added by banks were wealth management services to enable the clients to understand what these products can do and how they interact with their existing reality. It is the technology and business models which have taken these retail banking products to remote corners of the country.

Indian commercial banks experienced high growth in retail outflow by using ties ups with dealers and using services of call centres. However, there have been complaints of unsatisfactory customer service by the call centres. The banks had to use the methodology of branding their products and services. The strategy of the branding was to improve the long term relationship with the customers and had competitive edge over peer group. Retail lending is linked to different industries like consumer durables and auto industries globally. The industry scenario in India was also the major factor for some of the retail lending products. In India, the consumer durable industry and auto demand increased after economic liberalization which increased the growth rate of retail banking. The scenario of these two
industries along with stable GDP growth and India being amongst the top five economies increased the retail lending activities in all banks. In the last decade the housing demand has grown at a healthy rate and there are highly optimistic trend in the medium term.

Barron's (2010)\textsuperscript{50} in his study, discussed about retail banking becoming famous in India due to change in competitive environment, innovative technology etc. The past record shows that as of date the Non Performing Assets (NPA) are under control but further increase in interest rates can be harmful to the banking system. The Indian growth in retail lending is linked to boost in GDP. The commercial banks stressed upon expansion and diversification of retail products to take advantage of the emerging scenario. The change in financial sector in India is transitional with regulatory environment, increase in delivery channels, and competition from traditional and non-traditional financial institutions. Retail banking includes operations both on the deposit and loans side. Retail banking products include savings bank, fixed deposit, recurring deposit and flexi deposit accounts etc. These products are for different type of customers as per their needs and requirements which provide them greater values. Important retail lending products include housing loans, white goods loans, personal loans, education loans, auto loans, gold loans, festival loans, insurance products, debit and credit cards (domestic and international).

The author explained about commercial banks globally are continuously innovating the retail banking products based on the consumer’s evolving needs and requirements including payment of insurance premiums on due dates, remittance of funds, demat of shares, bonds, debentures, mutual funds, payment of credit card
bills and filing of income tax returns and payment of income tax. In broader terms, the retail banking is defined as banking service which is geared primarily towards individual consumers. The retail banking provide wide range of products like personal banking services, offering savings and checking accounts, bill paying services, as well as debit and credit cards. The majority of the customers in retail banking are individuals but the activities have become so varied that small and medium enterprises are also part of the consumer segment. Retail banking is now also famous for mortgages and personal loans.

Chary Sridhar (2005) observed that share of rural segment in consumer durable and auto is almost equal to the urban demand. Most of the Indian banks are now serious about their retail finance activities to diversify from the traditional corporate funding. In India ICICI was perhaps the first Bank to use the brand strategy. However, the same strategy was used by other Banks including Standard Chartered Bank, HSBC, SBI, HDFC and Axis Bank. The commercial banks used the dealers contact for consumer durables and auto industry and housing builders for home loans. The activities gained confidence in such a way that most of the public sector banks also added special strategies and made special products for Vehicle Loan, Home Loan and Personal Loans etc. Banks also advertised and made tie ups with major brokers for stock exchange and the investments in bond, debentures and equity are conducted through banks. Banks and insurance companies joined hands and added to the profitability of Indian retail financial industry. Banks went for cross selling exercises for their existing and new products. Marketing of the new products was not difficult or expensive for the
commercial banks in India. The customer relationship was carried over by adding new products and services were made efficient by adding new technology.

Chiefs of HDFC, SBI, Indian Bank and Allahabad Bank declared “(Business Line” dated Sept.11, 2010), that these banks are coming out with new schemes for the benefit of customers. These banks announced the special schemes to attract customers by way of interest subvention and waiver of processing fee.

In the recent study by Nair (2011) in his study “Banking on technology to meet 21st century challenges”, discussed about the growth taking place in the Indian banking structure is in the middle of an IT revolution, it is focusing on the expansion of retail and rural banking as it takes important role in Indian banking structure, players of banking are increasing with customer centric in their approach, which has resulted in launching of several innovative methods of offering new banking products and services. In this regard banks are realizing the significance of banking products and being a big player focusing attention on several strategies that are to be applied to attract customers, Mergers and acquisitions are also taking place in the light of improvement taken place in Indian Banking System as per the Basel II regulation “Indian banking industry assets are expected to reach US$1 trillion by 2010 and are poised to receive a greater infusion of foreign capital, ” says Prathima Rajan, analyst in Celent's banking group and author of report stated that banking industry should focus on the importance of reforms and strategic plans to compete globally. As per the analyst, State Bank of India in the banking industry is largest bank in India, measured in terms of office employees. It is also stated that State Bank of India is the second largest bank in the world.
Basman amar A.I.Dalayeen(2002)\textsuperscript{53} studied “Impact of financial sector reforms in Indian banking –A case study of SBI” stressed on financial sector reforms I and II and impact of financial sector reforms on Indian banking sector in general and SBI in particular. The study also enlightened on the future options for the banking sector with reference to data warehousing and data mining through computerization, ATM, electronic fund transfer, point of scale, Very small aperture terminals and network.

Gupta (Chairman and MD of Punjab National Bank)(2005)\textsuperscript{54} in his article “internet Banking changing vistas of Delivery channel” expressed that with the consolidation of banking and technology up gradation of the banking platform, internet banking is bound to show leaps and bounds and will emerge the most popular banking delivery channel within the next few years. With great emphasis been laid on e-governance, Internet Banking Channel will be key facilitator with about 40-50\% of the total banking and financial transactions to be done through internet.

Sudhakarudu (senior Manager, corporate planning Department, Andhra Bank)(2005)\textsuperscript{55} in his article “why Retail Banking is so Important Now?”, he opined that every branch has to concentrate on improving net interest income. In these competitive times net interest income can be increased by mobilizing retail and low cost deposits and also by increasing quality retail credit. Retail loans being small do not involve large exposure to a single borrower. Hence the average risk associated with retail lending is lower. Thus retail banking would enable the banks to increase net Internet income and spread while reducing the risks.
Wong, A. and Sohal, A. (2003)\textsuperscript{56} discussed about customer satisfaction as often recognized as the future expectations of banks in terms of its profitability and market share, a satisfied customer always shares his or her experiences to others like a word of mouth advertising thereby creating to increase more new customers to bank. This is possible only when the banks give quality services with ease. Whereas on the other hand dissatisfied customer gives a negative feedback about the bank to outsiders where the image of the bank will get spoiled thereby losing an opportunity to increase its market share and attract new customers. It is not only the customer satisfaction, the social relationships with customers is also equally important. Interacting with customers and their family increases the opportunity for bank, it is seen in foreign banks that passing the wishes on birthdays and marriage anniversaries is a news strategy for banks to keep in touch with customers.

ICRA(2004)\textsuperscript{57} reveals one more important aspect on the present banking scenario. It is stated that, the current banks in India are looking for cost reduction programs for which banks are adopting core-banking solutions in a fully networked environment. The functions related to back office are taking as centralized places in the branches of banks and diverting its services through insurances, mutual funds etc. and now day’s banks are undergoing changes with its functions and outsourced with more profitably without compromising on the quality of services. Specialized agencies are also coming forward to undertake the marketing and delivery functions on behalf of banks, this is helping the banks to sale its products more easily. Banks if concentrate on the developing of new products and earn fee based income on its products then it can compete to international standards.
It is found that from the study done by Chaoprasert and Elsey (2004)\textsuperscript{58} that it incur more cost for acquiring a new customer than maintain the existing customer. Customer satisfaction, customer relationship and quality services are there important aspects for banks to retain the customer for long run, and investments on these three elements gives profitability and market share. Customer satisfaction and High quality service frequently result in more recurrence purchases and market share. Customer satisfaction leads to customer loyalty and thereby leads to profitability and hence service quality is known as one of the basics of customer satisfaction.

According to Smith and Bolton (2002)\textsuperscript{59} Customer Satisfaction is the main role in profitability of retail banking. This includes retention of customers for long term, by attracting new customers, etc. However there are still satisfied and dissatisfied customers with banking services in the current circumstances, it may be the quality of services, timings of banks, interaction of a banker with customer etc. However, banks are providing online banking system and phone banking which works 24/7 and can communicate with a banker easily to know about any information related their accounts.

Siddiqi (2010)\textsuperscript{60} discussed about customer satisfactions an important essence of success and outcomes of marketing activity in competitive banking industry. Most of the research studies have dealt with customer satisfaction with related to banking products and services, and many researchers agreed that customer satisfaction gets based on the consumption of related experiences with the bank. It is the Banks responsibility to fulfill the needs of customer and provide best services, so that customer gets maximum satisfaction and be satisfied with the
services of banks, this creates positive image for the bank from the existing customers and brings opportunities for new customers to enter by just word of mouth advertisements from existing customers.

According to Fogli (2006)\textsuperscript{61} in every country, new generation technology is changing the banking operations and banking sector has become competitive with the entry of foreign banks and tech savvy private banks. In order to deal with the changing situations bankers have adopted many strategies like changing the practices of banks, introducing many innovative products apart from regular banking transactions, online banking, developing customer loyalty programmers, maintaining friendly customer relationships etc. to deal with the challenges and becoming competitive with one another in the industry. In an extremely competitive market, non-price factors like customer service become more significant and their satisfaction on the quality of services depends on the interaction of banks with customers.

According to Beerli et al, (2004)\textsuperscript{62} Customer satisfaction is a measure of scope the existing bank is satisfying the overall expectations of a customer and how far the bank can become an ideal bank to the customer is a question. This is because customers satisfaction is the future intention towards the services provided by the bank and is related to the attitude of a customer. In order to drive customers’ attention, banks have adopted new marketing strategies as a key to survive i.e. service diversification, in which banks are providing many options to customers itself, online money transactions, self banking, internet banking, ATMs etc.

Sachdev et al, (2004)\textsuperscript{63} discussed about Indian Baking sector, and its changes in operations to make the tradeoff between the economies and relationships,
products and services, its efficiency, customers too are aware about the options, products and services offered by various banks and understand their rising standards of services, their level of expectations also raise on quality of services. Unlike any other banking industry in any country, in Indian Banking sector three important elements i.e. customer satisfaction, service quality and customer retentions have become major challenges that is gripping the industry. Apart from that, the deregulation in the banking sector twisted a great change in current scenario.

Krishnaveni et al, (2004)\textsuperscript{64} studied customers recognize services with regard to quality of the service and how satisfied they are on the whole with their experiences. Satisfaction is the consumer’s self-realization reaction, and is influenced by service quality, price, brand image and product quality. From the study findings it is found that service quality interest is unarguably high and poor quality banks have competitive disadvantage in customer satisfaction. If customers recognize quality as sum acceptable, they may be fast to take their businesses elsewhere. Therefore, it is clear that service quality provides a way of achieving success among other services, predominantly in the case of banks that offer nearly undistinguishable services, where determining service quality may be the only way of discriminating oneself. Such discrimination can produce a greater comparison of consumers’ ranges and, consequently, there lies the difference between financial success and failure.

Gronroos (2000)\textsuperscript{65} discussed the level of customer satisfaction is becoming the key objective of banks to expansion of the market share. More explicitly, the cost of maintaining the existing customers by improving the products and services
that are considered as important and lesser the cost of winning new customers. Customer satisfaction is nothing but a result of purchase and user subsequent from the difference of the compensations and costs concerning actual performance and customers’ expectations of the product purchased in relation to the expected consequences. Newly, there has been a strong interest, particularly in banking, where banks are seeing at the life time significance of the customer base relatively than focusing on the cost of transactions.

According to Zeithaml and Bitner, (2003)\textsuperscript{66} satisfying customer needs by matching to his expectations is nothing but service quality. Service quality in banking sectors is nothing but satisfying and anticipating the customer needs and expectations continuously as per the changing circumstances i.e. technology. The significance of service quality in Banks has been highlighted in many findings and distinguished quality benefit leads them to higher margins. It is being tested that high quality service provides credibility to increase the sale of products and services. And the longer time a bank retain a customer the more money it is going to make. There is adequate support that establishes the strategic benefits of quality in contributing to market share, margins, and returns on investment.

Yeung, M.C.H., Chew, G.L., and Ennew, C.T. (2002)\textsuperscript{67} in changing circumstance of 21stcentury, banks have to identify strongly to provide standard quality of services, which are committed to excellence in shareholders, employees and customers satisfaction and to play a leading role in diversifying and expanding the financial sector. Such strategy can yield a higher margins and customers can get the choices of products and services in the form of savings, investments etc. There has been a remarkable change in the way of banking doing their operations in
the last few years. Customers have also exactly demanded standard quality services from the banks. Though providing with multiple choices, customers are not ready to put up with anything less than the best. It’s an urgent drive to move banks up in adopting tech support and banks have recognized the need to meet its customer’s aspirations. The author proposed structural equation model and investigated the influence of service quality aspects on bank customer satisfaction both in public and private sectors in India.

Lee and Marlowe (2003)\textsuperscript{68} in their study also pointed out that knowing about the customer perceptions about the quality services and products and services will increase the opportunities to differentiate from their competitors and hence can retain their customers. The authors explain about services referred as experiences on the services or the benefits out of the bank products or investments, will decide whether the customers are satisfied are not, these evaluations can taken place based on the experience of customers with internet banking, ATMs, return on investments etc.

Bergeron and Laroche, (2009)\textsuperscript{69} described service quality as evaluation of the banks delivery system and customer satisfaction as experiences with the delivery system. It is also added that customers maintain their relationships with banks either by direct visit to bank or sing their telephones. So it is necessary to concentrate on these two in improving the services over phone and direct interaction with the customer at the bank territorial units. The reason is that the services are intangible in nature and cannot be seen or recorded hence competitors and distribution channels can easily copy to grab the customer.
Lymeropoulos and Chaniotakis, (2008) discussed experiences directly a
customer has within a bank are very hard to copy and even impossible, and
moreover electronics devices such as telephonic devices delivering the services will
not imply personnel banking or distribution system. The authors stated that
customer experiences and level of satisfaction is based on the personnel banking,
about the employee attitudes in dealing with a customer, gestures and professional
experience etc. contributes to customer’s satisfaction in total which cannot be
copied by competitors so easily. Many authors in their studies based on the
personnel influence on customer and its overall satisfaction both have positive
relationship and hence to be considered as important.

According to Lenkaet. Al (2009), Ravichandran et.al (2010) customer
satisfaction is a mixture of their affective response and cognitive to services that
they experience. Customer satisfaction is a positive emotional state result from a
positive experience through interaction personally with a banker. This includes the
quality of services that a banker provides keeping the comfort of a customer and
efficiency into consideration. Consequently, non human delivery systems, or
otherwise called as machine service quality attributes includes features like quantity
and quality of information provided, ease of use and security system etc. However,
most financial services expect extensive customer contact and as emphasized in
previous studies, it is very important for banks to follow traditional quality services
to satisfy their customers. Therefore, authors finally concluded that human
compoment o service quality is important which banks have to pay attention.

According to Choudhury, (2008) bank can differentiate with its
competitors by providing high quality of services. Service quality as an attractive
area many researchers, have investigated the significance of quality service and given an opportunity to improve its service for banks management, these enabled banks to attract and maintain their customers. In his study in analyzed Bangladesh Banking customers in a sound negotiating position due to the important growth of banks. Hence, banks have to provide quality of service carefully to compete in the industry. Continuously, Banks have to improve the service level, because there is no guarantee that what tremendous service is today is also related for tomorrow. In the competitive banking industry, in order to survive, banks have to develop certain new strategies through which can satisfy their existing customers and have hope for new customers. Hence, service marketing and bank marketing are significant areas in the marketing literature.

Zaithmal et al (2010) in his study discussed that reliability, tangibility, and empathy are significant factor for customer satisfaction, where assurance, empathy are important factor on other hand to which shows negative towards customer satisfaction, is said that tangibles are not related to customer satisfaction.

According to Levesque and McDougall (1996), one of the significant determinants of customer satisfaction in retail banking sector is competitive interest. The authors have found that a good “employee customer “relationship can enhance the satisfaction level. It is important to maintain the customer satisfaction by understanding the problem and taking action against it. However, the output did not prove that satisfactory problem-recovery can enhance satisfaction. It is assumed that this issue can maintain the satisfaction level. Finally, the authors concluded that convenience and competitiveness of the banks are the two significant factors of customer satisfaction.
Muhammad Asif Khan (2010)\textsuperscript{75} in the article entitled as, “An Empirical Study of Automated Teller Machine Service Quality and Customer Satisfaction in Pakistani Banks” investigate significant dimension of ATM (automated teller machine) service quality and its effect on customer satisfaction. Questionnaire was used to collect the data from a convenient sample of 500 customers of multinational and national banks. The results indicate that convenience, efficient operation, security and privacy, reliability and responsiveness are significant dimensions of ATM service quality and that ATM service quality positively and significantly contributes towards customer satisfaction.

A Krishna Kumar (2010)\textsuperscript{76} in his presentation entitled, “Customer satisfaction vs. Service Quality” focuses on the customer satisfaction which is the foremost key to remain in business in the Indian banking industry. The study compares the satisfaction level of customer with the quality services provided by the Indian banks with special reference to the State Bank of India. The presentation also lays emphasis on the excellence with customer service to improve the customer satisfaction.

Dr. J Sethuraman (2012)\textsuperscript{77} in his article entitled, “Customer Experience and Channel Paradigm in Retail Banking” concluded that ‘Customer First’ is the business strategy for all banks in this decade as customer retention and expansion is the fulcrum of banks’ growth. Going forward, the responsibility of the banks will be to look at the customers’ expectations, experiences, satisfaction levels and the resultant relationship strengths and redesign and reengineer their products, process, price and value propositions not only to keep the share of wallet of the customer intact but also not to lose the share as customers are more discerning now. But the
most important measure of experience is the channel efficacy and design because it is main element through which the customer experiences the service quality of their main/other banks. In that context, an integrated channel solution like ‘BankOBancs’, will be the right fit for maximizing customer experience. With emerging new channels like ‘BankOBancs’, retail banking will move to the next orbit to serve the emerging youth who will be the drivers of retail banking, going forward.

Dr. A. Muthumani & Mrs. R. Praveena (2012)\textsuperscript{78} in their article entitled, “e-CRM in Indian Banking Sector” concluded that in an e-world where, business is done at the speed of thought, the real challenge for the future lies in anticipating the demands of the new age and providing sustainable solutions. E-CRM strategy must cover all the market segments such as retail customers, Indian corporate sector, trade and agricultural sector for their banking requirements. The banks must adopt e-CRM ‘Customercentric’ focus approach, as it is believed that products should be devised for the customers and not the other way around. Banks must build their brand image in assuring customers about the safety of their money and security of transaction on the net. The success if e-CRM will depend upon the development of robust & flexible infrastructure, e-commerce capabilities, reduction of costs through higher productivity, lower complexity and automation of administrative functions.

Barbara R. Lewis and Maalini Soureli (2006)\textsuperscript{79} in their article deal with the antecedents of consumer loyalty in retail banking. He aims to identify and assess the antecedents of loyalty based on an investigation in Greek retail banking. The researchers suggest that loyalty is the outcome of a cognitive rather than an effective process. The main antecedents of bank loyalty were found to be perceived
value, service quality, service attributes, satisfaction, image and trust: constructs
that are inter-related and form a network of loyalty antecedents.

David Jhand and Martin J. Crowder (2005)\(^8^0\), in their empirical study,
indicated that the retail banking sector makes heavy use of statistical models to
predict various aspects of customer behavior. Models are built using data from
earlier customers, but have several weaknesses. An alternative approach widely
used in social measurement, but apparently not yet applied in the retail banking
sector, is to use latest variable techniques to measure the underlying key aspect of
customer behavior. These statistical models are called score cards.

David Soundarajan (2006)\(^8^1\), in his study analysed the factors which
influence the customer perception towards banking services in Coimbatore city with
special reference to public sector banks. He concluded that services in public sector
banks have to improve to meet out the expectations of customers in the changed
environment.

E.H. Arunkumar (2012)\(^8^2\) in his study Retail Banking and Online Services –
A study on customer preference, perception and satisfaction of selected private and
public sector banks, suggested that the banks have to conduct the advertising
programme to communicate the information about availability of various modern
banking services to the customers and banks has to undertake customer awareness
programme as a part of fulfillment of the obligation towards social responsibility
and the banks should create awareness about various terms and conditions of the
products offered to their clients.
Sundaram (2006)\textsuperscript{83} in his empirical study analysed the service quality gap between public and private sector banks in Coimbatore city, Tamil Nadu, India. He concluded that public sector banks have to improve their service quality when compared to private sector banks.

Daniel Ashok (2004)\textsuperscript{84} in his study viewed that development in information and communication industry have warranted a Paradigm Shift from banking to more of what is called Convenience Banking and Relationship Banking offering the customer efficient banking facilities in India, where he rules of banking business witness a tremendous change in the way banking is carried out. He concluded that, banking organizations of the new generation need to orient their business to this new market paradigm of customer relationship management in retail banking to retain their customers and tap potential customer.

Danielle Mccartan-Quinn, Mark Durkin and Aodheen O’Donnell (2004)\textsuperscript{85}, in today’s increasingly competitive retail banking environment, banks are faced with the challenge of building and maintaining relationships with profitable customers while at the same time embracing technological change. Therefore, while on the one hand increasing the role of technology in a service organization can serve to reduce costs and often improve service reliability; on the other hand, organizations are acutely aware of the important role for personalized relationships in the delivery of their service proposition. This article reports on a qualitative research study into the perceptions of customers and staff of a large retail bank regarding the piloting of Interactive Voice Recognition (IVR) System. This system is regarded as a way for the case bank to benefit from technological advances, while retaining its relationships with customers who are more profitable. To this end, the
system hoped to encourage lower net worth customers to increase their use of the bank’s telephone banking facility, and allow branch staff, who would be freed from dealing with routine telephone enquiries to deliver a better – personalized service to high networth customers. However, despite this rationale, the article reports the paradoxical situation that customers and staff alike have effectively rejected the system. The key objection is relating to the perceived service discrimination between high and low networth customers, the very rationale for which the IVR was introduced.

Joanna Papsolomou Doukakis (2003)\textsuperscript{86} in her article “Internal Marketing in the UK Retail Banking Sector: Rhetoric or Reality?” has analyzed the relationship between internal marketing rhetoric and its practice within the UK retail banking sector and addresses a deficiency in the current internal marketing literature, particularly in terms of implementation. This study contributes to the area of internal marketing in a number of ways, namely, by enhancing understanding of internal marketing underlying principles from the practitioner’s point of view. The study reveals that the key activities in internal marketing suggesting the need for the development of an organization – wide systematic and holistic approach to implementing internal marketing that will enable the organization to gain potential benefits of successful internal marketing practice.

James F. Devlin (2002)\textsuperscript{87}, has attempted to identify the customer choice criteria in the retail banking market in the UK specifically; it investigated Potential Variations in the importance of various choice criteria, which were classified as either intrinsic or extrinsic in order to aid analysis, with respect to customer
financial knowledge. A database of 6700 respondents collected by commercial organizations was used in the analysis.

The results suggest that all customers rely primarily upon extrinsic choice criteria when choosing a retail banking service. It would appear that higher knowledge customers are likely to show a greater interest and give choice more thought and there is some scope for using a wide range of factors for motivating customer choice. That said, factors such as location of a book, as well as recommendations, were still reasonably prevalent for customers who are more knowledgeable.

Sally Dibb and Maureen (2001)\textsuperscript{88} in their study, “The Application of a Relationship Marketing Perspective in Retail Banking” considers the development of relationship marketing in retail financial services. It begins by examining marketing literature considering its applications in the retail banking industry. A modified version of a relationship marketing model, which caters for a particular characteristics of retail banks and which may be applicable to other service businesses is therefore proposed. The authors concluded that excellent service builds customer loyalty.

1.4. STATEMENT OF THE PROBLEM

Mainly commercial banks deals with different types of customers like Public limited companies, Private limited companies, individuals, sole proprietor/partnership firms, Schools, clubs and Associations & Trusts, etc. Until the last 1990s in India, banks, have been mobilizing deposits from all these customers, but were lending mainly to the trade and industry. In fact, the approach
of the RBI and Government was focused on ensuring that the nation’s scarce resources were directed towards production-oriented economic activities, and bank financing to consumption expenses were discouraged. As a result, banks were reluctant to finance individuals for their consumption needs. However, nowadays under priority sector lending, banks were financing individuals for agriculture and allied activities and also under various government-sponsored schemes for their economic and financial development. The liberalization and economic reforms introduced in India during 1991 generated increased competition among banks. Increasing competition forced the bankers to think of better ways and means of generating revenues from different activities. At present, trend shows that most banks are shifting from profits-centric model to a customer-centric model as they give new solutions to the old. Retail banking in India has come forth as one of the major drivers/operations of the overall banking industry.

Service industries have been in focus after the liberalization of Indian economy with extensive reforms by the government and active participation of the private sector. Especially with the developing Indian economic structure, the banking industry has become more competitive and it is customizing its services to suit Indian customer. Service Industry contributes 50% of India’s Gross Domestic Product (GDP) as compared to over 75% in the developed countries.

The banks focus more on the customer instead of their own products. Even though its applications and adoption have been in the infant stage in Indian retail banking industry, market conditions and even demanding Indian customers and the industry dynamics with the entrance of foreign banks have warranted Indian banks to adopt customer-oriented marketing practices.
Customer service is issue for discussion because “Customer service not merely the fulfillment of government guidelines or mechanical adherence to the time frames of services. It is a philosophy, an attitude of professional commitment which believes in the ultimate satisfaction of customer’s wants.”

Banks are embracing technology to improve customer service and to design flexible and customized products. Modern information technology appears to be a boom to banks to increase the range of their products and market them more effectively and efficiently. The intense competitive retail environment is compelling banks to increasingly become customer – centric. In many ways, technology has become a blessing. However, the success of banking industry depends largely on the quality of service that they provide to customers.

The business of retail banking continues as long as the customers persist with their decision to patronize the banks. Retail banking is a secured business and its functions wholly depend on the customers.

Even though the banking industry renders many services to the public and customers, this service are not reached the customers in a proper manner because of some practical difficulties. The number of customer’s complaints has zoomed a alarming pace to make the bankers wary of containing the tide of mounting dissatisfaction with the quality of banking service.

The human perceptions changes from time to time and from individual to individual. It is therefore necessary for bankers to continuously assess and reassess how customers perceive the various services. Banks nowadays plan to lay greater stress in consumer banking in the coming years to achieve higher market
penetration and profitability. What are the new and emerging customer expectations and how best they can be satisfied on ongoing basis? This requires continuous and consistent analysis and the present study attempts to analyze the customers perception, awareness and satisfaction in retail banking services in the study area.

In the competitive environments of the past liberalization era, financial sector reforms have significantly deregulated the markets. It has become imperative to harness the best customer – oriented practices and perceptions and to internalize them for providing added satisfaction to the customer through the employees. “In the early days, the customers were no given due attention because they were at the mercy of the bankers and bankers were quite choosy. In a service industry like banking, the quality of customer service holds primary significance, particularly in the context of sustained business growth. Unlike the other industries engaged in the production of tangible goods, banks instantaneously are at the service delivery point i.e., at the branches. This has an overwhelming impact on customer’s behavior which causes the customer to be hypersensitive to the quality of service.”91 In a deregulated environment, customer’s expectations keep rising, as they look for more convenient rates from many players operating in the field. This has made the acquisition of customer patronage a formidable task, customer is now a new watchword in the Indian retail banking scene.

Higher penetration of technology and increase in global literacy levels has set up the expectations of the customer higher than never before. The retail banking environment today is changing fast, the changing customer demographics demands to create a differentiated application based on scalable technology, improved
service and banking convenience. Increasing use of modern technology has further enhanced reach and accessibility.

There are studies, which have examined the level of customer satisfaction in public and private sector banks. However, these studies have ignored the customer awareness about retail banking services. Similarly, the studies carried out in the Indian context which attempted to identify the customer’s awareness, opinion and satisfaction failed to consider the socio – economic background of customer which play a major role in determining customer level of satisfaction.

Keeping the above developments in retail banking services, the researcher raised the following questions:-

1. What is the level of awareness of customers on the retail banking services in Salem district?
2. What is the extent of variation in the opinion of the customers on the retail banking services of public and private sector banks in Salem district?
3. Which of the demographic factors influence the customer’s level of satisfaction in retail banking services?
4. To what extent are the customers aware of the various facilities offered by the select banks to enhance their standard of living?

In order to find out the answers for the above questions, the researcher has undertaken the study with specific objectives. It is hoped that the present study will contribute towards a better understanding of the retail banking services rendered by commercial banks in Salem district. This will also bring out customer’s awareness, opinion and satisfaction in retail banking services in the study.
1.5. OBJECTIVES OF THE STUDY

1. To understand the retail banking services offered by commercial banks.
2. To assess the level of awareness of customers towards retail banking services.
3. To analyze and examine the perception of customers towards retail banking services.
4. To study the level of satisfaction of customers on retail banking services.
5. To offer suggestions for improving the quality of retail banking services.

1.6. SCOPE OF THE STUDY

This study mainly focuses on the retail services rendered by the public sector banks and private sector banks in India. Retail banking is an alternative source available for the banks for increasing their earnings. Retail banking services increases the subsidiary business of the banks. It mainly focuses on individuals, employees, households, students and businessman. It built a strong customer base with customer relationship management.

On the basis of nuclear family concept, which is gaining much importance to large savings that tends banks to provide large number of services. Retail banking services improves lifestyle and fulfils aspirations of the people through affordable credit.

According to the National Readership survey, the category of households with annual income of Rs. 2 lakhs and above is growing at the rate of 30 per cent per annum. No wonder, banks with vision and insight are trying to woo this market
through a series of innovative additions to their products, services, technology and marketing methods to cultivate retail market.

Based on purchasing power of people, the rural areas also have the large purchasing power at their disposal and this is an opportunity to market retail banking. Economic boundaries are disappearing, and the global village is a reality – where the retail customer will have a choice in a manner we may have never imagined.

This study has made an attempt to know the awareness, perception, opinion and satisfaction of the customers regarding the retail banking services offered by commercial banks. Since the retail banking practices is very large geographically, huge in terms of operations, the focus of this particular study is limited to Salem district only and the customers using the services of the banks within the jurisdiction only.

1.7. NEED FOR THE STUDY

Banks play an important role in the economic development of a country. In this modern scenario, banking sector plays a vital role among the various services sectors. Their ability make a positive contribution in igniting a process of growth depends largely on the way the banking policies are pursued and the banking structure is revolved. Especially, in India, after the globalization era, a plethora of banks entered the Indian markets. Though the hands of private banking sectors are dominated by providing competitive services, the role of public sector banks are inevitable in India. Customer satisfaction is the core of retail banking. In today’s world where innovative financial services are being offered, the issue of retail
banking is highly, crucial with a lot of potential for growth. Hence, it generates interest for bankers and curiosity for researchers. Retail banking is the chain of products and services offered to individual customers and to associate with business. Therefore, all the products and services are designed and woven around the customers. The new concept of bank marketing assigned due weightage to customer satisfaction. In a true sense, the hallmark of changed concept aimed at having a full view of customer’s needs, fulfilling the identified needs in the best possible manner by required services, identification of potential customers and conducting the activities at the branches on the basis of market segmentation. With the introduction of technology, services standards in banking industry have improved to meet a logical point and there is a gap between them. Customer expectations will always increase with every improvement in customer service by banks. The level of satisfaction may vary among the customers of public and private sector banks and customers of rural and urban branches. The nature and type of services required may vary according to social class of customers and area of location and their selectivity may differ due to more than one reasons.

Salem district with a population of over 30,16,346 is one of the biggest cities in the state of Tamil Nadu. The presence of more number of industries offers a wide scope of banking activities in this area.

In this study an attempt is made to know the level of customer awareness about retail banking services offered opinion of the customers and their level of satisfaction in retail banking services in the stud area. The proposed research, after analyzing customer’s opinion identifies the reasons for dissatisfaction and remedies to be taken.
1.8. METHODOLOGY OF THE STUDY

Data and sources of data:

The validity of research depends on the systematic method of collecting data and analyzing the same in a sequential order. The present study is empirical in nature based on survey method. In this study data collection consists of three stages. The study is based on both primary and secondary data. Besides, discussion has been made with the officials of the banks to collect data. In order to fulfill the objectives, a sample study was undertaken by using a well framed interview schedule. The respondents were selected based on the important aspects of occupation, education, age and other demographic variables from the study area of Salem district.

Primary Data:

Primary data has been collected from respondents having their accounts in different banks (including Public and Private sector banks in Salem District) by filling up well – structured interview schedule through personal meeting with respondents.

Interview Schedule to Respondents:

Interview schedule is a main instrument used for collecting Primary data from the respondents. It contains questions related to the customer profile and contains questions related to the level of awareness, their opinion and their level of satisfaction on retail banking services and other related variables.

Secondary Data:

Nowadays, websites are vital sources for collecting data, secondary data also been collected by searching websites of various banking institutions such as
RBI. A number of standard textbooks were referred for obtaining pertinent literature on banking industries. The secondary data was also collected from the institutions like Indian Financial and Management Research, Institute of Bankers, Staff Training college of RBI and SBI.

The secondary data was also collected from the leading Journals such as Indian Bankers Association Bulletin, Indian Journal of Marketing, Reserve Bank of Indian Bulletins, Southern Economists, Journal of Indian Management, Finance India, Business world, State bank of India Bulletins, Business India, Journal of Bank Marketing and Professional Banker.

**Discussions with Bank Officials:**

Lastly, the researcher had discussions with officials of the bank. These discussions were helpful to the researcher in identifying the problems for the study. The study is individual customer oriented and facts selected are personal in nature.

**Pilot study and Pre-Testing:**

A Pilot study was conducted during June 2011. In the Pilot study, interview schedules were pretested and necessary modifications were carried out before being used for the final survey. A pilot study was conducted in ten bank branches and it covered 60 respondents. The findings of the pilot study enabled the researcher to formulate hypothesis and finalize the design of the study.

**Sampling Design**

In order to study the customers’ perception, awareness and satisfaction towards retail banking services, the sample of 500 respondents were collected. This study was based on proportionate and convenience sampling methods. For the
selection of sample banks for the study, proportionate sampling was adopted. For the selection of respondents from these banks, convenience sampling method was used. Moreover, the sampling design consisted of three steps.

In the first step a list of Public and Private sector banks functioning in Salem district was prepared. The data were obtained from these banks.

The second step is selection of the sample banks for the study. In this case, proportionate sampling was used. The customers of these Public and Private Sector Banks were large in number and hence a comprehensive list of customers could not be prepared.

In the third step respondents were selected from the selected banks by applying convenience sampling method. Utmost care was taken to minimize bias in selection of sample respondents.

Therefore, a sample of 500 customers representing various categories such as agriculturists, salaried, businessman, professionals and others (students and house wives) were selected by applying convenient sampling method.

1.9. FRAMEWORK OF ANALYSIS

The collected data have been analyzed by using following statistical tools.

1. Percentage Analysis:

The Percentage analysis is used for all questions in the interview schedule mainly to express the percentage of respondents falling under each category.
2. **Chi-Square Test:**

Chi-Square Test is used to test the independence of two attributes. It is also used to test the significance of one factor over the other. Therefore it is a measure to study the divergence of actual and expected frequencies; Karl Pearson’s has developed a method to test the difference between the theoretical (hypothesis) & the observed value. The formula for chi-square test is

\[ \chi^2 = \frac{(O-E)^2}{E} \]

**Degrees Of Freedom** = \( V = (R - 1) (C -1) \)

Where,

‘O’ = Observed Frequency

‘E’ = Expected Frequency

‘R’ = Number of Rows

‘C’ = Number of Columns

3. **Factor Analysis:**

The main applications of factor analysis techniques are

(i) To reduce the number of variables and

(ii) To classify variables.

Therefore, factor analysis is applied as a data reduction or classification method.
4. **Analysis of Variance (ANOVA) (F-test):**

ANOVA was developed by R.A.Fisher and it is commonly called as F – test. It is mainly used to test the hypothesis of equality between two means. This test is also used to test the hypothesis of equality amongst several means.

\[
F = \frac{\text{Explained Variance}}{\text{Unexplained Variance}}
\]

(OR)

\[
F = \frac{\text{(Between – Group variability)}}{\text{(Within – Group variability)}}
\]

5. **t – test:**

  t – test is popularly known as ‘Students Distribution’ the word student was the Pseudonym of a Statistician named Gosset who developed theory for small samples.

  The formula for t-test is

  \[
  t = \frac{\bar{x} - \mu_0}{S/}\n  \]

6. **Garrett Rank:**

  This technique was used to rank the services offered by the banks in the study area. It is used to assess the priority of the different categories of respondents on various issues. The Garrett Rank was calculated based on the collective opinion of respondents and the final rank is allotted based on the criterion ‘lesser the average rank more is the priority’.

7. **Discriminant Function:**

  A function of a set of variables that is evaluated for samples of events or objects and used as an aid in discriminating between or classifying them.
8. Weighted Average Score:

An average in which each quantity to be averaged is assigned a weight. These weightings determine the relative importance of each quantity on the average. Weightings are the equivalent of having that many like items with the same value involved in the average.

1.9. PERIOD OF STUDY

The required Primary data for the study were collected by using Interview Scheduled for a period of one year (2011 - 2012).

1.10. GEOGRAPHICAL COVERAGE OF THE STUDY UNIT

The area of coverage of the study unit focuses on the retail banking services of selected commercial banks in Salem district, Tamil Nadu, India.

1.11. HYPOTHESES

1. There is no significant relationship between demographic variables and level of awareness towards Retail Banking Services.

2. There is no significant association between frequency of operations and level of awareness towards Retail Banking Services.

3. There is no significant association between ownership pattern of banks and perception towards Retail Banking Services.

4. There is no significant association between type of account and perception towards Retail Banking Services.

5. There is no significant relationship between ownership pattern of bank and perception about bank employee behaviour.
6. There is no significant association between frequency of operations and perception about bank employee behaviour.

7. There is no significant association between ownership pattern of bank and level of satisfaction on Retail Banking Services.

8. There is no significant difference in the perception towards Retail Banking Services between Nationalized bank customers and Private Sector bank customers.

1.12. LIMITATIONS OF THE STUDY

The study is subjected to the following limitations:

1. This study focuses only on retail banking services in the study area.

2. The sample size of the study is restricted to a sample of 500 respondents. Besides, the study was confined to Salem district only.

3. This study covers only public and private sector banks in the study area. This excludes co-operative banks and foreign banks.

4. The study covers retail customers only. Institutional depositors and borrowers are outside the purview of the study.

5. The findings of the study are confined to the period of study only, because, customer expectations of the service as well as type of service provided by banks change from time to time. Therefore, the findings of the study indicate only contemporary views of the customers and may not hold good for all times to come.

6. Some of the respondents may have failed to reveal their true opinion out of fear and confidentiality, which may tend to affect the analysis at times.
7. Process of collection of data has consumed a lot of time and remained a challenging task as it involves collection of personal details of customers. However, adequate care has been exercised to collect the unbiased data.

1.13. CHAPTER SCHEME

The present study contains the following chapters.

First chapter is the “Introduction and Design of the study” and it contains Introduction of the study, Statement of the problem, Objectives of the study, Need of the study, Methodology, Hypotheses and Limitations of the study. It also contains Review of related studies and framework of analysis and scheme of the report.

The second chapter deals with a brief discussion on “Retail Banking Services in India” and it contains relevance and importance of retail banking services in India. It also contains various retail banking services that are offered by commercial banks.

The third chapter presents the “Socio-Economic Profile of Customers and their Perception, Opinion on Retail Banking” presents the perception of customers and also presents the opinion of customers on various retail banking services offered by commercial banks in the study area by testing hypotheses related to customer’s perception and opinion by using appropriate statistical tools.

The fourth chapter consists of a brief discussion on “An Analysis of Level of Customers Awareness in Retail Banking Services”. The components are analyzed with the help of various statistical tools.
The fifth chapter presents “An Analysis of level of Customers’ Satisfaction in Retail Banking Services” in the study area with the help of various statistical tools.

The sixth chapter summarises the “Findings and Suggestions of the study”.
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