CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY
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1.1 Introduction

Customers are the most important people for any organization. They are the resource upon which the success of the business depends. Customer service is the term used to describe what happens at the point at which the customer comes into contact with the business. The service industries are mostly customer driven and their survival in competitive environment largely depends on quality of the services provided by them.

Banking is one of the important service industries in India. Its service is unique both from social and economic point of view of the nation. Earlier the attitude of banking service was that it was not professional to sell one’s services and it was unnecessary in the sense that traditional relationships and quality of products were sufficient to carry forward the task.

It was in the late 1950s that marketing in banking industry emerged in the west. Its emergence was in the form of advertisement and promotion concept. At that time, personal selling could not get a significant place. Gradually there was a change in the attitude of bankers, probably in time with the attitudinal change in customers. The idea of customer satisfaction began in the late 1950's, flourished in 1960's and became an integral part of the banking services in the 1970's. But the same trend could not be applicable, especially in developing countries and to be more specific in India because of socio-economic and political reasons. Marketing came into Indian banks in the late 1950's not in the form of marketing concept but in the forms of advertising and promotion concept. As a matter of fact, competition was not in existence. On one side of the fence was the State Bank of India alone, which was enjoying Government ownership and on the other side was the private commercial bank, local by orientation, primarily servicing the interest of the controlling business houses. Therefore neither the State Bank nor the others cared much for the public.
Furthermore, their service was confined to a limited range of services. Soon it was realized that marketing transcends advertising and friendliness\(^1\).

After the nationalization of the 14 major commercial banks in 1969, banking system in India was no longer the exclusive preserve of a few Industrial Houses or business families and has become a very important instrument of socio-economic changes\(^2\). Bankers, after nationalization, woke up from their splendid isolation and found themselves placed in a highly competitive and rapidly changing environment with competition becoming fierce day by day. The traditional description hardly suffices today's needs. Due to this, the approach of the banks towards customers and market underwent changes and focus was gradually shifted to marketing their products. By 1974, the environment became more demanding with the emphasis on mass banking and channelization of credit into priority areas and lending at differential rates of interest to the weaker sections of the society. This placed strains on the profitability of banks which led to keen competition, which was detrimental to the banking system in the ultimate analysis. It was in the early 1980's that banks realized that marketing was more than that. They started thinking in terms of product development, market penetration and market development. Moreover, banks also accelerated the process of equipping their staff with marketing capabilities in terms of both skill and attitude through internal and external training. Through the continuous modification and rectification in banking and the implementation of financial sector reforms as per the recommendation of the committee on financial system, the functioning of banks in India has undergone dramatic changes. Starting from very conservative traditional banking where the service of banks was confined to a few in the society, now due to liberalization and privatization, banking has taken a ‘U’ turn in India. Bankers realized that more than marketing, the quality of their products and service was essential. The hallmark of the changed concept aimed at having a full view of customers' needs. That is, fulfilling the identified needs in the best possible
manner by required service. The banks realized that by providing quality service they can satisfy their customers, which leads to retention of their customer, thereby making them loyal and increase profitability.

Customer satisfaction is influenced by customers’ perceptions of quality (Zeithaml and Bitner, 2000). Service quality is an antecedent of the broader concept of customer satisfaction (Gotlieb et al., 1994; Buttle, 1996; Zeithaml and Bitner, 1996; Lee et al. 2000) and the relationship between service quality and loyalty is mediated by satisfaction (Caruana, 2002; Fullerton and Taylor (2002). Kotler and Armstrong (2012) preach that satisfaction is the point of purchase evaluation of products or services taking into consideration the expectations. The studies of Lee et al. (2000); Gilbert and Veloutsou (2006); Sulieman (2011) and Buttle (1996) suggested that service quality leads to customer satisfaction. To achieve a high level of customer satisfaction, most researchers suggest that a high level of service quality should be delivered by the service provider as service quality is normally considered an antecedent of customer satisfaction. As service quality improves, the probability of customer satisfaction increases. Quality was only one of many dimensions on which satisfaction was based; satisfaction was also one potential influence on future quality. The relationship among service quality and customer satisfaction has received considerable attention in the marketing literature (Brady et al., 2001; Cronin and Taylor, 1992; Meuter et al., 2000; Oliva et al., 1992; Olorunniwo et al., 2006; Zeithaml et al., 1996).

According to Oliver (1997), loyalty is a dedication on the part of the buyer to maintain a relationship and a devotion to buy the product or service repeatedly. Loyalty thus has a behavioral component which suggests a repurchase intention but also includes an attitudinal component which is based on preferences and impression of the partner (Sheth & Mittal, 2003). Satisfaction is one of the antecedents of customer loyalty. In prior studies done by de Ruyter & Wetzels, 2000; Deng, Lu, Wei,
&Zhang, 2009; Dick & Basu, (1994) satisfaction positively affects customer loyalty. Although the reason that customers remain loyal may not always be satisfaction (Gerpott, Rams, & Schindler, 2001), it is safe to say that satisfied customers are more loyal.

At present there are 26 public sector banks and 18 private sector banks in India. These banks provide competent services to the customers. These banks provide a wide range of banking services, which includes offering savings and checking accounts, bill paying services as well as debit and credit cards to their customers. Besides banking functions, they also perform insurance service; mutual funds and opening demat account for their customers. Though the products and services rendered by these banks are similar, speed, service quality and customer satisfaction are going to be key differentiators for each bank’s future success. In India, many of the new private sector banks have brought with them state-of-the-art technology, have built up on modern infrastructure, a wide network of branches, shown superior standards in productivity and encouraged several global practices. The most significant achievements have been in the field of recruiting, training the right set of individuals who possess the suitable skills for the jobs at bank and have created a place for themselves within a short span of time. The success of most of the private sector banks can be attributed to their proactive measures with respect to their relationship with the customer. This has compelled the public sector banks to do some introspection and work towards the understanding of the changing demands of the customer and equip themselves in order to cater to the growing expectations of the customers. Public sector banks are also making efforts to stay in the league of modern techno savvy banks. Private sector banks may have appeared to winning the race, but public sector banks, with their vast client base and unparalleled treasury of trust, are evolving their own brand of customer – friendliness. The public sector banks have tried to incorporate superior standards in productivity and are making
constant efforts to adapt to the changing environment with the key focus on customer. Public sector banks have understood that in the era of competition, customer satisfaction is the key to success. Because satisfaction is basically a psychological measurement and a quantitative measurement of it is difficult.

While going forward, this sector given the opportunities that the Indian market offers will witness increased competition between domestic players and also possibly from foreign banks that may seek to expand their presence in the Indian market. The winners in this sector will be the players who can understand the customer, fulfill customer needs, and achieve high levels of customer retention, leveraging technology, knowledge, and human resources to provide quality products and services and manage risks and returns, thereby delivering value to all stakeholders. The interest is largely driven by the realization that higher service quality results in customer satisfaction and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rate (Danaher, 1997; Magi and Julander, 1996; Levesque and McDougall, 1996). The onset of competition from the private players and initiation of banking reforms since early 1990s have led to an increased emphasis on efficient customer service. (Narasimham Committee, 1991). The biggest opportunity for the Indian banking system today is the Indian consumer. Demographic shifts in terms of income levels and cultural shifts in terms of life-style aspirations are changing the profile of the Indian consumer. It has become very important for the banks to retain their existing customer base as well as to enlarge the same. As the number of banks are increasing; customers’ expectations of service quality is also growing.

Therefore, measurement of service quality has increasingly created an interest among the service providers (banks) and scholars alike. It is so because service quality is being used to position the banks in the market place (Brown & Swartz 1989). Customers must be given quality service because the service industry has
become so competitive that customers now have a variety of alternatives. The customers simply opt out and take out their business elsewhere. Banks that excel in quality service can have a distinct marketing edge since improved level of service quality are related to higher revenues, increased cross-sell ratios, higher customer retention\(^5\) and expanded market share\(^6\). Therefore, delivering quality service to customers is a must for success and survival in today’s competition\(^7\).

However, the service quality is hard to measure (Rust, Zahorik & Keiningham, 1995). Service quality has also been shown to be an important driver of customer satisfaction both from theoretical point of view and empirically substantiated in a variety of industries including service industries\(^8\). Service quality is an abstract and elusive construct because of three features that are unique to service: intangibility, heterogeneity and inseparability of production and consumption (Parasuraman, Zeithamal and Berry, 1985). Service Quality is a multi-dimensional concept (Jamal & Naser, 2002); it means different things to different people (Bennington & Cummane, 1998). Gronroos(1984) pioneered this concept and defines service quality as a set of perceived judgments resulting from an evaluation process where customers compare their expectations with the service they perceive to have received. He suggests that it may be split into two facets – technical quality (what is done) and functional quality (how it is done). These two facets may be further interpreted to suggest that the service must be effective (doing the right things) in satisfying the specific needs of the customers as well as executing the service efficiently (doing things right). Parasuraman, Zeithmal and Berry (1985) proposed that service quality is a function of the differences between expectations and performance along with the quality dimensions. If experience of the service greatly exceeds the expectations of the customers from the service then satisfaction will be high and vice versa. In service quality, perceptions of service delivery are measured separately from customer expectations and the gap between the two provides a measure of service quality. They
had developed a service quality model based on gap analysis. It consisted of ten dimensions namely reliability, responsiveness, competence, accessibility, courtesy, communication, credibility, security, understanding and tangibility. These ten dimensions were later integrated into five dimensions and were called as “SERVQUAL” which means Service Quality. The integrated dimensions were tangibility, reliability, responsiveness, assurance and empathy.

It has become imperative to measure the service quality of the bank so that the service providers can assess their level of service quality and identify the quality gaps for improvements. Service Quality is seen to be one of the main determinants of customer satisfaction. Huseyin, et. al. (2005) believes that good knowledge of the characteristics and advantages of service quality on the part of banks do contribute for their success and their persistence in the international banking competitive environment. Banks, being a service sector should concentrate on the perception and expectations of the customers. In this era of stiff competition, it is important for any service provider to understand that merely acquiring customers is not sufficient because there is a direct link between customer retention over time and profitability and growth. Customer loyalty to a great extent depends on service quality and customer satisfaction.

This researcher has made an attempt to highlight the perceptual difference between the customers of State Bank of India (SBI) and ICICI Bank as regards to the expectations and perception of service quality, determinants of satisfaction and dissatisfaction, attitude of customers towards service quality, drivers of operationalization of service quality and the problems faced by the customers. The study has been undertaken in Madurai District.
1.2 STATEMENT OF THE PROBLEM

Indian banking industry has started witnessing cut-throat competition in recent years. Indian banking industry is divided into public sector banks and private sector banks. Public sector banks are the ones in which the government has a major holding. They are divided into two groups i.e. Nationalized Banks and State Bank of India. Private sector banks are the banks which are controlled by the private lenders with the approval from the Reserve Bank of India. All commercial banks in the market try to sell mere products (cross-selling), adopt new dynamic marketing strategies, develop new innovative products and place greater emphasis on both tangible and intangible aspects of their service. The public sector banks are backed by the government and enjoy high trust among the depositors. With their vast client base and unparalleled treasury of trust, the public sectors have always been the choice of senior citizens, whereas the private sector banks, though not owned by the government, have several advantages such as state of the art technology, good infrastructure, friendly employee-customer environment and speedy services and also enjoy the trust of the customers. Public sector banks are also making efforts to stay in the league of modern tech savvy banks. There are online transactions, ATMs, host of products like special savings account and sweep-in-account, no frills accounts and easy receives account. The litmus test for Indian banking industry is the way in which it faces the heat of intense competition. The best way under the prevailing situation is to keep customers’ faith intact through rendering quality services without bothering too much about the profit. Service quality, in fact, is dependent upon the service performance and how far it is able to satisfy customers. Service Quality has emerged as one of the most important issues in Indian banking sector. Any bank hesitant on this front is likely to die prematurely. The banks imparting quality in their services are likely to outshine others. Service Quality has become the basic mantra for not only the survival but growth as well. Quality of service depends on the service framework, which ultimately depends on service design. Service performance and customer satisfaction
on which quality of service is measured is very much influenced by service design and service settings. Hence, the designing of service, must be done carefully.

The purpose of this study is to compare the largest public sector bank in India, The State Bank of India and the largest private sector bank in India, ICICI Bank in terms of quality of service rendered and to study the various variables of service quality. The research has been carried out with the objective of understanding the cost of customer dissatisfaction and to determine the opportunity areas wherein these banks need to focus and strengthen their customer relationship management practices. The research work uses both the sources of information, i.e. primary and secondary sources, and thereafter SERVQUAL model has been used to identify the discrepancy in the service delivery system.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

i) To present a conceptual explanation on service quality and its assessment in banking sector.

ii) To discuss the service quality dimensions and its impact in the context of opinion of the sample respondents.

iii) To determine and compare the customers’ expectations and performance of products and services of SBI and ICICI Bank.

iv) To assess the customer perception of service quality in SBI and ICICI Bank.

v) To measure and compare customer satisfaction on products and services of SBI and ICICI Bank.

1.4 SCOPE OF THE STUDY

Customers today are more concerned about experiencing high quality services while banking. The expectation is not just receiving an investment or financing offer from the bank in the form of a commodity. They rather expect the bank to have a
personality of its own with wider recognition, which delivers services in a friendly atmosphere. Hence, it is the right moment to review and analyze the quality of the services and the products of the banks. The researcher has chosen the present study for the purpose of studying the level of service quality offered by the State Bank of India (SBI) and the Industrial Credit Investment Corporation of India (ICICI) in the study area, Madurai district.

An analysis was made to measure the level of awareness about banking products and services and the extent of utilization of these products and services. Further, the researcher has attempted to study the drivers of operationalization of service quality and attitude towards service quality among the sample respondents. The opinion of the respondents about loyalty towards bank and their level of satisfaction have also been studied. As such, the study has been undertaken from the point of view of the respondents of SBI and ICICI Bank in Madurai District.

1.5 HYPOTHESES

The following are the hypotheses formulated for the purpose of the study:

**t-Test** :

i) There is no significant difference between the opinion of the respondents of rural and urban areas of SBI as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of the problems faced with the bank and level of satisfaction.

ii) There is no significant difference between the opinion of the respondents of rural and urban areas of ICICI Bank as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of
operationalization, attitude towards service quality, level of the problems faced with the bank and level of satisfaction.

iii) There is no significant difference between the opinion of male and female respondents of SBI as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of the problems faced with the bank and level of satisfaction.

iv) There is no significant difference between the opinion of male and female respondents of ICICI Bank as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.

v) There is no significant difference between the opinion of married and unmarried respondents of SBI as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.

vi) There is no significant difference between the opinion of married and unmarried respondents of ICICI Bank as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.

vii) There is no significant difference between the opinion of youngsters and elderly respondents of SBI as regards awareness about the products and
services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.

viii) There is no significant difference between the opinion of youngsters and elderly respondents of ICICI Bank as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of the problems faced with the bank and level of satisfaction.

ix) There is no significant difference between the opinion of less educated and highly educated respondents of SBI as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.

x) There is no significant difference between the opinion of less educated and highly educated respondents of ICICI Bank as regards awareness about products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.

xi) There is no significant difference between the opinion of low income and high income respondents of SBI as regards awareness about the products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction.
xii) There is no significant difference between the opinion of low income and high income respondents of ICICI Bank as regards awareness about products and services, services availed from the bank, quality of the products and services, level of expectations of service quality, level of loyalty, drivers of operationalization, attitude towards service quality, level of problems faced with the bank and level of satisfaction

**Chi-Square Test:**

i) There is no significant relationship between the banks and the level of satisfaction of the respondents.

ii) There is no significant relationship between banks and the level of loyalty.

iii) There is no significant relationship between the demographic variable such as age, marital status, occupation, educational qualification and annual income and the level of satisfaction.

iv) There is no significant relationship between the demographic variable such as age, marital status, occupation, educational qualification and annual income and the level of loyalty.

**MANOVA**

i) There is no significant association between gender and occupation of the respondents of SBI with opinion on quality of the products and services of the bank.

ii) There is no significant association between gender and educational qualification of the respondents of SBI with opinion on quality of the products and services of the bank.

iii) There is no significant association between occupation and educational qualification of the respondents of SBI with opinion on quality of the products and services of the bank.
iv) There is no significant association between gender and occupation of the respondents of ICICI Bank with opinion on quality of the products and service of the bank.

v) There is no significant association between gender and educational qualification of the respondents of ICICI Bank with opinion on quality of the products and service of the bank.

vi) There is no significant association between occupation and educational qualification of the respondents of ICICI Bank with opinion on quality of the products and service of the bank.

1.6 OPERATIONAL DEFINITIONS

1.6.1 Quality

The standard of something as measured against other things of a similar kind; the degree of excellence.

1.6.2 Quality Management

Quality management will ensure the effective design of processes that verify customer needs, plan product life cycle and design, produce and deliver the product or service. This also incorporates measuring all process elements, the analysis of performance and the continual improvement of the products, services and processes that deliver them to the customer. Quality management is also referred to as business management or integrated management.

1.6.3 Quality Circle

A quality circle is a volunteer group composed of workers (or even students), usually under the leadership of their supervisor (or an elected team leader), who are trained to identify, analyze and solve work-related problems and present their solutions to management in order to improve the performance of the organization, and motivate and enrich the work of employees.
1.6.4 Expected Service

Expected service is the level of the service the customer finds acceptable. It is normal, the average or the usual service. The customer may come back only if no better option is available to the customer. It means that the customers are satisfied.

1.6.5 Desired Service

It is what the customers hope for and prefer. They’ll do business with the organization again because the service provider does things for them just the way they want it. It means the customers are very satisfied about the service.

1.6.6 Excited Service

Excited services are those that would delight and surprise the customers. It gives the customers more than their expectation. The customers enjoy the service and come back for more service again and again.

1.6.7 Physical Channel

It refers to the transactions taking over the counter of the bank. This refers to bank branches where there is interface between the banker and the customer. The physical presence of the customer is essential.

1.6.8 Virtual Channel

Virtual channel is a strategy of distribution channels which are used to provide financial services and seeks to expand the concept of the traditional bank branch. This is done through the growth and development of technology. This is the latest and foremost form of present day banking where most of the services are delivered “Virtually” which means the services are delivered through Web.

1.6.9 Technological Channel

Purchase of goods using debit cards and credit cards and withdrawing money from ATMs are the various technological channels. This refers to the delivery of services through ATMs, Debit cards and credit cards.
1.6.10 **Personal Banking**

Personal banking refers to transactions done directly with customers rather than corporate or other banks.

1.6.11 **Privilege Banking**

Privilege banking refers to banking for customers who require special attention. The advantages of privilege banking are dedicated service area and priority services.

1.6.12 **Internet Banking**

Internet banking allows customers to conduct financial transactions on a secure website provided by the bank.

1.6.13 **Mobile Banking**

Mobile banking allows customers of financial institutions to conduct transactions through mobile phone.

1.6.14 **Corporate Banking**

Corporate banking is a financial service that is particularly offered to institutions or companies.

1.6.15 **Expectation of Service**

Customer expectations are beliefs about service delivery that serve as standards or reference points against which performance is judged. It is the tendency of the customers to compare their perceptions of performance with these reference points when evaluating service quality.

1.6.16 **Perception of Service**

Customer perception is defined as the way that customers usually view or feel about certain services and products. In other words, it is what the customers’ feel that they have actually received.
1.7 METHODOLOGY

The present study is an empirical one based on the survey method. As the study is to generate the opinion of sample customers on the level of expectation and perception, level of satisfaction and attitude towards service quality, it was decided to be based on primary data. Though the study is empirical in nature, it has been supported by secondary data. To gain familiarity with the phenomena, secondary data was collected from books, journals, magazines and related websites.

The primary data was collected with the help of an interview schedule. The schedule (Vide Appendix I) was used to mobilise the opinion of the sample customers regarding awareness about products and service, level of utilisation of products and service, level of satisfaction, expectation and perception about banking services and attitude towards service quality in Madurai District. Thus, the study has been constructed with the help of both primary and secondary data.

1.8 PROFILE OF THE STUDY AREA

Madurai is the oldest and second largest city in Tamilnadu, situated in the bank of the river Vaigai. Madurai Municipal Corporation covering 147.977 Km area has a total population of 14, 62,420 persons (2011 Census) whereas the Madurai Urban Agglomeration comprising the city and the surrounding settlements accommodates a population of 11,94,665 persons (2011 Census). Out of the total Madurai population for 2011 census, 60.78 percent lives in the urban regions of the district. In total 1,846,801 people live in the urban areas of which males are 925,228 and the females are 921,573. 39.22 % population of Madurai district lives in the rural areas of villages. The total Madurai district population living in rural areas is 1,191,451 of which the males and the females are 601,247 and 590,204 respectively. The average literacy rate among men in the city is 89.72% and among women it is 77.16%. It consists of a corporation, 3 municipalities, 15 town panchayats and 431 village panchayats. It is surrounded on the north by the district of Dindigul and on the
east by Sivagangai, on the west by Theni and the south by Virudhunagar. There are 28 commercial banks in Madurai district.

1.8.1 Profile of SBI Bank

State Bank of India (SBI) is a multinational banking and financial services company based in India. It is a government-owned corporation with its headquarters in Mumbai, Maharashtra. As of December 2012, it had assets of US$501 billion and 15,003 branches, including foreign offices, making it the largest public sector banking and financial services company in India by assets. SBI provides a range of banking products through its network of branches in India and overseas, including products aimed at non-resident Indians (NRIs). The State Bank Group, comprising the largest lender SBI and its five subsidiaries, has a network of 61,500 cash vending machines which help it account for a majority 59 per cent share in the ATMs.
1.8.1.1 Origin of SBI

The roots of the State Bank of India lie in the first decade of 19th century, when the Bank of Calcutta, later renamed as Bank of Bengal, was established on 2nd June, 1806. The Bank of Bengal was one of three Presidency banks, the other two being the Bank of Bombay (incorporated on 15 April 1840) and the Bank of Madras (incorporated on 1 July 1843). The Presidency banks amalgamated on 27 January 1921, and the re-organised banking entity took as its name Imperial Bank of India. The Reserve Bank of India, which is India's central bank, acquired a controlling interest in the Imperial Bank of India. On 1 July 1955, the Imperial Bank of India became the State Bank of India. SBI also acquired local banks. The first was the Bank of Bihar (est. 1911), which SBI acquired in 1969, together with its 28 branches. The next year, 1970, SBI acquired National Bank of Lahore (est. 1942), which had 24 branches. Five years later, in 1975, SBI acquired Krishnaram Baldeo Bank, which had been established in 1916 in Gwalior State, under the patronage of Maharaja Madho Rao Scindia. In 1985, SBI acquired the Bank of Cochin in Kerala, which had 120 branches. SBI was also the acquirer of State Bank of Travancore which had an extensive network in Kerala.

1.8.1.2 Landmarks in the Growth of SBI

In the year 1990, the bank set up a new subsidiary called the SBI Factors and Commercial Services Pvt. Ltd. for rendering factoring services to the industrial and commercial units in Western India. In the year 1997, SBI Commercial and International Bank, became the country's first public sector bank to introduce optical disk (OD) facilities for data storage. During the year 1998, SBI introduced its credit card business. It also signed an exclusive agreement with the world's largest payment system - Visa International - for payment cards in India. In the year 1999, SBI
proposed to take up the life insurance and general insurance business once the sector is opened up. SBI proposed to introduce a value-added service for cardholders whereby the credit card can also be used as an ATM card. The State Bank of India (SBI) signed up with Central Depository Services (I) (CDSIL) for the dematerialisation of its shares. During the year 2000, the Bank became the first government owned financial institution to join the rank of companies declaring interim dividend. It also formed a subsidiary - SBI Gold and Precious Metals Pvt. Ltd. with 50 per cent equity participation. The Bank became the first public sector bank to offer fixed-rate home loans. Central Depository Services (India) Ltd has signed an agreement with State Bank of India as its Depository participant. The CRISIL has assigned a triple-A (AAA) rating to the State Bank of India's Rs 3,000 crore bonds programme. In the year 2001, the bank's efforts to establish a world-class credit information bureau in India culminated in the successful setting up of the Credit Information Bureau (India) Ltd. In the year 2004, the bank introduced mobile banking services. During the year 2008, State Bank of India (SBI) signed a Joint Venture Agreement with Insurance Australia Group to form a Joint Venture Company to be engaged in General Insurance business in India. In the year 2010, State Bank of India acquired State Bank of Indore. In the year 2011, State Bank of India, with a debit card base of over 70 million, comprising SBI Cash Plus, SBI Gold Debit Card and SBI Yuva Card, has added chip and PIN-based Platinum Debit Card. In the year 2012, SBI launched virtual debit cards to check online fraud and promote e-commerce.

Table 1.1 shows the total deposits of SBI from 2008-2013.
TABLE 1.1  
Growth of Deposits of SBI  (Rs. in crores)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>7,42,073.13</td>
</tr>
<tr>
<td>2009-2010</td>
<td>8,04,116.23</td>
</tr>
<tr>
<td>2010-2011</td>
<td>9,33,932.81</td>
</tr>
<tr>
<td>2011-2012</td>
<td>10,43,647.36</td>
</tr>
<tr>
<td>2012-2013</td>
<td>12,02,739.57</td>
</tr>
</tbody>
</table>

(Source : RBI)

The total deposits during the year 2008-2013 was Rs.7,42,073.13 crores and during the year 2012-13 was Rs.12,02,739.57 crores. It is understood that the deposits have increased by 62.07% during the five years.

Table 1.2 shows the growth of advances of SBI from 2008-2013.

TABLE 1.2  
Growth of Advances of SBI  (Rs. in Crores)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>5,42,503.20</td>
</tr>
<tr>
<td>2009-2010</td>
<td>6,31,914.15</td>
</tr>
<tr>
<td>2010-2011</td>
<td>7,56,719.45</td>
</tr>
<tr>
<td>2011-2012</td>
<td>8,67,578.89</td>
</tr>
<tr>
<td>2012-2013</td>
<td>10,45,616.55</td>
</tr>
</tbody>
</table>

(Source : RBI)

The total advances made by SBI during 2008-09 was Rs.5,42,503.20 crores and during the year 2012-13 was Rs.10,45,616.55 crores. It is understood that advances have increased by 92.73% during the five years.

Table 1.3 shows the growth of profit of SBI during 2008-2013.
### Table 1.3
**Growth of Profit of SBI** (Rs. in Crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>9,121.23</td>
</tr>
<tr>
<td>2009-2010</td>
<td>9,166.05</td>
</tr>
<tr>
<td>2010-2011</td>
<td>7,370.35</td>
</tr>
<tr>
<td>2011-2012</td>
<td>11,713.34</td>
</tr>
<tr>
<td>2012-2013</td>
<td>14,104.98</td>
</tr>
</tbody>
</table>

(Source: RBI)

Table 1.3 shows that the profit during the year 2008-2009 was Rs.9121.23 crores and during the year 2012-2013 was Rs.14,104.98 crores. It is understood that profits have increased by 54.64% during the five years.

### Table 1.4
**Growth of Branches of SBI**

<table>
<thead>
<tr>
<th>Year</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>12,070</td>
</tr>
<tr>
<td>2009-2010</td>
<td>13,252</td>
</tr>
<tr>
<td>2010-2011</td>
<td>14,350</td>
</tr>
<tr>
<td>2011-2012</td>
<td>14,902</td>
</tr>
<tr>
<td>2012-2013</td>
<td>15,564</td>
</tr>
</tbody>
</table>

(Source: RBI)

Table 1.4 shows the growth in number of branches of SBI.

### Table 1.5
**Growth in Number of Employees of SBI**

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-09</td>
<td>12,070</td>
</tr>
<tr>
<td>2009-10</td>
<td>13,252</td>
</tr>
<tr>
<td>2010-11</td>
<td>14,350</td>
</tr>
<tr>
<td>2011-12</td>
<td>14,902</td>
</tr>
<tr>
<td>2012-13</td>
<td>15,564</td>
</tr>
</tbody>
</table>

(Source: RBI)

Table 1.5 shows that during the year 2008-09 there were 12,070 branches and in the year 2012-13 the numbers of branches were 15,564. It is seen that the number of branches have increased by 28.94% during the five years.

Table 1.5 shows the growth in number of employees of SBI.
### TABLE 1.5
Growth of Employees of SBI

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>2,05,896</td>
</tr>
<tr>
<td>2009-2010</td>
<td>2,00,299</td>
</tr>
<tr>
<td>2010-2011</td>
<td>2,22,933</td>
</tr>
<tr>
<td>2011-2012</td>
<td>2,15,481</td>
</tr>
<tr>
<td>2012-2013</td>
<td>2,28,296</td>
</tr>
</tbody>
</table>

(Source :RBI)

The number of employees during the year 2008-09 was 2,05,896 and in the year 2012-13 it is 2,28,296. The growth percentage in the number of employees of the bank is 10.88%.

### 1.8.2 Profile of ICICI Bank

ICICI Bank is an Indian multinational bank and financial services company headquartered in Mumbai. Based on 2013 information, it is the second largest bank in India by assets and third largest by market capitalisation. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialised subsidiaries in the areas of investment banking, life and non-life insurance, venture capital and asset management. The Bank has a network of 3,350 branches and 10,486 ATM's in India, and has its presence in 19 countries. ICICI Bank is India's largest private sector bank with total assets of Rs. 5,367.95 billion as on March 31, 2013 and profit after tax Rs. 83.25 billion for the year ended March 31, 2013.
1.8.2.1 Origin of ICICI Bank

ICICI Bank was established by the Industrial Credit and Investment Corporation of India, an Indian financial institution, as a wholly owned subsidiary in 1954. The parent company was formed in 1955 as a joint-venture of the World Bank, India's public-sector banks and public-sector insurance companies to provide project financing to Indian industry. The Bank was incorporated on 5th January, 1994 at Baroda. ICICI Bank was promoted by ICICI and erstwhile SCICI Ltd. and received the Certificate for Commencement of Business on 24th February, 1994. The bank was initially known as ICICI Banking Corporation Limited. The bank later changed its name on September 10, 1999 as Industrial Credit and Investment Corporation of India Bank and later it was abbreviated as ICICI Bank. The Bank established a well diversified branch network with 24 branches in 15 centres covering 12 states. The bank set up a fully computerised environment with the State-of-the-art technology at all offices.

1.8.2.2 Landmarks in the Growth of ICICI Bank

In the year 1997, the bank introduced electronic funds transfer facility. In the year 1998, ICICI Bank was the first to offer internet banking to its customers with the facility of transferring funds across the accounts. In the year 2000, ICICI Bank became the first Indian bank to list on the New York Stock Exchange with its $175-million American depository shares issue generating a demand book 13 times its size at $2.2 billion. ICICI Bank also launched its debit card under the brand name "ICICIN-cash." In the year 2001, ICICI was the first financial institution to get a financial strength rating by the Moody's Interbank Credit Services, the bank credit rating arm of the international credit rating agency Moody's Investors Services. In the
same year, The Bank of Madura (BoM) got merged with ICICI Bank. During the year 2004, ICICI Bank Ltd allotted 1,25,444 equity shares of the face value of Rs 10/- each on December 22, 2003 under the Employees Stock Option Scheme, 2000 (ESOS). And also the bank launched a new mobile banking service. In the year 2005, the Bank launched an online Public Provident Fund (PPF) scheme. In the year 2007, CRISIL assigned highest ratings to ICICI Bank's loan receivables securitisation programme. In the year 2010, ICICI Bank was the first to inaugurate its 2000 branch. In the year 2012, ICICI Bank was the first private sector bank in India to offer PPF account facility at all bank branches. In the same year, ICICI Bank launched its official Facebook Page. It was the first bank in India to offer one-of-its kind "Your Bank Account" Applications, which allows access to bank account information on Facebook.

Table 1.6 shows the growth of deposits of ICICI Bank from 2008-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>2,18,347.82</td>
</tr>
<tr>
<td>2009-2010</td>
<td>2,02,016.60</td>
</tr>
<tr>
<td>2010-2011</td>
<td>2,25,602.11</td>
</tr>
<tr>
<td>2011-2012</td>
<td>2,55,499.96</td>
</tr>
<tr>
<td>2012-2013</td>
<td>2,92,613.63</td>
</tr>
</tbody>
</table>

(Source :RBI)

Table 1.6 shows that the deposits was Rs.2,18,347 crores during the year 2008-2009 while during the year 2012-2013 it was Rs.2,92,613.63 crores. It is understood that the deposits have increased by 34.01% during the five years.

Table 1.7 shows the growth of advances of ICICI Bank from 2008-2013
TABLE 1.7  
Growth of Advances of ICICI Bank (Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Advances</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>2,18,310.85</td>
</tr>
<tr>
<td>2009-2010</td>
<td>1,81,205.60</td>
</tr>
<tr>
<td>2010-2011</td>
<td>2,16,365.90</td>
</tr>
<tr>
<td>2011-2012</td>
<td>2,53,727.66</td>
</tr>
<tr>
<td>2012-2013</td>
<td>2,90,249.44</td>
</tr>
</tbody>
</table>

(Source: RBI)

It is seen that the advances made by the bank during the year 2008-2009 was Rs.2,18,310.85 crores and during the year 2012-2013 was Rs.2,90,249.44. It shows that the advances made by ICICI Bank have increased by 32.95% during the five years.

Table 1.8 shows the profit of ICICI Bank during 2008-2013

TABLE 1.8  
Growth of Profit of ICICI Bank (Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>3758.13</td>
</tr>
<tr>
<td>2009-2010</td>
<td>4024.98</td>
</tr>
<tr>
<td>2010-2011</td>
<td>5151.38</td>
</tr>
<tr>
<td>2011-2012</td>
<td>6465.26</td>
</tr>
<tr>
<td>2012-2013</td>
<td>8325.47</td>
</tr>
</tbody>
</table>

(Source: RBI)

It is seen that the profit of ICICI Bank during the year 2008-2009 was Rs.3,758.13 crores and during the year 2012-2013 was Rs.8,325.47 crores. It is understood that the profits have increased by 121.53% during the five years.
Table 1.9 shows the growth in number of branches of ICICI Bank during 2008-2013

**TABLE 1.9**
*Growth of Branches of ICICI Bank*

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>1,434</td>
</tr>
<tr>
<td>2009-2010</td>
<td>1,721</td>
</tr>
<tr>
<td>2010-2011</td>
<td>2,565</td>
</tr>
<tr>
<td>2011-2012</td>
<td>2,786</td>
</tr>
<tr>
<td>2012-2013</td>
<td>3,134</td>
</tr>
</tbody>
</table>

(Source : RBI)

Table 1.9 shows that the number of branches during the year 2008-2009 was 1,434 and during the year 2012-2013 was 3,134. It is understood that the number of branches have increased by 118.54% during the five years.

Table 1.10 shows the growth in number of employees of ICICI Bank during 2008-2013

**TABLE 1.10**
*Growth of Employees of ICICI Bank*

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>51,835</td>
</tr>
<tr>
<td>2009-2010</td>
<td>41,068</td>
</tr>
<tr>
<td>2010-2011</td>
<td>56,969</td>
</tr>
<tr>
<td>2011-2012</td>
<td>58,276</td>
</tr>
<tr>
<td>2012-2013</td>
<td>62,065</td>
</tr>
</tbody>
</table>

(Source : RBI)

Table 1.10 shows that the number of employees during the year 2008-2009 was 51,835 and during the year 2012-2013 was 62,065. It is understood that the number of employees have increased by 19.74% during the five years.
1.9 CONSTRUCTION OF TOOL

An interview schedule was constructed for this study to collect data from the customers of SBI and ICICI Bank. For constructing the interview schedule, the researcher made an in-depth study of literature available on service quality. The researcher also had discussions with several customers of SBI and ICICI Bank. In the light of the information gathered, the researcher was able to identify the variables required for construction of the interview schedule. The researcher also identified eighteen statements to substantiate the role of service quality in banks with the view to measure the level of attitude. With all this, the researcher prepared the interview schedule. After preparation, a pre-test was conducted with 16 customers, eight from each bank. This was done to test the validity of the interview schedule. The comments and suggestions expressed by the customers were duly incorporated in the interview schedule. Then, a pilot study was conducted with 20 customers. In the light of the pilot study, the interview schedule was suitably modified to survey the customers of SBI and ICICI Bank.

1.10 SAMPLING DESIGN

This study was intended to make a comparative analysis of the service quality of SBI and ICICI Bank. It is with this objective the study has been undertaken. For making a survey with the bank customers, a list of all branches of SBI and ICICI Bank operating in Madurai District (Appendix B) was prepared. As the study was intended to highlight the perceptual difference of service quality of SBI and ICICI Bank, the location of the banks were divided as rural and urban areas. Table 1.11 shows the number of branches of SBI and ICICI Bank in Madurai District.
TABLE 1.11
Number of Branches of SBI and ICICI Bank According to the Area of Location

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Name of Bank</th>
<th>No. of Branches</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rural</td>
<td>Urban</td>
</tr>
<tr>
<td>1.</td>
<td>SBI</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>2.</td>
<td>ICICI</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>31</strong></td>
<td><strong>34</strong></td>
</tr>
</tbody>
</table>

As the study is concerned with the bank customers, an interview schedule was developed to generate the opinion of the customers of the two banks on the level of awareness, level of utilisation, level of satisfaction, loyalty towards the bank, expectation about banking services, perception about banking services, attitude of customers towards banking services and problems faced by customers with the bank.

The bank customers in the study area constitute the population. As the population is large, to consolidate the opinion of the bank customers, the researcher resorted to sampling method. As regards the size of sample, it was decided to select five bank customers from each branch. In respect of SBI (urban branches 22 x 5 = 110 and rural branches 25 x 5 = 125) the total number of respondents for SBI is 235. In the case of ICICI Bank (urban branches 12 x 5 = 60 and rural branches 6 x 5 = 30) the total number of respondents for ICICI Bank is 90. Thus, a total of 325 customers has been considered as sample size for the purpose of the study. Table 1.12 shows the sample design of the study.

TABLE 1.12
Sample Design of the Study

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Name of Bank</th>
<th>No. of Customers from each Bank</th>
<th>No. of Branches</th>
<th>Total Number of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>SBI</td>
<td>5</td>
<td>47</td>
<td>235</td>
</tr>
<tr>
<td>2.</td>
<td>ICICI</td>
<td>5</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>325</td>
</tr>
</tbody>
</table>
Thus it was decided to make a survey with 325 (235 + 90) bank customers. As the researcher was not permitted to access the list of bank customers of the respective banks, the researcher was forced to make the sampling in a non-probability manner but in a scientific way without giving scope for bias and prejudice. The researcher was permitted to conduct the survey in the branches of the respective banks. It took nearly three months to complete the whole process resulting in a total sample of 325. In this regard, care has been taken to include all categories of bank customers such as business people, employees and professionals. Though the number of bank customers is definite, it is not made known to the researcher. Given the situation, the researcher was unable to apply the probability sampling method. However, the sample units were selected without any prejudice and without violating research norms. Thus, the researcher fell in line with the sampling norms absolutely without any bias and was able to interview 325 customers as determined.

1.11 COVERAGE OF PERIOD

As stated earlier, the study has been constructed on primary data and secondary data. The primary data was collected through an interview schedule during January to March 2013.

1.12 FIELD WORK

The field survey of this study was conducted by the researcher herself. As the banks are spread over the district and each interview schedule required an hour on an average for securing information from the respondents, it took nearly three months for the researcher to complete the survey. The survey was undertaken at the branches of the respective bank. As the researcher had to travel from one spot to another, she was
able to interview approximately 5 to 6 respondents a day covering a total of 325 respondents within the duration of 90 days.

1.13 DATA PROCESSING

After completing the interview with sample bank customers, the completed schedules were edited properly to make them fit for further processing. For the purpose of coding the information, a master table was prepared in order to sum up all the information found in the interview schedule. In the process of coding, the data from the interview schedule was transcribed into a coding sheet. This was done to eliminate coding error. The data thus transcribed were arranged in groups or classes on the basis of common characteristics. In this way, the entire data was divided into a number of groups or classes. This facilitated summarizing of data and displaying in the form of statistical tables for further analysis. All calculations were done with the help of calculator and computer.

1.14 FRAMEWORK OF ANALYSIS

The study has been analysed with the help of the following statistical tools:

i) Cronbach’s Alpha is a co-efficient or reliability of a test. It is used to measure the internal consistency or reliability of a test score for the sample respondents.

ii) To analyse the difference between expectation and perception of bank’s products and services among the sample respondents, SERVQUAL scale developed by Zeithaml, Parasuraman & Berry (1985) has been used. It was used to find the significant difference between SBI and ICICI as regards the tangibility, reliability, responsiveness, assurance and empathy dimensions.
iii) In order to analyse the expectation and perception of the sample customers, they were asked to respond to different statements using Likert’s Five Point Scale with the following scale:
- Strongly Agree (5), Agree (4), Neither Agree nor Disagree (3), Disagree (2) and Strongly Disagree (1)

iv) The Chi-Square test was applied to determine whether there is any significant relationship between personal variables and the level of satisfaction and personal variables and the level of loyalty based on the formulated hypotheses.

v) t-test has been used to compare the difference in opinion of the respondents towards service quality in banks.

vi) Regression analysis has been applied to find the effect of certain independent variables on the overall opinion score of the sample respondents of SBI and ICICI Bank.

vii) For the purpose of analysing the attitude of sample bank customers towards service quality, Factor Analysis has been applied. This has been done to identify the factors which are significant taking into account the factor loadings.

viii) The Discriminant Function Analysis was used to identify the variables that are responsible for considering a service as expected, desired or excited.

ix) MANOVA was utilized to find whether there is any significant difference between the various dimensions of quality of service and gender, occupation and educational qualification of the respondents simultaneously.
1.15 LIMITATIONS OF THE STUDY

The following are the limitations of the study:

i) In the study area, there are public sector banks like Indian Overseas bank, Indian Bank, Central Bank of India etc., and private sector banks like Karur Vysya Bank, Lakshmi Vilas Bank, Tamil Nadu Mercantile Bank etc., State Bank of India alone has been taken into consideration and its associates like State Bank of Hyderabad, State Bank of Tranvancore operating in Madurai district have not been taken into consideration. The study takes into account the perceptual difference of the customers of SBI and ICICI Bank on service quality.

ii) Though there is a variety of services offered by the banks, the prominent services such as accounts, loans, debit/credit cards, insurance service, mutual funds, gold coins, locker/safe custody and foreign exchange have been considered for the purpose of the study and analysis.

iii) It is to be mentioned that service quality involves the banker and the customers. The delivery is made by the employees and utilisation is done by the bank customers. As the study has been intended to project from the point of view of the bank customers, no separate interview schedule was prepared to highlight the employee’s opinion about service quality. The aspects relating to the bank employees have been analysed from the point of view of the bank customers.
iv) As the banks are bound legally not to reveal the customer details, the researcher undertook the survey on non-probability sampling technique. As such, the list of customers was not made known to the researcher. However, the survey was carried out strictly according to the research norms.

1.16 SCHEME OF THE REPORT

The thesis consists of the following chapters.

The first chapter, ‘Introduction and Design of the Study’, deals with introduction, statement of the research problem, objectives of the study, scope of the study, hypotheses, operational definitions, methodology, profile of the study, construction of tool, sampling design, coverage of period, field work, data processing, framework of analysis and limitations of the study.

The second chapter, ‘Review of literature’, discusses the literature relating to the service quality in India and abroad.

The third chapter, ‘Service Quality – A Conceptual Explanation’, gives a brief idea of evolution of service quality, models for service quality assessment in banks, expectation and perception of customers towards banking service, satisfaction of customers towards banking service, loyalty of customers towards banking service and problems faced by customers in banks.

The fourth chapter, ‘Service Quality in SBI and ICICI Bank – An Analysis of Perceptual Difference of the Sample Customers’, presents the profile of the sample bank customers and opinion of the customers regarding service quality in banks.
The fifth chapter, ‘Determinant Factors and Their Relationship – An Analysis of the Perspective of the Sample Customers’, analyses the opinion of the customers on the level of awareness, utilisation, satisfaction, determinants of satisfaction, level of expectation and perception and level of loyalty with the help of statistical tools.

The sixth chapter, ‘Summary of Findings, Suggestions and Conclusion’, presents the summary of findings and offers suggestions for improving the performance of service quality in banks.
REFERENCES

5) Bennett,D. and Higgins,M, “Quality means more than smile”, ABA Banking Journal, June 1988, pp.46