CHAPTER III

SERVICE QUALITY – A CONCEPTUAL EXPLANATION
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3.1 INTRODUCTION

A service is an act or performance that creates benefits for customers by bringing about a desired change in or on behalf of the recipient, according to Lovelock and Wright (1999:3). Quality is defined as defect free conformance to customer requirements (Cannie and Caplin 1992:13). Quality must be noticeable and it must benefit customers continuously, not occasionally. The effective management of service quality requires a clear understanding of its nature and what it actually means. Service quality is by nature a subjective concept and the understanding how the customer think about service quality is essential for effective management. This chapter explains the various aspects of service quality.

3.2 EVOLUTION OF SERVICE QUALITY

Quality has been evolving for decades. The contribution of American Quality Gurus to this evolution is quite impressive. The concepts were initially experimented successfully in Japan by the American Quality Gurus. Some of them who made important contributions were

i) **Dr. Walter A Shewhart (1981-1967)** worked at Western Electric Company and AT & T, USA. He advocated Statistical Quality Control (SQC) and Acceptable Quality Level (AQL). AQL is the foundation of today’s six sigma. He was considered to be the father figure of SQC, who developed control charts for quality assessment and improvements. He also developed the Plan, Do, Check, Act (PDCA) cycle for continuous improvement, which is in use even today.

ii) **Demin W. Edwards (1900-1993):** An Associate of Shewhart worked in Western Electric Company as a statistician. He modified PDCA cycle of
Shewhart to the Plan, Do, Study and Act cycle. He also advocated extensive use of statistics and focused on product improvement and service conformance by reducing variations in the process control methods could lower costs even in an exclusive service organization.

iii) Joseph M. Juran (1904): He joined Western Electric Company and developed Western Electric Statistical Quality Control Handbook. He identified “fitness of quality” and popularized the same. The fitness of quality contained

   a) Quality of design – through market research, product and concept
   b) Quality of conformance – through management, manpower and technology
   c) Availability – through reliability, maintainability and logistic support
   d) Full service – through promptness, competence and integrity.

iv) Philip B. Crosby (1926): He was the Vice President of International Telephone & Telegraph (ITT). His four absolutes of Quality are very relevant to TQM. They are

   a) Quality is conformance to requirements, nothing more than or nothing less and certainly not goodness or elegance
   b) Quality is to be achieved through prevention and not through appraisal
   c) The performance standard must be zero defects and not something close to it.
   d) The measurement of quality is the price of non-conformance i.e. how much the defects in design, manufacture, installation and service cost the company. It is not indexes, grade one or grade two.
v) **Armand V. Feigenbaum:** He was the president of America Society of Quality Control (1961 - 1963). He said “Quality is in its essence a way of managing the organization”. He suggested the following methodology for cycle time reduction.

   a) Define process

   b) List all activities

   c) Flow chart the process

   d) List the elapsed time for each activity

   e) Eliminate all possible non-value adding tasks.

vi) **Kaoru Ishikawa (1915 - 1989):** He strongly advocated the use of cause and effect diagram to provide true representation of the organizational impacts and procedure. He developed Fishbone and Ishikawa diagram for cause and effect analysis.

### 3.3 FEATURES OF SERVICE QUALITY

The quality of service depends to a large extent on understanding the correct requirements of the customer through interactions. Each service has to be designed specifically for the customer. Hence the quality of service design is an important feature. Service delivery is another feature of service quality. Thus the features of service quality are

i) **Quality of Customer Service:**

Customer Service is important in every business. In a service industry, meeting customers and finding out their requirements is more challenging. Therefore ability to satisfy customers depends on the quality of customer’s service.
ii) **Quality of Service Design:**

Since services are usually made to order, it is important that the service is designed as per the requirements of the specific customer. The quality of service design in turn depends on the quality of customer service.

iii) **Quality of Delivery:**

Quality of delivery is important in any sector, but more crucial in case of service. Defects on delivery should be zero to satisfy customers. Service quality can be directly linked to the quality of service levels that bring increased patron aged, competitive advantage and long term profitability to the company (Baron and Harris 1995:158). Service quality can be delivered into three main elements, service product, the service environment and the service delivery (Rust and Olivier 1994:10). The service product is the service that is designed to be delivered and involves service specifications and targets. The service environment consists of two main themes, the internal environment and the external environment. The internal environment is primarily focused on organizational culture. The external environment is focused on the physical ambience of the service setting. The third element of service quality, service delivery, is the consumer’s perception of it. These expectations can facilitate or impede critical post encounter behaviors, such as re-patronage or complaints. Lovelock and Wright (1999:4) define service quality as customers’ long term, cognitive evaluation of a company’s service delivery.

Customers all over the world are concerned about the continued neglect of product and service quality (Malakovick 1995:10). They become frustrated
by perceptions of unacceptable delays, mistakes, rudeness, incompetent service, defective materials and poor workmanship (Malakovick 1995:11). Hence delivery of quality service has become essential for all organizations

3.4 NEED FOR QUALITY ASSESSMENT IN BANKING SECTOR

The importance of measurement of customer satisfaction lies in the fact that one key to customer retention is customer satisfaction (Seiders, Voss, Grewal & Godfrey, 2005). Therefore, measurement of service quality has increasingly created an interest among the service providers (banks). It is so because service quality is being used to position the banks in the market place (Brown & Swartz 1989). However, the service quality is hard to measure (Rust, Zahorik & Keiningham, 1995). In case of banking services, the varied service products being offered and their interface with the information technology like banking on internet, electronic delivery channels, etc. help the banks in seizing the market and be the ultimate winners (Cooper & Edgett, 1996). This also forms an important aspect of service quality.

There is enough evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment (Adiran, 1995; Bakesm, 1995; Reichhel and Sasser 1990). Maximizing customer satisfaction through quality customer service has been described as ‘the ultimate weapon’ by Davidow and Vital (1989). According to them, in all industries, when competitors are roughly matched, those with stress on customer’s service will win. The quality of service furnished by the banking sector is very important and profitability of the business is closely connected to the quality of services. Though the products and services rendered by the banks are similar, speed, service quality and customer satisfaction are going to be the key differentiators for each banks’ future success.
The need of service quality was also stressed in the IBA-KPMG Joint seminar on “Quality Initiatives for Financial and Banking Sector” on 10th September 2004, in Mumbai when H N Sinor Chief Executive Indian Banks’ Association while delivering his speech said that there has been a paradigm shift from the seller’s market to the buyer’s market and the moment of truth has arrived where the customer service has to be directed at the common man.. It is imperative that we bring about the customer focus in the financial/banking institutions because once the market becomes saturated the customer shall move from one organization to the other for getting a better response to their needs. In order to streamline their existing systems and gear up for changing times, the banks are undertaking a lot of quality initiatives like ISO/Six Sigma etc. Processes are being simplified to cater to the customer needs. The benefits of service quality, according to Albrecht (1994), can be summarized as follows:

a) Customer loyalty, an increase in market share and return on sales;

b) Increased sales and profits;

c) More frequent sales;

d) Repeat business, bulk-buying sales, order upgrading and re-ordering;

e) Higher customer count and customer base increase;

f) Savings in marketing, advertising and promotional budgets;

g) Positive company reputation;

h) Differentiation;

i) Improved employee morale and productivity due to customers’ positive response; and

j) Lower staff turnover
Figure 3.1

*Service quality leads to profit*

Service Quality can help an organization separate itself from other organizations and obtaining stable competitive advantages. High service quality is considered as the main factor in long term profitability for servicing companies. The researches done by Zeithaml et al., confirm their declaration about positive effect of service quality improvement on behavioral trends\(^1\). It can be concluded that the most important factor on commercial performance is the quality of goods and services being offered by the organization in comparison with its competitors in long term\(^2\).
3.5 MODELS FOR SERVICE QUALITY ASSESSMENT

Defining and measuring service quality is a challenging task. A lot of work has gone into developing schemes of measurement that would help service organizations determine the extent to which their service is effective. The characteristics of good models are:

a) It should enable the management to identify the sources of quality
b) It should facilitate the identification of the quality problem
c) It should pinpoint the causes of the observed quality problem
d) It should suggest possible courses of action to be adopted for improvements and for overcoming problems

The following are some of the important service quality models developed by researchers over a period of time.

i) Technical and Functional quality model (Gronroos, 1984)

Gronroos proposed that a service firm in order to compete successfully must understand how the consumer perceives service quality and determine in what way service quality is influenced. The author identified three components of service quality, namely: technical quality; functional quality and image. Technical quality is the quality of what consumer actually receives as a result so his/her interactions with the service firm and is important to him/her and to his/her evaluation of the quality of service. (2) Functional quality is how he/she gets the technical outcome. This is important to him and to his/her views of service he/she has received. (3) Image is very important to service firms and this can be expected to build up mainly by technical and functional quality of service including the other factors (tradition, ideology, word of mouth, pricing and public relations).
ii) GAP Model (Parasuraman et al., 1985)

Parasuraman et al., (1985) proposed that service quality is a function of the differences between expectations and performance along the quality dimension. The developed a service quality model based on gap analysis. Gap analysis model is the cooperation between the organization activities and the link between these activities and the satisfactory level of the quality offered from the standpoint of the customers³. The various gaps visualized in the model are:

![GAP Model Diagram]

**Source:** Parasuraman *et al.* (1985)

**Figure 3.2**

GAP Model
Gap 1: Difference between consumer’s expectations and management’s perception of those expectations, i.e. not knowing what consumers expect.

Gap 2: Difference between management’s perception of consumer’s expectations and service quality specifications i.e. improper service quality standards.

Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.

Gap 4: Difference between service delivery and the communications to consumers about service delivery.

Gap 5: Difference between consumer’s expectations and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer’s side.

iii) Moore’s Service Quality Model (1987)

Moore proposed a model consisting of six steps which provides a way for quality improvement drive.

Step 1: Obtain management support and commitment

Step 2: Identify customer needs and expectations

Step 3: Evaluate service performance

Step 4: Develop quality improvement strategy

Step 5: Test, review and implement strategy

Step 6: Monitor progress and performance

This model attempts to measure both internal and external customer satisfaction. This model provided a framework for addressing broad organizational quality issues, but fails to provide a mechanism for identifying the likely areas in which quality problems might arise.
iv) Service Journey Model (1988)

Nash (1988) suggested a model based that customers usually evaluate the service they receive and their expectations are important in determining whether or not they are satisfied. Therefore, the question of how expectations are formed is important to the provision of service quality. The experience at a given stage and the expectation formed prior to purchase help to shape the expectations for the next stage. Accurate communications and reputations are the key determinants for customers’ selection of a service provider.

v) Behavioral Model (1987)

This model was developed by Beddowes et al (1987). It stresses the importance of behavioral considerations. It proposes that for successful quality improvements, a balance between customer and staff expectations is required. According to this model, the important contributor to service quality is the relevance and effectiveness of the service delivery system. It articulates why quality problems are likely to arise, but not what the nature of these problems is or how to overcome them.

vi) Service Delivery Model (1988)

The Service Delivery Model proposed by Johnston (1988) identifies the important points prior to, during and at the end of the service delivery at which experience shape the expectations for the next stage. It also states that customer’s expectations are dynamic and influenced at each stage of delivery by different factors. The interpersonal behavior of the service provider is an important influence on customers’ perceptions of the quality of both the “service process” and “service outcome”.

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vii) Attribute Service Quality Model (Haywood – Farmer, 1988)

Haywood and Farmer argued that a service organization has “high quality” if it meets customer preferences and expectations consistently. According to this model, a service has three basic attributes:

a) Physical facilities, processes and procedures
b) People’s behavior
c) Professional judgment

The model put forth by Haywood and Farmer is helpful in terms of identifying the quality trade off and the links between “quality” and “operational” factors. The model has the potential to enhance understanding but it does not offer a practice procedure capable of helping management identify service quality.


Robert Boothe proposed a conceptual model that emphasizes the point that the desired level of quality in a service organization relates to customers perceptions and not the perceptions of those who provide the service. The view is represented as

Perceive quality = Actual Quality – Expected quality

Perceived quality is a customer’s feel for the quality of the service that has been provided. This is the measure of the customer’s satisfaction with the quality that is received. Actual quality is the real level provided to a customer. This is quality as seen in the organization providing the service. Organizations that quantitatively measure service quality will often have precise measures of these values.
ix) P-C-P Attribute Model (Philip George, 1996)

Philip George conducted a critical analysis of existing models and proposed a P-C-P model. According to the model every service consists of three, overlapping areas where the vast majority of the dimensions and concepts which have far been used to define service quality. These ranked levels are defined as pivotal (outputs), core and peripheral (jointly representing inputs and processes). The pivotal attributes, located at the core, are considered collectively to be the single most determining influence on why the consumer decided to approach a particular organization and exert the greatest influence on the satisfaction levels. They are defined as the “end product” or “output” from the service encounter; in other words, what the consumer expects to achieve and receive, perhaps even take away, when the service process is duly completed. Core attributes, centered on the pivotal attributes, can best be described as the amalgamations of the people, processes and the service organizational structure through which consumers must interact and/or negotiate so that they achieve/receive the pivotal attribute. The third level of model focuses on the peripheral attributes which can be defined as the “incidental extras” or frills designed to add “roundness” to the service encounter and make the whole experience for the customer a complete delight. When a consumer makes an evaluation of any service encounter, he is satisfied if the pivotal attributes are achieved, but as the service is used more frequently the core and peripherals attributes may begun to gain importance.
3.6 MODELS FOR ASSESSMENT OF SERVICE QUALITY IN BANKS

The model developed by Parasuraman et al., (1985) is widely used by researchers for finding the service quality in banks. Apart from the above mentioned service quality models, certain service quality models which are especially designed for banks are

i) Service quality attributes from customer’s perspective by Mersha and Adlakha (1992)

The purpose of the study was to identify and rank attributes from the consumers’ perspective, the authors modified and extended the SERVQUAL instrument as per the Haywood and Farmer and Stuart model by including additional questions to assess service core, service customization and knowledge and information. This was an attempt to make SERVQUAL more applicable in professional settings. However, the approach used is different. Here the attributes of “good” and “poor” quality of services are identified and ranked separately. The use of this approach was initiated by the expectation that a particular attribute may have different degrees of importance as an indicator of “poor” and “good” quality of service. Five services were selected for the study – physician service, retail banking, auto maintenance, colleges/universities and fast food restaurants. As per the study the top six attributes for good services quality were: Knowledge of the service; Thoroughness/accuracy; Consistency/reliability; Reasonable cost; Willingness to correct errors; and Timely/prompt service. And the most important attributes for poor service quality were: Lack of knowledge about service; Employee indifference or “I don’t care” attitude; Reluctant to correct errors; Service inconsistency; Sloppy service; and High cost.
For retail banking service type, the most important characteristics of good service quality were found to be Willingness to correct errors; Thoroughness/accuracy of service; Consistency/reliability; and Knowledge ability. And the most important characteristics of poor service quality were found to be: Reluctance to correct errors; Employees indifference; Lack of knowledge about the service; and Sloppy service.

ii) **Importance-performance analysis and service quality by Ennew et al., (1993)**

Approaches to the measurement of service quality have typically been based on the analysis of the relationship between customer expectations of a service and their perceptions of the quality of provision. Operationalizing these measures has been either as simple comparisons of mean scores or extensive and detailed statistical modeling. In this study, the authors examine the problems associated with the measurement of the quality of service provision and present a set of indices to provide measures of expectations, perceptions and overall satisfaction. As a result they propose a compromise solution in the form of a series of indices and related scores which makes more thorough use of survey data on expectations and perceptions and which is considerably less complex than the widely used statistical models.

The 11 dimensions of service quality used in this analysis have been acknowledged by the authors as relatively narrow and are listed as follows:

a) Knows business
b) Knows industry
c) Knows market
d) Gives helpful advise  

e) Wide range of services  

f) Competitive interest rates  

g) Competitive charges  

h) Speed of decision  

i) Tailors finance  

j) Deal with one person and  

k) Easy access to loan officer.  

The authors provide that the method provides easily interpretable results, indicating areas which might be of concern to the banking sector as a whole, or to individual banks.  

iii) Customer service quality scale by Avkiran (1994)  

The purpose of the research was to develop a utilitarian multi-dimensional instrument that can be applied to measuring customer service quality as perceived by branch bank customers. In developing the measurement instrument, results of the first stage scale purification by Parasuraman et al., (1985) were used as the starting point.  

A 17-item four dimensional scale emerged following a study to develop an instrument for measuring customer service quality at trading bank branches, with a focus on retail banking. The four dimensions that emerged are staff conduct, credibility, communication and access to teller services:
a) Staff conduct – responsiveness, civilized conduct and presentation of branch staff that will project a professional image to the customers.

b) Credibility – maintain staff-customer trust by rectifying mistakes, and keeping customers informed.

c) Communication – fulfilling banking needs of customers by successfully communicating financial advice and serving timely notices.

d) Access to teller services – the adequacy of number of staff serving customers throughout business hours and during peak hours.

The instrument can be applied as part of branch performance measurement, as well as help diagnose problems in delivery of service and segment the bank’s customer base for healthier decision making in marketing.

iv) Service quality model by Blanchard and Galloway (1994)

The objective of the authors was to determine the perceptions of customers regarding the requirements of quality service in retail banking using SERVQUAL. The failure of the SERVQUAL model to provide any particularly useful insights into how service might be improved led to the attempt to develop an alternative model of greater utility. The model proposed by the authors is based on three dimensions which are as follows:

a) Process/outcome – key issues with regard to service design and outcome.

b) Subjective/objective – provides a measure of the degree to which the quality of the aspect of the service under consideration can be objectively specified.
c) Soft/hard – hard represents physical aspects of the service while soft represents interpersonal interaction.

v) Service Quality factors based on satisfaction by Johnston (1997)

A disturbing paradox found by the author in the UK banking industry is the amount of reported customer dissatisfaction with banks, despite large-scale efforts of the banks, over many years, to try to improve their service to customers. This led him to derive a framework to help assess the likely impact of any service quality initiative. The study categorizes quality factors in terms of their relative importance and their effect on satisfaction and dissatisfaction.

The 18 determinants of service quality proposed are:

a. Access – the physical approachability of service location, including the ease of finding one’s way around the service environment and clarity of route.

b. Aesthetics – extent to which the components of the service package are agreeable or pleasing to the customer, including both the appearance and the ambience of the service environment, the appearance and presentation of service facilities, goods and staff.

c. Attentive/helpfulness – the extent to which the service, particularly contact staff, either provide help to the customer or give the impression of being interested in the customer and show a willingness to serve.

d. Availability – the availability of service facilities, staff and goods to the customer. In the case of contact staff, this means both the staff/customer ratio and the amount of time each staff member has available to spend with each customer. In the case of service goods,
availability includes both the quantity and range of products made available to the customer.

e. Care – the concern, consideration, sympathy and patience shown to the customer. This includes the extent to which the customer is put at ease by the service and made to feel emotionally (rather than physically) comfortable.

f. Cleanliness/tidiness – the cleanliness, neat and tidy appearance of the tangible components of the service package, including the service environment, facilities, goods and contact staff.

g. Comfort – the physical comfort of the service environment and facilities.

h. Commitment – staff’s apparent commitment to their work, including the pride and satisfaction they apparently take in their job, their diligence and thoroughness.

i. Communication – the ability of the service to communicate with the customer in a way he or she will understand. This includes the clarity, completeness and accuracy of both verbal and written information communicated to the customer and the ability to listen to and understand the customer.

j. Competence – the skill, expertise and professionalism with which the service is executed. This includes the carrying out of correct procedures, correct execution of customer instructions, and degree of product or service knowledge exhibited by contact staff, the rendering of good, sound advice and the general ability to do a good job.
k. Courtesy – the politeness, respect and prosperity shown by the service, usually contact staff, in dealing with the customer and his or her property. This includes the ability of staff to be unobtrusive and uninterfering when appropriate.

l. Flexibility – a willingness and ability on the part of the service worker to amend or alter the nature of the service or product to meet the needs of the customer.

m. Friendliness – the warmth and personal approachability (rather than physical approachability) of the service, particularly of contact staff, including cheerful attitude, the ability to make the customer feel welcome.

n. Functionality – the serviceability and fitness for purpose or “product quality” of service facilities and goods.

o. Integrity – the honesty, justice, fairness and trustworthiness with which customers are treated by the service organization.

p. Reliability – the reliability and consistency of performance of service facilities, goods and staff. This includes punctual service delivery and ability to keep to agreements made with the customer.

q. Responsiveness – speed and timeliness of service delivery. This includes the speed of throughput and the ability of the service to response promptly to customer service requests, with minimal waiting and queuing time.

r. Security – personal safety of the customer and his or her possessions while participating in or benefiting from the service process. This includes the maintenance of confidentiality.

The use of technology in the delivery of banking services is becoming increasingly prevalent as it is being to reduce costs and eliminate uncertainties. This research investigates the role that technology plays in Australian banking and its impact on the delivery of perceived service quality.

a) Convenience/accuracy;
b) Feedback/complaint management;
c) Efficiency;
d) Queue management;
e) Accessibility; and
f) Customization

vii) Banking service quality model by Bahia and Nantel (2000)

The instruments available for measuring service quality include either scale contextually developed by specific banks to cope with occasional problem or instruments not especially designed for banking service but rather to measure the perceived service quality across a broad spectrum of services. In view of the non-availability of publicly available and standard scale to measure the perceived quality of banking services, the authors propose the banking service quality (BSQ) scale comprising of 31 items spanning six dimensions, namely:

a) Effectiveness and assurance;
b) Access;
c) Price;
d) Tangibles;
e) Services portfolio; and

f) Reliability

viii) Service Quality model by Sureshchander et al. (2001)

The criticisms about SERVQUAL in the research literature, made the authors undertake a careful scrutiny of the 22 items of SERVQUAL and it implied that the items at large deal with the element of human interaction/intervention in the service delivery and the rest on the tangible facets of service. The instrument seems to have overlooked some other important factors of service quality, namely: service product or the core service, systematization/standardization of service delivery (the non-human element) and the social responsibility of the service organization. In an effort to conceptualize service quality, Sureshchandar et al. (2001) identified five factors of service quality covering a total of 41 items as critical from the customer point of view. These factors are:

a) Core service or service product – the content of a service.

b) Human element of service delivery – aspects such as reliability, responsiveness, assurance, empathy and service recovery, which are part of the human element in service delivery.

c) Systematization of service delivery – the process, procedures, systems and the technology that make a service seamless.

d) Tangibles of service – the equipment, signage, appearance of employees and the manmade physical environment surrounding the service, which is commonly known as the “servicescape”.

e) Social responsibility – the ethical behavior of the service provider.
ix) SYSTRA-SQ by Aldaigan and Buttle (2002)

The authors’ objective to develop a new scale based on the Gronroos model of service quality. In doing so, the authors undertook a three-phase, four-sample, quantitative study to derive a new 21-item scale comprising four dimensions:

a) Service System Quality. This factor is the strongest among the four. It represents the evaluation of service quality that can be clearly attributed to the service organization as a system rather than individuals within the system. It contains a combination of items that are related to both functional and technical performance at an organizational level. The functional quality attributes include listening to customer, ease of availability and accessibility, speed or response and organizational appearance. The technical organizational attributes include quality of advice, flexibility and customized service solutions, promise fulfillment, employee empowerment and customer updating on services.

b) Behavioral Service Quality (BSQ). This factor represents the evaluation of how the service is performed by employees. It is composed of FSQ/behavioral attributes, such as politeness, courtesy, friendliness and helpfulness of the employees. It also contains the employee’s service attitude.

c) Service Transactional Accuracy. This STQ factor focuses on employee and system accuracy. It is derived from the customers’ experience of the frequency of errors in transactions and employees’ mistakes when performing service for customer. This dimension is a
measure of how accurate the transaction is as experienced by customers in relation to both the system output and employees output.

d) **Machine Service Quality.** This factor focuses on machine and equipment quality. It is related to the reliability of machines as well as their performance in terms of satisfactory output when used by customers.

x) **Automated Service Quality Model by Al-Hawari et al. (2005)**

Automated service quality has been regained as the factor which determines the success or failure of electronic commerce. The authors claim that the models currently available to measure automated service quality are limited in their focus, encompassing only one electronic channel – the internet – thereby ignoring attributes of the other automated service channels. In relation to the banking sector, research has identified that bank customers tend to use a combination of banking automated service quality. As such, in this research, the authors strive to develop a comprehensive model of banking automated service quality taking into consideration the unique attributes of each delivery channel and other dimensions that have a potential influence on quality issues. They propose five factors as follows:

a) ATM Service;

b) Internet-banking service;

c) Telephone-banking service;

d) Core service; and

e) Customer perception of price.
xi) Service quality scale for banking by Karatepe et al. (2005)

Karatepe et al. (2005) developed a 20-item survey instrument to measure bank customers’ perceptions of service quality in Northern Cyprus. The results showed that service quality could be conceptualized and measured as a four-dimensional construct consisting of:

a) Service environment (four items);

b) Interaction quality (seven items);

c) Empathy (five items); and

d) Reliability (four items)

Interaction quality is found to be the most important dimensions of service quality followed by empathy, reliability and service environment.

The technology dimension of service quality was initially considered based on the qualitative stage of the study. However, it did not emerge as a variable dimension in the later stages when subjected to empirical criteria.


In the attempt to examine how customer expectation, perceived service quality and satisfaction predict loyalty among bank customers in Nigeria, measurement scales were developed to measure the variables of the study using qualitative technique to explore customer’s expectations from bank services. The measures of bank customers’ expectation in Nigeria were found to be:

a) Bank workers’ possession of required skill;

b) Bank workers possession of knowledge and experience;

c) Continuity of service to customer in future years;
d) Understand customers’ needs;
e) Offering of fast and efficient service;
f) Providing physical safety to customer;
g) Confidentiality of transactions;
h) Positive attitude of staff to customer services;
i) Trustworthiness of bank;
j) Bank’s good reputation;
k) Staff friendliness;
l) Keeping people informed;
m) Listening to customers;

n) Introduction to Saturday banking;
o) Extended banking closing hours; and
p) Insurance cover for customers

The same 16 constructs were used to measure the performance of customers.

3.7 DRIVERS OF OPERATIONALIZATION OF SERVICE QUALITY

Service Quality management is focused not only on product/service quality, but also the means to achieve it. The management of any organization plays an important role in the implementation of service quality in the organization. Quality management therefore uses quality assurance and control of processes as well as products to achieve more consistent quality. In order to provide consistent services, the organizations have to concentrate on four main components: Quality planning, quality control, quality assurance and quality improvement.
i) **Quality Planning:** It is the process for "identifying which quality standards are relevant to the project and determining how to satisfy them": Quality planning means planning how to fulfill process and product (deliverable) quality requirements.

ii) **Quality control (QC):** It is a procedure or set of procedures intended to ensure that a manufactured product or performed service adheres to a defined set of quality criteria or meets the requirements of the client or customer.

iii) **Quality Assurance:** Quality Assurance is the term used by manufacturers, to describe the ‘administrative system’ put in place, to ensure that quality control (checks carried out by workers on a product / component) can be carried out effectively. Quality Assurance should ensure that staff training, administrative procedures and quality monitoring of the product at various stages of manufacture, is to the highest standard.

iv) **Quality improvement:** Quality Improvement is a formal approach to the analysis of performance and systematic efforts to improve it. There are numerous models used. Some commonly quality improvement methods are International Standard Organization Certification, Six Sigma, Quality Circle, PDCA (Plan, Do, Check and Act)

### 3.8 EXPECTATIONS OF CUSTOMERS TOWARDS BANKING SERVICES

According to Zeithaml, Bitner and Gremler (2006), customer expectations are “beliefs about a service delivery that serve as standard against which performance is done”. Davidow and Uttal (1989) proposed that customer expectation is formed by
many uncontrollable factors, which include previous experience with other companies and their advertising, customers’ psychological condition at the time of service delivery, customer background and values and the image of the purchased product. In addition, Zeithaml et al. (1990) stated that customer service expectation is built on complex considerations, including their own pre-purchase beliefs and other people’s opinions. Santos added that expectation could be seen as a pre-consumption attitude before the next purchase; it may involve expectations.

Customers’ expectation is what the customers wish to receive from the services. The diversity of expectation definitions can be concluded that expectation is an uncontrollable factor which includes past experience, advertising, and customers’ perception at the time of purchase, background, attitude and product’s image. Furthermore, the influences of customers’ expectation are pre-purchase beliefs, word of mouth communications, individual needs, customers’ experiences, and other personal attitudes. Different customers have different expectation based on the customers’ knowledge of a product or service. Similarly, Miller also stated that customers’ expectation related to different levels of satisfaction. It may be based on previous product experiences, learning from advertisements and word-of-mouth communication.

3.8.1 Possible Levels of Expectation

Customers hold different types of expectations about service, the reference points against which service delivery is compared. Customers’ service expectations are characterized by a range of levels bounded by desired and adequate service, rather than a single level. The highest can be termed “desired service”: the “wished for” level of performance. The ideal expectation or desire shown in figure 3.f3 is termed
desired service, because the expectation reflects the hopes and wishes of the customers. The lower can be termed “adequate service”: the level of service customer will accept, that is, their minimum tolerable expectations. The extent to which the customer is willing to accept the variation is called as “Zone Of Tolerance” (ZoT). This tolerance zone, representing the difference between desired service and the level of service considered adequate, can expand and contract within a customer. If the service drops below the adequate level the customers will be frustrated and their satisfaction with the company will be undermined.

![Levels of Expectations](image)

**Figure 3.3**
Levels of Expectations

### 3.8.2 Factors Influencing Customer Expectations of Service

The customers’ expectations of services are mostly uncontrollable. The sources of desired services are personal needs and lasting service intensifiers. Personal needs are those states or conditions essential to the physical or psychological well-being of the customer and are pivotal factors that shape what customers desire in service. Personal needs can fall into many categories, including physical, social, psychological and functional. Lasting service intensifiers are individual, stable factors that lead the customer to a heightened sensitivity to service. One of the most important of these factors can be called derived service expectations, which occur when customer expectations are driven by another person or group of people. The five
factors that influence adequate services are temporary service intensifiers perceived service alternatives, customer self-perceived service role, situational factors and predicted service. Temporary service intensifiers, consists of short-term, individual factors that make a customer more aware of the need for service. Perceived service alternatives are other providers from whom the customer can obtain service. If customers have multiple service providers to choose from, or if they can provide the service for themselves (such as lawn care or personal grooming), their levels of adequate service are higher than those of customers who believe it is not possible to get better service elsewhere. Customer’s self-perceived service is the customer perceptions of the degree to which customers exert an influence on the level of service they receive. Situational factors are defined as service performance conditions that customers view as beyond the control of the service provider. Customers who recognize that situational factors are not the fault of the service company may accept lower levels of adequate service given the context. In general, situational factors temporarily lower the level of adequate service, widening the zone of tolerance. Predicted services are the level of service that customers believe they are likely to get.

3.9 PERCEPTION OF CUSTOMERS TOWARDS BANKING SERVICES

Customer perceptions are those processes that shape and produce what one actually experiences. Customer perceptions are influenced by many external and internal factors such as cultural, social, psychological and economic factors, making the way in which customer perceives products and service highly subjective (Reisinger and Wryszak, 1994). Therefore measuring customer perception of service is important as the customer’s evaluation of service and future behaviour depends on the customer perception of service. In a situation where there is a gap between
perception of service and expectation, where perception falls completely short of expectation after comparison or where service meets or exceeds customer expectation, it can result in either a dissatisfied or a satisfied customer after the service encounter.

3.9.1 Factors Influencing Customer Perception of Service Quality

Zeithaml and Bitner (1996) identified four factors that influence customer perception of service quality: They are - service encounters, the evidence of service, image and price. These form customers overall perception of service quality, satisfaction and value.

i) **Service encounters**: Verbal and non-verbal behavior are as important determinants of quality as tangible cues such as the equipment and physical settings (Zeithaml & Bitner, 1996).

ii) **Evidence of service**: due to the intangibility of services and the simultaneity of production and consumption, customers are searching for clues to help them determine the level of service. Three major categories of evidence have been identified:

   a) **Employees** - how they are dressed, their personal appearance and their attitude and behaviour

   b) **Process** - whether the service is complex, bureaucratic; and

   c) **Physical evidence** - all the tangible aspects of the service such as reports, equipment, statement, and in most cases the physical facility where the service is offered (the branch).

iii) **Image and reputation**: The set of perceptions reflected in the associations held in the memory of the consumer (Keller, 1993; Kangis & Voulkelatos 1997). These can be specific (e.g. hours of operation, ease of access), or in terms of an intangible nature (e.g. trustworthiness, tradition, reliability). A
favourable image can influence positively perceptions of quality, value and satisfaction.

iv) **Price** - If the price is high, customers are likely to expect high quality, and their actual perceptions will be influenced accordingly. If the price is too low, customers might have doubts about both the ability of the organization to deliver quality and about the actual level of service received.

One service quality measurement model that has been extensively applied is the SERVQUAL model developed by Parasuraman *et al.* (1985, 1986, 1988, 1991, 1993, 1994; Zeithaml *et al.*, 1990). SERVQUAL as the most often used approach for measuring service quality has been to compare customers’ expectations before a service encounter and their perceptions of the actual service delivered (Gronroos, 1982; Lewis and Booms, 1983; Parasuraman *et al.*, 1985). Parasuraman et al. (1985) identified 97 attributes which were found to have an impact on service quality. These 97 attributes were the criteria that are important in assessing customer’s expectations and perceptions on delivered service” (Kumar et al., 2009, p.214). These 97 attributes were later condensed to form 10 dimensions as tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding, knowing, customers, and access. They further reduced the ten dimensions to five dimensions consisting of 22 statements which were;

i) **Tangibility**: This dimension measured the level of satisfaction of customers towards physical facilities, equipment, and appearance of personnel in a service organization. It consisted of 4 statements as follows

   a) Modern looking equipments

   b) Visually appealing physical facilities
c) Neat and Professional looking employees
d) Visually appealing materials

**ii) Reliability:** This dimension measured the opinion of the customers regarding the performance of promised service dependably and accurately by the service providers. It consisted of 5 statements as follows

a) Keeping promises
b) Sincere in solving customers problem
c) Dependable
d) Provide service as promised
e) Keeping accurate records

**iii) Responsiveness:** This dimension measured the willingness to help customers and provide prompt service to customers. It consisted of 4 statements as follows

a) Inform when service will be performed
b) Prompt service from employees
c) Employees willingness to help
d) Employees response to requests

**iv) Assurance:** This dimension measured the knowledge and courtesy of employees and their ability to inspire trust and confidence. It consisted of 4 statements as follows

a) Customers confidence on employees
b) Safe feeling of customers in transactions
c) Courteous employees
d) Adequate support to employees
v) **Empathy:** This dimension measured the caring nature and individualized attention the firm provides to its customers. It consisted of six statements as follows:

   a) Individual attention by bank
   
   b) Personal attention by employees
   
   c) Understanding specific needs of the customers
   
   d) Customers best in interest at heart
   
   e) Convenient operating hours

SERVQUAL represents service quality as the discrepancy between a customer's expectations for a service offering and the customer's perceptions of the service received, requiring respondents to answer questions about both their expectations and their perceptions (Parasuraman et al., 1988). The use of perceived as opposed to actual service received makes the SERVQUAL measure an attitude measure that is related to, but not the same as, satisfaction (Parasuraman et al., 1988).

Despite the fact that the SERVQUAL instrument has been widely adopted in service marketing research, it has received tremendous criticism from various authors. (Asubonteg, *et al.*, 1996; Buttle, *et al.*, 1996) argued that there has been concern about the central role of expectation and the significance of reductive “gap” as a measure of quality. (Babakus and Mangold, 1989; Carman, 1990; Bresinger and Lambert, 1990; Finn and Lamb, 1991; Babakus and Boller, 1992; Spathis *et al.*, 2004) affirmed this by highlighting that the universality of SERVQUAL dimensions across different types of service has been questioned. Gilmore and Carson, (1992) criticized the SERVQUAL model by establishing that it lays emphasis on service and
product dimensions and it neglects other dimensions of the marketing mix, especially price.

Cronin and Taylor (1992) were amongst the researchers who levelled maximum attack on the SERVQUAL scale. They questioned the conceptual basis of the SERVQUAL scale and found it confusing with service satisfaction. They, therefore, opined that expectation (E) component of SERVQUAL be discarded and instead performance (P) component alone be used. They proposed what is referred to as the ‘SERVPERF’ scale. The SERVPERF scale also consisted of the same five dimensions of SERVQUAL. The SERVPERF scale provides more convergent and discriminant- valid explanation of service quality construct. However, the scale is found deficient in its diagnostic power. It is the SERVQUAL scale which outperforms the SERVPERF scale by virtue of possessing higher diagnostic power to pinpoint areas for managerial interventions in the event of service quality shortfalls. The SERVPERF scale should be the preferred research instrument when one is interested in undertaking service quality comparisons across service industries. On the other hand, when the research objective is to identify areas relating to service quality shortfalls for possible intervention by the managers, the SERVQUAL scale needs to be preferred because of its superior diagnostic power. However, one serious problem with the SERVQUAL scale is that it entails gigantic data collection task. Employing a lengthy questionnaire, one is required to collect data about consumers’ expectations as well as perceptions of a firm’s performance on each of the 22 service quality scale attributes.
3.10 SATISFACTION OF CUSTOMERS TOWARDS BANKING SERVICES

Service Quality is a predictor of customer satisfaction. Satisfaction is described as an “investigation after quality consumption”. Roset and Oliver (1994) supported this statement suggesting that quality “is one of the dimensions of services which is mentioned towards customer satisfaction”. This is also agreed by Parasuraman who suggested that service quality is a suitable predictor of customer’s satisfaction. Banks are realizing that customer satisfaction is a critical strategic tool that results in increased market share and profits. Losco and Mc.Dogul (1996) showed in their studies that service presenting performance at the core and relational dimensions is an important guidance for customer satisfaction in banking.

Even though different customers will require different levels and combinations of these variables, they generally are important factors that affect customer satisfaction. Matzler et al., (2002), went a step forward to classify factors that affect customers’ satisfaction into three factor structures;

i) Basic factors: These are the minimum requirements that are required in a product to prevent the customer from being dissatisfied. They do not necessarily cause satisfaction but lead to dissatisfaction if absent. These are those factors that lead to the fulfillment of the basic requirement for which the product is produced. These constitute the basic attributes of the product or service. They thus have a low impact on satisfaction even though they are a prerequisite for satisfaction. In a nutshell competence and accessibility.
ii) **Performance factors:** These are the factors that lead to satisfaction if fulfilled and can lead to dissatisfaction if not fulfilled. These include reliability and friendliness.

iii) **Excitement factors:** These are factors that increase customers’ satisfaction if fulfilled but does not cause dissatisfaction if not fulfilled which include project management.

Anton (1996:24) further states that there are only three possibilities of customer satisfaction: one delivers more than expected, as expected or less than expected. This decides whether the customer will do repeated business.

Customer satisfaction has some key element like

a) **Expectations:** Customer satisfaction starts right at this pre-purchase stage when customers receive “expectations or beliefs about what they expect from a product or service. These expectations are transferred to the post purchase stage and reactivated at the time of consumption.

b) **Performance:** During consumption, the customers experience the real product or service from the standpoint of utilization.

c) **Satisfaction/ Dissatisfaction:** The comparison of the real performance with customers expectations results in satisfaction (when expected and performance are the same) or dissatisfaction (when the performance is less than the expectations).

d) **Excited:** When the performance of service is more than the expectation they become excited about service.
A highly satisfied customer generally stays longer, buys more as the company introduces new products and services and upgrades existing products and services, talks favorably to others about the company, pays less attention to competing brands, offers product or service ideas to the company, and costs less to serve than new customers because transactions can become routine (Homburg, Koschate & Hoyer, 2005). Greater customer satisfaction has also been linked to higher returns and faster company growth (Fornell, Mithas, Morgeson, & Krishnan, 2006). The measurement of customer satisfaction is not possible unless the factors leading to customer satisfaction are determined.

3.11 LOYALTY OF CUSTOMERS TOWARDS BANKS

Wong and Sohal discovered a positive relationship between service quality and customer loyalty. Other researchers had found a positive relationship between service quality and loyalty in the banking sector. All the researchers have unilaterally
agreed that service quality is related to behavioral outcomes, especially in the form of word-of-mouth, complaint, recommendation and switching.

Loyal customers are important, because they contribute to the Bank’s profitability by passing positive words of mouth and also retain their customer. (Anderson and Mittal, 2000; Storbacka et al., 1994). Loyalty is predominantly satisfaction driven (Rust et al., 1995) and therefore customers satisfaction measurements are believed to give a better indication of future performance of service firms (Anderson and Fornell, 1999) than, for instance financial and accounting based measures (Kaplan and Nortan, 1996). Customer loyalty is a feeling of commitment on the part of the consumer to a product, brand, marketer, or services above and beyond that for the competitors in the market place, which results in repeat purchase (Szymigin and Carrigan, 2001). A loyal customer to a bank is thus, one who will stay with the same service provider, is likely to take out new products with the bank and is likely to recommend the bank services (Fisher, 2001). It is also observed that service failures significantly influence the complaint behavior, and complaint behaviors in return influence the switching behavior and switching behaviors and service failures then influence the brand trust and brand trust influences the customer loyalty (Alfansi et al., 2010). Zeithaml Berry and Parasuraman (1996) proposed a comprehensive, multi-dimensional framework of customer behavior and attitudinal intentions called Behavioral Intensions Battery (BIB) for use within a service industry. It consisted of 13-items across five-dimensions: Loyalty to company, propensity to switch, willingness to pay more, external responses to a problem and internal responses.
3.12 PROBLEMS FACED BY CUSTOMERS IN BANKS

The customers face a lot of problems in banks today. The new age Indian customer has come to expect a lot more from banks than mere mechanisms to save. Customers are more knowledgeable, demanding, analytical and aware of their rights. According to banking experts, human resource management is the main area of focus for public sector banks. Indian banks have historically had access to superior talent but there is a lack of specialist skills and new-age leaders. There are a number of problems that customers face with the banks like non-payment or inordinate delay in the payment or collection of cheques, drafts, bills and the like non-payment or delay in payment of inward remittances, levy charges without prior notice, misleading information by the employees, lack of co-operation from employees, lack of timely communication, inefficient grievances redress mechanism, delay in service, insufficient cash in ATM, Debit/ Credit card related problem, problem with loan recovery agents, wrong billing, wrong debit to accounts and excessive charges. The complaints received at the office of Banking Ombudsman at Chandigarh have nearly doubled in the last six years. The number of complaints received in the financial year 2012-13 was 3,955, which is nearly double the number in 2006 according the Banking Ombudsman Scheme.

In order to satisfy the customers and provide quality service the banking ombudsman scheme, 2006 was introduced by the RBI with the object of enabling resolution of complaints relating to certain services rendered by banks and to facilitate the satisfaction or settlement of such complaints. All scheduled commercial banks, regional and rural banks and scheduled primary co-operative banks are covered under the scheme.
3.13 SERVICES OFFERED BY BANKS IN INDIA

Banks offer variety of services to the customers. The functions of the bank can be divided into two as primary functions and secondary functions. The primary functions of a bank include accepting deposits and lending loans.

3.13.1 Acceptance of Deposits

i) **Savings account:** The savings deposit promotes thrift among people. The savings deposits can only be held by individuals and non-profit institutions. The rate of interest paid on savings deposits is lower than that of time deposits. The savings account holder gets the advantage of liquidity (as in current a/c) and small income in the form of interests. But there are some restrictions on withdrawals. Corporate bodies and business firms are not allowed to open SB Accounts.

ii) **Current Account Deposits:** These accounts are maintained by the people who need to have a liquid balance. Current account offers high liquidity. No interest is paid on current deposits and there are no restrictions on withdrawals from the current account.

iii) **Time Deposits:** These are deposits repayable after a certain fixed period. These deposits are not withdrawable by cheque, draft or by other means. It includes the following.

   a) **Fixed Deposits:** The deposits can be withdrawn only after expiry of certain period say 3 years, 5 years or 10 years. The banker allows a higher rate of interest depending upon the amount and period of time. Previously the rates of interest payable on fixed deposits were
determined by Reserve Bank. In times of urgent need for money, the bank allows premature closure of fixed deposits by paying interest at reduced rate. Depositors can also avail of loans against Fixed Deposits. The Fixed Deposit Receipt cannot be transferred to other persons.

b) **Recurring Deposits:** In recurring deposit, the customer opens an account and deposit a certain sum of money every month. After a certain period, say 1 year or 3 years or 5 years, the accumulated amount along with interest is paid to the customer. It is very helpful to the middle and poor sections of the people. The interest paid on such deposits is generally on cumulative basis. This deposit system is a useful mechanism for regular savers of money.

3.13.2 Loans

There are different types of loans offered by the banker. They are

i) **Housing Finance:** Nowadays the commercial banks are competing among themselves in providing housing finance facilities to their customers. It is mainly to increase the housing facilities in the country. Borrowers of housing finance get tax exemption benefits on interest paid.

ii) **Educational Loan Scheme:** The Reserve Bank of India, from August, 1999 introduced a new Educational Loan Scheme for students of full time graduate/post-graduate professional courses in private professional colleges. This loan is on clean basis i.e., without calling for security. The loan has to be repaid together with interest within five years from the date of completion of the course.
iii) **Agricultural Loan:** These are made to farmers to finance farming activities. Short-term agricultural loans are usually seasonal and are used to finance the purchase of seeds, fertilizer and livestock. These types of loans usually require a lending officer to inspect the borrower’s farm once a year.

iv) **Personal Loan:** Personal loans are not restricted in terms of how the money is used. Banks also grant credit to household in a limited amount to buy some durable consumer goods like television sets, refrigerators, washing machine etc. Such consumer credit is repayable in installments.

v) **Jewel Loan:** A gold loan is a loan in which money is provided to the loan applicant on the basis of the quality of the gold that the person owns. An added advantage of these loans is that the person applying for these loans can even have a poor credit score. The banks do not ask for the income proofs or the previous credit history of the customer.

vi) **Vehicle Loan:** These loans are sanctioned for the purpose of buying vehicles. Till the repayment of the loan the original certificates of the vehicle is held with the banker.

vii) **Business Loan:** Banks grant secured loans to small and medium scale industries to meet their working capital needs. The time period may be from one to five years. It may be in the form of Overdraft, cash credit or direct loan. Besides the primary services, the banker also provides some general utility services.
3.13.3 General Utility Services

i) **Locker Facility**: Safekeeping of important documents, valuables like jewels are one of the oldest services provided by commercial banks. 'Lockers' are small receptacles which are fitted in steel racks and kept inside strong rooms known as vaults. These lockers are available on half-yearly or annual rental basis. The bank merely provides lockers and the key but the valuables are always under the control of its users. Any customer cannot have access to vault.

ii) **Credit Cards/ Debit Cards**: Banks have introduced credit card system. Credit cards enable a customer to purchase goods and services from certain specified retail and service establishments up to a limit without making immediate payment. In other words, purchases can be made on credit basis on the strength of the credit card. Debit cards can be used like a credit card for purchasing and also for drawing money from ATM’s.

iii) **Gift Cheques**: The commercial banks offer Gift cheque facilities to the general public. These cheques received a wider acceptance in India. Under this system by paying equivalent amount one can buy gift cheque for presentation on occasions like Wedding, Birthday.

iv) **Issue of Drafts**: It is a pre-paid negotiable instrument, wherein the bank by whom the demand draft has been made undertakes the responsibility to make full payment whenever the instrument is presented for payment, the beneficiary has to deposit the same in bank account or pay cash over the counter.
v) **Gold Coin Purchase**: Most of the banks in India import gold coins from Switzerland as per tie up with one of the reputed foreign suppliers and such coins are 24 carat pure gold carrying 99.99% assay certification (signifying the highest level of purity as per international standards). These coins are usually available in 1gm; 2.5 gms; 5 gms; 8 gms; 10 gms; 20 gms; 50 gms and 100 gms. (However, each bank does not sell all type of gold coins). These coins usually also bear the logo of the bank selling the same.

vi) **Acting as Referee**: The banks act as referees and supply information about the business transactions and financial standing of their customers on enquiries made by third parties. This is done on the acceptance of the customers and help to increase the business activity in general.

### 3.13.4 Agency Services

They also provide agency services like

i) **Transfer of Funds**: NEFT (National Electronic Fund Transfer) is a system of transferring money from one bank account to another without any paper money changing hands. RTGS (Real Time Gross Settlement) is a fund transfer mechanism where transfer of money takes place from one bank to another on a “Real Time” and “Gross” basis. Settlement in “Real Time” means payment transaction is not subjected to any waiting period. Gross settlement means the transaction is settled on one to one basis without bunching with any other transaction.

ii) **Collection of Cheques, Dividend, Pension, etc.**: Commercial banks collect cheques, drafts, bills, promissory notes, dividends, subscriptions, rents and any other receipts which are to be received by the customer. For these services banks charge a nominal amount.
iii) **Periodic Payment of Bills:** Banks also makes payments on behalf of their customers like paying insurance premium, rent, taxes, electricity and telephone bills etc for such services commission is charged.

iv) **Purchase and Sale of Shares and Debentures:** As per the customers instruction banks undertake sale and purchase of securities, shares and any other financial assets. Nominal charges are charged by a bank.

The banker also provides various channels for distribution of services to its customers like Physical channel, Technological channel and virtual channel. Physical banking is the transactions that take place over the counter at the bank. It is simple and face to face. Technological channel is the delivery of services through Automated Teller Machines and use of debit cards and credit cards. Virtual banking does not have any physical existence. Virtual banking is the delivery of services through internet or other electronic channels like RTGS (Real Time Gross Settlement) and NEFT (National Electronic Funds Transfer).

Besides above mentioned services, the bankers also offer services like merchant banking, providing venture capital, factoring, providing demat account etc.,

### 3.14 SUMMARY

In this chapter, the researcher has presented an overview of service quality in banks. It includes evolution of service quality and models used for measurement of service quality. Similarly, the concept of expectation, perception, satisfaction, loyalty and various services offered by banks in India are also discussed. As such, this chapter is descriptive in nature. It has given an explanatory note on service quality and related concepts.
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