CHAPTER II

REVIEW OF LITERATURE
2.1 INTRODUCTION

2.2 STUDIES ON OTHER COUNTRIES

2.3 STUDIES ON INDIAN BANKS
2.1 INTRODUCTION

A review of literature places a research study in its proper perspective by showing the amount of work already carried out in the related areas. Any effective research must be based upon past-knowledge that helps to eliminate the duplication of what has already been done and provides useful and important information for further research. The operating environment in the Indian banking industry is getting more and murkier after the economic liberalization and the financial sector reforms like deregulation and introduction of prudential norms. Many traditional and newly emerged risk factors had brought in greater pressures on the banks’ profitability. This scenario makes it necessary to keep a closer and continuous watch on the performance of the banking industry. A brief review of some selected studies with their scope and their objectives may be useful for understanding the present scenario of public sector banks. The previous studies made in the area of research are limited in number and they are not directly related to the study. A list of some of the studies made previously has been presented in the following pages.

2.2 STUDIES ON OTHER COUNTRIES

In the study made by Schoeffler, Buzzel, and Heany[^1], they had attempted to identify the factors influencing the profits of the banks. They had come out with the conclusion that there is a strong relationship between the nature of service provided and the profits of banks.

The Cambridge Seminar Series\textsuperscript{2}, attempted to study the customer services in banks with special reference to United Kingdom. The study emphasized the changing functions of British Commercial Banks.

One of the most systematic research programmes in service quality was conducted by Parasuraman, Berry and Zeithmal\textsuperscript{3}. They developed a conceptual model on the “Service Quality Gap” and defined it in terms of the measurement framework of “perception – minus-expectations”. They had noted that the service quality is a relative measure and depends directly on expectations and performance.

Based on the service quality model (SERVQUAL) Service Quality (SQ) perceptions were obtained, using an instrument designed by a multi-disciplinary team, Parasuraman, Zenithal, and Berry\textsuperscript{4} had identified that the efficient bank branch utilizes much less computer resources to provide similar levels of SQ as the target branch.

Gronross\textsuperscript{5} in his study emphasized that a service sector firm, to be profitable, must be attentive to those factors that affect satisfaction.

A maiden attempt made by Zeithamal, Parasuraman, and Berry\textsuperscript{6} could establish a positive linkage between service quality (SQ) and the performance of a service industry.

A benchmark attempt was made by Roth and Van der Velde on U.S. commercial banks. They had established that it is only the operational efficiency and prescribed changes that could lead to improved results. They concluded that a branch that is operating inefficiently will do well if it could focus first on the improvement of its operations.

According to the view of Cronin and Taylor, the output of the model is the level of service quality (SQ) achieved and it can be described in terms of objective and perceptual characteristics. While the objective characteristics include such things as service time, call wait time, credit application approval rates etc. the perceptual characteristics include dimensions of service reliability, responsiveness and so on.

In a study by Heskett et al. on the service-profit chain they had concluded that profit and growth are stimulated primarily by customer loyalty which can be created by satisfied, loyal and productive employees.

As viewed by Iyer, the customer choice and awareness had increased tremendously due to the open economy, advent of information technology and media revolution. This requires the front line staff of the banks to have a

---

perfect knowledge about the products and services which requires proper and adequate training and motivation.

Velankar\textsuperscript{11} in his paper observed that the cost involved by a bank in retaining an existing customer is cheaper than the cost of acquiring new customers. Hence, the study suggested the banks to maintain appropriate customer profiles.

The service management strategy encapsulated in the triad operational capabilities- viz., service quality-performance (C-SQ-P), by Roth and Jackson\textsuperscript{12} focused on the service-profit chain and came out with the significant influence of service quality on profit. It attempted to measure the service quality of banks. In their model formulation they considered the banks as a ‘factory’ delivering services and considered various types of costs as the inputs that determines the service quality.

Zenios et al.\textsuperscript{13} have made further discussion of this model, its novelties and its applicability in practice.

Hooman Estelami and Peter De Maeyer\textsuperscript{14}, utilizing an experimental research design, demonstrated that consumers’ behaviour are moderated by the

service providers at the organizational level as well as by the customers’ past purchase history.

Kirby Liza\textsuperscript{15} viewed that by conducting customer satisfaction surveys, bankers could come out with a variety of offers and other marketing efforts.

Lian Tanja\textsuperscript{16} in his study concluded that the selling experience should not only be inviting but also rewarding.

According to Sunoo\textsuperscript{17} when banks establish a performance-driven culture by stepping up training and development, improving employee benefits and technology, then customers would expect sophisticated knowledge on banking transaction.

Andreas Soteriou and Stavros A. Zenios\textsuperscript{18} in their empirical study had indicated that superior insights can be obtained by analyzing operations, service quality and profitability simultaneously than the information obtained from benchmarking studies of these three dimensions separately.

Athanassopoulos\textsuperscript{19} in his study linked the operational capabilities with quality of services and came out with the major conclusion that there is a close affinity between the two.

\textsuperscript{17}Sunoo, Brenda Paik, “Racing Towards a New Horizon in Banking”, \textit{PersonnelJournal}, Vol.75 (9), Sept. 1996, p.28.
\textsuperscript{18}Andreas Soteriou & Stavros A. Zenios, \textit{Efficiency, Profitability, and Quality in the Provision of Banking Services}, Working Paper, Department of Public and Business Administration, University of Cyprus, 1997, p.137.
The same author\textsuperscript{20} in his bench-mark study demonstrated that enhanced improvements in efficiency of branches are obtained if potential improvements in service quality are accounted.

According to Bill Rossello\textsuperscript{21} high customer-care performers do several things which include dealing successfully with the common challenges to all customer service operations.

In his article by Carolyn Spicer\textsuperscript{22} had concluded that customers would be more inclined to associate financial products with convenient access than with the locale of a particular financial institution.

According to Evan Mannakee\textsuperscript{23} the challenge for the banking industry is to more specifically anticipate customer needs and to actively position the products and services that will meet growing customer needs.

The need for bank technologies is to give customer service representatives and other contact employees a single, integrated information access point to reduce customer response times, commented Ken Long\textsuperscript{24}.

According to Patrick\textsuperscript{25} the improved facilities made available to the customers also have a vital contribution to better customer service.

According to Paul Calendrillo\textsuperscript{26} retail banking industry faces the problem of maintaining customer loyalty and they could push the sales process forward by satisfying all their customers’ needs.

According to Rodney F. Ganey\textsuperscript{27} there is a high correlation between the overall satisfaction of the customers and handling the problems efficiently by the management. This can be achieved by paying attention to question of concern, and resolutiong problems on the phone.

Richard Koonce\textsuperscript{28} had stated that banks are guilty of treating customers like commodities and as the cost of acquiring new customer is high; all banks should try to retain the existing customers with proper service provision.

In another study, the author\textsuperscript{29} observed that frustration due to poor customer service has a direct impact on the account holding position of the customers.

To Biff Motley\textsuperscript{30} the outcome of spending money and time on customer oriented strategies would usually be successful because they are very well focused.

In another article, the authors\textsuperscript{31} had emphasized the importance of data warehouses to support the delivery of personalized action tactics.

\textsuperscript{29}Anonymous, “Know me or Lose Me”, \textit{Community Banker}, Vol.9 (11), Nov.2000, P.58.
Banks today provide choices and options to meet the needs to customers and the community in its best way, by providing more services to enhance their reputation by means of personal touch, viewed Brian Nixon32.

Bryant Duhon33, in his study had highlighted the importance and advantages of electronic document management system to improve the customer service.

Caroline Wilson34 viewed that many banks have launched their ‘portals’ for consumers in the worldwide web and to enable this effectively, banks must leverage their customer databases to show what kind of information their customers might want on their portal.

Geofry Smith35 has opined that big banks take advantage of their market power at the customers’ expense characterized by hiked costs and lower quality service. Big banks being beneficiaries of the deregulated financial services, the banking industry fails to fulfill the promise of adopting a consumer friendly approach, which requires immediate remedy.

Janet Bigham Bernstel36 viewed that there is a need to develop a system of holistic banking with a customer focus, through customer centric

relationship. The use of on-line banking for supporting customer service has been suggested as one of the methods of customer focus.

Sora Songs\textsuperscript{37} has stated that modern customers demand other products from their banks such as access to web-based banking, mutual funds, stock-trading and financial planning services instead of the traditional products and outdated banking practices.

The author\textsuperscript{38} could observe in his study that motivating the employees is the basis of customer satisfaction which many of the bank managements fail to do.

It can be observed from the same study\textsuperscript{39} that a new – web-based customer relationship management (CRM) system could help in achieving the bank’s – “whenever wherever” banking philosophy.

Hille and Erik\textsuperscript{40} had observed a prerequisite for banks to retain the present customers is to make them satisfied customers by establishing a long-term customer relationship and by offering the quality of service as perceived by the customers.


James R. Peterson\textsuperscript{41}, in his study identified that the impact of several services like, free savings accounts, free checking and money orders, teller services, a round the clock call center service and free coins counting machines is significant on the fast rate of growth of deposits of the banks.

Robert Hall\textsuperscript{42} had stated that the workforce is the primary factor in influencing the customers’ behaviour. This trend is bound to be welcomed on one hand by the customers and to improve the efficiency of performances by bank employees on the other.

Theresa Sweeney and Dane May Casperson,\textsuperscript{43} had surveyed customers of more than 160 bank branches in USA and found that although customers felt it easier to have all accounts at one place more than one third claimed that their bankers were unaware of their needs before recommending/selling them a service.

Tulley\textsuperscript{44} found that the bank clients really wanted a banking relationship in which they were well understood and their needs were anticipated no matter where, when or how they interacted with their financial institutions.

Diane Brady\textsuperscript{45}, in his study observed that as time goes on, the service gap between the top customers and the rest of the customers become wider due

\textsuperscript{43}Theresa Sweeney and Dane May Casperson, “Customers Demand More”, \textit{Credit Union Management}, Vol. 24 (4), April 2004, p.4.
to increasingly rare customer service. He had concluded by pointing out that technology is creating a radical new business model that alters the whole dynamics of customer service.

Hooman Estelami et.al\(^4\) in their article focused on service encounters characterized by service providers and concluded with a discussion on the implications of services marketing.

The article by Thorsten Hennig-Thurau et.al\(^4\) indicated that customer satisfaction, commitment by employees and social benefits significantly contribute to relationship marketing outcomes in services.

### 2.3 STUDIES ON INDIAN BANKS

Having reviewed the studies of banks from developed countries the studies carried out in the Indian context also is also required to be purveyed as it would help to identify the differences in the methodology used than that of the foreign studies.

The Banking Commission\(^4\) (1972) undertook a comprehensive study of the entire banking system of the country and came out with major policy level recommendations in 1972. It reviewed the operative methods, procedures and made recommendations for improving and modernizing operative methods and procedures, particularly of those related to customer service, credit procedures

---


and internal systems of banks. The various ways in which the banking system could assist economic development were also explored.

The Productivity, Efficiency and Profitability (PEP) committee on Banking\(^{49}\) (1977) constituted to study the productivity, efficiency and profitability of commercial banks had used four criteria viz., productivity, social objectives, spatial, and sectoral profitability. Under each criterion, it used a set of indicators. It also examined a few other points like planning, budgeting, marketing, management information systems, annual accounts, audit systems and procedures. It analyzed banking costs, profitability of operations, pricing of bank services, trends in earnings and expenditures. The study was experimental in nature and it categorically stated that the set of indicators used by it does not represent either the first or the least choice.

The Talwar Committee, appointed by Government of India under the Chairmanship of R.K. Talwar submitted a report in March 1977.\(^{50}\) It pinpointed the areas in which the banks have to be strengthened and the areas in which services are to be rendered effectively.

The Committee on the functioning of public sector banks\(^{51}\) (1978) appointed by the Reserve Bank of India made recommendations to ensure improvement in the efficiency of their opinions and to restore their financial health. The Committee made a pragmatic evaluation of the actual performance

---

\(^{49}\) Report of the Productivity, Efficiency and Profitability (PEP) Committee on Banking (headed by J.C. Luther) Reserve Bank of India, 1977, pp.23-25

\(^{50}\) The Talwar Committee Report on Banking Services, 1977, p.19.

and functioning of the public sector banks during the period from 1969 to 1977. It collected data from banks, banks’ staff, other financial institutions and commercial associations.

The Department of Banking Operations and Development a section of Reserve Bank of India\(^{52}\) (1988) in its conference paper observed that the rapid expansion of banking activities called for a phase of consolidation to improve the quality of banks, their operational efficiency, productivity and customer care service. It noted that the poor quality of bank assets continues to be a cause for concern in view of large-scale industrial sickness and widespread defaults in repayment of bank dues.

Sathyamurthy\(^{53}\) had pointed out how the Estimate Committee of the Eighth Lok Sabha had observed that social banking should not be viewed as different from ‘normal commercial banking but as complementary and supplementary field. Banks must reconcile themselves to the fact that social banking continues to remain as their main responsibility and must strive to make it, not withstanding various constraints, a profitable proposition.

The Reserve Bank of India Committee on Customer Service in Banks (1991)\(^{54}\) undertook a detailed customer survey covering different categories of bank customers. The Committee had made ninety-seven wide-ranging recommendations to improve the customer service in banks.

---


\(^{53}\)Sathyamurthy B. “Profitability and Productivity in Banks-concepts and evaluation”. Workshop on profit planning, proceedings, Bankers Training College, RBI, Bombay, Feb 4 to 6 1988, pp.72-79.

Nedu (1977)\textsuperscript{55} studied customers’ perception of commercial bank services. The main findings are:

i. The Commercial banks satisfy the senior customers more than the younger ones.

ii. Senior Older bank customers, as a group, are more aware of the existence of the various services provided by the banks than the young customers etc.

iii. Commercial banks satisfy the female customers more than the male customers.

iv. College education or lack of it does not significantly affect the perception of bank customers.

v. Occupational membership (white or blue collar) and residential location do affect the perception of bank customers in varying degrees.

Karkal\textsuperscript{56} (1977) in his book, Perspective of Indian Banking has dealt with the various problems and difficulties of the banking activities after the introduction of the new social policy in banking. He analyses the implications of the changed situation on the organization and functioning of banks and the techniques employed by them to achieve optimum level.

Sterk had studied the customer relationship and optimal bank portfolio allocation. The study reveals how a banks’ loan-deposit relationship can be


\textsuperscript{56}KarkalGopal-perspective of Indian Banking, Popular Prakasham Private Limited, Bombay, 1977.p.50.
estimated by properly aggregating individual customer data and how aggregate data can be used to identify and estimate the banks’ loan-deposit relationship.

Shetty\(^57\) critically examined the extent to which the banking system in India had been able to achieve the objectives set before it initially by the scheme of social control and subsequently by the nationalization of banks. It was observed that no major structural change had occurred in the composition of deposits and the banks had failed to improve their credit-deposit ratio over the years. Obviously, rural areas were neglected in the opening of bank branches too.

Agarwal\(^58\) had assessed the performance of nationalized banks in discharging their social obligations. There being no absolute line of measurement in this regard, an effort has been made to evaluate the performance of the nationalized banks in discharging the various social obligations on the basis of a comparison with the performance of other bank groups. For the assessment of their individual performance, the line of assessment adopted was the combined average performance of all the nationalized banks.

Kulkarni\(^59\) stated that while considering bank’s costs and profits, social benefits arising out of banks’ operations cannot be ignored. He claimed that the profit maximization approach is not clear while referring profitability of banks.


\(^{58}\)Agarwal H.N. Management of Nationalised Commercial Banks in India with reference to their social obligations inter India Publications, Delhi, 1979,p.89

He recognized that while fulfilling their social responsibility, banks should try to make the developmental business as successful as possible, reduce costs, improve the banking system and increase the overall productivity.

Agarwall\textsuperscript{60} had analysed the performance of commercial banks in India after nationalization. It was neither an empirical study nor a study of a particular aspect of commercial banking. It was only a study of banking development in the light of nationalization. Annual reports of banks, periodical reports of the Reserve Bank of India and personal discussions with bank officials were the major sources relied on in the study.

Nayan\textsuperscript{61} in his research study had made a comparison of the performance of individual nationalized banks with that of the banking system as a whole. An attempt was made to build up a model for the performance evaluation of the banks.

Rastogi\textsuperscript{62} in his study evaluated the trends in Indian banking after nationalization. He made an effort to ascertain how the banks were in a position to cater to the banking needs of the Indian masses. He suggested ways and means for further development of banking. The data for the study were collected from the Reserve Bank of India and other agencies directly or indirectly engaged in the task of developing facilities in the country.

\textsuperscript{60}Agarwall B.F., Commercial Banking in India After Nationalisation-a Study of their Policies And Progress, Classical Publishing Company, New Delhi, 1982,p.92.
\textsuperscript{62}Rastogi, Peejush Kumar, Post Nationalization Trends in Indian Banking, Ph.D., Thesis, RohilkhandUniversity, Barielly, 1982,pp.50-59.
Yadav had ascertained whether it was working on the lines suggested by the Government of India and the Reserve Bank of India. With the help of an analytical and comparative study, the researcher has ascertained whether the Syndicate Bank has been successful in the northern part of the country and how far it has been able to achieve the objectives of nationalization by accelerating banking facilities in the rural, remote and the neglected areas of study.

Angadi had put forth a proposition that the operational efficiency of a bank is inversely related to the responsiveness of operating costs to the changes in output. The ratio of proportionate change in operating costs due to proportionate change in output is treated as a measure of responsiveness of operating costs. Recognizing the external and internal factors, that affect productivity, he expressed the view that operating cost determines most of them. In his opinion, efficiency is an important yardstick for measuring bank performance.

Akhilesh and S. Pandey) had pointed out that nationalized bank has a better attitudinal profile over private sector bank. In their opinion, there is better recognition and rewards for performance in private sector banks. It appears that this relationship is the strong area of the private sector bank over

---

63 Yadav, Bal Ram Singh, an evaluation of the working of the Syndicate Bank in Northern Zone, Ph.D., Thesis, Rohilkhand University, Bareilly, 1983, p.45.
the nationalized bank. The study further revealed that the private sector bank has a slight task oriented climate.\(^{65}\)

Madhukar\(^{66}\) had stated that the bank managements in India, today are facing a two faced challenges to improve their profitability on one hand and to serve the public in new ways with greater efficiency and effectiveness on the other. He had stated that in the task of fulfilling the socio-economic responsibilities, the commercial viability of banking should not be ignored. Hence profitability and social objectives are the two opposing considerations which a bank is now required to keep in mind.

Chawla\(^{67}\) in his book had analysed were carried out with the help of different types of growth rates; indices of changes were also calculated with certain statistical tools like co-efficient of variation and rank correlation too were used in the study.

Bhattacharyya\(^{68}\) had concluded that the customer services have deteriorated in the post-nationalization phase was empirically untenable.

Chandrayya\(^{69}\) (1990) has undertaken a study, Structural change in the Credit deployment policies and Practices of commercial banks in India – a case study of Andhra Bank. The study was confined to the period 1969-1984. The

\(^{69}\)Chandrayya V., Structural changes in the credit deployment policies and practices of commercial banks in India–a case study of Andhra Bank. Discovery publishing House-New Delhi, 1990,pp.11-17.
researcher has examined the various changes that took place in the structure, organization and composition of credit deployed by the commercial banks in India and the varied problems experienced both by the lending authorities as well as the borrowers and suggested feasible ways and means to overcome these problems.

Chawla\textsuperscript{70} (1991) in his study focused on several segments of banks financial statements to provide an assessment of the financial health of different bank groups. The study was based on an analysis of financial and related data available in the annual reports of banks and the Reserve Bank of India publications.

Prabhu\textsuperscript{71} (1991) in ‘Excellence through people: The Canara Bank way’, explains how an organization can achieve its changing goals from time to time by following the right type of policies. He has made an attempt to share his experiences, thoughts and views on creating organizational excellence through people.

Datta opined that means and ways to bring about improvement in profits and profitability would be the prime concern during the years to come as far as the banking industry is concerned. Profits should increase for the industry’s sustained growth and development. So also, profitability of banking activities should improve against intense competition, fast catching up in the financial


services market. Banks should continue to serve the weaker section in future. However, the social costs involved will have to be cross subsidized by resorting to appropriate pricing as far as commercial products and services offered are concerned. Banks would also need to bring about a sea change in their styles of functioning if profits and profitability are to be improved.

Manjula Bose\(^{72}\) (1991) in her study on ‘Trend and Progress of Banking in India’ has tried to analyse the connection between banking and economic development during the first three Five Year Plan periods. The problem was studied under two aspects viz. the impact that economic development had on banking in India and secondly, the role of the banking system that could play in economic development. To study the problem, she analysed the changes in the volume, character and composition of bank deposits and loans. A survey too was conducted to know the changing character of commercial banks.

Rashid Jilani\(^{73}\) had stated that to increase the profitability, it is absolutely necessary that the staffs are fully involved. The management should share their perceptions about future developments with the staff so that they are in a position to understand the emerging challenges arising from liberalization and competition. He was of the opinion that although customer service committees have been set up at branch level, most of these are not functioning effectively.


\(^{73}\)Rashid Jilani, “Bank profitability; some issues and perceptions”, Inaugural address during the seminar on bank profitability, seminar proceedings, Banker’s Training College, RBI, Bombay, Dec.16 to 18, 1991, p.10.
Jagwant\textsuperscript{74} (n his book Indian Banking Industry: Growth and Trends in Productivity examines the trends in productivity in public sector banks excluding the six banks nationalized in 1980. He has analysed the trends and changes in productivity, with particular emphasis on labour productivity and branch productivity. The trends, changes and differentials in productivity in different banks and bank groups are examined in detail based on seventeen indicators. The main source of data for the study was Financial Analysis of Banks published by the Indian Bank Association and Annual reports of the banks.

Shanthi Saravane\textsuperscript{75} found that lack of job motivation and lack of freedom at branch level, poor leadership qualities that prevailed among bank managers, job insecurity etc. have resulted in poor quality customer services in Indian banks.

Gadkari\textsuperscript{76} had concluded that lack of awareness about bank customer service centers had made them to under-utilize the services of the banks.

Madam et al.,\textsuperscript{77} have stressed the importance of leadership qualities of bank managers to provide quality services and recommended for appropriate training programmes to impart leadership qualities to work effectively.

Saxena\textsuperscript{78} in his study had indicated that ignorance; overpowering, neglecting colleagues by bank managers are the root causes for the low quality of bank services.

Prabhakar\textsuperscript{79} in his study came out with the conclusion that a major portion of the complaints are from the depositors on the differential treatment.

Ragahvan\textsuperscript{80} had pointed out that one of the reasons for delays in the delivery of customer services was due to lack of work experience. He had recommended five days a week for customers and not to the bank staff.

Gupta\textsuperscript{81} expressed that the main purpose of customer service centers was to reduce delays in customer service delivery and improve administrative efficiency between banks.

Ram Kumar\textsuperscript{82} in his research paper argued that the impersonal and indifferent attitude of the staff was responsible for the poor quality of bank services in India. He had also pointed out that customers are still ignorant of bank facilities which can indeed save time and effort.

Sushila Singhal\textsuperscript{83} concluded that on an average the services provided by almost all the banks are very poor and are not up to the level of customers’ expectations.

\textsuperscript{82}Ram Kumar, E.R., “Banking- Services Without Smile”, \textit{Times of India},January 8, 1997,p.27.
\textsuperscript{83}SushilaSinghal, \textit{Banks and Customers: A Behavioural Analysis}, Shri Ram Centre for Industrial Relations and Human Resources, New Delhi, 2000, P.233.
George \(^{84}\), in his study viewed that customers are generally hesitant to register any complaint against any employee in whose hands one has suffered ill treatment or ill-response. He had suggested for a changing attitude of bank managers towards their subordinates and customers.

Banmali \(^{85}\) opined that old customer’s act as free of cost sales agent through word of mouth publicity. Hence, the banks must attempt to satisfy their old customers through provision of better services.

Govindarajalu \(^{86}\) had concluded that every service in a bank is unique as it involves inter-personal relationship between the customer and the front-line staff.

Puttaswamiah \(^{87}\) had evolved that the indicators for measuring customer service on two broad categories namely macro indicators and micro indicators. He also made an attempt to evaluate to what extent the recommendation of Goiporia committee has been implemented in Canara bank.

Doreswamy \(^{88}\), viewed that globalization has paved the way for fierce competition and the feel of service of international standards with high expectations. He concluded that it is the primary responsibility of the front line


staff who could meaningfully contribute to the basic satisfaction of the customer.

According to Rashid Jilan\(^8\) the interface between the customers and the staff of the bank constitute the prerequisite for the success of the bank.

Sunderesan\(^9\) in his article viewed that nearly fifteen per cent of the metropolitan customers are not satisfied with the services of their banks due to delay in the services and they do not voice their grievances when they are dissatisfied with the poor quality of services provided.

Deolakkar et.al.\(^\) viewed that with a wider consultation between the banking community and Ombudsmen, it is possible to build a customer-delighted banking system in the long run.

According to Shankar\(^\)\(^2\), customers need changes frequently due to competition. The customers’ universe is vast, diverse and complex as never fully comprehensible. He concluded that the ability of an organization is to transform itself into a fine Belgian mirror that reflects the customers’ every need, mood and emotion and translating that input into a distinct long term marketing advantage.

Bajaj\(^\)\(^3\) in his study stated that the satisfied customers improve the business bottom line not only through continued relationship but also through

---


referrals and positive Word of Mouth (WOM), feedback or WOM behaviour. He insisted on the effective use of communication channel for better and fast delivery of services and concluded by saying up-gradation of human resources is of utmost important.

All customers expect the bankers to be polite, courteous, helpful and understanding as explained by Gupta. He also viewed that the customers also expect to be treated as important individuals and would be satisfied if prompt, accurate, and speedy attention is given to their work and banking problems. He said that customer services are made up of several aspects like technical, efficiency, advisory and behavioural, after sale service and customer amenities.

According to Aravindhan et.al., “Customer Satisfaction” is the definition of Service Quality. To him, measuring customer satisfaction gives a strategic advance in knowing where an organization stands in the market in terms of service quality. It provides an impetus to the organization to act and to improve its position in the competitive environment.

According to Arvind Brahme customer complaint is a universal phenomenon, with the banking industry being no exception. Handling of complaints is the core activity for successful development. The author found that 68 per cent of the customers are lost due to shortcomings in customer service. He had concluded by stressing that there is a need for awareness and

---

positive attitude and approach among the staff to win the customer and customers’ confidence to curb growing complaints.

Rohini Gupta Suri\textsuperscript{97}, in her study had concluded that the services available in Indian banking industry is being fully utilized by the customers as the available services are not supplied by the bank employees effectively. Hence, the study suggested for an effective service provision by the bank officials.

In the RBI Report \textsuperscript{98}, it is stated that “commercial Banks need to become conscious as they are entering a challenging environment and will have to redefine their position with the financial industry. New ways and methods will have to be determined in order to successfully respond to the new challenges, particularly when there is a growing demand from customers for high quality service”.

According to Shard Kumar \textsuperscript{99}, the success of the banking institutions lies in the innovative methods used and the customer-friendly approach. The establishment of a 24 hour customer service centre helps to respond not only to queries and complaints of the customers but also to promote and sell the bank’s products and services. Adoption of similar services by the Indian banks would go a long way in satisfying their customers.

According to Gopalakrishnan \textsuperscript{100} in the modern competitive world, banks have to find out the needs of the customers and make them available at competitive

\textsuperscript{98} The Hindu Editorial, “Trends and Progress of Banking in India– A Snapshot”, \textit{The Hindu}, Nov.29,2013.
price without delay. The needs of different segments are to be addressed separately and appropriate schemes are to be introduced to remain in the market. It is for the banks to change the mindset of customers and infuse confidence in them that the banks are reliable long term partners. Interaction with the customers at regular intervals to find out their requirements and make them available would go a long way in making the organizations to survive in this fiercely competitive world. Telephone calls are required to be attended promptly and queries clarified on the spot as far as possible.

According to Parthasarathi\textsuperscript{101}, there is always a certain level of expectations by the customers from the bank’s services. Wider the gap between the expected and actual service provided, the more is the customer dissatisfaction. If the gap is very narrow, the client feels satisfied or happy with the bank. Hence, it is always necessary for the bank to bridge the gap between what the customers expect and what the banks offer. In fact, what the customer needs and or gets is more important than what bank thinks about the needs and offers.

The studies reviewed clearly indicated the importance of the customer service quality among the financial institutions. These studies have made use of various parameters to measure the service related variables. It can be noted that majority of these studies could establish their view on service quality in isolation. However, it cannot be denied that the level of satisfaction are strongly influenced by the socio-economic background of the customers, and none of the studies attempted to identify

the extent of influence of these factors on the level of satisfaction on the service quality opinion. This study, apart from analyzing the service quality perception of the customers, would examine the extent of influence of socio-economic background on the satisfaction levels of the customers. In this regard this is a maiden attempt and exploratory in character. Through this, the study also contributes some more ideas to the existing literature.