5.1 Age-wise classification of selected customers in public and private sector banks
5.2 Educational qualification of selected customers in public and private sector banks
5.3 Occupation-wise classification of selected customers in public and private sector banks
5.4 Family size-wise classification of selected customers in public and private sector banks
5.5 Monthly income of selected customers in public and private sector banks
5.6 Levels of perception of the selected customers in public and private sector banks

6.1 Age-wise classification of selected bank officials in public and private sector banks
6.2 Sex-wise classification of selected bank officials in public and private sector banks
6.3 Educational status of selected bank officials in public and private sector banks
6.4 Experience of selected bank officials in public and private sector banks
6.5 Nature of the family of selected bank officials in public and private sector banks
6.6 Monthly income of selected bank officials in public and private sector banks

1.1 INTRODUCTION

Banking sector is the backbone of any financial system and economy. Commercial banks play an important role in the development of underdeveloped/developing economies by mobilization of resources and their better allocation. The Indian Banking System is regulated by the central bank of the country.
i.e. Reserve Bank of India (RBI), which was nationalized in 1949. The RBI is the primary regulator for the banking sector and the central government exercises direct and indirect control over banks through RBI to protect the depositors and to stabilize the banking system. Extensive powers have been conferred on RBI under the RBI Act, 1934, and the Banking Regulations Act, 1949.

In 1969, the government nationalized 14 major banks to break the ownership and control of few leaders of commerce and industry over the economic power and banking system. This also enabled balanced geographical growth of banks especially in rural areas and small towns, which accounted for the majority of the population. The Government, as the owner of the banks, decided the agenda for the banks and directed the flow of credit. The focus changed from class banking to social banking ever since nationalization of banks.

This social transformation process resulted in unprecedented expansion of banking and financial system. However, the regulated business environment, poor quality of credit portfolio due to social lending without adequate safeguards against defaults, thin margins on social lending, disruptive tactics of trade unions, increasing number of loss making branches due to unmindful branch expansion in rural areas and other factors resulted in sacrifice of the service quality and the operational productivity and profitability of these organizations. The banks still managed to survive due to the regulated business environment which killed the scope for competition among banks.

Banking segments in India have been booming of late due to high liquidity, changing demographic profiles, changing interest rates, and increasing demand for consumer finances. A brief scrutiny of the Indian banking industry would unearth the
reasons behind the current scenario governed by the Banking Regulation Act of India 1949. The Indian banking industry can be broadly classified into two major categories: Non-scheduled banks and Scheduled banks. Scheduled banks comprise of Commercial banks and the Co-operative banks. In terms of ownership, Commercial banks are further grouped into nationalised banks, the State Bank of India and its group banks, Regional Rural Banks and private sector banks.

The first phase of financial reforms resulted in the nationalization of 14 major banks in 1969 and a shift from class banking to mass banking. This in turn resulted in a significant coverage of banks. Every bank had to earmark a minimum percentage of their loan portfolio for sectors identified as priority sectors. The manufacturing sector also grew during the 1970’s in a protected environment and the banking sector was a critical source. The next wave of reforms saw the nationalization of 6 more commercial banks in 1980. Since then, the number of scheduled commercial banks increased four-fold and the number of bank branches increased eight-fold.

After the second phase of financial sector reforms and liberalization of the sector in early 1990’s, the public sector banks found it extremely difficult to compete with the new private sector banks and the foreign banks. The new private sector banks first made their appearance after the guidelines permitting them were issued in January 1993. The private players however, cannot match the PSBs great reach, great size and access to low cost deposit. Therefore, one of the means for them to combat the PSBs has been through the merger and acquisition route. Over the last few years, the industry has witnessed several such instances. Private sector banks have
pioneered in internet banking, phone banking, anywhere banking, mobile banking, debit cards, ATM and combined various other services. Meanwhile, the economic and corporate sector slowdown has led to an increasing number of banks focusing on the retail segments. They are up against each other in grabbing the better pie in the field of Housing Finance, Auto Finance, Consumer Durable Loans, Educational Loans, other Personal Loans, Credit Cards and various retail transactions. Many of them are also entering the new vistas of insurance as well. In fact, today banks have become ‘Departmental stores of Finance’ offering a variety of services to meet the ever increasing demands of customers.

Customer service is concerned with the building of bonds with the customers. Customer service is an activity which provides time and place utilities for the customer and which also involves pre-transaction consideration relating to the exchange process with the customer. The success of any bank depends largely on the range of quality services rendered to the customers.

Today, all banks basically offer the same types of services, and facilities to the customers. The banker who wants to compete with others has to depend more on the efficient services and coordinate relationship with his customers. The only factor that distinguishes one bank’s service from the other is the “Customer service” rendered by the bank. It is the most important factor that influences the customer choices of the bank. The success of banking generally depends on the customer services.
Recognition of service quality as a competitive weapon is relatively a recent phenomenon in the Indian banking sector. The need of the hour in the Indian banking sector is to build up competitiveness through enhanced service quality, thus making the banks more market oriented and provide more loans to the customers as they want to improve their standard of living. Prior to the liberalization era, banking sector in India was operating in a protected environment and was dominated by nationalised banks. Banks at that time did not feel the need to pay attention to service quality issues and they assigned very low priority to identification and satisfaction of customer needs.

The Indian banking sectors has responded to these needs and are paying more attention to improve service quality. The field of banking was dominated by large public sector banks till the 1990s. The liberalization policy of the Government of India permitted entry to foreign and private banks in the banking industry, leading to increased competition; Public sector banks are facing increasingly more competition, whereas foreign and private sector banks are trying to win customers’ loyalty, commitment and trust by providing them better quality services. Service quality has become a competitive strategy in the Indian banking sector. Hence, it becomes a necessity to explore service quality and its effect on customer loyalty, commitment and trust in public and private sector banks.

1.2 STATEMENT OF THE PROBLEM
Designing services to suit the requirements of customers necessitates tailoring bank services to what the customers want, rather than making them helplessly accept whatever banks can conveniently provide. Mere designing a service will not bring magic unless it is backed by good delivery, since bad delivery of a perfectly designed service is as disastrous as perfect delivery a badly conceived service. Above all, there is an imperative need to access how customers perceive bank services. This is so because what is a good customer service today may become an indifferent service tomorrow and bad service the next day.

Again, there is a general consensus that the quality of service presently rendered by banks needs, and is capable of vast improvement. In fact, public expectations have been constantly increasing and with the growing public awareness, dissatisfaction over the quality of service being rendered by banks has assumed growing expression.

Moreover, deregulation of services and the applications of new technologies are presenting considerable challenge to banking companies both private and public and this challenge has to be addressed through new approaches. While in private sector banks, technological revolution has taken place quickly that they are able to offer quality services at reasonable cost. On the other hand, the public sector banks seem to adopt it in a phased manner. Hence, there is a need to analyse and assess the quality of service rendered in a private sector bank vis-a-vis public sector bank.
Again, the single most significant factor having a vital bearing on the quality of customer service in banks is employee motivation, which is influenced by and, in turn, it influences employee attitudes. No doubt employee motivation differs from bank to bank particularly from private sector to public sector banks. At present, it is a necessity for the banker to identify these attitudes and their influence on service quality perception.

Further, the systems and procedures are vehicles for delivery of customer satisfying services. In this context, it is vital to study to what extent the systems and procedures are reoriented in the customer’s interest in the changed technological environment in private and public sector banks.

In view of the above facts, it is imperative to undertake this study and to assess how customers perceive bank services in public sector banks when compared with the private sector banks.

1.3 SCOPE OF THE STUDY

Virudhunagar district has 20 public sector banks and 10 private sector banks. There are 4 branches of the Pandian Grama Bank, 2 branches of Virudhunagar Central Co-operative Bank, 3 branches of the Land Development Bank, 5 branches of the Urban Co-operative Bank, one branch of the Tamil Nadu Industrial Corporation and the Rural Employment Promoter Corporation.

A study of this nature required the selection of a suitable place for which the Virudhunagar district was selected as a study area. It is so because it is the biggest
trading centre where there is a heavy concentration of banks. Moreover, the researcher belongs to this area. Though many branches are functioning in Virudhunagar District, the State Bank of India and Tamilnad Mercantile Bank were selected purposely since they are the biggest ones under public and private sector category respectively.

1.4 OBJECTIVES OF THE STUDY

The specific objectives of the study are:

1. To discuss the relevant dimensions of service quality in the selected public sector and private sector banks.

2. To analyse and compare the perceptions of the customers regarding service quality of selected banks.

3. To examine the relationship between demographic variables and levels of perception and to analyse the service quality gap.

4. To measure and compare the perceptions of service quality of bank officials in the selected public sector and private sector banks.

5. To examine the correlation between the service quality perceptions of bank officials and their behaviour variables such as work motivation, job satisfaction and organisational commitment.

6. To make a comparison of service quality perceptions of bank officials and customers.
1.5 HYPOTHESES

The following hypotheses were framed by the researcher:

1. There is no significant relationship between the age of customers and the perception of service quality in both Public and Private banks.

2. There is no significant relationship between sex of the customers and the perception of service quality in both Public and Private banks.

3. There is no significant relationship between education of the customers and the perception of service quality in both Public and Private banks.

4. There is no significant relationship between occupation of the customers and the perception of service quality in both Public and Private banks.

5. There is a close relationship between service quality perception and organizational commitment of bank officials in both Public and Private banks.

6. There is a close relationship between service quality perception and job satisfaction of bank officials in both Public and Private banks.

7. There is a close relationship between service quality perception and work motivation of bank officials in both Public and Private banks.

1.6 METHODOLOGY

The study is an empirical study based on survey method. Both primary and secondary data have been used in this study. Primary data have been collected from both the bank officials and the customers from the selected public sector and private
sector banks in Virudhunagar district. Secondary data have been obtained from the records and annual reports of the selected banks.

1.6.1 Research Instrument

The service quality (SERVQUAL), measuring instrument developed by Parasuraman et.al (1988), was adopted and used for the present study. It was pre-tested among a number of customers and all its dimensions were felt important. A number of other industry specific empirical studies- have been conducted using SERVQUAL model which includes some mostly cited studies carried out in car retailing (Carman 1990), travel and tourism (Fick and Ritchie 1991), hospitality (Saleh and Ryan 1991) Banks (Lewis; 1991), Lassar et.al., 2000, Angur et.al 1999, Blanchard et.al 1994) medical services (Brown and Swartz 1989). SERVQUAL was, therefore, chosen as an ideal instrument for studying service quality perception in banks.

1.6.2 Sample Design

For the purpose of primary data collection, two banks are selected i.e., one from public sector namely State Bank of India (SBI) and another from private sector namely Tamilnad Mercantile Bank (TMB) the largest public and private sector banks in Virudhunagar district. These banks were selected for the present study keeping in view their role and involvement in shaping the economic destiny and in instrumentalising the process of social and economic transformation in Virudhunagar district, specifically, in terms of advancing credit and deposits, employee strength and branch net work, they stand at the top in the study region.
There were 16 branches of SBI and 12 branches of TMB functioning in Virudhunagar District. There were 484 employees working in both the public sector and private sector banks under the study area. For the purpose of primary data collection, 300 employees, 150 each from public and private sector banks were selected on the basis of stratified proportionate non random sampling method. The location of the branches of SBI and TMB in Virudhunagar District and the number of sample employees selected from each bank are given in Table 1.1 and 1.2 respectively.

For the purpose of analysis, the sample respondents were post-stratified into officers and clerks. Out of the 150 respondents from public sector banks, 16 (10.67 per cent) come under the category of officers and the remaining 134 (89.33 per cent) fell under the category of clerks. In the private sector banks, out of the 150 respondents, 12 (8.00 per cent) were officers and 138 (92.00 percent) were clerks.
<table>
<thead>
<tr>
<th>Name of Taluks</th>
<th>Location of SBI branches</th>
<th>Total Number of Employees</th>
<th>Sample Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virudhunagar</td>
<td>i) SBI Virudhunagar Branch (Madurai Road)</td>
<td>35</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>ii) SBI Virudhunagar Branch</td>
<td>24</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>SBI Arruppukottai Branch</td>
<td>20</td>
<td>10</td>
</tr>
<tr>
<td>Arruppukottai</td>
<td>i) SBI Kariyapatti Branch</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>ii) SBI Mallankinaru Branch</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>iii) SBI Nallur Branch</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Kariyapatti</td>
<td>SBI Tiruchuli branch</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Tiruchuli</td>
<td>i) SBI Sattur Branch</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>ii) SBI Elayirampannai Branch</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Sattur</td>
<td>i) SBI Sivakasi Town Branch</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>ii) SBI Sivakasi Main Branch</td>
<td>52</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>iii) SBI Thiruthangal Branch</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Sivakasi</td>
<td>i) SBI Srivilliputhur Branch</td>
<td>27</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>ii) SBI Mamsapuram Branch</td>
<td>52</td>
<td>25</td>
</tr>
<tr>
<td>Srivilliputhur</td>
<td>SBI Rajapalayam</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Rajapalayam</td>
<td>24</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>----</td>
<td>----</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>313</strong></td>
<td><strong>150</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Lead Bank, Indian Overseas Bank, Virudhunagar, 2009
TABLE 1.2

LIST OF LOCATION OF BRANCHES AND THE NUMBER OF SAMPLE EMPLOYEES FROM TMB (PRIVATE SECTOR BANK) IN VIRUDHUNAGAR DISTRICT

<table>
<thead>
<tr>
<th>Name of Taluks</th>
<th>Location of TMB Branches</th>
<th>Total Number of Employees</th>
<th>Sample Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virudhunagar</td>
<td>i) TMB Virudhunagar Branch (Madurai Road)</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>ii) TMB Vadamalaikuruchi Branch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>i) TMB Arrupukottai Branch</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>ii) TMB Kallurani Branch</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Arrupukottai</td>
<td>i) TMB Sattur Branch</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>ii) TMB Elayirampannai Branch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Sattur</td>
<td>i) TMB Sivakasi Main Branch</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>ii) TMB Sivakasi AJ College Branch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>iii) TMB Thiruthangal Branch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Sivakasi</td>
<td>i) TMB Rajapalayam Branch</td>
<td>24</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>ii) TMB Muhavoor Branch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>iii) TMB Chatrapatti Branch</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Rajapalayam</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since the number of customers is infinite and by way of giving due weightage, the customers are selected on the basis of the ratio of the number of branches of SBI and TMB in all the taluks in Virudhunagar District.

For SBI, the numbers of customers were selected in the ratio of 2:1:3:1:2:3:3:1 for the taluks Virudhunagar, Arruppukottai, Kariyapatti, Tiruchuli, Sattur, Sivakasi, Srivilliputhur and Rajapalayam respectively.

For TMB, the numbers of customers were selected in the ratio of 2:2:2: 3:3 for the taluks Virudhunagar, Arruppukottai, Sattur, Sivakasi, and Rajapalayam respectively.

For this, the researcher has used convenient sampling method.

1.6.3 Collection of Data

Before undertaking the main survey, a tentative schedule was prepared separately for the bank officials and customers and administered to 50 officials and customers (25 each) in order to test the validity of the interview schedule. It facilitated the removal of the non-response and unwarranted questions and the modified final schedule was prepared on this basis.
The selected respondents were contacted in person and the objectives of the study were clearly explained to them and their co-operation was ensured. The details regarding the principal demographic characteristics like age, level of education, level of income, profession and geographic location of the bank were taken into consideration. All these characteristics have an important bearing upon bank customers’ evaluation of service quality. In the same way 300 bank officials (employees in varied pay scales) of the sample organisations, were approached by the scholar to fill up the SERVQUAL instrument with a view to measuring the perceptions about the quality of service they are delivering to their respective customers.

1.7 PERIOD OF STUDY

The field survey was conducted from October 2009 to July 2010 for the collection of primary data. The reference period of survey was 2009-10.

1.8 TOOLS OF ANALYSIS

In order to measure the level of service quality, respondents (bank officials and bank customers) were asked to give their opinion about the level of quality of service delivered/received on a seven point Likert-scale (ranging from one indicating strongly disagree to seven indicating strongly agree).

Perceptions were measured on a seven point ‘strongly disagree’ to ‘strongly agree’ scale. In order to analyse and compare the perception levels of different public sector banks and consistency in perception mean score, standard deviation and coefficient of variations were computed from total service quality score of customers.
The level of perception has been classified into three namely high level, medium and low level perceptions with regards to service quality. For this arithematic mean (\( \bar{X} \)) of total service quality score (including all 5 dimensions) and standard deviation (SD) of the score values were computed separately for each bank, while the score values > (\( \bar{X} + SD \)) have been classified as high level perception, the score values < (\( \bar{X} - SD \)) indicate low level perception and the score values between (X-SD) and (X+SD) have been classified as medium level perception.

The descriptive statistics mean, standard deviation and co-efficient variations were computed to examine the consistency in perception.

The chi-square test has been used to test the relationship between the demographic variables and levels of service quality perception.

In order to examine the association between the demographic characteristics of the customers and the level of perceptions, the Chi-Square test\(^2\) of the following formula has been applied.

\[
\chi^2 = \sum \frac{(O-E)^2}{E} \text{ with (c-1)(r-1) degrees of freedom.}
\]

Where

\(O\) – Observed frequency

\(E\) – Expected frequency

Row total x Column total

\[
E = \frac{\text{Row total \times Column total}}{\text{Subtotal}}
\]
In order to measure service quality gap, two alternative measures of service quality are used in this study. Respondents were asked to indicate their degree of agreement for the 22 expectation and performance statements based on their assessments of the service provided by both public and private sector banks. A seven-point rating scale has been used to measure expectation and perception in which the alternatives ranged from strongly agree to strongly disagree. The service quality gap is described by the following equation:

\[ SQ = E_{jk} - P_{jk} \]

Where

- \( SQ \) - Service Quality Gap
- \( P_{jk} \) - Perception service dimensions \( j \) for respondent \( k \) (score value)
- \( E_{jk} \) - Expectation of service dimension (score value)

Zero-order correlation has been measured to examine the relationship between officials and behavior variables namely work motivation, job satisfaction and organizational commitment.
In order to examine the relationship between the dimension of service quality management of bank officials and customers, t-test has been applied to test the differences in perception.

1.9 OPERATIONAL DEFINITION OF CONCEPTS

1.9.1 Service

“A service is an activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of any thing. Its production may or may not be tied to a physical product” - Kotler and Armstrong (1991)^2.

“Services are activities, benefits or satisfaction which are offered for sale or provided in connection with sale of goods” - The American Marketing Association.

1.9.2 Quality

The concept of quality seems to refer to several diverse areas, namely, quality of the output, quality of the process, quality of the delivery system and quality as a general philosophy of the organization.

Quality of the service is high only when the services rendered meet their expectations^3.

1.9.3 Service Quality

Service quality as “the outcome of an evaluation process, where the customers compare their expectations with the service they have received” - Parasuraman et al. (1985).
Service quality is determined to the differences between customers’ expectations of the service and their perceptions of the service experience. Parasuraman et.al(1988)\(^4\).

1.9.4 Perception

Perception is the process of receiving, selecting, organizing, interpreting, checking and reacting to sensory stimuli or data.

Perception is the process of becoming aware of situations, of adding meaningful associations to sensations - B.V on Haller Gilmer\(^5\).

1.9.5 Perceived Quality

Perceived quality as ‘the consumers’ judgement about an entity’s overall excellence or superiority’ which can be distinct from ‘objective’ quality in as much as it is a form of attitude, related in part to satisfaction, and resulting from a comparison of expectations with perceptions of performance. - Zeithaml (1987)\(^6\).

1.10 LIMITATIONS OF THE STUDY

The present study is subject to the following limitations:

1. The opinion have been collected from the sample employees of the private and public sector banks in Virudhunagar district. They may differ from those of other employees.
2. The study has been conducted only in Virudhunagar district. Other districts have not been covered due to several barriers.

3. A few respondents might not have given the facts at the interview. Therefore, the results may be misleading to some extent.
1.11 SCHEME OF CHAPTERISATION

The present study has been divided into eight chapters as follows:

Chapter I covers the Introduction, statement of the problem, objectives of the study, hypotheses, methodology, and chapter scheme of work undertaken.

Chapter II focuses on the profile of the study area.

Chapter III deals with the Review of related literature

Chapter IV analyses the service quality management in banks- an overview

Chapter V analyses the perceptions of customers towards service quality in public and private sector banks.

Chapter VI discusses the perceptions of bank officials towards service quality in public and private sector banks.

Chapter VII deals with service quality perceptions in the selected public and private sector banks – a comparative analysis.

Chapter VIII exhibits the summary of findings, suggestions based on the objectives of the study, conclusion and scope for future research.
REFERENCES


3. Ibid.,

4. Ibid.,

5. Ibid.,


2.1. INTRODUCTION

In this part an attempt had been made to describe the profile of Virudhunagar district in terms of Jurisdiction, geographical location, population and literacy level, trade and commerce, transport and communication, post and telegraphs, education, health, research organizations and research schemes, important industries, export and import commodities and list of Public and Private sector banks available. Also a brief profile of Virudhunagar, Sivakasi, Sattur, Srivilliputhur, Rajapalayam, Kariyapatti, Thiruchuli and Arrupukottai taluks and the profile of the study units are given in this part.