1.1 INTRODUCTION

The banking sector is one of the biggest service sectors in India and nowadays is in a way to attract the biggest market of Asia in investment. The banking sector today is focusing on how to provide efficient services to its customers. The Indian Banking System consisting of various public and private sector financial institutions whose objective is serving the people for their financial and economic needs. At the time of independence, Indian banking system was not sound. The strengthening of the banking system took place after the establishment of the Reserve Bank of India in 1935 as it was empowered to regulate banking by issue of directive, inspection, mergers, amalgamation etc. In 1949 two major actions were taken which were very important from the point of view of structural reforms in banking sector. First, the Banking Regulation Act was passed. It gave extensive regulatory powers to Reserve Bank of India (RBI) over the commercial banks. On 19th July, 1969, Fourteen major Indian commercial bank were nationalized and on 15th April. 1980, Six more were added on to constitute the public
sector banks. After nationalization these banks started rendering various types of functions by assuming social responsibilities. Through these banks, the government tried to implement various welfare schemes. These banks occupy a pivotal place in the Indian Banking system. Before 1991 there was little competition in the banking sector. The public sector banks dominating the banking industry in terms of size of assets. The government has now recognized the need to make banking industry more competitive. It has thus made certain policy changes such as deregulation of interest rates and dilution of consortium lending requirement. Moreover, banking has been opened up to the private sector. As a result, new private sector Banks have been set up, old private sector Banks have expanded their operations and more foreign sector banks have entered the Indian banking industry. This has promoted competition and has helped in increasing efficiency. Now–a-days banks have become cornerstones of our economy for several reasons. They transfer risk, provide liquidity, facilitate both major and minor transactions and provide financial information for both individuals and businesses.

Banking system plays an important role in growth of economy. The banking sector is the lifeline of any modern economy. It is one of the important pillars of financial system, which plays a vital role in the success or failure of an economy. It is a well known fact that banks are one of the oldest financial intermediaries in the financial system. They play a crucial role in the mobilization of deposits from the disbursement of credit to various sectors of the economy. The banking system reflects the economic health of the country. The strength of the economy of any country basically
hinges on the strength and efficiency of its financial system, which in turn depends on a sound and solvent banking system. Banking Sector performs three primary functions in the economy viz., the operation of the payment system, the mobilization of savings and the allocation of savings to investment products\(^1\).

Banking industry had changed its faces after reforms process. The Government had considered this sector as a basic priority and this service sector had been modified according to the needs of the present day. Banking sector reforms in India had striven to increase efficiency and profitability of the banking institutions as well as it had brought the existing banking institutions face to face with international competition in the globalization process. Banks differ from each other in terms of operations, efficiency, productivity, profitability and credit efficiency. Banking sector is an important constituent of the financial system of the country. In India the banking sector plays a vital role through promoting business in urban as well as rural areas in recent years. Without a sound and effective banking system, India cannot be considered as a healthy economy.

1.2 SIGNIFICANCE OF CUSTOMER SERVICE

Service industry had been the most important aspect of modern life. In a service industry like banking, customers would continue to be the principal factor. Services

would be one of the factors for improving profitability. Customer service is complex in nature, dynamic in action and approach. Banking is essentially a high contact service industry and there is a close interaction between service provider and customers in the traditional banking scenario.

Banking is a personalized service-oriented industry and hence should provide service that satisfies the needs of the customers. It involves anticipating, identifying, reciprocating, satisfying the customers’ needs and wants effectively, efficiently and profitably. To provide an effective service, a banker has to understand the customers’ socio-economic and cultural background. In the competitive environment, the main challenge before the banks is to retain loyal customers and attract new customers. It has been well acknowledged that the cost of retaining a customer is just one tenth the cost of acquiring a new one. Hence in recent times, the provision of good and quality service to customers had become one of the focal points in the service agenda of banks. It is only of the services provided that could help the banks to attract more and more of customers in a competitive banking environment.

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Customer service is a series of activities designed to enhance the level of customer satisfaction-viz., the feeling that a product or service has met the customer’s expectation. The bank strongly believes that customer service will be the most important factor in maintaining and improving its leadership in India’s banking industry\(^6\).

Customer service had become so vital and significant to consider especially in the banking sector whether locally or globally. Customers are the heart of every successful business and therefore businesses need to concentrate more on customers than ever.

During the past decade, the financial sector had undergone major changes mainly through the financial sector structural adjustment programme as part of the economic recovery programme. Moreover, globalization, mergers and acquisitions and the emergence of new technologies had contributed dramatically to stiffer competition and pressures on profitability. In such a competitive marketplace, attracting profitable customers is a priority of all the financial institutions’ especially banks. Besides, the service providers viz., the banks are also profit-seeking institutions that must provide acceptable return to shareholders.

The banking industry had come under intense competition during the past fifteen years. This was due partly to the emergence of new entrants into the industry both local and foreign. High service quality is therefore required to differentiate offerings in the

market place. Good customer service can only be defined by the experience of the bank customers\(^7\).

The bank staff members manning points of interface with the customers are expected to be fully conversant with the products and services they handle so as to be able to answer any query from customers in a professional manner. They provide the brochures/pamphlets on these products/services to the customers to assist them in making informed decisions\(^8\).

Banking organization can never be justified in discharging their duties to the fullest extent unless they give due importance to their organization’s performance as a whole. Their excellence in performance and rational behavior is essential for rendering good service to their customers. The success of bank depends largely on the range of services rendered to the customers.

A successful banker should know his customer well because the customers are helpful for the success of his business. It has rightly been said, “Know the customer, they are the payments”, Customers should be recognized and treated in the most amiable manner. The future of banking business very much depends upon the cordial treatment meted out to customers. The future of banking business very much depends upon the


\(^8\) Gomathi, V. “Customer Relationship Management with Special Reference to Banking Sector”, Kisan World, October 2007, P.36.
ability of the banks to develop close relationship with the customers. In order to develop close relationship with the customer, the banking industry has to focus on the technology oriented innovations that offer convenience to the customers\(^9\).

1.3 STATEMENT OF THE PROBLEM

The economic performance of a country is measured in terms of its sectoral contribution. In recent times there has been a growing service sector worldwide and in the Indian context also this sector is gaining momentum in the various service industries that come under the ambit of service sector. In this regard, the contribution of financial sector is one among the highest. This indicates the growing demand for the services of banking and insurance sectors. This is due to the effect of the financial sector reforms which had resulted in the growing competition among the banks including public sector banks.

In order to survive in the fierce competition faced by the domestic banks due to the entry of international players’ rapid innovation and introduction of new financial instruments, understanding enhancing customer’s needs and extensive use of information technology have become essential. However with the availability of similar technology among almost all the banks, it is felt that it is only through the provision of still better services to its customers, a bank can survive in the market. Customer service is a philosophy that affirms the professional commitment which believes in the ultimate

\(^9\) Ibid.
satisfaction of customers’ wants. The above statement clearly indicates that customer service is beyond spot transactions.

Customers are not homogeneous in their behavioral pattern, attitude, needs and expectations. The human perception changes from person to person and also from time to time. This change in the perception of a customer makes the job of satisfying him more challenging. In the deregulated, competitive and ever demanding customers’ market retaining the existing customer and attracting new customer is very important. Customer acceptance and customer preference to banks play an important role in the success of their functioning. Public sector banks’ profit and growth are stimulated primarily by customer loyalty. For the public sector banks in order to survive in the fierce competitive business, an understanding of the service gap and the level of perception of their services is essential. With the availability of similar products and technology among almost all the banks, it is realized that only through the provision of better services to their customers, public sector banks can survive in the market. Hence there is an imperative need for public sector banks to identify their ability to satisfy the service requirements as per their customer’s expectations. Segmenting the industry into different strategic groups, extensive use of information technology, introduction of new and innovative products and services and positioning public sector banks according to the customer mind set can help the public sector banks to restructure their policy choice to compete in this dynamic business environment. In the era of cut throat competition the survival of any banks depends upon the satisfied customers. Customer satisfaction is the state of mind that
consumers have about a bank when their expectations have been met or exceeded over the life time of the service different people may have different expectations based on their prior experience, personal needs and what other people told them. As perceptions are always considered relative to expectations and expectations are dynamic, perceptions may also shift over time from person to person. What is considered quality service or the things that satisfy customer today may be different tomorrow, same is in banking industry. Understanding of the customer’s expectations and their perceptions about a particular bank can be the game changer. So the topic had been chosen for analyzing the customer services rendered by public sector banks in Theni District.

1.4 REVIEW OF LITERATURE

There are a number of studies which have been undertaken previously to study the attitudes of the customers of public sector banks. A few of them are discussed in the following pages in order to widen the comprehension of the topic under study.

Uma. S., in her study had identified the various regulations relating to customer services. She had also observed customer satisfaction on services rendered by banks. She had concluded that banks should meet the growing needs of the customers in the

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competitive environment and should bring about total customer satisfaction by rendering quality service.

Ananthanarayanan. J., in his thesis had concluded that courtesy, speed punctuality and accuracy were the most important variables in retaining customers. He also suggested “relationship banking” to bankers for bringing in customers satisfaction to customer delight. According to him customer contests and customer suggestions were good promotional tools in selling products.”

Biff Motley. L had stated that customer satisfaction and customer services were related terms but not the same. If a great deal of money and time were spent in improving customer service with little or no positive impact on customer satisfaction, the expenditure would be wasteful. The author had emphasized that the outcome of such expenses should be to bring to the customer a strategy satisfaction. Customer service should be very well thought out, based on a detailed understanding of what customers expect. It is to be supported with great resources and management attention. They were usually successful because they were very well focused often. Such strategies were risk prone because they involved changes.


According to Gupta\textsuperscript{14} all customers expected the bankers to be polite, courteous, helpful and understanding. They also expected to be treated as important individuals and would be satisfied if prompt, accurate and speedy attention was given to their work and banking problems. He concluded that customer services were made up of several aspects like technicality, efficiency, advisory, and behavior after sales service and customers’ amenities.

Arvind Brahme\textsuperscript{15} in his study demonstrated that customer complaint was an universal phenomenon, and the banking industry was no exception. The handling of complaints was the core activity for the bank’s successful development. He found that 68 percent of the customers were lost due to shortcomings in customer service. He had concluded that there was need for awareness and positive attitude among the staff to win the customer and to curb growing complaints.

Parameswaran, R., and Natarajan, S.,\textsuperscript{16} had classified the commercial banks and functions of commercial banks like deposit function, advance function, investment function, dealing foreign exchange, agency services and general utility services.

Avasthi, G and Meera Sharma\textsuperscript{17} had suggested that the potential new risk to customers are theft of cards, threat to privacy manipulation of security systems on the

\textsuperscript{14} Gupta V.K. Marketing of Financial Services, Mohit Publishers, New Delhi, 2000, p.206.222.
internet with an intention to commit fraud, bankruptcy of the issue of e-money, large-scale breakdown of electronic systems and use of information generated by transactions without the customer’ consent.

Robert Hall\textsuperscript{18} had stated that the work force is the primary factor in influencing customer behavior. This trend is bound to be welcome on one hand by the customers and to improve the efficiency of performances by bank employees on the other. However the “command and control” approach of head quarters, acts as a potent demotivator for the front line work force.

Tulley\textsuperscript{19} in his study had observed that bank customers wanted a truly integrated relationship with their bankers. He conducted a gap analysis to identify the areas of customer relationship strategy that required greater focus. It was found that customers really wanted a banking relationship in which they were well understood, their needs were anticipated and their business was valued, no matter where or how they interacted with their financial institutions.

Papasolomou – Doukakis\textsuperscript{20} had claimed that the customer service is a means of differentiation in competitive markets. In that respect, it can serve as a means of acquiring competitive advantage and empower the position of a company within its industry. As far as it concerns the banks, they have to constantly try to retain their customers due to high costs related to marketing campaigns.

Shyam.G.L.\textsuperscript{21} had analyzed the expectation of customers, elements of customers service, rights of the customers, delays in counter transactions, measuring and managing customer service from the banks. Banks in India are realizing the significance of customer service not only for business expansion, but also for their survival. The customer is the focus in banking. He is both, an input and a resource in the service production process. Banking services have some distinct characteristics, unlike those of manufacturing or other industries.

Rawani, A.M and Gupta, M.P.\textsuperscript{22} had empirically studied to find out the role of Information Systems (IS) in public and private sector banks operating in India. It was concluded that IS played a supportive role in public sector banks, a strategic role in

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private and foreign sector banks and the future impact of IS does not vary significantly with the banking groups.

Musthaq A. Bhat and A.Gani\textsuperscript{23} in their study had stated that the customers are increasingly aware of alternatives and their expectations are rising. In retaining customers and developing long term relationship is very important. In view of this widespread belief an attempt has been made by them to study service quality in commercial banks. The results lead to the conclusion that the service quality of foreign banks is comparatively much better than that of Indian banks and suggested heavy investment by banks in tangibility dimension to improve the quality of service to the customer.

Pathrose P.P.\textsuperscript{24} had stated that ever escalating customer expectations coupled with wide spread deregulation and globalization initiatives and severe competitive forces in the banking sector have added new dimensions to the challenges confronting banks in the area of product design, delivery and pricing. He said that simply catching up with others is necessary to stay in the game but the winners will be those who have the ability to invent fundamentally new games.


Kishor Mundargi\textsuperscript{25} in his article “had pointed out that the most critical factor in the successful restructuring of the organizational structure will be the support extended by the employees for the change. Banking is a service industry where no tangible product is produced. The quality of the service provided to the customers will be determined by the timeliness, courtesy, responsiveness, and assurance for discharge of obligations in letter and spirit.

Expan Varghese M. and Gnash.\textsuperscript{26} had mainly focused on how to measure the speed in which commercial banks are rendering service to their customers in 13 different dimensions. The result obtained from this study suggests that there is no difference between the public sector banks and the private sector banks in the customers’ time consumed for transacting business with the bank. It is generally observed that bankers measure only action time and do not take into account the access time and queuing time which are critical to customers.

Batra. G.S.\textsuperscript{27} had discussed the changing dimensions of marketing of services in public sector and private sector banks in India after liberalization in 1990s.

Jamal and Kamal\textsuperscript{28} had stated that the level of satisfaction is always high when the customer is given minimum price and gets maximum of usage and profit. Dissatisfaction

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usually occurs when the pricing issues do not dovetail the needs of the customers. In banking industry also, the interest rates on loans and charges on the usage of online services such as ATM machines and the processing fee is a major bone of contention between the bank and its customers.

Ganesh and Varghese\textsuperscript{29} had analyzed that a good customer service in banks should have three basic tenets- courtesy, accuracy and speed.

Gupta, S.C.\textsuperscript{30} had stated that the entry of ATMs had changed the profile of front offices in bank branches. Customers no longer need to visit branches for their day to day banking transactions like cash deposits, withdrawals, cheque collection, balance enquiry etc. E-banking and Internet banking have opened new avenues in “convenience banking”. Internet banking has also led to reduction in transaction costs for banks to about a tenth of branch banking.

Prabhakaran, S.\textsuperscript{31} in his study had found the impact of the attributes on customer satisfaction or dissatisfaction levels. The association of attributes was used to study the relationship between presence and weightage of the attributes and their effects on the

\begin{thebibliography}{99}
\bibitem{30} Gupta, S.C, Chairman and Managing Director, Indian Overseas Bank, "Banking Industry vision 2010", IBA Committee, November 2003, p.24.
\end{thebibliography}
level of satisfaction on the customers. He had concluded that quality service alone will act as the winning edge in the highly competitive environment where there is not much product differential.

Anantha Bhaskar, P.V.\textsuperscript{32} in his article Customer Service in Banks points to the technology implementation, electronic banking through e-mail, tele-banking, mobile phone banking and wide network of the ATMs through channel migration process. All these factors will help to increase customer service. Ultimately banks should prove that they are providing essential service for the development of the country.

Ramesh et al\textsuperscript{33} had concluded that the banks in the days to come have to provide their broad-based service packages in the midst of stiff competition. To ensure their competitive edge in future, they will have to fight with rivals in terms of the quality of their customer services. Therefore, they were of the opinion that the strategic planning approach for designing an appropriate customer services, a detailed market research for exploring potential customers and potential services, a Total Quality Management (TQM) philosophy for improving the quality of services and an appropriate strategy for marketing the bank services, will go a long way in enabling the banks to be more relevant and operationally viable in future.

\textsuperscript{32} Anantha Bhaskar, P.V., “Customer Service In Banks” IBA Bulletin, op.cit.,P.13
Hasanbanu. S.\textsuperscript{34} had found that the rural customers do not have any idea as to how much time is required for any type of banking services. They are not aware for what purpose the loans are available and how they can be availed. Regulations and procedures of the banks and bankers are kept privy for themselves and they do not take interest in educating the customers.

Vinod Sharma\textsuperscript{35} had shown that in recent years, public sector banks had been experiencing a growth in profits but many drivers of profits are not sustainable in the long run. They should focus on key factors like diversified loan portfolio and higher share of non fund income in the total income which helps in sustainable profits in the long run. He had concluded that to maintain the growth in profitability and compete with private and foreign banks in the liberalized scenario, public sector banks should focus on reducing the cost of funds, improve efficiency in all operations and plug all the sources of revenue leakage

Aanathakrishnan. G.\textsuperscript{36} had dealt with some information regarding customer services such as proper orientation, greeting customers with a smile, knowledge about the products of the banks, helping tendency, listening to the customers, keeping the branch premises clean and others.

\textsuperscript{34} Hasanbanu, S., “Customer Services in Rural Banks,” IBA Bulletin, op. cit., p.21
Manoj\textsuperscript{37} had identified the general needs of customers from banking are financial security, quick service, convenience, attractive yield, low cost loan, personalised service, advice/ counselling, easy access, simple procedure, attractive package, friendly approach and variety of products. The different types of products available are deposits, loans and advances. The deposit schemes can be found on the basis of mode of deposit, mode of repayment, additional benefit, use of accumulated funds calculation, payment of interest and need for liquidity safety and growth.

Abdul Raheem\textsuperscript{38} had highlighted the areas in which public sector banks need to improve to survive in the competition posed by the new entrants in the banking sector. He had pointed out that the existing organizational structure and policies of public sector banks were ill equipped to meet the new objectives. He emphasized that the public sector banks should commit themselves to provide quality service to survive.

Shajahan, S.\textsuperscript{39} had analysed customer satisfaction on various models of banking service. He had concluded the study with 100 account holders of the ICICI bank in Chennai. The study revealed that internet banking had increased the level of satisfaction among bank customers. He had opined that internet literacy is the major factor underlying online banking penetration India.

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Narendrakumar and Mohankumar\textsuperscript{40} had analyzed the impact of computerization on customer service. They had concluded that computerization had brought improved customer service in bank branches. They also found that the increase in efficiency was higher in fully computerized bank branches.

Gopalakrishnan. S.\textsuperscript{41} had studied that banks were realizing that customer retention had become more crucial than acquiring new customers. Growing competition and technological innovations were creating awareness among customers whose expectations were growing day by day. Banks had no option but to address the needs of customers effectively to survive in the liberalized regime, Prompt and efficient customer service alone will edge the existing customers to continue and induce new customers to try the services preferred by the banks.

Sundar and Lakshmanan\textsuperscript{42} had identified the important requirements of customer care managements in banks. They were customer complaints management, knowledge update of bank staff, routine steps in complaint management, customer help desk, complaint audit, training of employees for additional change, institution of award for zero grievances, customer meet rewarding financial discipline brain storming session and computerization of banking operations.


Jean Michel had indicated that within the traditional banking environment, it is almost impossible to monitor and record data on second-by-second actions and interactions with the customers. Electronic environment allows internet banking providers to collect enormous amount of information about customer behavior during the whole process of service consumption and to collect their opinions and requirements in different forms. It concerns with an E-Service quality management frame work based on the customers requirement that would allow managing the quality of internet banking services, developing quality measurement system and so facilitating full control over service quality in electronic environment.

The need of the hour is customer service with perfect punctuality whole-hearted involvement, updated knowledge, almost sincerity, indefatigable team work and above all courteous talk to customers. Where these are provided profitability and excellence will automatically follow.

Customer service is in fact the perception of a customer regarding the services he gets from his bank. The human perception varies from individual to individual and within an individual from time to time. This change in perception of a customer of the services he gets makes the job of satisfying him at all time more challenging. It is therefore necessary for banks to continuously access and re-access how customers perceive the

44 Customer Services NO.45199 Canara Bank Head Office, Bangalore
45 Indravadan Aparmar op.cit.p.14
services. What the expectations of the emerging customers are and how they can be fulfilled to make customers happy.

Urbanization had caused the problem of time management which has led to major innovations such as Automated Teller Machine (ATM), tele banking single window concept, specialized NRI/SSI branches, personal banking, anytime banking, anywhere banking, electronic funds transfer, online terminals to customers, Society for World-Wide Inter-Bank Financial, tele communications [SWIFT], Bank net, Smart Card, shared payment network systems and the like which meet well the customers’ expectations and needs.

For improving customer services\textsuperscript{46} there should be a strategic plan, inclusive of marketing plan and putting in place facilitators like technology, structure, systems and manpower. Banks should strive to attain maximum efficiency by minimizing the idle time of the staff at the customers expense and waiting time for customers.

Customer satisfaction survey (CSS) is one of the methods of measuring the impact of customer services it secures customer loyalty and generates a superior long-time performance. Banking services have to be made more responsive to the needs of the public. In the present day context customer care and customer concern have become very important. The administration of banking services has a long way to go in earning the co-operation and support from present and prospective customers.

\textsuperscript{46} Indravadan Aparmar op. cit. p.15
Alagesan. K and Rajamohan. S⁴⁷ had highlighted that how ATM, tele-banking, e-mail, SBI Life, DEMAT Services, e-pay, drop-box facility, smart gold, STEPS(Science and Technology Excellent in Public Service) and on line services are employed by SBI. They called them as innovative schemes of SBI.

Sharad Kumar⁴⁸ had concluded that the banking sector should start emphasizing on its customer service part and should implement the concept of CRM in their Institutions.

According to Gopala Krishnan⁴⁹ in the modern competitive world, banks should find the needs of the customers and make them available at competitive prices without delay. Banks cannot continue with the old strategy of one cap for all the needs of different segments. They are to be addressed separately and appropriate schemes are to be introduced to remain in the market. There is a feeling among the customers that the banks are weather fair friends. It is for the banks to change the mind set of customers and infuse confidence in them that the banks are reliable long term partners. Only those who interact with the customers at regular intervals to find fulfilling their requirements can survive in this fiercely competitive world.

Parthasarathi, B.R.\textsuperscript{50} in his study had stated that there was always a certain level of expectations from the customers regarding the bank’s services. Also there are actual services rendered by the bank. There are GAPS between the two which always exist. The wider these gaps the more the customer dissatisfactions and resultant customer complaints about bad service. If the gap is very narrow, the client feels satisfied 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 gets is more important than what the bank thinks he needs and offers. Here again if gaps are there they will be customer irritants.

Pai, M.R.\textsuperscript{51} had studied the rights of depositors, modern banking products and services and card products and the continuous rapid changes. Products and services like ATM, credit cards, smart cards, demat accounts, and others have given the customers an opportunity for more instantaneous and accurate financial transactions. He had concluded that in the post- reforms period (which began in July 1991) there had been a welcome change in the mind-set of the bankers towards customer services. He had viewed that the RBI had taken significant institutional initiatives to enhance the quality of customer service.


Nalini Prava Tripathy\textsuperscript{52} had concluded that the banking industry in today’s scenario had transformed itself into a buyers’ market, where the customers had a choice to select one from many. This study had highlighted the facts of customer preferences for a bank. At present, the market has become competitive with many investment facilities made available by various banks. So, it had become the need of the hour for the PSBs to inculcate marketing orientation in their work culture. The bankers should educate their front-end staff on the need to meet the customer expectations which alone can build the reputation and image of the bank.

Alagesan, K.\textsuperscript{53} had found that the majority of the rural customers viewed that the bank sanctioned the personal loan, agricultural loan, mortgage loan and jewel loan within a week. The semi-urban respondents opined that the bank took between fifteen days to one month for sanctioning car loans, housing loans, festival loans, educational loans, trader’s service loan and other loans. The urban respondents reported that this bank sanctioned mortgage loan, car loan, festival loan, trader’s service loan and over draft between one week and fifteen days and the jewel loans were sanctioned within a day.


Jitendra Kumar Mishra and Manesh Jain\textsuperscript{54} had said that satisfaction of the customers is an invaluable asset for the modern organizations, providing unmatched competitive edge. It helps in building up long-term relationship as well as brand equity. The best approach to customer retention is to deliver sublime level of customer satisfaction which results in strong customer loyalty. Satisfaction being a judgement phenomenon, a product or service feature or the product or service itself, provides a pleasurable level of consumption related fulfilment and is dynamic in nature.

Purohit, H.C and Pathardikar.D.\textsuperscript{55} in their study had found that the perception of the customers may differ due to the behaviour of the individual employees of the bank. Almost all the services were rated by them as good by the respondents, except for loaning interest rate and mortgage facilities. There was a significant difference in the performance of reliability of service among the PSBs.

Abdul Kalam\textsuperscript{56} former President of India had suggested that public sector banks should help to improve the quality of life of the country’s population, more so to the 220 million who were below the poverty line. He had also suggested that the bank should be a

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\item \textsuperscript{54} Jitendra Kumar Mishra and Monesh Jain “Constituent Dimensions of Customer Satisfaction: A Study of Nationalized and Private Banks” Prajnan V01.XXX V.No.4 January-March .2007.
\item \textsuperscript{56} Ex-President of India, Dr.A.P.J.Abdulkalam, “Be Leader, Friend and Philosopher", Industrial Herald, September 2006, pp. 11-14.
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combine to be a source of fund and knowledge, a river of humane affection and the most trustworthy members of the family.

Revathi K\(^{57}\) had stated that the banks are development oriented. They are helpful for the economic development of the country. They have to guide the borrowers to grow and achieve prosperity.

According to Sudalaimuthu. S. and Lilly. J\(^{58}\) the demographic factors such as age, sex, educational qualification, occupation, marital status and income of the respondents had a direct impact on the customer’s perception of the services rendered by the banks and have a significant relationship with the respondent’s frequency of transaction and with the respondents opinion on e-banking services.

Bontis et.al\(^{59}\) had suggested that customer satisfaction enhances the reputation of the banks in the service environment. They have also felt that reputation partially mediates the relationship between satisfaction and loyalty, satisfaction and recommendation.

\(^{57}\) Revathi, K.,“Banks with new Approach”, Kisan world, May.2007, P.49.


Walsh and Beauty\textsuperscript{60}, had supported that service quality were strongly associated with the important outcome of variables such as customer satisfaction, loyalty, trust and word to mouth. They had adopted a multi-dimensional model across three service business types including banking.

Vinayagamoorthy\textsuperscript{61} had stated that the current trends were quite comfortable to the customers. But they posed threats and problem to banks. The information technology is invading the banking sector. Only banks, which used the right technology, could come out with success. Banks were required to “restructure”, re-invent and re-engineer themselves to meet the necessary performance improvement and get a competitive edge. Information technology has ushered in, an era which is transforming the entire functioning of banks.

Periasamy. P. and Balasubramani. J. V.\textsuperscript{62} had analyzed the customer awareness about the nature of service offered by banks and problems related to it. It is disheartening to witness the major problems faced by the sample respondents. They are undue favoritism to some clients,’ ‘lack of guidance about bank schemes and services and ‘too much dependence on superiors in clarifying doubts especially in advances section.


Senthilvelan. M. and Karthikeyan, K. had concluded that the new scheme provides an effective forum for customers to seek redressal of their common complaints against banks. In continuation of these customer friendly measures the Reserve Bank of India in its Annual Policy 2006, had announced setting up an independent Banking codes and Standards Board of India to ensure that a comprehensive code of conduct for fair treatment of customers is formulated by banks and adhered to.

Hungar. S.S. and Nancy H. Vaz in their article entitled, “had studied that the customer orientation is the attitude of a concern towards its business where in, it places prime emphasis or listening to the customer with a view to maximize their satisfaction with the concern and its products. He has studied SWOT analysis of public sector banks and had suggested that the technology helps in enhancing the relationship with the customers by offering guidance and easy access to the analyzed information about the customers.

Aruna Dhade observed that customer service provided by the PSBs changed after the entry of the private sector banks. Males pay more attention to the process time of transaction and availability of technology, while females pay more attention to customer

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services and easy accessibility. People in the age group of 18-29 were more concerned with the process time of transaction and technology, whereas people in the age group of 30-60 were more concerned with the process time of transaction and easy accessibility. Proximity to residence and delay in processing time can be reasons for shifting from the existing bank for a new one in the case of private bank customers. Proper customer care, number of years in business and easy accessibility were considered the important factors that influence a customer’s choice of a bank.

A study by Bhavani, O and Sandhya, K.V.N.\textsuperscript{66} revealed that during the busy hours customers were not attended to properly, it took a long time for transactions and maintaining low funds in ATMs. Most of the time SBIs ATMs were out of order and majority of the customers opined that the officials were not courteous towards customers.

Uppal, R. K. and Pooja\textsuperscript{67} in their study had stated that productivity and profitability can be increased by using e-banking. It had been observed that the performance of many private sector banks and foreign banks operating in India was better than that of PSBs. The main reason for this was the latest technology used by the former. It is seen that the customers of PSBs were slowly shifting towards private sector and foreign banks. The level of PSBs customer’s services and satisfaction was determined by


the branch location, design, variety of services, rates and charges, systems and procedures, attitudes and responses.

Magesh R\textsuperscript{68}, in his study had revealed that the banks seemed to have performed better in case of ‘responsiveness’, reliability’ and ‘empathy’ than in other dimensions. Poor scores on tangibles and assurance clearly showed how unimportant that the bank had considered infrastructural facilities. This aspect needed beefing up at a vast level. The study had suggested that though there was a considerable satisfaction level of service being offered, the organization had to keep abreast in an ever changing environment to be competent by identifying strengths and weakness pertaining to the dimension of service quality and by better allocation of resources to provide a still better service. The performance delivery with respect to the banks had to be buoyed up to leverage and improvise the level of service quality dimensions.

Bhat\textsuperscript{69} had stated that the State Bank of India was largely known as a bank with huge network of branches and the next step was to make it the first choice of customers. He had stated that SBI was the first choice for any customer, because of its intense desire to serve customers. The core competence for SBI should be capacity to serve”. He had also expressed that the bank had been making conscious efforts to see that it kept coming

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closer to customer in a variety of different ways. “We had an enormous range of products and service at multiple price-points, and have tried to tweak our processes to increase efficiency, productivity and user-friendliness”.

Bilal Afsar et al.\textsuperscript{70} had suggested that the managers should always consider the needs of the customers. The customers’ loyalty could be earned once their stated as well as unstated needs were fulfilled by the banks. It could be the current needs or the ones which could be desired in the future. The unstated needs could be the future needs of the customers. Managers should not only think of few basic needs of the customers. They should focus on providing extra facilities to their customers.

Ravichandran K. et al.\textsuperscript{71} had expressed the view that there was a high degree of concordance between the various items of servqual items which in turn spoke of service quality delivery of the banks. He was of the view that banks must attempt to reposition themselves by restructuring its service delivery system to enhance the survival features in the areas of the service quality. Servqual issues such as solving the customer problem, service delivery on time, quick response to customer requests, safe transactions, personal attention and understanding the needs of the customer are to be attended to by the banks.


Uma Sankar Mishra et.al had found out the reasons for customers’ satisfaction or dissatisfaction at business potentiality as evaluated by bankers. Comparing the private and public sector banks, it could be seen that all the private sector banks had found excellent locations from business point of view compared to the public sector banks. Getting high value customers or more business from the existing customers was being adopted as the major strategy by the public sector banks, which was not the case of private sector banks. For providing better service to customers, proper training should be imparted to the staff by the banks. The rate of vanishing customers was higher in case of urban large-sized public sector banks. The more competitive private sector banks were able to rope in new customers. Public sector banks invested and concentrated more on staff development. The private sector banks had attended to augmenting infrastructural aspect. Rigid policy of public sector banks fomented more the dissatisfaction among the customers while the private sector banks viewed that mostly the poor quality of service was the major cause of dissatisfaction

Ushad Subadar Agathee had assessed customers’ general expectation and perception towards the current performance of bankers in terms of their services offered. There was a huge gap for reliability and responsiveness which denoted that the customers were not satisfied with the willingness or readiness of employees to provide services.

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There was also a gap with the banks’ ability to perform the promised service in a timely manner with accuracy. However, high scores and lowest gaps were noted for tangibles, indicating that customers were generally satisfied with the banks’ structural facilities, equipment and the bearing of personnel. He had underscored the need for bankers to gear up customers’ service and quality improvement efforts towards components of reliability and responsiveness.

A news item reported in the New Indian Express\textsuperscript{74} was that majority of retail customers were satisfied with the country’s banking system and trust had increased after its’ astute handling of the global financial crisis in 2008. Unlike many other countries India was less affected by the crisis. A 75 per cent of the retail banking customers had said that their trust in the banking industry grew in 2010.“Indians had the highest level of trust and satisfaction in their banking industry. The credit crisis had minimal impact on customers’ confidence in the Indian banking industry.”

A news item reported in the New Indian Express\textsuperscript{75} that India is poised to become the third largest domestic banking sector by 2050 after China and the United States. China could overtake the US in terms of the size of their domestic banking sector around 2023. India’s rate of growth, by contrast was expected to overtake that of China’s in the long run. This is because it had more catch-up potential and its working-age population

\textsuperscript{74} Most Retail Customer Happy with Indian Banks: E&Y Survey,” The New Indian Express, April 11, 2011. p.12.

\textsuperscript{75} Indian to be 3rd Largest Banking Sector by 2050, The New Indian Express, June 7, 2011.p.12.
growth will be much stronger in the long-term. This was the result of a survey by Price water house Cooper, a leading global accounting and consulting and consultancy firm.

Rosaiah the Hon’ble Governor of Tamil Nadu\(^7^6\) had expected the view that banks played a significant role in the socio-economic development of the rural areas. They should emphasize more on providing job opportunities for women and youth.

According to a news item reported in the Business Line\(^7^7\) customer loyalty could help improve profitability of banks, and was important for Indian banks to outperform their peers going ahead. According to a survey conducted by McKinsey, though 95 per cent of Indian customers were satisfied, they were not loyal to their banks. About 33 per cent of satisfied customers were willing to switch banks. This was true for public, private and foreign banks. Indian customers had low level expectations and hence they were highly satisfied. Customer loyalty could help improve profitability two to three times. To meet the customers’ growing needs banks had to change technology, products, marketing and delivery channels, while managing both costs and revenue. Banks had to make profits and satisfy their customers.

\(^7^6\) K.Rosaiah, Governor of Tamil Nadu, "Banks Key to Economic Development of Village", The New Indian Express, October 16, 2011, p.4

\(^7^7\) Priya Nair, Special Correspondent, "Loyal Customer, Key to Higher Profits Business Line, December 4, 2010, p.21.
Valli Devasena\textsuperscript{78} had found that the age, educational qualification, occupation, marital status, residential status and monthly income influence the attitude of the customers towards the usages of service offered by the State Bank and gender was the only variable that does not influence the attitude of the customers to avail of the service of the State Bank of India

Jeyakumar, S. and Subbiah, A\textsuperscript{79} had stated that the electronic commerce and finance are growing rapidly in the country. New payments mechanisms designed to aid electronic finance have become routine. Predictions flourish about the capabilities of the information and communication technology to bring forth important tools for conducting electronic commerce and payments. E-Payments is a technology development of customer service in banking industry.

Nalini, V and Thanikodi .R.\textsuperscript{80} had stated that the banking had come a long way from the time of ledger cards and another manual filing system. SBI today has electronic system to handle their daily voluminous tasks of information, retrieval, storage and processing. It provides various facilities to its customers like electronic funds transfer for retail purchases, Automatic Teller Machines (ATMs), and automatic payroll deposit


\textsuperscript{79} Subbiah. A and Jeyakumar. S “E-Payment-Technology Development in Customer Service” Banking Finance Vol.XXV No.05 May 2012, p.5-8

and bill payments. The SBI business is now carried out with the help of IT tools. This had improved productivity and efficiency of banks. There is also an improvement in the services offered to their customers.

The news item reported in The Hindu\textsuperscript{81}, that the days when people felt uncomfortable walking into a bank branch were over. Now, banks took their services wherever there was a demand as the relationship between people and banks had transformed over the years.

Maya Basant Lohani, and Pooja Bhatia\textsuperscript{82}, had stated that in the modern marketing, customer satisfaction is of paramount importance. Their study reveals that there exists a small perceptual difference regarding overall service quality with the respective banks. The customers of the banks mostly look for the staffs of the banks for improving customer satisfaction while the banks had more concentration on the tangible factors like a computerization, physical facilities, etc., to attract the customer. The dimensions reliability, responsiveness and assurance were found to be the most vital and strategic determinants of service quality and customer satisfaction for both public and private sector banks. If banks want to sustain customers on a long-term basis, bankers should work towards cent per cent customer satisfaction that automatically foster customer’s delight.

Vasanthi, T. Gowri, D.\textsuperscript{83} had stated that the effect of modernization of banking industry provides lots of new features to enhance the existing service quality of the bankers.

Tripathy Swati and Josha\textsuperscript{84} had stated that the performance of the new generation banks across all the service quality dimensions is better than those of old generation banks.

Valarie A. Zeithaml et. al., in their study on customers hold different types of service expectations. They are:

- desired service, which reflects the customer wants
- adequate service, what customers are willing to accept: and
- expected service, what customers believe they are likely to get.

Service quality, viz., the customer’s perception of the service constituent of a product, is a critical determinant of customers’ satisfaction. In the case of a pure service, service quality may be the most critical determinant of satisfaction.

The authors were of the opinion that the service encounters or “moments of truth” are the building blocks for both satisfaction and quality. Service encounter is an


\textsuperscript{84} Tripathy Swati, “Awareness of Customers on Service Quality of Public Sector Banks in Varanasi”, Advance in Management Vol. 6(6) June 2013. pp.45-49.
opportunity to build perception of quality and satisfaction. So it is important to manage
the evidence of service in each and every encounter.

In service, quality is not the objective. To a certain extent it has to be perceived. Quality in
service is based on customer’s judgment of superiority on intangible
dimensions. Technical quality refers to the outcome while functional or process quality
refers to the quality of process through which the outcomes are transferred to the
customers. The authors had stated in their study that the bank should pay attention to
these dimensions of service quality and pay more attention to dimension of assurance and
empathy to increase loyalty to a company, willingness to pay, customer commitment and
customer trust.

Gayathri Balakrisnan. R had stated that the change is the only constant thing in
life and any change will evoke a feeling of insecurity and imminent threat of
apprehension. The present changes in the globalised economy and changes in the life
styles of customers can be very easily en cashed by the banks by providing good quality
services at the right time and at the right place. Service marketing is one such aspect
which can satisfy each and every human being in various aspects. Looking from various
angles it is seen that the banking service in India is not only a business like service, but
also a welfare oriented service. Development in banking business can be attributed for a
better healthy India in the new millennium.

85 Gayathribalakrishnan.R “Banking Finance, ”A Study on Customers’ Awareness about the Banking services”
So far the review of literature majority of the researchers did their research on customer satisfaction relating to the services rendered by commercial banks, information technology in banking challenges for regulators, establishing unique customer relationship using data warehousing, the role of employee development in customer relations, role of information system in banks, service quality in commercial banks, product development and marketing in banks, customer care management in banks, enhance internet banking service quality and quality function development approach, marketing of banking services by the state bank of India in Madurai region, an evaluation of customer service in state bank of India and study on customer perception towards service quality attributes of public and private sector banks. But, no one was carried out their Doctoral research in Customer Services rendered by public sector banks in Theni District. Hence, the researcher made an attempt to study the Customer Services rendered by public sector banks in Theni District.

1.5 SCOPE OF THE STUDY

The study covers the banking services provided by the public sector banks in Theni district. It does not cover any other districts of Tamil Nadu. The study was primarily undertaken from the viewpoint of bank customers. This study will be of use to banking industry, economic policy makers of the government, the academic community, researchers and the future scholars who may emerge from time to time.

1.6 OBJECTIVES

The study encompasses the following objectives.
To trace the origin and growth of public sector banks in India, and in Theni district.

To discuss the bank customers’ service.

To assess the socioeconomic conditions of respondents in Theni District.

To analyze the awareness of customers about banking services.

To analyze the relationship between perceived and desired levels of service quality in public sector banks and

To offer suitable suggestions on the basis of the findings of the study.

1.7 HYPOTheses

There is no significant difference in the perception score of variables among different groups based on gender, age, marital status, educations, employment status, type of family, size of family and income. In all these factors constitute eight hypotheses in similar tenor.

1.8 OPERATIONAL DEFINITIONS OF CONCEPTS

1.8.1 Customer

Every person who uses any of the services offered by a bank is a customer of the bank. According to the view expressed by Sir John Paget, “to be a customer, there must be some recognizable course or habit of dealing in the nature of regular banking business.” A customer is one who receives a product or service from an organization. So defined, a customer would include an account holder or his representatives, or a person
carrying on casual business transactions with a bank, or a person who on his own
initiative may come within the ambit banking fold.

1.8.2 Customer Service

It refers to the discharge of duties by the banks to satisfy the customers in respect
of the primary and all subsidiary services expected. Customer service is the provision of
service to customers before, during and after a purchase.

1.8.3 Customer Awareness

The knowledge of the customers regarding the various services offered by public
sector banks is known as customer awareness.

1.8.4 Bank Customer

Persons who keep accounts and carry on regular dealings are considered as
customers for the purpose of this study excluding companies, corporations, governments
and other organizations.

1.8.5 Perception

The particular interpretations given to objects observed or ideas generated or
otherwise brought to the customer’s attention through his senses.

1.8.6 Customer Perception

It is the level of a person felt state resulting from comparing a product’s visible
performance (or outcome) in relation to the person’s expectations of the “perception
level,” It is a function of the difference between performance and expectations
1.8.7 Service Quality

Service Quality is a judgmental issue relating to the difference between an individual’s expectation of a service and the actual service performed. Many definitions are presented to the concept of service quality. Phrases such as “meeting customers wants, when they want them at an acceptable cost” are well known explanations of the meaning of quality.

1.8.8 Public Sector Banks

The banks where majority of shares are owned by the government viz., the State Bank of India and its associates and nationalized banks constitute public sector banks.

1.8.9 Perceived Level

It is the existing level of service provided by banks. It is the customers view of the quality of service that public sector bank provides.

1.8.10 Desired Level

It is the anticipated level of service that a customer expects from a bank. It is the best form of service that a customer expects from a bank.

1.8.11 Servqual Model
To measures the service quality of the banks, the modified version of ‘SERVQUAL’ model suggested by Parasuraman et.al. was used. From the past literature various services related variables were identified which were broadly categorized under five broad dimensions which include: 1. Tangibility 2. Reliability 3. Responsiveness 4. Empathy 5. Assurance. These dimensions include the functional quality, outcome quality, technological quality and general utility services related dimensions. These five broad dimensions include the six individual instruments/factors each.

1.9 METHODOLOGY

The present study is based on both primary and secondary data. Primary data had been collected from the customers of public sector banks by sample survey through a structured interview schedule constructed for the purpose of the study. For the purpose of collecting primary data from the sample respondents, a pre-test was conducted among 40 customers to ascertain the effectiveness of the interview schedule. The questionnaire was modified on the basis of the pre-test and data were collected from the 400 sample customers. The secondary data had been collected from books, journals, newspapers, periodicals, reports, Internet and the like.

1.10 PERIOD OF THE STUDY

The study covers a period of ten years from 2003-2004 to 2012-2013.

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1.11 SAMPLING DESIGN

The study is entitled as “Customer Services Rendered by Public Sector Banks in Theni District”. There are eleven public sector banks functioning in the District. Out of which five public sector banks namely the State Bank of India, Canara Bank, Indian Bank, Indian Overseas Bank, and Central Bank of India were selected on the basis of they are having large number of branches in Theni district. Then four branches were chosen from each selected banks based on stratified random sampling method. On the whole twenty branches were selected from these banks. Then, twenty respondents were selected from each branch based on the convenient sampling method. The data had been collected from 400 respondents with the help of the interview schedule for the study.

1.12 FIELD WORK AND COLLECTION OF DATA

Field work for this study was carried out by the researcher himself. The researcher had used the interview schedule for collecting data from bank customers. After collecting the information through the interview schedule the data were verified and edited. A copy of the interview is scheduled is appended vide Appendix – A. The survey was conducted during the period from July to December 2012.

1.13 TOOLS OF ANALYSIS

The customer service of public sector banks of the study area had been analyzed on the basis of both secondary and primary data collected. In this study the following tools were used to analyze the data namely percentage analysis, Garrets Ranking,
Weighted Average Score, Chi-Square Test, Mean Value, Standard Deviation (σ), Coefficient of Variation, Rank Correlation Coefficient and ANOVA test.

1.13.1 Garrett’s Ranking Technique

The frequency of visit by the customer to the public sector banks (such as mega-size deposits, mega-size withdrawals, making complaints, getting loans/advances, access to locker, getting new information and others) was ranked with the help of Garret’s Ranking Technique using the following formula:\(^87\).

\[
\text{Percent Position} = \frac{100 \times (R_{ij} - 0.5)}{N_j}
\]

\(R_{ij}\) = Rank given for the \(i^{th}\) item by the \(j^{th}\) respondent

\(N_j\) = Total rank given by the \(j^{th}\) respondent.

1.12.2 Chi-Square Test

The chi-square test was applied to check the association between the socio-economic factors of the members and the extent of different characteristics.

The formula for the chi-square

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

Degrees of freedom \((r-1) (c-1)\)

\(^{87}\) Henry E Garret, statistics in psychology and education, Fetter and simans pvt., ltd., Bombay, 1969, p.329
E= \frac{\text{Row total} \times \text{column total}}{\text{Grand total}}

O= \text{Observed frequency}

E= \text{Expected frequency}

R= \text{Number of rows in a contingency table}

C= \text{Number of columns in a contingency table}

The computed $x^2$ value was compared with the table value at five per cent level of significance to draw conclusions. A null hypothesis was not accepted when the computed $x^2$ value was higher than the table value for a given degree of freedom and vice-versa.

The weighted average score had been used to study the analysis of awareness of customers’ services of public sector banks. The customer satisfaction of bank services had been analyzed through mean value($x$), standard deviation ($o$) and co-efficient of variation.

1.13.3 Rank Correlation Co-Efficient

To estimate the relationship between the perceived and desired levels of customer service quality the rank correlation co-efficient had been used. The logic behind using this technique is that it attempts to estimate whether there is a relationship between the perceived and desired levels of service quality.

1.13.4 Weighted Average Method
The Weighted Average score had been used to study the analysis of awareness of customers’ services.

1.13.5 Percentage Analysis

Percentages were calculated for the analysis of both primary and secondary data in this study.

Formula

\[
\text{Percentage} = \frac{\text{Individual Items} \times 100}{\text{Total}}
\]

1.13.6 Mean

For a data set mean the sum of the values divided by the number of values. The mean of a set of numbers \(x_1, x_2, \ldots, x_{11}\) is typically denoted by \(\bar{x}\), pronounced “x bar”. This mean is a type of arithmetic mean.

Formula

\[
\bar{X} = \frac{\sum X}{N}
\]

\(\sum x\) is Sum of all data valued

\(N\) is number of data item in respondents

\(N\) is number of data items in sample respondent

1.13.7 Standard Deviation
It is a measure of dispersion of a set of data from its mean. The more the data is spread apart, the higher is the deviation. Standard deviation is the square root of variance. Standard deviation is also known as historical volatility and is used by investors to gauge the amount of expected volatility.

\[ S = \sqrt{\frac{\sum x - X}{N}} \]

Where

- \( S \) = The Standard deviation of a sample
- \( \sum x \) = Sum of each value in the data set
- \( X \) = Mean of all values in the data set
- \( N \) = Number of values in the data set

### 1.13.8 Co-efficient of Variation

Another statistical tool namely, co-efficient of variation was used to study the service quality gap dimensions. The co-efficient of variation is calculated as:

**Formula**

\[
\text{Standard deviation} \times 100 \\
\text{Arithmetic Mean}
\]

If the co-efficient of variation is less, it means greater stability, more consistency, uniformity and homogeneity of growth and vice versa.

### 1.13.9 One way ANOVA
Trend is a technique used to compare means of two or more samples (using the F distribution). This technique can be used only for numerical data.

Formula

\[
\frac{\sum(y_{ij} - \bar{Y}_j)^2}{(n_j-1)} = s_j^2
\]

1.14 LIMITATIONS OF THE STUDY

The study pertains only to Theni district and hence generalization of the conclusions may be limited. It attempts to collect the views on customers services at the desired levels of service quality on public sector banks only. The time constraint was a limiting factor. However sufficient data for the study could be collected within the time frame. Information confidential in nature was not divulged by the bank officials for the study.

1.15 CHAPTER SCHEME

The report has been divided into seven chapters.

The First chapter deals with the introduction and statement of the problem, scope of the study, objectives of the study, review of literature, hypotheses, methodology, sampling design, data processing, and the tools used for analysis.

The Second Chapter covered Origin and Growth of Banking Sector in India and Theni District.

The Third Chapter discusses the Banks’ Customer Services.