INTRODUCTION

There has been a growing importance of service sector world wide. In the Indian context also, the introduction of New Economic Reforms in 1991 has made the service sector to gain momentum which was in line with the global trend. As a result, the share of service sector to GDP which constituted 45.35 per cent in 1991-92 has increased to reach 51.16 per cent in 1998-99 and further to 54.2 per cent in 2000-01. Between 2002-02 and 2003-04, the income from this sector has grown in real terms at the rate of 8.40 per cent. These stand as ample testimonies to the increasing importance of this sector.

Of the various components of service sector activities, the income from finance sector that includes banking and insurance stood at Rs.13,107 crores in 1991-92 and this increased to reach Rs.78,562 crores in the year 2001-02, registering a growth rate of 45.40 per cent which is next only to hotel and restaurant. During 2003-04, the banking and insurance sector has grown at the rate of 6.40 per cent which is one among the highest growth rates registered among the service sector. This indicates the growing demand for the services of banking and insurance sectors.
However, the growing demand for services of the banking industry, together with the increasing number of institutions in this sector due to the liberalized policy of the government, has resulted in the increasing competition among the banks that include the traditional public sector banks, private sector banks and foreign banks. This, in turn, has necessitated the diversification of their activities synchronizing with the concept of modern banking. Above all, it has also been realized that the major strategy of withstanding the stiff competition is not only to retain the old customers but also to attract new customers through provision of better services.

Hence, in recent times, provision of better and quality services to customers has become one of the focal points in the service agenda of banks. This is due to the realization that it is only the quality of the services provided that could help the banks to attract more and more of customers in a competitive banking environment.

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 importance of services sector worldwide and in the Indian context also this sector is gaining momentum. Of the various service industries that come under the ambit of service sector, 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 has resulted in the increased competition among the banks that include public sector, private sector and foreign 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 of changing customers’ needs and extensive use of information technology have all 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 better services to its customers, a bank can survive in the market. Hence, there is an imperative need for identifying their ability and resources to satisfy the service quality requirements as per their customers’ expectations. Segmenting the industry into different strategic groups and positioning themselves according to the consumers’ mindset can help the banks to restructure their policy choices to compete in this dynamic business environment. This necessitated the banks to utilize the existing resources, for delivering quality services to its customers and transforming their superior services to generate better financial performance.

However, the human perceptions change from time to time and from individual to individual. It is, therefore, necessary for banks to continuously assess and reassess how customers perceive the various services, what are the new and
emerging customer expectations and how best they can be satisfied on an ongoing basis. This requires a continuous and consistent analysis and assessment of the customers’ preferences. The present study attempts to analyze the customers’ perceived and desired levels of service quality and the resultant service quality gap of the selected public and private sector banks in Dindigul District.

OBJECTIVES OF THE STUDY

Based on the above mentioned issues, the following objectives are framed for the present study:

1) To examine the extent of utilization of banks’ services by customers.

2) To analyze the customers’ perceived and desired levels of service quality of their banks.

3) To examine the service quality gap prevailing between the public and private sector banks.

4) To identify the relationship between the socio economic status and the perceived level of service quality of the customers.

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

HYPOTHESES OF THE STUDY

Based on the above objectives, the null hypotheses (H₀) formulated for the study are:
1) There is no significant difference between the public and private sector banks in terms of service quality dimension.

2) The influence of Reliability on the total service quality dimension is higher and significant.

3) There is a significant relationship between the socio economic status and the perceived level of service quality.

METHODOLOGY

Since the present study constitutes an analytical research, the methodology adopted involves the measurement of a modified version of Service Quality (SERVQUAL).

Sources of Data

For the purpose of studying the objectives framed, the present study needs to depend on the primary data collected from the sample customer respondents.

The primary objective of the study is to analyze the customers’ perceived and desired levels of service quality. For this purpose, the study depends on the primary data for its analysis. However, to substantiate the views in course of the analysis and to provide the review, the secondary data are also collected and used. These data and information are collected from different sources like, newspapers, journals, magazines, reports, books etc. for which the researcher has approached
various institutions like Indian Institute of Management, Bangalore; Indian Bank Staff Training College, Chennai; Indian Overseas Bank Staff Training College, Chennai; State Bank of India Staff Training College, Chennai; Canara Bank Staff Training College, Chennai; Reserve Bank of India Staff Training College, Chennai; Institute for Financial Management and Research (IFMR), Chennai; University of Madras Library, Chennai; Connemara Library, Chennai; Madras Institute of Development Studies (MIDS), Chennai; Pondicherry University, Pondicherry and ICFAI, Hyderabad.

Sample Design

The primary objective of the study is to examine the customers’ perceived and desired levels of service quality of the public and private sector banks of Dindigul District. A study of this nature requires the selection of a suitable place. Dindigul District has been selected as it has a heavy concentration of both public and private sector banks due to the strong industrial base associated with engineering and textiles. To fulfil this, collection of primary data from the customers of public and private sector banks become pertinent. For this purpose, a list of public and private sector banks operating in the District has been obtained. To prepare this list, the unpublished records were referred, which were obtained from Canara Bank, the lead bank of Dindigul district.
Simple Percentage Method

The relative share of each of the service quality dimensions to total scores and the individual items have been calculated by using the simple percentage method.

Standard Deviation

To identify the extent of dispersion of each of the dimension scores and individual scores, the standard deviation is calculated.

Co-efficient of Variation

For the purpose of comparing the service quality variables considered, a relative measure of dispersion namely, the coefficient of variation has been used.

More specifically, to identify the extent of dispersion in each of the dimensions and individual service quality factor, the coefficient of variation is calculated. The Coefficient of Variation (CV) is a relative measure of Standard Deviation (SD).

Chi-Square Test

To identify the significance of the difference between the selected socio economic variables and the perceived level of service quality variables, the chi square test has been applied.
**Rank Correlation**

To estimate the relationship between the perceived and desired level of customers’ service quality, the rank correlation method has been used. The logic behind using this technique is that it attempts to estimate whether there is a relationship between the perceived and desired level of service quality. The use of this technique becomes imperative since it is assumed that an individual customer who receives a higher perceived level of service quality, after enjoying it, expects a higher level of service quality. This is the psychology of any customer. This assumption is being tested with the help of rank correlation co-efficient.

To calculate the rank correlation co-efficient, the individual scores of each of the perceived level of service quality factor is correlated with the corresponding desired level of service quality scores.

**Multiple Regression Techniques**

To estimate the impact of the individual dimension scores on the total dimension scores, a full log multiple regression model has been used.

**Multiple Correlation Analysis**

In the process of applying the multiple regression models, the square root of $R^2$ is calculated to arrive at the multiple correlation coefficients that help to understand the correlation among the multiple variables considered.
SERVQUAL MODEL

To measure the quality of services of the banks, the ‘SERVQUAL’ model, as suggested by Parasuraman et al. has been used. The variables included in the model are functional quality dimensions, outcome quality dimensions and the perception of overall service quality. These variables can broadly be categorized under five broad dimensions.

The instruments used in the study to capture service quality contain 22 Likert type items. These instruments are categorized under five broad dimensions namely, (1) Tangibility, (2) Reliability, (3) Responsiveness, (4) Assurance and (5) Empathy. The 22 service quality items are considered under the above five broad dimensions.

**t-test**

To identify the significant difference between the various items and dimensions of the public and private sector banks, the ‘t’ test is applied.

**PRE-TESTING**

Before the field survey was conducted, the consistency of the information obtained had to be tested. For this purpose, a pilot survey was conducted. A questionnaire prepared already was administered to some of the respondents from the universe of the study and the questions which were redundant were
omitted. The questions for which it was felt that answers could not be obtained, the questions were put indirectly. This helped greatly to reframe the questionnaire so as to obtain the reliable information.

**PERIOD OF STUDY**

The required primary data were collected through personal interview method, carried out for a period of one year from June, 2008 to May 2009.

**CHAPTER SCHEME**

The present study consists of Six Chapters.

The First Chapter gives a brief description of the entire study. It discusses in detail the statement of the problem. A detailed review of the earlier studies carried out in the area of service quality has been made. From the problem identified, the objectives are drawn in a logical sequence. From the objectives, the hypotheses which are germane to the study are drawn. To study the objectives formulated, a discussion on the source of data, the pre testing of questionnaire, the tools and techniques used are also made. This chapter also provides the period of study and the limitations of the study.

The Second Chapter has been devoted to discuss the importance of customer service in Indian commercial banks. In this chapter, the need for the
customer services in banking industry and the measurement of service quality are discussed.

The Third Chapter focuses on the extent of utilization of the services by the sample customers of the public and private sector banks.

The Fourth Chapter pinpoints the customers’ preference perceived and desired levels of service quality and the resultant service quality gap for all the sample bank groups. The service quality gap for the public and private sector banks in isolation have also been dealt with.

The Fifth Chapter reveals the significance of the difference between the services of the public and private sector banks measured in terms of the customers’ perceived and desired levels of satisfaction. The impact of individual dimension scores on total service quality scores and the relationship between the selected socio-economic status of the customers’ and the perceived level of service quality have also been estimated and analyzed.

The Sixth Chapter contains the Summary of findings, suggestions, emerging conclusions and the scope for further research.