CHAPTER – 1
INTRODUCTION

Role of Service Sector

There was a time when it was believed that the industrial revolution was the only solution to the problems of poverty, unemployment and other problems of society, now however, the services sector promises to fulfill the task. Services touch the life of every person everyday whether it is in the field of food services, communication, leisure services, financial services, to name only a few. Our welfare and the welfare of our economy are now based on services. Services lie at the very hub of economic activity in any society. No wonder that services sector will be the biggest driver of new economic growth and the profit earner in the new millennium for the world in general and for India in particular.

“A service is an activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product” (Philip Kotler, 2003). When a customer buys a service in the service market he buys the time, knowledge, skill or resources of someone else who is the provider or supplier of the service. (Patnaik, U.C., & Chhatoi, B., 2006).

Service sector plays a very important role in the economic development of the country. The share of services in India’s GDP at factor cost (at current prices) increased from 33.5 percent in 1950-51 to 55.1 percent in 2010-11 and to 56.3 percent in 2011-12 as per Advance Estimates.
Chart 1 clearly shows that service sector growth rate at constant prices has always been above overall GDP growth rate since 1996-97 except for 2003-04 when the two converged. Thus we can say that for last fifteen years service sector with growth much above overall GDP growth has been pushing up the growth of the economy with a great amount of stability.

Being the largest sector of the Indian economy, the services sector has significant implications for growth. It is export-intensive, employment-oriented and attractive for foreign direct investors. In view of the above, the sustainability of the services sector growth is important.

**Role of Banking Sector in the Economic Development**

Banking sector, being a very important part of service sector plays a significant role of considerable economic significance as intermediaries in mobilizing public savings and channelizing the flow of funds for productive purposes, keeping on the process of the economic growth of the country. The size and composition of banking transactions mirror the economic happenings in the country. (Vaish, M.C., 1978) Banking is an important segment of the tertiary sector and acts as a backbone of economic progress (Jha, P.K., 1985).
They are ‘Repositories of people’s savings’, mobilize small and scattered savings of the community and as the ‘Purveyors of Credit’ channelize the savings so mobilized into the production of capital goods and thereby facilitate capital formation (Agarawal, H.N., 1975). They by providing remittance facility with their vast branch network help free flow of funds over different parts of the country, wherever there is a need for it, instead of allowing them to lie dormant in stagnant pools. The free flow of funds from different parts of the country and there accumulation in commercial banks helps in capital formation which in turn helps in developing infrastructure and setting up of industries. Banks acts as a catalyst for the economic development of the country. They have stupendous investment potentiality and can make a significant contribution in eradicating poverty, unemployment and in bringing about progressive reduction in inter-regional and inter-sectors disparities through rapid expansion of banking. (Bilgrami, S.A.R., 1982)

Banks provide to the saver a convenient avenue for investments of surplus funds, and to investor a source to finance (Desai, Vesant 1991). They become source to finance to agricultural sector, industrial sector and services sector. Banks help agricultural sector by providing loans for agricultural equipments seeds, fertilizers and for improving lands etc. Banks also provide loans for animal husbandry, poultry, dairy, sheep breeding and horticulture etc. Banks provide financial aid to entrepreneurs for starting their own business. “The role of banks is not limited to the extent of providing adequate working capital facilities, rather the banks play a wider role in the revival of a sick unit by not only providing adequate working capital facilities but also by preventing and detecting sickness in its early stages” (Report of the banking commission, 1972).

Banks also plays a significant role in developing foreign trade i.e. exports and imports. Banks provide finances to exporters for processing/manufacturing and packaging of goods in the form of pre-shipment finance to meet exporters’ need of funds between the time of shipment of goods and the receipt of payment thereafter. Some banks conduct export market studies, provide financial aid to export oriented industries and facilitate international merchant banking services.
The role of banking sector in the development of our economy can best be concluded in the words of G.P. Kapoor. “They are life and substance to their customers, and in turn get vitality and vigor from them, to become an effective tool of social transformation and rejuvenation”.

After liberalization suddenly several players emerged in the field of services sector. As a result of that competition has intensified, now banks have competition not only from other banks but also from non-banking sectors. The growth of capital markets and mutual funds houses have given customers multiple options to choose from. There are specialized shops with tailor made financial products to meet his needs that too at his doors steps. Customers have become more choosy and conscious. This throws up a challenge for banks. In such a situation banks need to improve bottom line i.e. customers. The banks that will understand customers’ expectations and adopt customer oriented culture will go a long way. (Patnaik U.C., Chhatoi, B. 2006).

It is very important for service providers to know the expectations of the customers, so that they should be able to meet it and even exceed it to provide maximum customer satisfaction. Hence understanding customers’ expectations is a prerequisite for delivering superior service (Parasuraman et al., 1991). It is also very important to know the customers’ perceptions of services. Customer expectations are standards or reference points that customer brings into the service experience, whereas customer perceptions are subjective assessments of actual service experiences. (Zeithaml and Bitner, 2009)

Earlier there was lot of criticism against the quality of customer service in the banks. Banks have taken certain measures to improve customer service. Many banks have started the process of setting up core banking solutions in order to provide their customer better services at reasonable costs. RBI has also set up many committees in order to understand the problems faced by the customers and has taken certain remedial measures to improve them.

In this scenario, researcher has become more curious to study the expectations of the customers and their experiences from banking services so as to
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understand real state of affairs. Several researchers have undertaken researches regarding customer satisfaction and customers’ expectations and experiences in banks. A brief review of such researches is not far to seek.

**Literature Review and Problem Specification**

Many books have been published on customer service in banks. Several researches have been conducted on customer service and many National and International research papers have been published in which authors have studied expectations and experiences of bank customers and the reasons of the gap between the two. In most of such studies servqual dimensions of service quality have been used. The researcher therefore made an attempt here to review the prominent literature available on customers’ satisfaction, their expectations and experiences.

Various studies have also been made by commission and committees of the Government of India covering important issues related to the customer services in banks. A study conducted by the Banking Commission under the chairmanship of Shri R.G. Sariya in 1972 recommended for improving methods and procedures in the Indian Banking System in order to provide efficient services to customers.

In 1975 Talwar committee examined the nature of customer services rendered by the banks. The committee viewed customer service as dynamic concept and recommended that the banks, on a regular basis should appraise the customer’s perception about bank services and formulate strategies to evaluate and improve the customer service.

In 1990 RBI appointed a committee headed by Shree M.N. Goiporia to study the position of customer service in commercial banks. Goiporia committee covered the following aspects:

(i) Causes of the persistence of below par customer service in banks.
(ii) Areas of deficiencies in customer service in banks.
(iii) Measures of improvement in work culture.
(iv) Steps for inculcation of greater customer orientation among bank employees.
Identification of structural and operational rigidities and inadequacies which adversely affect the working of banks

Upgradation of technology to ensure prompt and efficient customer service.

In 1975 NIBM (The National Institute of Bank Management) studies the customer service in commercial banks in Mumbai City. This study found out the reasons of poor quality of customer service in the banks.

Chidambaram, R.M. and Alamelu, K. (1996) in their paper entitled “Services Marketing-Challenges and Strategies” pointed out the challenges in marketing of financial services. They emphasized in understanding the customers and learning about them is of utmost importance for marketing of financial services.

K. Ramunaidu in his study entitled “Strategies to meet Customers’ Expectations in Banks” have observed that in late 1980s though there have been expansion and diversification of banking services it has been observed that the gap between the customer’s expectations and the services rendered by the banks has been widening. Findings of the author also shows that there was unplanned expansion of bank branches, as a result of that customers have to go long distance to get bank services. Inner design of the banks does not seem customer friendly. Another problem observed by the author is lengthy procedures to clear smaller transactions. It has also been found out that in spite of many products introduced by the banks customers are unaware of those products. Authors have suggested that future bank branches should be open in unbanked areas, inner design of the bank should be attractive and should give friendly atmosphere to the customers. Fast and efficient services should be provided to the customers and timely information should be provided to the customers by extensive use of information technology.

Bal &Jena (1990) in their research paper entitled “Customer Service in Banks: The Need for Marketing Approach”, have attempted to study the scenario of customer services and to evaluate the importance of marketing approach for better customer services. They have observed that quality of customer service is deteriorating in urban branches. RBI had been receiving number of complaints from
bank customers. As customers have become aware so their expectations have also increased. Authors have also observed that bank information systems are not marketing oriented. Authors have suggested banks to be more innovative and development oriented. Bank employees should be properly trained and banking services should be designed according to customer needs.

In a study entitled “Customer Satisfaction and Retail Banking: An Assessment of some of the Key Antecedents of Customer Satisfaction in Retail Banking” Ahmad Jamal and Kamal Naser (2002) made a survey on impact of service quality dimensions and customer expertise on satisfaction. A sample of 167 respondents took part in this study. Findings indicate that both core and relational dimensions of service quality appear to be linked to customer satisfaction.

Dash and Mahapatra (2006) in their paper entitled “Measuring Customer Satisfaction in Banking Industry” have discussed about the parameters of customer’s satisfaction and their measurement. Researchers have suggested that the customer’s requirements must be translated and quantified into measurable targets. This will help to monitor improvements, and to decide upon the attributes that need to be concentrated in order to improve customer satisfaction.

Clement, Sudhahar and Selvam (2006) in their study entitled “Service Quality Measurement in Indian Retail Banking Sector : CA Approach” have observed that in the present scenario banking industry in India need to adopt the universal norm ‘relationship banking’ through providing better services in terms of increased service quality attributes. The study dissects the service attribute image enjoyed by the public sector and private sector banks by applying modern multivariate technique, correspondence analysis. Authors have concluded that service quality attribute image survey of selected public and private sector banks shows that in order to improve the performance of public sector banks it is important to revamp their service marketing strategies. It has been observed that public sector banks need to improve on aspects such as tangibility, fairness and treatment and more importantly on accessibility and courteous behavior of employees towards the customers while private sector banks need to focus on reliability, credibility and security aspects.
Reena Roy and Mahalakshmi D (2007) in their research paper entitled “An Empirical Study of Service Quality Gap in Banking Sector” studied the gap between the services expected by the customers and actual services provided by Standard Chartered bank. 500 respondents were surveyed in Chennai, Coimbatore, Trichy Madurai and Salem. The questionnaire was used to measure 1 to 5 in the gap model. Need analysis & factor analysis were analyzed and gap between the expected and actual performance was found. Researcher concludes that the Standard Chartered Bank need to concentrate on features like ATM facilities customer treatment, prompt service, online banking as well as convenient timing to improve their existing customer satisfaction.

Kansal, R. and Singh, M. (2007) in their paper entitled “Customers Orientation towards Banking Services in Urban Areas of Punjab” studied customer satisfaction towards banking service, particularly the innovative services of some private banks viz., HDFC bank, ICICI and Bank of Punjab. They have observed that most of the services offered by private banks have remained unutilized by the urban customers.

Kumar R. (2008) in his research paper entitled “Customer Satisfaction in Indian Banking: A Case of Yamuna Nagar District in Haryana” have concluded that with the current change in the functional orientation of banks, the purpose of banking is redefined. The main driver of this change is changing customer needs and expectations. Customers in urban India no longer want to wait in long queues and spend hours in banking transactions. This change in customer attitude has gone hand in hand with the development of ATMs, phone and net banking along with availability of service right at the customer's doorstep. With the emergence of universal banking, banks aim to provide all banking product and service offering under-one-roof and their endeavor is to be customer centric.

Kirti and Anil Dutta (2009) in their research paper entitled “Customer Expectations and Perceptions across the Indian Banking Industry and the Resultant Financial Implications” have studied the expectations and perceptions of the consumers across the three banking sectors in India. They have also studied the
factors affecting the quality perceptions of the customers in the banking sector and tried to relate these perceptions with the financial performance of the bank. They have collected sample of 263 respondents across the three banking sectors. Factor analysis has been used to delve into the customer’s perception of service quality. Financial performances of the banks have been studied to see if the perception of service quality has any significance on the banks’ bottom line. The statistical analysis methods employed were Factor Analysis, Cronbach’s $\alpha$ (alpha) and ANOVA Test. The analysis shows that there is a major difference between the service Quality expectations and perceptions of the customers for all the banks. The expectations of all the bank customers are higher than their perceptions. This gap varies across the banking sector with public sector banks showing the widest gap and foreign bank showing the narrow gap.

Lenka, Suar, and Mohapatra (2009) in their paper ‘Service Quality, Customer Satisfaction, and Customer Loyalty in Indian Commercial Banks’, analyzed service quality of Indian commercial banks fosters customer loyalty. The paper found that better human, technical and tangible aspects of service quality of the bank branches increase customer satisfaction. Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspect.

Uma Sankar Mishra, Bibhuti Bhusan, Saroj Kanta Biswal and Bidhu Bhushan (2010) in their study entitled “Employee Evaluation of Customer Satisfaction: A Comparative Study between Public and Private Banks in India” made a comparative study of perceptions of bankers relating to the service quality and level of customer satisfaction of the offers. Data of 314 bankers were collected from both public and private sector banks operating in India. The statistical methods employed were Factor analysis and Chi-square test. The banker’s perception about customer satisfaction / dissatisfaction measured on a five point Likert scale for 20 items. The analysis shows that when private banks are compared with public sector banks all the private banks have excellent locations from business point of view. Getting high value customers or more business from the existing customers is being adapted as the major strategies by the public sector banks which is not true in case of private sector
banks. The major reasons for dissatisfaction with public sector banks is the rigid policy, while for the private banks it is mostly service related factors.

Anant, A. Ramesh and Prabhaharan, B. (2010) in their research paper “Service Quality gap analysis in Private Sector Bank: A Customer Perspective” studied customers’ perceptions of service quality in some of the selected private sector banks. Data have been collected from 200 respondents through structured questionnaire. Gap analysis and multi regression techniques have been used for data analysis. Findings of the research show that in case of service quality dimensions such as empathy and accessibility customers’ expectations are high in comparison to their perceived service.

R.K. Uppal and Bishnupriya Mishra (2011) in their research paper entitled “Excellency of Banking Services: A New Road Map for Banks in the Emerging New Competition” analyses the widening gap between desirability and availability regarding reliability, accuracy confidentiality, flexibility, e-channels, high attention to customers, low service charges and overall satisfaction of the customers in three bank groups viz., public sector, private sector and foreign sector banks. Survey was conducted in Chandigarh. Three banks have been selected one each from three bank groups. Finding of the survey shows that regarding all the parameters, desirability is very high as compared to availability of banking services and it is the need of the hour that banks should work on bridging the gap between the two.

J. U. Ahmed (2011) in his research paper entitled “Services Rendered by Commercial Bank: “A Customer Oriented Empirical Evidence from State Bank of India” have observed that, the main driver of banks success and survival is fulfilling customer needs and expectations. Researcher has studied customer services rendered by SBI in Garo Hills of Meghalaya. A sample of 100 customers was selected for the purpose of the study. The opinions of the respondents on 25 variables, indicating the satisfaction level were measured with Likert 5 point scale. Further factor analysis technique has been employed to determine the satisfaction level of customers. The study reveals that customers of SBI in Garo hills of Meghalaya are dissatisfied with its services. Author has observed that customers have shown their dissatisfaction
with regard to décor and sitting facilities of banks, innovativeness of new services, knowledge of employees and routine processes of banks. Author has suggested that bank under study need to improve its services for surviving in the present scenario.

Singh and Arora (2011) in their research paper entitled “A Comparative Study of Banking Services and Customer Satisfaction in Public, Private and Foreign Bank” have observed that the bank system is facing challenges with stiff competition and advancement of technology. It becomes important for service providers to meet or exceed the target customers’ satisfaction with quality of services expected by them. This paper attempted to study customer’s perception of quality of services, both transactions based and IT enabled in terms of its constituent factors in public sector, private sector and foreign banks. Also through this study, an attempt was made to know the extent of IT adoption in public sector, private sector and foreign banks in this e-age. The present study was conducted in public sector, private sector and foreign banks of Delhi. Multistage random sampling was used for selection of sample. Findings of the study show that the customers of nationalized banks were not satisfied with the employees’ behavior and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility and communication.

Peter Kangis &Vassiki Passa (1997) in their research paper entitled “Awareness of Service Charges and its Influence on Customer Expectations and Perceptions of quality in Banking” have tried to find out the awareness of service charges among customers and its influence on their expectations and perceptions. Their findings show that customers who were aware of banking charges had higher expectations of quality than those who were not. Customers who were aware of banking charges perceived receiving a higher quality service than those who were not aware.

Abdulkarim S. Al-Eisa, Abdulla M. Alhemoud, (2001) in their research paper "Using a Multiple Attribute Approach for Measuring Customer Satisfaction with Retail Banking Services in Kuwait” attempted to identify the most salient attributes that influence customer satisfaction with retail banks in Kuwait and to
determine the level of the overall satisfaction of the customers of these banks. A multiple-attribute approach proposed by Shin and Elliott in 2001 was employed. This approach was applied in the analysis of data collected from a convenient sample of 863 actual customers of retail banks in Kuwait. According to their findings the most crucial attributes for predicting customer satisfaction with retail banks in Kuwait were fast service, courtesy and helpfulness of employees and availability of self-banking services. The vast majority of the customers of retail banks in Kuwait (nearly 81 percent) are satisfied with the services of their banks.

Geoffrey Bick, Andrew Berick Brown &Russell Abratt (2004) examine the perceptions and expectations of banking customers regarding the value being delivered to them by retail banks in South Africa. They have presented a study of 150 respondents. The results show that customers were not satisfied with the service products and level of customer intimacy delivered to them by their banks. Thus they did not believe that they were getting the value they expected. They have recommended that proper retail banking management is required to remedy the situation.

Deirdre O’ loughlin &Isabelle Szmigin (2005) in their research paper entitled “External and Internal Accountability of Financial Services Suppliers :Current Paradoxes in Managing Expectations and Experiences” studied Irish financial sector and observed that as a result of various technological and competitive development which is affecting consumer decision making and behavior. It becomes important for financial suppliers to reassess their approach of setting customer expectations and assessing the consumers’ experiences. This research shows financial service suppliers are under pressure as they have external accountability to their customers and internal accountability to their employees. In terms of external accountability they want to create positive and meaningful expectations among their customers while in relation to internal accountability they want to empower their employees so that they can deliver service experience which delights their customers.

Mobarek (2007) in the study “E-banking Practices and Customer Satisfaction- A Case Study in Botswana” has observed that globalization and deregulation have
made banks highly competitive. Banks find it difficult to compete on price and need to look at other way to retain customers. It has been observed that delivery channels are lacking in meeting the demands of the customers by not making them aware of e-banking and using obsolete or not up to date technology. The research involves the study of four commercial banks in Botswana. The study is designed to evaluate e-banking as a strategy and related methods adopted by selected commercial banks in Botswana was to improve the customer satisfaction.

Brandon Roberts, Randall C. Campbell (2007) in their research paper entitled "Being New-Customer Friendly: Determinants of Service Perceptions in Retail Banking" studied the attributes that influence perceptions of customer service in their retail banking setting from a non-customer perspective. Researchers employed a mystery shopping approach to identify and measure key service attributes that predict the possibility of an individual’s choosing a bank location. The finding suggests that the measures employed accurately predicted positive and negative outcomes based on respondent choices. It has been observed that personal elements of service may be of critical importance in cultivating new customer relationships.

Chinh, Vu Thimy & Anh, Nguyen Viet (2008) in their research paper entitled “Measuring Customer Satisfaction based on Service Quality at A Local Bank in Vietnam” have studied that now a days customers have become very demanding. Customers perceive that they have the power to demand high service quality. This leads all companies to the battle, competing for customers and service providers have to put more efforts to win this battle. In this context service quality has become a precondition for the survival and development of any company, therefore authors intended to provide insights into the gaps between customer expectations and customer perceptions towards the service quality which the local bank in Vietnam was offering. Research has been conducted through primary data with a sample size of 268 respondents which have been collected through convenience sampling. The researchers have compared three groups of respondents on five Service Quality dimensions in terms of expectations and perception level. Based on 7-point Likert scale the mean difference between the perception and the expectation statements measured the perception-expectation gap i.e. (P-E). The finding suggests that P-E
gap width varied across all five dimensions of SQ, though it has been observed that the majority of the respondents were quite satisfied with what they perceived from the bank.

Satyabhusan Dash, Ed Bruning, Manaswini Acharya, (2009) in their research paper entitled “The Effect of Power Distance and Individualism on Service Quality Expectations in Banking: A Two Country Individual and National Cultural Campaign” have studied the relationship between Canadian and Indian consumers’ national cultural orientations and banking service quality expectations. They have used Hofstede's five cultural dimensions and five dimensions of service quality from Parasuraman et al.'s SERVQUAL scale, their purpose is to develop and test hypotheses relating national culture values to service quality expectations. The study has been conducted through surveys of the respondents of Canada and India. The results show that the importance of various SERVQUAL dimensions is related to Hofstede's power distance and individualism cultural dimensions both at the individual & National levels. Consumers which are low on power distance expect highly responsive and reliable service. High power distance customers attach higher importance to tangible service attributes. Consumers high on distinctiveness expect lower empathy and assurance from service providers. Findings shows that Indian consumers give more importance to tangible service attributes while for Canadian consumers service reliability is more important. Though there is not much difference in overall service quality expectations across the two countries.

Khattak, N.A and Rehman, K. U. (2010) in their research paper entitled “Customer Satisfaction and Awareness of Islamic Banking System in Pakistan”, analyzed the customer's satisfaction and awareness level towards the Islamic Banking Industry of Pakistan. A sample of 156 respondents from different cities of Pakistan has been collected. It has investigated the relationship between different demographic variables and satisfaction and awareness of customers. For the analysis, the Kruskal-Wallis one-way ANOVA was adopted to check the relationship between demographic variables and satisfaction and awareness. The respondents expressed their satisfaction to some of the services and expressed dissatisfaction with few. The customers indicated that they are aware of different products but do not adopt these products.
The aforementioned survey of the literature could concentrate in general on customer satisfaction, perceptions and expectations of customers from banking services. Through various studies and survey of literature the researcher has observed that banks have taken certain measures to improve customer service. In order to provide their customers better services at reasonable costs many banks have started the process of setting up core banking solutions. RBI has also set up many committees in order to understand the problems faced by the customers and has taken certain remedial measures to improve them.

In spite of all these measures taken by banks, studies show that consumers’ interests at times are not necessarily accorded full protection and their grievances are not properly attended to. A study of the Reserve Bank reports on complaints received against commercial banks, shows that customers from all bank groups i.e. Public, Private and Foreign banks have complaints. The complaints have been categorized into seven broad heads viz. deposit account related, remittance / collection facility, loans / advances (General and housing loan) credit cards related, activities of direct selling agents, harassment in recovery of loans, and general others. It has also been observed that Banking Ombudsmen office have received most of the complaints from Mumbai Metropolitan region. It has also been observed that Banking Ombudsmen office have received most of the complaints from Mumbai Metropolitan region.

These complaints show that customers are not satisfied with the customer service provided by the banks especially in Mumbai city. Therefore it becomes necessary to understand the expectations of the customers and to study the experienced satisfaction level of consumers from banking services and assess the reasons for the gap between expectations and experiences. Though some of the researches, to know the expectations and experiences have been conducted in different parts of the country but no such study till date could be made in Mumbai city, from where most of the complaints have been received. Therefore, the researcher has chosen to study consumer expectations and experiences with respect to banking services specifically in Mumbai city as per the research methodology given below.
Research Methodology

Title of the Research Problem: Comparative Analysis of Consumer Expectations and Experiences with Respect to Banking Services

Population of the Study

In order to study the expectations and experienced satisfaction level of customers from banking sector, the regular customers of public sector, private sector and foreign sector banks in Mumbai are the main elements of the population of the study. However, the elements of the study are confined to the following banks in the Mumbai Metropolitan Region.

- Public Sector Banks (State Bank of India, Canara Bank, Punjab National Bank)
- Private Sector Banks (HDFC Bank Ltd., ICICI Bank)
- Foreign Sector Banks (HSBC Bank Ltd., Standard Chartered Bank)

Type of the Study

This research work is in the form of ‘ex-post-facto’ study in which the researcher tried to study expectations and experiences of the customers related to banking services such as, Long operating hours, Wide product range, Call center services, Number of branches, Small opening balance, Internet banking, Transparency of charges, Security of investments, Efficient services and Courteous employees without manipulating in any way the scenario as it stood at the time of survey.

Nature of the Study

Though the population of the study is finite but as it is very large sized, the researcher has used sampling method in place of census method of enquiry and this is considered appropriate keeping in view the individual researcher’s limitations with regard to time, money and efforts. However, the researcher has made every effort to make sure that this sampling study should be representative of the population of the study.
**Objectives of the Research**

The research work has been done to study the following major objectives.

1. To study the consumers’ expectations and their relative popularity from Banking Services.
2. To study the experienced satisfaction level of consumers from Banking Services.
3. To make a comparative study between the consumer expectations and experiences of cross sections of customers in terms of banking categories. (Public, Private and Foreign sector)

**Hypotheses of the Study**

A hypotheses is an unproven proposition or supposition that tentatively explains certain facts or phenomena; a proposition that is to be empirically tested. In this study, the researcher has identified the following major hypotheses:

1. The customers of the commercial banks including all types of cross sections of the customers have similar expectations from the commercial banks and the relative popularity of the expectations is almost equal among them.
2. Customers including their cross sections have experienced above average level of satisfaction with regard to all the prominent expectations revealed by them while getting banking services.

**Research Design**

The Research design used by the researcher is according to the empirical study requirements. It covers sampling design, the type of data collected, data collection procedures, various statistical methods used for analysis of data and hypotheses testing.

(i) **Sampling Design**

The size of the population was very large and finite but its source list could not be easily available. Therefore, the sample size of 500 banking customers was judiciously but intuitively decided by the researcher. The sampled units were selected by using stratified random sampling technique. In stratified random sampling, the
target population is divided into different strata and the required sample size has been drawn by simple random sampling from each strata. The major source of strata was the type of banking customers belonging to following selected banks.

- Public Sector Banks (State Bank of India, Canara Bank, Punjab National Bank)
- Private Sector Banks (HDFC Bank Ltd. and ICICI Bank)
- Foreign Sector Banks (HSBC Bank Ltd. and Standard Chartered Bank)

Thus, the sample represents the cross sections of the customers and also all the banks under study.

(ii) **Observational Design**

The present survey is based on primary data, which have been collected firsthand on the basis of the responses directly collected from the respondents, by administering well structured questionnaire. (Given in the appendix)

The Questionnaire for the present study has been designed in such a way so that the researcher could find out the expectations and experiences of the customers of the banking sector. In the first section of the questionnaire it was asked to the respondents to rank various banking services according to their expectations. The second part of the questionnaire consists of closed ended questions as well as one open ended question in which questions were designed to know the experiences of the customers.

Initially the Questionnaire was designed and randomly 50 respondents were selected for pre testing the questionnaire. In the light of the pre-testing, the questionnaire was finalized. The Questionnaire, thus finalized included 26 Questions. First 5 questions were related to Name, Age, Gender, Education and Occupation of the respondents. In sixth question various banking services viz. *Long operating hours, Wide product range, Call center services, No. of branches, Small opening balance, Internet banking Transparency of charges, Security of investments, Efficient services and Courteous employees* have been mentioned and it was asked to rank them from 1 to 10 according to their expectations from the banking services.
The seventh question was designed to know the name of the bank/banks in which customer have an account. In the eighth and ninth question an attempt was made to find out the satisfaction level of the customers from the products offered by the banks and the frequency of offering new products respectively.

In tenth, eleventh and twelfth questions an effort was made to know the satisfaction level of the customers from the operating hours, call centers and number of branches respectively. Thirteenth question was related to opening balance of the banks. Fourteenth and fifteenth questions were related to telephone and Internet banking. In sixteenth question, researcher tried to know the satisfaction level of the customers regarding security measures of their bank.

Seventeenth question was meant to know the customers’ opinions about the Efficiency, Politeness, Promptness, Concernedness and Knowledge of the bank employees.

Eighteenth and Nineteenth questions were designed to know the awareness of the customers related to their bank charges. In twentieth question an effort was made to know the satisfaction level of the customers related to the cost charges by their bank for various services.

Question twenty first was designed to know whether banks fulfill their promises made to the customers or not. Twenty second and twenty third questions are designed to know whether customers have any complaint against their bank and if there is any than their complaint fall under which of the category.

In twenty forth question researcher tried to know the satisfaction level of the customers from the overall services of the bank and in the twenty fifth question an effort was made to know whether customers will recommend others to have transaction with their banks or not. The last question was an open ended question designed to know the suggestions of the respondents.
(iii) Processing of the Data and Analytical Design

The duly filled in questionnaires were edited to detect any defect or error, to ensure proper and complete collection of the required data.

For analysis and interpretation, it was important to classify the raw data. Classification involves the distribution of collected data into different categories. As the questionnaire was structured the response category was pre-determined and are contained in the questionnaire itself. The categories in the questionnaire used were in the form of multiple-choice answers to the questions. So in this questionnaire, respondent himself chose the category which is applicable to him.

Tabulation is an orderly arrangement of data in columns and rows. Tabulation comprises sorting of the data into different categories and counting the number of cases that belong to each category. (G.C. Beri, 2009). In the present survey, tables of three sectors of bank customers have been prepared and the data collected were classified and tabulated according to gender, age, level of education and occupation of the respondents.

Analysis and Hypotheses Testing

The process of analysis and hypotheses testing has been done for scheduled commercial banks as a whole and separately for three sectors of the banks viz., public sector, private sector and foreign sector. Then the analysis was done on the basis of gender, age, education level and occupation for the purpose of the cross sections of the population.

In this study the focus of the researcher was to know the expectations of the customers from banking services and to know their experiences from public, private and foreign sector banks. In other words, the researcher attempted to study whether the various expectations were equally important and to measure the level of satisfaction for the services. For the purpose of measuring the level of satisfaction the researcher used 3-point scaling questions and level of satisfaction was expressed in terms of percentage of score points to a maximum 3 points. A cut off percentage (65%) near the average score of 2 out of 3 was used as a benchmark to remark the level of satisfaction above average and below it was termed as not satisfactory.
In order to study the significance of differences in the findings, the researcher applied the following hypotheses testing approaches. The testing approaches used by the researcher include One Sample Sign Test, Chi-square test, Spearman’s Rank Correlation Coefficient, Kendall’s Coefficient of Concordance and ANOVA. The brief descriptions of the tests are as follows.

**One Sample Sign Test**

This test is based on binomial distribution where every value in the sample is interpreted as ‘+’, if it is greater than the hypothesized mean and ‘-’ if its value is less than the hypothesized mean. In case of the item whose value is same as that of mean than it is allotted a zero and is discarded. In this test, the critical value for a two-sided alternative at 5% significance level is calculated using the following formula.

\[
K = \frac{n-1}{2} - .98\sqrt{n}
\]

K= Critical value of the test
n = total number of signs
S = number of less frequent signs

In case if the value of ‘S’ is greater than value of ‘K’, than the null hypotheses is accepted otherwise rejected.

**Chi-square test**

Chi-square is an important non-parametric test and does not require any rigid assumptions in respect of the distribution type of population. It is used as a test of independence. Chi-square test ($\chi^2$) helps us to understand the association between two attributes. It is not a measure of the degree of relationship or the form of relationship between two attributes, but is simply a method of judging the significance of such association or relationship between two attributes. For this, first of all we calculate expected frequencies and then find out the value of $\chi^2$. If the calculated value of $\chi^2$ is less then the table value at certain level of significance for given degrees of freedom, that means two attributes are independent or not associated, however if the calculated value of $\chi^2$ is more than the table value, it implies that two attributes are associated.
Spearman’s Rank Correlation Coefficient

Rank correlation coefficient is used to measure the correlation between two sets of ranks. Spearman’s rank correlation coefficient named after a famous statistician Charles Spearman is a non-parametric test used to measure the correlation between two sets of ranks. In other words, it is a measure of association that is based on the ranks of the observations and not on the numerical values of the data.

Spearman’s rank correlation is calculated by replacing actual observations by their ranks, assigning rank 1 to the highest value, rank 2 to the next highest value and following this very order ranks are assigned for all values. When two or more observations are equal, the average rank is used, for example if two observations are tied for the second highest rank, they would get a rank of 2.5 (the average of 2&3). The next step is to record the difference between ranks (or ‘d’) for each pair of observations, thereafter squares of these differences are calculated to obtain a total of such differences which can be symbolically stated as $\sum d^2$. Finally Spearman’s rank correlation coefficient ‘r’ is calculated as follows:

\[
Spearman's \; 'r' = 1 - \frac{6 \sum d^2}{n(n^2-1)}
\]

Where n= number of paired observations.

The value of Spearman’s rank correlation coefficient will always vary between ±1, +1 indicates a perfect positive correlation and -1 indicates perfect negative correlation between two variables. Calculated value of ‘r’ is compared with the corresponding table value of ‘r’ for given level of significance and at given value of n. The Null Hypotheses of no correlation is accepted, when calculated value of ‘r’ is less than or equal to the table value; otherwise alternative hypotheses of having the correlation in the ranked data is accepted.

Kendall’s Coefficient of Concordance

Kendall’s W (Kendall’s Coefficient of Concordance) is a non-parametric statistic. It is used for determining the degree of association among several (k) sets of ranking of N objects or individuals. When there are two sets of rankings we generally use Spearman’s Coefficient of Correlation, but when there are three or more sets of rankings, Kendall’s Coefficient of Concordance, W is used.
Kendall’s W ranges from 0 (no agreement) to 1 (complete agreement)

Kendall’s Coefficient of Concordance (W) can be computed as follows:

- All the objects N, should be ranked by all ‘k’ judges in the usual fashion
- For each object determine the sum of ranks (R<sub>j</sub>) assigned by all the ‘k’ judges.
- Determine R<sub>j</sub> and than obtain the value of s
- Work out the value of W using the following formula:

\[ W = \frac{s}{\frac{1}{12} k^2 (N^3 - N)} \]

Where:
- \( s = \sum (R_j - \bar{R})^2 \)
- \( N = \) number of objects ranked
- \( k = \) number of set of rankings i.e., the number of judges
- \( \frac{1}{12} k^2 (N^3 - N) = \) maximum possible sum of the squared deviation

**Analysis of Variance (ANOVA)**

This is used to test for differences among the means of the population by examining the amount of variation within each of these samples, relative to the amount of variation between the samples.

We have to make two estimates of population variance viz., one based on between samples variance and the other based on within samples variance. Then the said two estimates of population variance are compared with F-test, wherein we workout.

\[ F = \frac{\text{Estimate of population variance based on between samples variance}}{\text{Estimate of population variance based on within samples variance}} \]

This value of F is to be compared to the F-limit for given degrees of freedom. If the F value we work out is equal or exceeds the F limit value, we can say that there are significant differences between the sample means.
Significance of the Study

Banks play a very vital role in the development of the country. After liberalization there were several players emerged in the field of services sector, as a result of that competition has intensified, now banks have competition not only from other banks but also from non-banking sectors. The growth of capital markets and mutual funds houses have given customers multiple options to choose from. There are specialized shops with tailor made financial products to meet his needs that too at his doors steps. Customers have become more choosy and conscious. This throws up a challenge for banks. In such a situation banks need to improve bottom line i.e. customers. The banks that will understand customers’ expectations and adopt customer oriented culture will go a long way.

Banks have taken certain measures to improve customer service. Many banks have started the process of setting up core banking solutions in order to provide their customer better services at reasonable costs. RBI has also set up many committees in order to understand the problems faced by the customers and has taken certain remedial measures to improve them.

In spite of all these measures taken by banks, studies show that consumers’ interests at times are not necessarily accorded full protection and their grievances are not properly attended to. A study of the Reserve Bank reports on complaints received against commercial banks, shows that customers from all bank groups i.e. Public, Private and Foreign banks have complaints. The complaints have been categorized into seven broad heads viz. deposit account related, remittance / collection facility, loans / advances (General and housing loan) credit cards related, activities of direct selling agents, harassment in recovery of loans, and general others. It has also been observed that Banking Ombudsmen office have received most of the complaints from Mumbai Metropolitan region.

These complaints show that customers are not satisfied with the customer services provided by the banks. Therefore it becomes necessary to understand the expectations of the customers and to study the experiences received by the customer from the banking services.
This study will also be helpful to the customers. Through the papers published from this study consumers would be able to know the service quality of various offerings of the various brands in the banking sector, so that they can evaluate whether the services provided to them by their bank are comparable or better or not to the services provided by other competing banks.

In a banking industry where products distinctiveness is hard to maintain, it is the quality of customer service that makes the difference. Therefore it becomes necessary for the managers to understand customers’ expectations from the banking services. The quality of the service provided depends upon the service provider, this study is also likely to generate information which will help managers in knowing the type of experiences customers have received from banking services, so that they can identify their strengths and weaknesses and judge the problem area requiring service improvisation.

Chapterisation

The research report has been prepared and presented under the consecutively arranged six chapters with the following brief details:

Chapter-I: Introduction

This chapter covers problem formulation and identification, literature review on banking customers’ satisfaction, expectations and experiences, research methodology used for the study along with limitations and significance of the study.

Chapter-II: Changing Scenario of Indian Commercial Banking: An Overview

This chapter gives an overview of Indian Commercial Banking scenario covering brief historical development of banking, composition of Indian commercial banking system, major achievements of Indian commercial banks and the prominent challenges ahead before the Indian commercial banks.

Chapter-III: Respondent Profile

This chapter covers brief profile of overall sampled customers of all the three sectors of the banks viz., public, private and foreign and cross sections of the customers on the basis of gender, age, education and occupation.
Chapter-IV: Analysis of Customers’ Expectations from Commercial Banks

This chapter is based on the primary information collected through the questionnaire from the overall respondents. This chapter contains analysis of customer’s expectations from different banking services.

Chapter-V: Analysis of Customers’ Experiences/ Satisfaction from Banking Services

This chapter contains analysis of customers’ experiences of three sectors of the banks viz., public sector, private sector and foreign sector. This chapter also covers the broader hypotheses testing and the conclusions drawn on the basis of the analysis of customers’ experiences.

Chapter-VI: Findings, Conclusion and Suggestions

In this chapter, a brief summary of the research report and major findings of the study together with overall conclusions and suggestions have been given.

Limitations of the Study

In every research undertaken there are inherent limitations which can not be avoided. This research too faced some such limitations mainly described below:

(i) Sampling approach has been used in this study. As such, the study suffers from the limitations of sampling in general, though cross sections of customers were included in the sample so that it should represent population of the study.

(ii) The study is related to the customers of the scheduled commercial banks. The customers of regional banks, non-scheduled commercial banks and cooperative banks are not covered and so the conclusion of the study may not be fully representative of the universe.

(iii) The study does not cover the banking customers of the whole country. Hence one is afraid to categorically generalize the results for the country as a whole.