CHAPTER 1

INTRODUCTION

1.1 GENERAL

Financial sector reforms were initiated as part of overall economic reforms in the country and wide ranging reforms covering industry, trade, taxation, external sector, banking and financial markets have been carried out since mid-1991. A decade of economic and financial sector reforms has strengthened the fundamentals of the Indian economy and transformed the operating environment for banks and financial institutions in the country. The banking industry, being very competitive, not only focuses on providing wide product lines to create competitive advantages, but also emphasizes the importance of its services, particularly in maintaining service quality.

Today’s Customers are deeply concerned about having a high quality experience of Banking. They expect an amiable atmosphere and entertainment and prefer banks with a personality rather than those perceived as offering a commodity. Quality of service is becoming an increasingly important differentiator between competing businesses in the Banking sector. In fiercely competitive marketplace, characterized by similarly priced, look-alike product offerings from a variety of Financial Institutions, clear winners will be the ones that provide excellent service quality. Delivering quality to customers is paramount to a company's wellbeing because it results in more new customers, more business with existing customers, fewer lost customers, more protection from price competition, and fewer mistakes requiring the company to redo its goods/services (Albrecht and Zemke 1985).
The task of Banks is to balance customer expectation and perception and to close any gaps. Gaps at any point in service design and delivery can damage relationships with customers. Some service personnel make it a point to not only keep customers informed during services delivery but also debrief them at the end and sometimes offer tangible evidence.

One of the most prominent service quality models has been developed by Zeithaml, Parasuraman and Berry (1990) – hereafter called the Gaps Model – and this study will examine how much gap is there in the Banking Sector and what appropriate step should be taken to enhance the service quality and simultaneously gear up to survive in this fiercely competitive environment.

Gap analysis is a very useful tool for helping marketing managers to decide upon marketing strategies and tactics. The process involves determining, documenting and approving the variance between business requirements and current capabilities. Gap analysis naturally flows from benchmarking and other assessments. It provides a foundation for measuring investment of time, money and human resources required to achieve a particular outcome. The earliest research on service quality dimensions was done by Grönroos (1984). He found that the perceived quality of a service is affected by the experience that the consumer went through for a service. Therefore, he encapsulated the perceived quality of a given service as the outcome of an evaluation process; a comparison between the consumer expectations of the service with his perceptions of the service he has received. He also pointed that expectation is influence by traditions, ideology, word-of-mouth communication, and previous experience with the service and the consumer’s perception of the service itself determines his perceived service.

Parasuraman et al (1985) identified “service quality determinants”. The determinants are reliability, responsiveness, competence, access,
courtesy, communication, credibility, security, understanding/knowing the customer, and tangibles. Later in another research (Parasuraman et al 1988), they refined the dimensions into five namely tangibles, reliability, responsiveness, assurance, and empathy.

The primary purpose of the study is to diagnose accurately the service shortfall in banking sector in Chennai city. This is carried out by assessing the service quality dimensions identified by Parasuraman et al (1988) and comparing the perception of customers of Banking sector with their expectation as stated by Grönroos (1984). The study also compares service quality of Public, Private and Foreign Banks in Chennai city.

1.2 NEED FOR THE STUDY

Quality is considered to be one of the Management ‘s topmost competitive priorities and a prerequisite for the sustenance and growth of the firm. Therefore measurement and management of service quality is fundamental issue for survival and growth of service companies but in order to value quality a firm must know its customer and what kind of service they consider as high of quality. Knowledge about the content and formation of perception of Service Quality enables the organization to deal with the fields that directly influence their competitive advantage and not to waste too many resources on unimportant fields. Service Quality evaluation is a highly complex process that may operate at several levels of abstraction which makes conceptualization and measurement of service quality a real difficult task. With increasing competition, service quality has become a popular area of academic investigations and is recognized as key factor in keeping competitive advantage and sustaining satisfying relationship with customers. These aspects highly motivated the researcher to take up the present study.
1.3 SIGNIFICANCE OF THE STUDY

One of the critical tasks of service companies is service quality management. Quality means degree of excellence in service performance. Consumers perceive the quality of a service by experiencing the consumption process and by comparing their experience with expectations. Though consumers are co-producers and their participation also affects the quality, service firms cannot blame the customer. Service organizations have to take responsibility of quality performance through effective strategic framework. Quality of service is becoming an increasingly important differentiator between competing businesses in the Banking sector. Delivering quality to customers is paramount to a company’s wellbeing because it results in more new customers, more business with existing customers, fewer lost customers, more protection from price competition, and fewer mistakes requiring the company to redo its goods/services. The task of Banks is to balance customer expectations and perception and to close any gaps. Gaps at any point in service design and delivery can damage relationships with customers. This study reveals the customers expectation and perception of banking services. The study helps to identify the service quality gaps and how it affects purchase decisions. This will be helpful for the banks to improve their quality hence their competitive advantage and to evolve marketing strategies to become market leaders.

1.4 SCOPE OF THE STUDY

The researcher has confined the study area to Chennai city (one among the four Metro Cities in India). The data collection period has been limited to the years 2005-2007. Even though there are about 65 banks, only 9 banks (Three from each category namely Public, Private and Foreign Banks) have been considered for the study. They are the Market leaders in each category. Indian Bank, State Bank of India and Indian Overseas Bank are
selected from Public Banks. ICICI Bank, AXIS Bank and HDFC Bank are selected from Private Banks and American Express Bank, Abn amro Bank and HSBC Bank are selected from Foreign Banks. The study mainly concentrates on Personal Banking services. The study is centered around the Five service quality dimensions namely tangibles, reliability, responsiveness, assurance, and empathy proposed by Parasuraman, Zeithaml, and Berry on Banking sectors in Chennai city. The study utilizes the contribution of Grönroos who found that the perceived quality of a service is affected by the experience that the consumer went through for a service. Therefore, he encapsulated the perceived quality of a given service as the outcome of an evaluation process; a comparison between the consumer expectations of the service with his perceptions of the service he has received will result in service quality. This research is centered around the contribution of Parasuraman, Zeithaml, Berry and Grönroos.

1.5 OBJECTIVES OF THE STUDY

The Researcher has the following objectives for the research:

1. To study about the service quality in banking sectors
2. To find out the expectation of consumers of Banking sectors
3. To find out the perception of consumers of banking sector
4. To find out service gaps between consumer expectation and consumer perception among Public, Private and Foreign banks.
5. To find out Consumer Behaviour towards the banking sectors