CHAPTER - II

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INTRODUCTION:

India has been passing through rapid economic transition. The past record of the country can only be marginal support to help it write new economic equation entitling it to the future. The Banks have to prepare themselves for a fundamental economic transformation and to develop a new self-adjusting framework providing continuous opportunity for growth. Competitiveness is the litmus test in the present era of globalization and Internationalization. Consumer demands are rapidly changing and a large population is asking for banking services of the highest quality. A customer driven bank provides unique attributes to products and services that are important to the customer. Such a bank dedicates itself to be capable of delivering the products and services at levels that not only meet but exceed customer’s expectations. Customer satisfaction is the essence and goal of the bank. Goals, resource allocation, policies, procedures and management style are all focused at this objective and all other goals are subservient to it. The essence of service excellence is to delight the customer and exceed his/her expectations. The market place is demanding more and better service. Service leaders are moving beyond quality service to a new level called service excellence. Exceeding customer expectations or service excellence is becoming the differentiating and essential factor for the success of a bank.

In the Globalised Indian economy all the industries are doing well in the market and Indian banks are also performing well comparatively. In the booming economy and the continuing expansion most of the banks facing challenges to perform well and it clearly brought out by the fact that, contrary to public perception, it is not just the new private sector banks that are doing well. There are few public sector banks are also doing well and got the place in top 10 best performing Indian banks. And its worth mentioning that these public sector banks have performed so admirably in spite of the fact that they operate with many handicaps, such as strong unions and the inability to offer market salaries and incentives and burdened with huge workforce. The secret of success of any company simply depends on how they treat employees
and keep them satisfied. For that they have design their human resource process like recruitment, selection, training and development, performance appraisal and other based on employee perspective in order to benefit them. In India the banking industry becoming more competitive than ever, private and public sector banks are competing each other to perform well. The executives of the bank are now in the position to modify their traditional customer service practice in to innovative customer service practices in order to meet the challenges from other competitive banks. Industrial Development Bank of India (IDBI) initially a development bank and later entered in to retail segment. IDBI is bank owned by the Government of India. It has one peculiarity when compared with PSB’s that, this bank has entered in retail segment with latest technology.

REVIEW OF LITERATURE:

Banking is a prime mover in the economic development of a nation and research is so essential to improve its working results. The management without any right policy is like “building a house on sand”. It means an effective management always needs a thorough and continuous search into the nature of the reasons for, and the consequences of organisation. In line with this, some related earlier studies conducted by individuals and institutions are reviewed to have an in-depth insight into the problem and exploring the reformation of banking policy. An overall view of a few studies is presented below.

Chinedu B Ezirim\(^1\) identified the key factors accounting for customer’s choice of retail banks in Nigeria to be security of environment of banking operation, size and financial strength of the retail bank, speed of service delivery, liquidity and safety of deposits, and accuracy of any efficiency in customers' accounts management. Others include convenience on the part of the customers in terms of ease of transactions, availability of packing space, possibility of transactions during normal and past-normal banking hours.

Clement\(^2\) found service quality gaps in sixteen dimensions namely management perceptions, service quality strategy, service design and service quality specifications in terms of customers'
expectation, service gaps, quality supportive financial function, internal communication, co-ordination, organisations in the value system, service delivery, external communication, contact personnels' perceptions of customer's expectations, human element, consumer perceptions and service quality evaluation.

Joshua and Koshi\(^3\) found that the ICICI has outperformed the other three selected banks namely UTI bank, Corporation bank and Karnataka bank in providing quality service. It is seen that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks in the region. The total average gap score of new generation banks is comparatively lesser than, the score seen in old generation banks.

Krishnaveni and Divya Prabha\(^4\) identified the antecedents of service quality as dedicating resources, quality oriented vision, empowering employees, ascertaining customer needs, providing desired environment, monitoring customer expectations, recognition and service culture and job satisfaction. The consequences of service quality are customer satisfaction, customer loyalty, positive word of mouth communication, customer trust and commitment, customer retention and business performance and profitability.

Milind Sathye\(^5\) found that the partially privatized banks have continued to show improved performance and efficiency in the years after privatization, especially, in financial and efficiency parameters. Partially privatized banks also seem to be catching up with the banks already in the private sector. No significant performance or efficiency difference was seen in these two cohorts of banks. It reveals that the Indian strategy of gradual privatisation has succeeded.

Mushtag A Bhat\(^6\) revealed that the Indian banks fall much below the perceptions of their customers on all dimensions of service quality whereas foreign banks are exceeding the perceptions of their customers on tangibility and reliability dimensions of service quality. These banks are closer as regards expectations of their customers, not far away from the perceptions of their customers as far as
other dimensions of service quality are concerned. This observation revealed bleak reality, that Indian banks do not meet the expectation of their customers.

Mushtag A. Bhat\textsuperscript{7} identified that the poor service quality among Indian banks is mostly because of deficiency in tangibility and responsiveness. The service quality of Indian banks is perceived different according to the income, age and region of the customers. The banks provide comparatively better quality service to business group customers in comparison to service group customers as they are comparatively small in number with comparatively high level of income as against service group customers. Different education levels, however, do not exhibit greater variation in service quality.

Nazrul Islam and Ezaz Ahmed\textsuperscript{8} found that first expected service quality factor in banks is the performing promises by the employees followed by the personal attention and tangible physical facilities. There is a relationship between the perceived service quality factors and the overall quality of the bank. There are significant differences between the service quality of public and private banks. The differences are found in physical facilities, appearance of bank employees, services, willingness to help the clients, courtesy to the clients and working hours of the bank.

Shajahan\textsuperscript{9} found that the important discriminant variables among the highly dissatisfied, highly satisfied and just satisfied groups in banking are their attitude on account summary, debit card and delivery channel. The two key benefits of the availability of web services and CRM packages are productivity front and customer intimacy.

Sharma and Mehta\textsuperscript{10} compared the service quality perceptions in State Bank of India, Corporation Bank, UTI Bank and J & K bank. They identified that the UTI bank has the highest tangibility in terms of the employees, physical evidence and ambience. The analysis of reliability dimension, places the public sector banks far ahead of the private sector banks. Regarding 'responsiveness' the Corporation Bank is the front-runner among the four banks. The analysis also reveals that the J & K Bank has the lowest service quality perception value, whereas the Corporation Bank has the highest perception.
Sundar and Lakshmanan\textsuperscript{11} stressed the need for customer care management in banks to achieve customer satisfaction. The important ways to establish the customer care are the customer complaints management, knowledge update of bank staff, routine steps in complaint management, customer-help desk, complaint audit, training of employees for attitudinal change, institution of award for zero grievance rank, customer meet, rewarding financial discipline, brain storming session and computerization of banking operations.

Zillur Rahman\textsuperscript{12} compared the expectations and perception on the services offered by commercial banks. In all five aspects of the quality services, the mean of perception is lesser than the mean of expectation. The significant mean difference between the perception and expectation is also noticed. The largest discrepancies are found along the 'reliability' dimension. The Punjab National Bank is the highest performing bank since it holds an advantage over others in the area of perceived tangible, reliability, responsiveness and empathy dimension. In general, there are highly significant differences among the banks regarding different dimensions of service quality.

Chowdhary\textsuperscript{13} opined that the customers' presence is followed by their demands for customization and responses are to be shifted to their requirements by the frontline personnel. Any service to be provided to the customer can be differentiated by the service provider from the rest of the service providers as it possesses some unique selling proposition.

Gustafsson and Johnson\textsuperscript{14} concluded that the statistical estimates of importance identify those attributes that have had the greatest impact on a customers' more recent consumption experiences. Whereas direct ratings capture what is more globally salient to customers and thus important over time. As direct and derived ratings contain somewhat different and complementary information, an implication of our results is that researchers might gainfully employ both measures to operationalize importance as a more latent construct to explain loyalty.
Hasanbanu\textsuperscript{15} revealed that the customers expect speed, courtesy and concern from the banks. The system followed in banks needs a review for simplifying the various forms and proceedings for sanctioning loans. The important expected services in rural banks are courteous service, clean bank premises, prompt service, accuracy and introduction and payment on term deposits.

Israel et al.\textsuperscript{16} used the correspondence analysis to measure service quality in public and private sector banks. They pointed out that the private sector banks need to focus more on reliability, credibility and security aspects, in delivering service to their customers. The public sector banks need to improve on aspects such as tangibility, fairness and treatment and more importantly on accessibility and 'courteous behaviour' of employees towards the customers.

Sachdev and Verma\textsuperscript{17} revealed that in the case of banking the perceived performance is below would be level of performance in four out of five service dimensions. That is, the banking services do not even perform at the adequate level in respect of reliability, responsiveness, assurance and empathy. The standardized Beta co-efficients have provided the following order of importance of service quality dimensions in banking industry namely empathy, tangibility, reliability, assurance and responsiveness.

Sanjay and Garima\textsuperscript{18} found that while the SERVPERF scale is a more convergent and discriminant valid explanation of the service construct, it possesses greater power to explain variations in the overall service quality scores, and is also a more parsimonious data collection instrument. It is SERVQUAL scale which entails superior diagnostic power to pinpoint areas for managerial intervention.

Sivaloganathan\textsuperscript{19} identified that the customer services should be personal and professional. In a nutshell, Indian banking has definitely come a long way, in its ultimate mission of providing customer care. However, with a rapidly increasing customer population and the parallel growth of demand for qualitative, competitive services, a lot still remains to be desired. In fact, banking sector reforms will be meaningless if they do not improve customers' perception of bank services.
Sultan Singh\textsuperscript{20} identified that the level of customer service and satisfaction is determined by branch location and design, variety of services, rates and changes, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redressal and very importantly, staff skills, attitudes and responses.

Upinder, et al.\textsuperscript{21} identified the most important service quality factors in private and public sector banks from the customers' and employees' point of view. Competence, tangibility and record maintenance seem to be typical factors of private sector banks, whereas the tangibility, reliability and access seem to be typical factors of public sector banks.

Victor Iglesias\textsuperscript{22} found the significant effect of preconceptions on perceptions during the service encounter. Preconceptions about the service category distort customer perceptions of the service encounter. The effect of preconceptions on the dimensions of tangibles and reliability is lower. The attribute-based processes, predominate in evaluating banking, insurance, and financial advisory services. The direct effect may become significant, whereas the mediating role of perceptions varies.

Eminbabakus et al.\textsuperscript{23} examined the conceptualisation of Management Commitment to Service Quality (MCSQ). The best indicator of MCSQ is empowerment, followed by rewards and training. The training, empowerment and rewards jointly affect Service Recovery Performance through the mediating roles of employees job satisfaction and effective organisation commitment. The MCSQ exerts a stronger influence on Service Recovery Performance through effective organisation commitment than through employees' satisfaction.

Bharati Pathak\textsuperscript{24} identified that Housing Development Finance Corporation emerged as a leader in the financial performance of the banks during 1995-96 to 2000-01. Its closest competitor was ICICI bank. The performance of the other three banks namely Industrial Bank, Centurion Bank and UTI Bank, lagged behind them, but it was, by no means, depressing. These banks, obviously, have to focus more on improving parameters like credit quality and cost control for them to emerge as the top performers.
Debasish had used Rust and Oliver model to study the service quality in banks. The study revealed that the ICICI bank and State Bank of India provide better quality service. However, on the whole the public sector banks have failed to satisfy their customers in five dimensions namely tangibility, reliability, responsiveness, assurance and empathy.

Gani and Bhat found that service quality of foreign banks is comparatively better than that of Indian banks. The important reasons for such poor service quality in Indian banks, are lagging behind on the front of physical facilities, up-to-date equipments, communication material, neatness of employees, prompt service of employees to customers, willingness of employees to help customers, convenient operating hours, banks' having customer interest at heart and employees who give personal attention.

Hess et al. identified that customer organisation relationships can help to shield a service organisation from the negative effects of failures on customer satisfaction. The first suffering effect, was as predicted, a direct effect from customers' expectation of relationship continuity to customers service recovery expectations whereas the second suffering effect is attributions of causality.

Madhu Vij revealed that some of the banks suffered heavily due to the financial crisis in the Indian financial system after these banks came into being. In addition, the indiscriminate lending to corporates by some of the banks, along with bad corporate governance, resulted in huge non-performing assets. A comparative analysis of the three private sector banks shows that HDFC stands as a clear winner, with ICICI at number two.

Mittal, et al. identified that customer relationship management was found to be significantly positively correlated with customer orientation, communication, customer care and handling complaints. Young employees, as compared to elderly employees were found to be significantly different on customer orientation, communication and CRM. There was no significant difference between executives and non-executives irrespective of banks on CRM and its components.
Navdeep Aggarwal and Gupta\textsuperscript{30} identified the important factors in banking service quality to be service time, interaction with the bank staff, ambience and infrastructure and services and banking channel. The most important variables in the above said banking service quality factors are banking hours, availability of staff, pleasant atmosphere in the bank and network of banking services.

Olsen and Johnson\textsuperscript{31} explored and found that equity and customer satisfaction plays an important role in the customer loyalty for banking services. Perceived equity as the psychological reaction to a firm's value proposition, affects loyalty through satisfaction. Equity is a judgement that bridges the gap between satisfaction and behaviour intentions. It was also found that the type of evaluations that customers make, affect the impact that price and product have on loyalty vis-a-vis the pure service component of a service offering.

Prabhakaran and Satya\textsuperscript{32} identified rate of interest as the important criteria to choose the final service provider. There is a fair degree of association between reliability and responsiveness, reliability and tangibility, empathy and responsiveness, empathy and tangibility and assurance and reliability.

Spake et al.\textsuperscript{33} revealed that comfort was identified as an important construct in the development and maintenance of relationships with retailers and service providers. The comfort was shown to have a significant impact on trust, commitment, satisfaction and active service. The incremental understanding of the traditional satisfaction-trust-commitment paradigm have been identified.

Darshan Parikh\textsuperscript{34} analysed the gap between perceptions and expectations of customers on retail service quality at five dimensions namely physical aspects, reliability, personal interaction, problem solving and policy. The highest average gap between the customers' perceptions and expectations is identified in the problem solving dimension, followed by the area of interest shown in physical aspects dimension. The study also revealed that customers have their own preferences and expectations different from what service providers think.

Sachdev and Verma\textsuperscript{35} indicated that customers do have two expectation levels namely desired and adequate and they differ significantly in banking. The customers' 'desired' expectations are enduring
in nature and 'adequate' expectations are much flexible and closer to the level of service performed. The customers consider all the stated dimensions of service quality namely, tangibles, reliability, responsiveness, assurance and empathy to be important to them, as both their 'desired' and 'adequate' expectation levels have been found greater. The comparison of performance mean scores with 'would' expectations in respect of the two services provides that bankers need to improve and manage the service quality on all of its stated aspects because even the customers' minimum acceptable level of performance is not being served.

Brady and Joseph\textsuperscript{36} defined the customers' perception of the organisation's technical and functional quality, service product, service delivery and service environment, and found that reliability, responsiveness, empathy, assurance and tangibles are associated with the service experience.

Verma and Hema\textsuperscript{37} revealed that the selected commercial banks are considerably market-oriented. The public, private and foreign sector banks significantly differ in their market orientation. The public sector banks are the least market-oriented whereas the foreign banks are the most market-oriented. There is a positive and significant relationship between the market orientation of commercial banks and the customer satisfaction. Comparatively, the public sector banks are slow to respond to the changes in the customers' tastes and preferences.

Srivastava P.C.\textsuperscript{38}, in his article on "Business prospecting in banks", has stressed the role of branch manager in a bank. He opines that the organization must have positive approach in promoting and developing the business. The role of branch manager is important in developing the culture of business prospecting. Proactive and interaction managers will keep watch over ongoing changes in customer preferences and needs and accordingly they make necessary changes in the functioning of the branch. The author has stressed on the importance of people as marketing mix in bank marketing. The other aspects of marketing mix are not considered.

Srivastava P.C.\textsuperscript{39}, in his article "managers of tomorrow in public | sector banks has expressed that the chairman is not the bank for customer. The man on the counter is the bank, the passing officer
behind the counter and branch manager may be the ultimate in the bank. This article has stressed on the importance of the branch staff in distribution of bank services. The other aspects of bank marketing are not given importance.

Garg I.K.\textsuperscript{40}, in his essay, "Future of banking in India key issues, has said that development of banking depends on key issues like serving the rural sector, attaining sound financial health, working with autonomy and competition, coping with financial complexity, facing dis-intermediation process and harnessing core competencies. Author opines that PSBs have limitations in achieving core competencies due to poor quality work culture, skills and practices. Approach of the author to the subject is more from the managerial aspect not from the marketing angle.

Verma M.S.\textsuperscript{41}, in his article "Changes in the banking sector" opines that reform process has thrown new concepts in banking like, income recognition, provisioning and capital adequacy. Entry of private and foreign banks, technological advancement. Article says the key to success in the changed environment of business will be, ones ability to reach the client at the doorstep, wherever he may be in the World and to meet his requirement of products and services in a customized manner. Author says that banks should prepare themselves to work in this changed environment by adjusting their marketing strategy to the changing environment.

Garg I.K.\textsuperscript{42}, in his article on "Perspectives in India Banking" has said development is basically learning experience, which also includes learning by the experience of others. As societies develop through this process, institutions also undergo a change. Non-changing and slowly changing institutions soon become misfits and die out. The article rightly identifies the need for change in the functioning of banks to adapt to the changing conditions of business in accordance with LPG policies. The author has articulated the importance of marketing which help the bank to design its services depending on needs of market. Article has highlighted need for marketing approach but fails to identify the areas where marketing can be implemented.
Bhasham, P. and Gyanmohan, The duo in their article have articulated as to how ready are public sector banks to launch second phase financial reforms. Author’s say focus of banking has shifted from mass banking to class banking. Author says that PSBs should bring necessary change in their functioning to deliver the quality service. Article has highlighted aspects like ALM, Autonomy to branch etc, which are necessary for a modern bank. Article has stressed on administrative side of banking, marketing aspects of banking have not been touched.

Chidambaram, R.M. and Alamelu, S.K., in their article Service marketing, challenges and strategies", have highlighted that deregulation has made banks to redefine their strategy in marketing their products. Authors have stressed on aspects like customer care, application of technology, flat organization, better environment and cost consciousness in delivery of service. Other important marketing aspects like variety in products, simplification of procedure, location of the branch are not considered by the article.

Narayan V., in his article "Mechanics of quality customer service in banks", has said customer in a bank expects not only products, but also good treatment. The author stresses on quality :customer service. Article has dealt on only on two aspects of marketing i.e. product and customers, the remaining aspects of marketing like price, place, promotion etc., are not evaluated by the author.

Iyer S.R., in his article "Customer focus" has expressed the importance of front line staff in delivery services. The problem that is faced by Indian banking today is to improve competitive advantage. The role of frontline staff is vital as they are the persons who deliver the goods. They must have knowledge and they should be motivated to interact with the customers. Article has highlighted importance of customer and the role branch staff in satisfying customers of the branch. Author has stressed on the importance of internal marketing to the organisation, the aspect of external marketing is not studied by the author.
Omji Gupta\(^4\), in his article "Emerging issue in service marketing, banks experience", opines satisfying customer with the delivery of products and services is requirement of a successful banker. Author says that bank which is responsive to the needs of its customers and satisfies such needs will be a successful bank. Article says that success of bank depends on identifying and satisfying the needs of its customers. Author has failed to identify the steps and measures that can be undertaken to satisfy the needs of customer.

Nageshwar Rao and Pramod Pathak\(^4\), in their article "Customer service banks need fine tuning", have identified crucial questions in delivery of services by bankers. The authors are of the opinion that indifferent attitude of the staff is resulting in poor services. Positive attitude of the staff can change the environment at the branch. Authors are correct in their belief that staff with positive attitude can take care of customer. But customer care and satisfaction is also dependent on hosts of factors like variety in products, price location etc., which are not given importance.

Mangal S.K.\(^4\), in his research article has identified factors like increasing expectations of customers, lengthy procedure and redtapism that are affecting quality of service delivered at the branch. Author has said measures like quality circles, incentives programs can improve quality of service delivered. The article has not considered other important aspects in improving quality like, better products, reasonable price, better physical facilities etc.

Gupta K.V. and Gupta Krishna\(^5\), in their article "Customer service in Banks" have stressed on importance of customer service in banks. They opine that banks are operating in an imperfect market. The role and function of banker should not be restricted to his cabin, he should understand his surrounding and environment. Article has stressed on congenial work environment (physical and psychological), use of modern method of communication, regular customer meets etc. The other aspects of bank marketing like price, procedure, promotion which are also necessary to improve customer service in banks are not discussed by the author.
Mathur Sunita and Khandelwal Rajalaxmi\textsuperscript{51}, in their research article, "Customer service in banks", have said that the branch should be developed into a viable functioning unit. The only thing branches receive from their centre or head office is certain services, not even raw materials. Article has rightly pointed the role and importance of a branch in distribution of services. However the article has not explained how the branch can be made a viable functioning unit and what factors can strengthen functioning of a branch.

Ramanaidu, K.\textsuperscript{52}, in his article "Strategies to meet customer expectations in banks", has identified reasons for the lower satisfaction of customer, like structural deficiencies, ill conceived policies and programmes, shortage of well equipped staff. Author has suggested remedies like location and structure to the convenience of the customer, inside and outside, identifying customer needs and satisfying them, providing adequate product information through information technology etc. Article has neglected aspects like effective promotion, simplified procedure, reasonable price etc., which are also I essential to ensure satisfaction of customers.

Mehta Anil\textsuperscript{53}, in his article "Better customer service in banks" has expressed that there is universal complaint regarding poor quality of service delivered at the branch. Customer education, creating awareness about banking services and modernization of banking system can help to improve the quality of service delivered at the branch. The article has not evaluated other features which can improve the quality like, simple procedure, timely service, better physical environment etc.

Mathur Alok kumar and Mathur Manju\textsuperscript{54}, in their research study made in the city of Jaipur have opined that, one unsatisfied customer drives away ten other customers. Salesmanship and courtesy should be the key word for counter staff at the banks to ensure customer satisfaction. The survey found that commissions, service charges on remittances of D.D. and on current accounts are reasonably high, complaints lodged are not handled satisfactorily, there is undue delay in handling the transactions. The research study has not considered other aspects like variety in products, effectiveness of promotion, reasonable price etc., which increase satisfaction level of customers.
Nagarajan, N.\textsuperscript{55}, in his article on commercial banks in non-traditional areas says that traditional area of banking i.e., accepting deposits and lending is under threat due to competition offered by few financial institutions. Banks should enter in non-traditional areas like Merchant banking, mutual funds, housing finance etc., for their survival and growth. Author says that environment is conducive for horizontal and vertical expansion of banking business. The article does not say anything about importance marketing of bank services to achieve growth.

Kamalnayan\textsuperscript{56}, in his article "Integrated Performance Evaluation Model" has said in a branch banking system, the success of a bank depends largely on the effective performance of its network of branches. The objectives of bank and in turn objectives of the branch are determined by the top officials at the Head office, the provisions of RBI and the government. Author says branch like any other part of a business should have its own objectives, unique to the environment in which it is doing business. Author rightly opines that branches should have liberty and autonomy in designing and delivery of their services. But the article is silent as to how this autonomy is to be exercised by the branches.

Hugar S.S.\textsuperscript{57}, in his essay, strategic planning for bank management' has said banks must make SWOT analysis. They must undertake strategic planning to make them competitive. Author says that banks should adopt modern management practices that will help them to be effective in a buyers market. Article concentrate I managerial aspects of banking, it has not considered marketing aspects of bank services.

Hugar S.S.\textsuperscript{58}, in his article "Concept of product in bank and product planning and development", advocates that bank management starts with the customers, lives with the customers and dies because of customers". The survival of banks depends on retention of customer, and that is dependent on quality of service delivered to customer. The author has given symbolic presentation of customer satisfaction level, which is $S = f (P_1, P_2, P_3$ and $P_4)$. ‘$S$’ denotes customer satisfaction level, the $P$’s denote the marketing mix in delivery of services. The article restricts itself to 4 $P$'s of marketing only. The other 3 $P$’s of service marketing i.e. people, procedure and physical environment are not evaluated by the author.
Business India⁵⁹, the article on "India's Best Banks, has evaluated best banks on CRAMEL Parameters i.e. capital adequacy, resource deployed, asset quality, management quality, earning quality and liquidity. The survey made by business India magazine explains "Today's best bankers are not just accountants. They are more like bean bags, comfortable, flexible adapting themselves to the needs of the customers". The adoption of these parameters make the choice of foreign and private banks like Citi bank, HDFC bank favourites as best banks, however PSBs are not lost in the race, as banks like SBI, Corporation are also in the race for best banks. Article has evaluated best banks on CRAMEL parameters, but the article has not recognized the role of marketing which is essential to achieve the rank of best bank.

Velayudhan, T.K.⁶⁰, in his article "Issues relating to productivity in banks", opines that improvement in the productivity of banking industry means improved customer service and improved profitability. Author says that better management, committed employees can help a bank to achieve the required profits. Author has not given much importance to the marketing aspects of banking, which is also necessary to achieve productivity and profitability.

Madhok Aneeta and Zaveri Rahul⁶¹, in their article "HRD issues in Banking", have said performance of the bank depends on its staff. Empowerment of the branch staff can make the bank capable to meet emerging challenges. Article stresses on adequate motivation, proper training which can bring dynamism in the functioning of a branch. Authors have restricted themselves to the HRM side of banking, the relevance of marketing of bank service is not explained by the article.

Bhaskar S.G.⁶², in his research study has undertaken a study to evaluate the needs of the customers and response to the process or the system, to the customer needs and services. The study was based on service parameters like, attitude responsiveness, courtesy, procedures, infrastructure, location, layout and variety of services. The study was not based specifically on 7 Ps or marketing mixes. Moreover all the P's like role of promotion and people are not evaluated by the research study.
Mehta Varsha and Alka Sharma\textsuperscript{63}, authors in their article on “Electronic banking impact of customer service” have said that technology distribution system and deregulation are the main factors affecting financial service industry. The more convenience a bank offers to a customer, the more business they can attain and retain. The article has dealt in length on technology aspect of banking, followed by marketing aspects. Marketing aspects are restricted to only product as marketing mix and how technology can be used to improve product features. The other aspects of marketing have not received the due weightage.

Seth Rajiv K.\textsuperscript{64}, in his book "Fundamentals of Bank Marketing", has said that marketing in Indian banks is yet to take roots. The philosophy of marketing is appreciated at the higher levels, but at the lower levels or branch levels it is yet to reach. Marketing has not caught the attention of the bankers'. Author has rightly said that marketing is misconstrued as advertising and selling. Article is not specific as "to what are the aspects of marketing that a "bank can implement to popularize its products and name.

Prasad Aditya\textsuperscript{65}, in his article "Marketing Research in Indian Banks", has said that banking industry is becoming more and more competitive with the arrival of private, foreign and development finance institutions. Banks have to innovate and adapt new practices and technologies to survive and grow. Author is of the opinion that banks have to regularly undertake economic study and market research to ensure that banks remain competitive. The article is more of academic in nature, it has stressed on marketing research, but how the research can help to increase the marketing strength of a bank are not evaluated.

Mathur K.B.L.\textsuperscript{66}, in his article "PSBs in India should they be privatized", has said that there is section of people who advocate privatization of PSBs. But author is of the opinion that PSBs need not be privatized, as privatization may not result in efficiency and competitiveness. There is a wave of privatization of public enterprises. Privatisation is not remedy to all the problems being faced by the PSBs. If PSBs are privatized there is a risk that huge deposits that are accumulated in these banks may be misutilised in the hands of private management. Instead effective marketing and management of
PSBs can bring in them efficiency and make them competitive. Article has deliberated on the issues of privatization, it has stressed on the role of marketing to bring competitiveness in the functioning of PSBs.

Madhukar, R.K.\textsuperscript{67}, says marketing is necessary due to growing competition, compulsions of profitability, optimum utilization of banking infrastructure and focus on customer satisfaction. To ensure effective marketing, the banks should have proper marketing mix. The marketing mix consists of six P's i.e. product, price, place, promotion, people and procedure. The article has left out one more important marketing mix i.e., physical environment.

Parasuraman A\textsuperscript{68}, along with Prof. Zeithaml and Berry has developed SERVQUAL, a multiple item instrument item to quantify the service expectation perception gap along five generic dimensions which are reliability, responsiveness, assurance, empathy and tangibles. Author opines that, bank should undertake regular market survey and research, listen to customer complaint. Article in general throws light on how service can be improvised in banks. The marketing side to the delivery of the service is not evaluated in the article.

Rusell John\textsuperscript{69}, has expressed that demographic and psychological changes will require new channels to satisfy new definitions of convenience. The ability to conceive, implement and mange new distribution channels will be a competitive weapon. Successful exploitation of new distribution channels will enable banks to achieve significant gains. Innovative approaches of distribution differentiate banks from their competitors. Article deliberates only on delivery system or delivery channels. The other areas of bank marketing like promotion, price, product, physical environment have not received adequate weightage.

Vyas Parimal\textsuperscript{70}, is of the opinion that customer satisfaction is at the very heart of marketing. Satisfaction depends on delivery of products that are perceived by the customers. Author says the success of marketing depends on delivering products that are perceived by the customers. The article
has considered only product as important feature in marketing of bank services. The other aspects of marketing like promotion, price, procedure etc., have not received due consideration.

Bhat Atul, in his article "Bank Marketing in the New Millennium", has said that banks have to adapt themselves by offering new products that are required by changing society, which consists of increasing number of middle class population. Products designed must meet the expectation of these new classes of people which is made up of working couples, women employees, professionals etc. The article has considered only middle and rich class of people as customers of bank. Majority of banks customers are in lower middle income group. Author has commented on the need of variety in products. The other aspects of marketing are not discussed.

Trivedi I.V., customer service is the most important duty of banking operation. Banks must adopt marketing approach to conceive and deliver customer designed services. Author says banks should adopt measures like automation and simplification of work procedure, designing need based schemes for variety of customers, deregulated interest rate structure. Training of the staff in customer psychology and customer education through seminars and exhibitions. Article has highlighted few aspects of marketing, relegating other features like effective promotion, better physical environment which are necessary for completing marketing strategy in distribution of bank services.

Sadhu Singh, in his article has said performance of bank and in particular of the branch depends on environment in which the bank or branch is situated. Author has classified bank environment into internal environment, which includes employees of the branch. (External environment which is influenced by national plan objectives and government policy, competition from rivals etc. Article has studied environment in which the bank is functioning and need for adapting banking activities to the prevailing environment. However author has failed to identify the importance of marketing mixes which can help the banks to design their acts to suit to such environment.
Jain A.K.\textsuperscript{74}, in his article "Customer service, an icing on the cake" has said that success of service organizations depends on effectiveness and efficiency of the service provided to the customers. Banks being a service provider organization can become more effective if it strengthens its delivery system. Author says delivery system can be strengthened by decentralizing decision making, simplifying and modernizing the systems and procedures and in delivery of service. Article has dealt in detail on distribution of services, the other aspect of bank services, like people, promotion, price have not been evaluated.

Mai Bill\textsuperscript{75}, in his article "Why consumers choose their bank, a New Zealand perspective has said customer consider a wide range of factors when deciding which bank is best for them. Research study was undertaken on 37 factors, which were based on 4 Ps i.e., product, price, promotion and place including service quality. The research identified seven high priority areas like loan deals, service quality, fees charged, ATM network, reputation and soundness, access by phone and internet, branch network convenience. Research study was based on traditional 4 Ps only, the other 3 Ps which are important in distribution of services are not considered by the research.

Booz, Alien and Hamilton\textsuperscript{76}, in their article "Marketing for bank executives has said that, commercial banks need to make soul searching as to where they are, and where they want to go. The study made by the authors reveals that the future growth of the banking industry depends to a large extent on its ability to serve the mushrooming financial needs of individuals. Author has particularly dealt with non-traditional areas of banking to ensure banks growth. Adoption of refine marketing strategy, better management and automation can help a bank organization to achieve regular growth. Article has stressed on aspects of marketing and management that can be applied at the head office level. Authors have not explained what should be the marketing strategy to be applied at the branch, the place from where bank products will be sold.

Arora Sangeeta and Minaxi Malhotra\textsuperscript{77}, in their article "Customer satisfaction a research study", have made a comparative analysis of satisfaction levels of public and private sector bank customers is carried out with a purpose of helping the bank management to formulate marketing strategies to lure
customers towards them and hence increase customer base. The research study was based on 7 Ps. The study revealed that satisfaction level of private bank customers is more compared to PSBs. Researchers have considered only certain features of marketing mixes that are applicable to customers in urban areas. Features or aspects which are relevant to rural or semi-urban customers are not highlighted by the study.

Capaldini, L.A.\textsuperscript{78}, in his book "Bank Marketing" has examined the future of banking i.e. trends that will have impact on banks and their marketing efforts. The article has stressed on customer education, disclosing necessary information about the bank and its products to the customers. Improving payment system by installing more ATMs. Although the article has stressed the importance of marketing but it is lop sided in its coverage giving stress on promotion and products. The other marketing mixes price, procedure, physical environment are not evaluated by the study.

Forster Michael Sadler\textsuperscript{79}, in his article "Corporate identity in the branch network", has said the systematic planning of the expansion of a network of banking offices is largely based on three scientific instruments which are operational research, marketing and data processing. Article has also stressed on corporate identity which refers to public impression of a banking organization. The bank identity is developed through inevitable process of communication. The author has rightly pointed out the importance of factors like marketing, technology and corporate identity. But the article has not explained in detail as to how to accomplish these tasks.

G. Rama Krishna and K. Venu Gopal Rao, conducted a study on “Quality of customer service in Public sector banks and has related banks performance with that of customer satisfaction level” \textsuperscript{80} G. Rama Krishna and K. Venu Gopal Rao, conducted a study on “Performance of Public sector banks after reforms by considering Assets, Deposits, Advances, NPAs, Profits etc.” \textsuperscript{81}

Srivastava, A.K.\textsuperscript{82}, has undertaken research in the city of Chandigarh on "Customer service in banks need for marketing approach". The study was based on following objectives:
a. Examine the extent of satisfaction or dissatisfaction with customer services given by banker.

b. Identify critical areas as to where customer dissatisfaction was very high.

c. Suggest remedial measures.

The author identified two sets of problems in marketing of bank services which were classified into (a) behavioral problems, (b) procedural problems. The study was restricted to only two aspects of bank marketing. The other important aspects like product, promotion, prices were neglected by the researcher.

Sharma, R.D.\textsuperscript{83}, in his research paper "A multiple item scale for measuring marketing effectiveness in American Consumer banking through customer judgment", has presented the development of 33 item scale called MKTEFFECT for obtaining customer judgment on the efficiency of marketing efforts in American consumer banking. MKTEFFECT measures how good bankers have achieved their business goal effectively by positioning and monitoring their marketing mix consistently.

Yang and Fang\textsuperscript{84} Service quality is a significant instrument to measure customer satisfaction. There is a close relationship between customer satisfaction and service quality. Customer satisfaction can be given by providing quality of products and services to customers. And for accessing customer satisfaction SERVQUAL model is used to know the different services provided by banks and customer perceptions about the services. This tool is used to overcome problems with related to customer satisfaction and quality of services offered to customers.

Wong, A. and Sohal, A.\textsuperscript{85} discussed about customer satisfaction as often recognized as the future expectations of banks in terms of its profitability and market share, a satisfied customer always shares his or her experiences to others like a word of mouth advertising thereby creating to increase more new customers to bank. This is possible only when the banks give quality services with ease. Whereas on the other hand dissatisfied customer gives a negative feedback about the bank to outsiders where the image of the bank will get spoiled thereby losing an opportunity to increase its market share and attract new customers. It is not only the customer satisfaction, the social relationships with
customers is also equally important. Interacting with customers and their family increases the opportunity for bank, it is seen in foreign banks that passing the wishes on birthdays and marriage anniversaries is a news strategy for banks to keep in touch with customers.

Laroche\textsuperscript{86} described banking industry is the one which creates a long term relationship with its customers. The range of products and services it is providing like home equity, personal loans, home loans, Credit and debit cards, insurance, mutual funds, investment finance, project finance and many other products which can help a customer in getting an opportunity to enhance their personal as well as business banking needs.

Smith and Bolton\textsuperscript{87} Customer satisfaction is the main role in profitability of retail banking. This includes retention of customers for long term, by attracting new customers, etc. However there are still satisfied and dissatisfied customers with banking services in the current circumstances, it may be the quality of services, timings of banks, interaction of a banker with customer etc. However, banks are providing online banking system and phone banking which works 24/7 and can communicate with a banker easily to know about any information related their accounts.

Anderson et al.\textsuperscript{88} in his study described about customer satisfaction explained in a different way of convenience and accessibility that make easy for him to do the transactions of banking. On another side, it is the bank's ability to deliver these benefits on a regular basis to its customers that will have impact on customer satisfaction. Providing the best to customers is one strategy which banks have in their hands. It is the responsibility of every one working in the bank to provide quality services, thereby which creates customer relationship stronger.

It is found that from the study done by Chaoprasert and Elsey\textsuperscript{89} that it incur more cost for acquiring a new customer than maintain the existing customer. Customer satisfaction, customer relationship and quality services are there important aspects for banks to retain the customer for long run, and investments on these three elements gives profitability and market share. Customer
satisfaction and High quality service frequently result in more recurrence purchases and market share. Customer satisfaction leads to customer loyalty and thereby leads to profitability and hence service quality is known as one of the basics of customer satisfaction.

Hossain and Leo discussed that banks understand that, if they provide greater value of services than their competitors in the market then, customer will be loyal and consequently and on other hand, if banks ignore about the satisfaction level of customers and concentrate on the profits that are getting better than its competitors can only earn high profits if they are able to position themselves better than competitor within a particular market. Accordingly, banks need to concentrate on service quality as an essential competitive strategy. The author defined service quality as a process consisting of series of intangible ‘activities that takes place in one particular organization to reach its determined customer satisfaction about organization.

Siddiqi discussed about customer satisfactions an important essence of success and outcomes of marketing activity in competitive banking industry. Most of the research studies have dealt with customer satisfaction with related to banking products and services, and many researchers agreed that customer satisfaction gets based on the consumption of related experiences with the bank. It is the Banks responsibility to fulfill the needs of customer and provide best services, so that customer gets maximum satisfaction and be satisfied with the services of banks, this creates positive image for the bank from the existing customers and brings opportunities for new customers to enter by just word of mouth advertisements from existing customers.

According to Fogli in every country, new generation technology is changing the banking operations and banking sector has become competitive with the entry of foreign banks and tech savvy private banks. In order to deal with the changing situations bankers have adopted many strategies like changing the practices of banks, introducing many innovative products apart from regular banking transactions, online banking, developing customer loyalty programmers, maintaining friendly customer relationships etc. to deal with the challenges and becoming competitive with one another in the industry. In an extremely competitive market, non-price factors like customer service become more
significant and their satisfaction on the quality of services depends on the interaction of banks with customers.

Prabhakaran\textsuperscript{93} discussed that to compete and excel in the market it is necessary for banks to create customer-centric style for future survival and growth in the industry. The consciousness has already started that rapid, efficient and prompt customer service only will attract the existing customers to continue and encourage new customers to try the services offered by a bank. In this regard Indian banks have already taken lot of initiatives. Additionally, it has been understood that Indians banks have miles to go to catch the existing trends and to be at equivalence with the Western counterparts. Consequently, many banks have initiated to take friendly measures like seven day anywhere banking, internet banking, ATM networks, 24-hour banking, etc. however changing circumstances again needs to shift the approaches, methods to grab the market and draw attention of customers in future.

Sachdev et al,\textsuperscript{94} discussed about Indian Baking sector, and its changes in operations to make the trade off between the economies and relationships, products and services, its efficiency, customers too are aware about the options, products and services offered by various banks and understand their rising standards of services, their level of expectations also raise on quality of services. Unlike any other banking industry in any country, in Indian Banking sector three important elements i.e. customer satisfaction, service quality and customer retentions have become major challenges that is gripping the industry. Apart from that, the deregulation in the banking sector twisted a great change in current scenario.

According to Beerli et al,\textsuperscript{95} Customer satisfaction is a measure of scope the existing bank is satisfying the overall expectations of a customer and how far the bank can become an ideal bank to the customer is a question. This is because customers satisfaction is the future intention towards the services provided by the bank and is related to the attitude of a customer. In order to drive customers' attention, banks have adopted new marketing strategies as a key to survive i.e. service diversification, in which banks are providing many options to customers itself, online money transactions, self banking, internet banking, ATMs etc.
Gronroos discussed the level of customer satisfaction is becoming the key objective of banks to expansion of the market share. More explicitly, the cost of maintaining the existing customers by improving the products and services that are considered as important and lesser the cost of winning new customers. Customer satisfaction is nothing but a result of purchase and user subsequent from the difference of the compensations and costs concerning actual performance and customers' expectations of the product purchased in relation to the expected consequences. Newly, there has been a strong interest, particularly in banking, where banks are seeing at the life time significance of the customer base relatively than focusing on the cost of transactions.

Krishnaveni et al. studied customers recognize services with regard to quality of the service and how satisfied they are on the whole with their experiences. Satisfaction is the consumer's self-realization reaction, and is influenced by service quality, price, brand image and product quality. From the study findings it is found that service quality interest is unarguably high and poor quality banks have competitive disadvantage in customer satisfaction. If customers recognize quality as sum acceptable, they may be fast to take their businesses elsewhere. Therefore, it is clear that service quality provides a way of achieving success among other services, predominantly in the case of banks that offer nearly undistinguishable services, where determining service quality may be the only way of discriminating oneself. Such discrimination can produce a greater comparison of consumers’ ranges and, consequently, there lies the difference between financial success and failure.

Zeithaml and Bitner, satisfying customer needs by matching to his expectations is nothing but service quality. Service quality in banking sectors is nothing but satisfying and anticipating the customer needs and expectations continuously as per the changing circumstances i.e. technology. The significance of service quality in Banks has been highlighted in many findings and distinguished quality benefit leads them to higher margins. It is being tested that high quality service provides credibility to increase the sale of products and services. And the longer time a bank retain a customer the more money it is going to make. There is adequate support that establishes the strategic benefits of quality in contributing to market share, margins, and returns on investment.
Devlin study described that banks by providing efficient services automatically lower the cost and improving productivity by maximizing customer satisfaction with quality as ultimate weapon. The banking industry as a service industry focused towards the customer's income and its management and concentrated on the high in credible quality, meaning that it cannot be estimated positively even immediately after providing variety of products and services. In addition, an extensive period of time may be essential in this industry for a fully well-versed evaluation. Therefore, customer satisfaction in banking is both challenging to measure and determine. Though researchers have studied the thought of service for decades, there is no conceptualization of quality service.

The most general definition views quality as the customers' experience of service excellence. Thus meaning of this definition is that customers look the awareness of service quality corresponding to the service performance they experience in the past. Therefore, the service quality is dependent on customer's perceptions of the service. In this regard, Balachandran said that the banking industry has become highly competitive in India. It is not only concentrating on delivering wide varieties of products to make competitive advantages, but also highlights on the significance of services, predominantly in maintaining service quality.

**NEED FOR THE STUDY:**

The past two decades, which marks the era of liberalization and reforms in the country, has been eventful one for the Banking industry changing the face of the industry far beyond recognition. Technology has brought in substantial changes in Banking in terms of customer services and new product innovations. It is necessary to know whether the reforms are being fruitful or not.

The review of various studies and literature on Banking revealed that there are very few studies that covered the Quality of customer service in Banks and not even a single study in technology driven banks. Technology place a pivotal and indispensable role in extending quality customer service. It would be useful if a bank born with latest technology is adopted for the study. IDBI Bank entered in to retail
banking with latest technology. Hence, it is felt that, there is an imperative need to study the Quality of customer service in IDBI Bank.

**MEASURING CUSTOMER SATISFACTION:**

There are occasions when a banker may fall into the trap of using measures of customer satisfaction and dissatisfaction to assess the bank’s performance in providing value, rather than to plan for understanding customer value and needs. Measuring customer satisfaction comes after understanding customer value. Satisfaction (or dissatisfaction) is the judgement on the perceived value of the service received by the customer.

The customer’s valuation (judgmental) process attaches a measure (positive or negative) to the experience perceived (of having the service). Satisfaction or dissatisfaction is the result where customer compares the experience (perceived value) to some standard of anticipated or expected value.

This standard could be an expectation such as what the value was ”supposed to be” prior to the use of the service. Therefore, satisfaction or dissatisfaction expectation was not fulfilled. It will be incumbent on bankers to determine what standards people use to rate satisfaction or dissatisfaction, so that they are in a position to understand better the meaning of their measures and take suitable actions for improvement. SERVQUAL technique proposed by Parasuraman, Zeethmal and Berry serves as better tool for evaluation of Service Quality.

**OBJECTIVES OF THE STUDY:**

The following are the objectives of the study:

1. To study the history, evolution of banking in general and IDBI in particular.
2. To examine the factors influencing selection of bank.
3. To identify various facilities offered by the IDBI bank to the customers.
4. To analyse the opinion of customers towards various facilities and services offered.

5. To evaluate the Quality of customer service using SERVQUAL in IDBI bank and

6. To offer suitable suggestions for the development of IDBI bank.

METHODOLOGY AND SAMPLING:

To achieve the stated objectives, the researcher has used both primary and secondary data. The primary data are collected from the customers of IDBI branches located in Rayalaseema Region of A.P. through Structured Questionnaire. The secondary data and information have been collected from various sources like Reserve Bank of India Reports and publications, Indian Bankers Association publications, National Institute of Bank Management publications, business newspapers, journals, magazines are also relied upon.

Rayalaseema Region of A.P. is selected for the study, as it is the backward and drought prone region of Andhra Pradesh. Rayalaseema Region comprises four districts namely Anantapur, Chittoor, Kadapa and Kurnool. A sample of 125 customers from each district has been taken for the study. The total sample comes to 500 customers. After elimination of few partially unfilled questionnaires the resultant final sample is 459. The sampling technique employed is convenient sampling.

DATA ANALYSIS AND INTERPRETATION:

The primary and secondary data collected from different sources have been tabulated and interpreted meaningfully. The data has been analysed with Chi-Square test, One sample T-test, using
SPSS and various inferences and conclusions have been drawn from the data. The information has been represented in graphical method also.

**SCOPE OF THE STUDY:**

While there are private banks, foreign banks, co-operative banks and regional rural banks and public sector banks, only the branches of IDBI bank located in Rayalaseema Region have been chosen for the study. The scope of the study refers only to IDBI bank branches located in Rayalaseema Region.

**LIMITATIONS OF THE STUDY:**

In a study of this magnitude though meticulous care is taken in each and every aspect of study. Certain limitations are likely to creep in the study.

1. The study is confined to the bank branches if IDBI bank located in Rayalaseema Region of Andhra Pradesh
2. There might be a sense of bias crept in answers given by the respondents and
3. Only limited demographic profile of the respondents has been included in the study.

**CHAPTERISATION:**
The study has been presented in the following format.

Chapter- I  : Banking Industry : An Overview

Chapter- II  : The Study

Chapter- III  : Factors influencing selection of Bank

Chapter- IV  : Opinion towards facilities offered by the Bank

Chapter-V  : Quality of Customer Service using SERVQUAL.

Chapter-VI  : Summary & Suggestions

Bibliography and Annexure

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