Chapter II

REVIEW OF RELATED LITERATURE

This study attempts an empirical investigation of the service quality process in nationalised commercial bank settings, and the customers’ satisfaction thereof. In addition, it will evaluate the existing literature and establish the identity of the gaps in the literature, which will provide the framework on which this research is based. One of the study’s major contributions to the advancement of knowledge is the investigation of the service quality process from a comparative perspective of different commercial banks customer perceptions and expectations.

Most of the existing literature refers almost exclusively to the perception of service quality and determining customer satisfaction based on disconfirmation of expectation from customer perspective. The concept advanced within the present study focuses on the role of discriminating customers as satisfied and dissatisfied for the assessment of customer satisfaction on banking services as a refined process.

This chapter emphasizes on discussion of the evolution of the literature on customer satisfaction, then the relationship between customer satisfaction and service quality, measuring service quality using SERVQUAL model, importance of service quality measurement in banks, and service as an element of bank selection.
2.1 Customer Satisfaction

The attainment of quality in products and services had become a pivotal concern of the 1980s. While quality in tangible goods has been described and measured by marketers, quality in services was largely undefined and unresearched. Hence, Parasuraman, Zeithaml, and Berry\(^1\) (1985) attempted to rectify the situation by reporting the insights obtained in an extensive exploratory investigation of quality in four service businesses and by developing a model of service quality, that sought to improve the previously developed methods by developing a set of firm characteristics that could be measured by providing the first complete set of ten service quality determinants: tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding/knowing the customer, and access, and thereby introduced the value of gap measurement in customer satisfaction and named that new measurement device as SERVQUAL. These investigators were the first to utilize gap measurement to determine the importance of service quality in customer satisfaction.

Carman\(^2\) (1990) in his study on “Consumer Perceptions of Service Quality: An Assessment of The SERVQUAL Dimensions,” described the replication and testing of the SERVQUAL battery, which measures the perceived quality of a service situation. The scale was tested in 4 service

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settings different from those of the original test: a dental school patient clinic, a business school placement center, a tire store, and an acute care hospital. Six basic questions of interest to the retailer are discussed: (1) the number of dimensions and how generic they are, (2) the extent to which item wording can be changed, (3) service situations that include multiple service functions, (4) the validity of analyzing differences between expectations and perception, (5) the point at which expectations information should be obtained, and (6) the relationship between expectations and importance. SERVQUAL answered Questions 1 and 2 but needs adaptations with regard to Questions 3 through 6. The study established some of the dimensions subject to limitations on certain specific applications, and there were sufficient empirical findings to support SERVQUAL dimensions in customer satisfaction, subject to small variations for different industries.

For consumers, evaluation of a service firm often depends on evaluation of the "service encounter" or the period of time when the customer interacts directly with the firm. Knowledge of the factors that influence customer evaluations in service encounters is therefore critical, particularly at a time when general perceptions of service quality are declining. Thereby, Bitner\(^1\) (1990) presented a model for understanding service encounter evaluation that synthesized consumer satisfaction, services marketing, and attribution theories by took a comparative approach to studying service quality satisfaction in a

study of travelers in an airport. A portion of the model was tested experimentally to assess the effects of physical surroundings and employee responses (explanations and offers to compensate) on attributions and satisfaction in a service failure context. She concluded that judgments about satisfaction were merely antecedents of the elements of service quality.

Cronin and Taylor\(^1\) (1992) investigated the conceptualization and measurement of service quality and the relationships between service quality, consumer satisfaction, and purchase intentions. A literature review suggested that the current operationalization of service quality confounds satisfaction and attitude. Hence, the authors tested (1) an alternative method of operationalizing perceived service quality and (2) the significance of the relationships between service quality, consumer satisfaction, and purchase intentions. The research yielded a new measurement device known as SERVPERF. Their empirical study utilized structural equation modeling, which yielded a finding that service quality should be viewed as a determinant of customer satisfaction. The results suggested that (1) a performance-based measure of service quality may be an improved means of measuring the service quality construct, (2) service quality is an antecedent of consumer satisfaction, (3) consumer satisfaction has a significant effect on purchase intentions, and (4) service quality has less effect on purchase intentions than does consumer satisfaction.

Taylor and Baker\textsuperscript{1} (1994) assessed the relationship between service quality and customer satisfaction in the formation of consumers’ purchase intentions across four unique service industries. The results of the research, coupled with the weight of the evidence in the emerging services literature, suggested that consumer satisfaction was best described as moderating the service quality/purchase intention relationship. From the findings they strongly advocated the position that customer satisfaction and service quality were separate and distinct.

Parasuraman, Zeithaml and Berry\textsuperscript{2} (1988) in their paper entitled “SERVQUAL: A Multiple-item Scale for Measuring Consumer Perceptions of Service Quality” described the development of a 22-item instrument (called \textit{SERVQUAL}) for assessing customer perceptions of service quality in service and retailing organizations. After a discussion of the conceptualization and operationalization of the service quality construct, the procedures used in constructing and refining a multiple-item scale to measure the construct are described. Evidence of the scale’s reliability, factor structure, and validity on the basis of analyzing data from four independent samples was presented next. They concluded with a discussion of potential applications of the scale.


Anderson, Fornell and Lehmann\(^1\) (1994) investigated the nature and strength of the link between customer satisfaction and economic returns, in the study entitled “Customer Satisfaction, Market Share, and Profitability: Findings from Sweden”. They discussed how expectations, quality, and price should affect customer satisfaction and why customer satisfaction, in turn, should affect profitability; these results in a set of hypotheses that are tested using a national customer satisfaction index and traditional accounting measures of economic returns, such as return on investment. The findings supported a positive impact of quality on customer satisfaction, and, in turn, profitability. The authors demonstrated the economic benefits of increasing customer satisfaction using both an empirical forecast and a new analytical model. In addition, they discussed why increasing market share actually might lead to lower customer satisfaction and provided preliminary empirical support for this hypothesis. Finally, they emerged with two findings: First, the market's expectations of the quality of a firm’s output positively affect customers' overall satisfaction with the firm; and second, these expectations are largely rational, albeit with a small adaptive component. Furthermore, these investigators revealed that customer satisfaction is considered to be based upon value; therefore it is closely related to price, unlike service quality that is not related to price.

Ennew and Binks\(^1\) (1996) in their article exemplified the then recent developments in relationship marketing that had focused attention on the beneficial effects of customer retention, by exploring the relationship between service quality customer relationships and customer loyalty and retention using evidence from the UK banking sector and its small business customers. The notion of building relationships and delivering quality service in order to encourage loyalty was perhaps of particular importance in the service sector where it was often argued that customer attraction costs are significantly higher than retention costs. Central to the idea of investment in the development of service quality and customer relationships was the belief that such investments had enhanced loyalty, retention and profitability. Empirical evidence on the extent to which such links existed was still partial.

Fontana\(^2\) (1998) in his article entitled “Consumer Behavior Points to A Multi-Optional Society” argued that financial institutions are not responding to what he felt as a looming sea change in consumer behavior. The investigator quoted that "we're living in a society where people have everything, and, consume everything they don't really need", “therefore, they want options." The "multi-optional" society that Fontana talked about was the product of waning quality of life. He believed that younger consumers-children of Baby

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Boomers, specifically-will abandon what he termed the superficial aspects of society, returning to a much richer quality of life. These new motivations will have a significant impact on how a person manages his or her financial affairs. It is these consumers that he contends are looking for a multi-optional financial world, one where customers are not serviced based on their assets, but on their individual preferences and behavior patterns. According to Fontana, the implications of such change in consumer behavior suggested that financial institutions could profit greatly by offering three interconnected layers of customer service: highly personalized, one-to-one relationship service; performance-oriented service; and self-service, meant for "deal hounds". To be successful, financial institutions must adopt a business model that allows customers to participate in the layer that best suits their lifestyle. Pricing is critical; differentiation will come from services, and the focus should be on deepening the relationship through incentives and loyalty programs. Of the three interconnected layers, Fontana maintained that the second layer will be largest in terms of volume and revenue, followed by the first and third layers, respectively. However, Fontana visualized promising opportunities for banks in the first and second layers.

Oppewal and Vriens\(^1\) (2000) sought to bridge the lack of empirical data by establishing service quality and customer satisfaction relationships utilizing

the original ten dimensions of SERVQUAL (Parasuraman, et al, 1985) as a starting point for their research. But, in their research article proposed the use of integrated conjoint experiments to measure perceived service quality. They also demonstrated the process of modeling the hierarchical relations between operationally defined service attributes, strategically relevant service dimensions, and overall preference for banks or banking products. The proposed method, which was based on hierarchical information integration theory, avoided some of the limitations and problems of SERVQUAL and traditional conjoint analysis. The approach was demonstrated with an application to retail banks involving four service dimensions and 28 attributes. Conclusions are drawn about which dimensions and attribute changes will yield the strongest improvements in a bank’s utility and competitive position.

Understanding the antecedents to and outcomes of customer satisfaction is a critical issue for both academics and bank marketers. Previous research has identified service quality, expectations, disconfirmation, performance, desires, affect and equity as important antecedents of customer satisfaction. Jamal and Naser (2002) in their paper entitled “Customer Satisfaction and Retail Banking: An Assessment of Some of the Key Antecedents of Customer Satisfaction in Retail Banking” reported findings from a survey which looked


into the impact of service quality dimensions and customer expertise on satisfaction. A sample of 167 respondents took part in that study. Using a type of regression analysis, the investigators indicated that both core and relational dimensions of service quality appeared to be linked to customer satisfaction using such variables as age, type of business, gender, etc. Findings also indicated that expertise is negatively related to satisfaction.

Howcroft, Hamilton and Hewer\(^1\) (2002) in their paper on “Consumer Attitude and The Usage and Adoption of Home-Based Banking in the United Kingdom,” inquired about to develop their understanding of consumer attitudes towards bank delivery channels. Accordingly, a questionnaire was designed to obtain information about which delivery channels consumers had used when acquiring four types of financial service. That information was then contrasted with data on how these consumers would acquire the same services if they had to purchase them again at some time in the future. The questionnaire also obtained information about the factors which consumers believed to be important in encouraging and discouraging the adoption of home-based banking. It was found that variables such as age and other demographics had impact on customer selection and satisfaction.

Churchill and Suprenant\(^1\) (1982) investigated whether it was necessary to include disconfirmation as an intervening variable affecting satisfaction as was commonly argued, or whether the effect of disconfirmation was adequately captured by expectation and perceived performance. Further, they modeled the process for two types of products, a durable and a nondurable good, using experimental procedures in which three levels of expectations and three levels of performance are manipulated for each product in a factorial design. Each subject's perceived expectations, performance evaluations, disconfirmation, and satisfaction are subsequently measured by using multiple measures for each construct. The results suggested the effects are different for the two products. For the nondurable good, the relationships are as typically hypothesized. The results for the durable good are different in important respects. First, neither the disconfirmation experience nor subjects' initial expectations affected subjects' satisfaction with it. Rather, their satisfaction was determined solely by the performance of the durable good. Expectations did combine with performance to affect disconfirmation, though the magnitude of the disconfirmation experience did not translate into an impact on satisfaction. Finally, the direct performance-satisfaction link accounts for most of the variation in satisfaction. It is worthwhile to denote that the critics of these investigators on SERVQUAL acknowledge its usefulness in providing a reasonably reliable device for customer satisfaction measurements.

The study of Cronin, Brady and Hult\(^1\) (2000) aimed at both synthesizing and building on the efforts to conceptualize the effects of quality, satisfaction, and value on consumers’ behavioral intentions. Specifically, it reported an empirical assessment of a model of service encounters that simultaneously considered the direct effects of these variables on behavioral intentions. The study constructed on recent advances in services marketing theory at their time and assessed the relationships between the identified constructs across multiple service industries. Several competing theories are also considered and compared to the research model. A number of notable findings are reported including the empirical verification that service quality, service value, and satisfaction may all be directly related to behavioral intentions when all of these variables are considered collectively. The results further suggested that the indirect effects of the service quality and value constructs enhanced their impact on behavioral intentions.

Hallowell\(^2\) (1996) performed a study to examine the relationship of customer satisfaction, customer loyalty and profitability for which the data was collected from a large bank’s retail-banking operations. The service management literature argues that customer satisfaction is the result of a customer’s perception of the value received, where value equals perceived

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service quality relative to price. The findings illustrated the relationship of customer satisfaction to customer loyalty, and customer loyalty to profitability, using multiple measures of satisfaction, loyalty, and profitability. An estimate of the effects of increased customer satisfaction on profitability (assuming hypothesized causality) suggested that attainable increases in satisfaction could dramatically improve profitability.

Fornell et al. (1996) discussed the nature and purpose of American Customer Satisfaction Index (ACSI) which was a type of market-based performance measure for firms, industries, economic sectors, and national economies, and explained the theory underlying the ACSI model, the nationwide survey methodology used to collect the data, and the econometric approach employed to estimate the indices. They also illustrated the use of ACSI in conducting benchmarking studies, both cross-sectionally and over time. The authors found customer satisfaction to be greater for goods than for services and, in turn, greater for services than for government agencies, as well as found cause for concern in the observation that customer satisfaction in the United States was declining, primarily because of decreasing satisfaction with services. The authors estimated the model for the seven major economic sectors for which data are collected. Highlights of the findings included that (1) customization was more important than reliability in determining customer

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satisfaction, (2) customer expectations play a greater role in sectors in which variance in production and consumption was relatively low, and (3) customer satisfaction was more quality-driven than value- or price-driven.

Athanassopoulos\(^1\) (2000) examined the customer satisfaction cues in retail banking services in Greece, in his paper entitled “Customer Satisfaction Cues to Support Market Segmentation and Explain Switching Behavior”. He proposed an instrument of customer satisfaction that contains service quality and such other attributes as price, convenience, and innovation. The proposed framework of customer satisfaction was verified empirically yielding four distinct facets for business customers and five for individual customers. The performance implications of the customer satisfaction instrument are also explored. Customer segments are exposed, in fact, yield statistically different satisfaction scores, which verifies the managerial value of customer segmentation practices. From the results it was noted that customer satisfaction is closely associated with value and price, but service quality was not dependent on price, if the customer was generally satisfied. Finally, the investigators tested successfully the facets of customer satisfaction as explanatory cues for the switching behavior of individual and business customers.

Taylor\(^1\) (1997) examined the quest for a better understanding of how consumers' quality perceptions and satisfaction judgements contributed to ultimate purchase intentions continued to represent one of the key challenges facing service marketers. Using regression models the traditional approach was to employ direct measures of these constructs to identify the additive contributions of quality perceptions and satisfaction judgments as independent variables to consumers' stated future purchase intentions as a dependent variable. The study demonstrated that unobserved potential higher-order factors (and their interactions) in such efforts can lead to problems associated with interpreting regression coefficients as importance weights. A framework was proposed and empirically validated in a multi-industry study, to assist service marketers in identifying potential higher-order factors and their interactions in their own models of consumer decision-making in service settings, illustrated customer satisfaction and service quality as predictive indicators of customer loyalty.

Newman\(^2\) (2001) in his paper on “Interrogating SERVQUAL: A Critical Assessment of Service Quality Measurement in a High Street Retail Bank,” presented a case study of a pioneering nationwide implementation of SERVQUAL by a major UK high street bank between 1993 and 1997 at an

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annual cost of one million pounds. In addition to highlighting serious weaknesses in the value of SERVQUAL as a measure of service quality and as a diagnostic tool, the study raised some of the practical difficulties entailed in its implementation. It was found that the separation of service quality management and marketing management caused major problems in adequately satisfying the banking customers. In addition, there was a discernible lack of top management commitment, as well as obstacles in the form of functional and informational silos, which served to constrain an integrated company response to SERVQUAL criteria. It was also noted that customer satisfaction is the result of the buyers’ perception of service quality and satisfaction leads to retention, which leads to repeat purchase and increased scope for relationship building and word of mouth recommendation.

The paper of Beckett, Hewer and Howcroft¹ (2000) presented the development of a model which attempts to articulate and classify consumer behaviour in the purchasing of financial products and services by utilizing focus group studies of UK citizens from divergent areas of England. The theoretical insights generated by the model of these researchers are then used to examine qualitative research data gained from focus group discussions on consumers’ attitudes to their financial providers and their financial products. The researchers found that a substantial number of their respondents

purchasing complex investment and pension products lacked confidence in their financial institutions. As a result of this lack of confidence, they found the respondents would seek advice from someone other than their financial institution. Finally, their findings are examined for the potential insights they provided to bank providers attempting to identify appropriate strategies which are conducive to increased customer retention and profitability.

Olson and Dover¹ (1979) in their investigation on “Disconfirmation of Consumer Expectations through Product Trial,” proposed an explicit definition of consumers' product expectations as pretrial beliefs about the product. Specific expectations about a product characteristic were created by exposing 38 married female consumers to 3 advertisements, each of which described 1 salient attribute of the product (ground coffee). These expectations were then negatively disconfirmed by a controlled trial experience with the product. For a wide range of cognitive variables, the disconfirmation caused negative changes in product evaluations. However, post-disconfirmation evaluations were not as negative as the product ratings of a non-disconfirmed control group that merely evaluated the product in absence of manipulated expectations. Results were consistent with both dissonance and assimilation–contrast theory.

Laroshe, Rosenblatt and Manning\(^1\) (1986) carried out their study in Montreal, which was chosen for its highly competitive banking environment. The findings of the study revealed that consumers perceived the following criteria as important in their selection and patronage of commercial banking facilities. Services relating to chequing accounts are of greater importance than those relating to savings accounts. Speed of service delivery, convenient location of banking facilities, competent staff, and general friendliness of bank personnel are also extolled as important determinants of customer satisfaction. Significant differences in attitudes and opinions between the sexes, language, age, income and educational level groups are revealed. By tailoring their marketing strategies to stress the satisfaction of the above features, bank marketers may be better able to influence the target market segments dealt with.

Since 1972 the PIMS (Profit Impact of Market Strategy) Program, working with an extraordinary data base of 450 companies and 3,000 business units, has developed a set of principles for business strategy so effective and consistent that they must now be considered part of the basic education of managers in a free-enterprise system. In this important book, authors Buzzell and Gale\(^2\) (1987) summarized and explained PIMS methodology and


applications in by far the most comprehensive and penetrating look at PIMS yet published, to help managers understand and predict how strategic choices and market conditions will affect business performance. The use of PIMS to explore the general relationship between strategy and performance is accepted worldwide as a proven method to produce greater effectiveness for individual firms and the economy as a whole. Taking into account three kinds of information - market conditions, competitive position, and financial and operating performance - PIMS rejects the notion that there are "formulas" for management decision-making or that "easy wins" can be had by applying general rules to specific problems. Instead, the PIMS approach was based on studies of the actual experiences of businesses that had been documented in a unique data base. The principles drawn from that data base provided a solid foundation for the situation-specific analysis that managers must perform to arrive at good decisions. Unlike Portfolio Planning methods, PIMS explored many possible dimensions of strategy and market environment, such as investment intensity, product or service quality, labor productivity, and vertical integration, all of which have powerful effects on business performance. For example, PIMS showed how the quality edge boosts performance two ways and earns superior profit margins. It verified how market share and profitability are strongly related but also showed why that does not mean that every business can or should strive to increase its share, as demonstrated by the disastrous "kamikaze attack" launched in the early 1980s by Yamaha on the
market leader Honda. Most importantly, it analyzed why forecasts of cash flow based solely on the growth-share matrix are often misleading and why, in fact, many so-called "dog" and "question mark" businesses actually generate cash, while many "cash cows" are dry. Finally, Buzzell and Gale discussed the PIMS measure of "long-term value enhancement," which had been applied to more than 600 businesses in the PIMS data base over seven or more years, to uncover any conflicts between maximizing current profitability and building long-term values. Whether it's looking at market leaders or followers, picking profitable markets, or developing well-positioned business clusters whose synergy created advantages for lasting shareholder value, PIMS was made simple and understandable in that incisive, comprehensive volume that was an invaluable addition to every personal and business library.

Fornell\(^1\) (1992) in his research paper entitled “A National Customer Satisfaction Barometer. The Swedish Experience,” had mentioned that many individual companies and some industries monitor customer satisfaction on a continual basis, but Sweden was the first country to do so on a national level. The annual Customer Satisfaction Barometer (CSB) measures customer satisfaction in more than 30 industries and for more than 100 corporations. The new index was intended to be complementary to productivity measures. Whereas productivity basically reflects quantity of output, CSB measures quality of output (as experienced by the buyer). The investigator reported the

results of a large-scale Swedish effort to measure quality of the total consumption process as customer satisfaction. The significance of customer satisfaction and its place within the overall strategy of the firm are discussed. An implication from examining the relationship between market share and customer satisfaction by a location model was that satisfaction should be lower in industries where supply was homogeneous and demand heterogeneous. Satisfaction should be higher when the heterogeneity / homogeneity of demand was matched by the supply. Empirical support was found for that proposition in monopolies as well as in competitive market structures. Likewise, industries in general are found to have a high level of customer satisfaction if they are highly dependent on satisfaction for repeat business. The opposite was found for industries in which companies have more captive markets. For Sweden, the 1991 results showed a slight increase in CSB, which should have a positive effect on the general economic climate. It was concluded that customer satisfaction is based upon a group of service quality attributes.

Howcroft\(^1\) (1992) in his research relating to customer service in selected branches of a UK clearing bank reported the results of a pilot survey which examined the quality of service given to customers at pre-selected branches of a major UK clearing bank. He viewed that customer satisfaction was the most important determinant of service quality. Although, a number of discernable inconsistencies or gaps are identified between what bank staff said on being

interviewed and what was observed, The researcher noted that the divergent thoughts seemed to agree with the concept that customer perceptions of the level of service quality are determined by comparing expectations with actual performance, which provides further underpinnings for the measurement concepts advanced in this study.

Increasing competition on international markets has led many companies to consider quality as a strategic tool capable of influencing market share and return on investment. Yet a review of the marketing literature reveals a serious lack of explanatory and empirical studies on the concept of quality and its related phenomena as it applies to the service sector. Le Blanc and Nguyen\(^1\) (1988) in their article entitled “Customers’ Perceptions of Service Quality in Financial Institutions,” presented the results of an exploratory study on service quality in a financial institution setting, using data collected from 1,224 respondents. A set of six factors that explained perceived quality was identified, namely the degree of customer satisfaction, the contact personnel, the internal organisation, the physical environment and instruments, the corporate image, and the personnel/customer interaction during the service encounter. They also found that customer satisfaction is the most important determinant of service quality.

Spreng, Mackenzie and Olshavsky\(^1\) (1996) reexamined the determinants of consumer satisfaction. Although the "disconfirmation of expectations" model continued to dominate research and managerial practice, several limitations indicated that it is not a complete picture of satisfaction formation. The authors proposed a new model of the satisfaction formation process that constructed on the disconfirmation paradigm by specifying a more comprehensive model that included two standards in a single model and specifically incorporated the impact of marketing communication. An empirical test of the model provided support for the hypothesized relationships and a better understanding of the mechanisms that produce satisfaction. The tools that measured services was certainly changing as the services provided become more complex and the nature of delivery of the financial products change. However, one element appears unlikely to change and that was the feeling of satisfaction that was brought about as customers’ measure their expectations against their perceptions of actual performance.

2.2 Service Quality

George and Barksdale\(^2\) (1974) published a paper on “Marketing Activities in the Service Industries”, in which the scope of activities involving the components of the marketing mix, the use of external marketing services, and the level of marketing expenditures are compared between service firms

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and product firms. Their research found an unusual concept in the service firms in that the marketing effort was not confined to a formal marketing department, but was shared across organizational lines. The manufacturing firm by contrast operated with a more clearly delineated marketing department. The findings suggested that marketing activities are more diffused in service firms than manufacturing firms.

Boulding, et al., (1993) developed a behavioral process model of perceived service quality, relying on a Bayesian-like framework. Perceptions of the dimensions of service quality are viewed to be a function of a customer's prior expectations of what will and what should transpire during a service encounter, as well as the customer's most recent contact with the service delivery system. These perceptions of quality dimensions form the basis for a person's overall quality perception, which in turn predicts the person's intended behaviors. The authors first tested their model with data from a longitudinal laboratory experiment. Then they developed a method for estimating the model with one-time survey data, and re-estimated the model using such data collected in a field study. Empirical findings from the two tests of the model indicated, among other things, that the two different types of expectations have opposing effects on perceptions of service quality and that service quality perceptions positively affect intended behaviors.

Clow and Beisel\(^1\) (1995) in their paper entitled “Managing Expectations of Low-Margin, High-Volume Services,” examined the service firms operating on low margins per transaction must generate a high volume of business to survive the competitive environment of the 1990s. Firms must raise the expectations of consumers to increase patronage, then successfully meet these expectations. Examined the antecedents to consumer expectations of low-margin, high-volume service firms, and gave managerial implications, illustrating how to manage a service firm, successfully operating on low margins successfully. They concluded that satisfaction/dissatisfaction as an episodic, transaction-specific measure.

Customer satisfaction/dissatisfaction has become an important issue for marketing practitioners. Oliva, Oliver, and MacMillan\(^2\) (1992) in their study on “A Catastrophe Model for Developing Service Satisfaction Strategies,” examined the issue in terms of customer service. In particular, practitioners and academicians had noted that simply investing in greater service delivery may not return the cost of the additional investment. Part of the problem was that customers' response to service increments can be nonlinear, and satisfaction and dissatisfaction thresholds may not occur at the same point. The authors proposed a method for analyzing the complex behavior in a way that lead to the development of more accurate service strategies through an understanding of

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the relationships among customer-transaction costs, satisfaction, and purchase loyalty. They used a catastrophe model to describe a service loyalty customer-response surface. Then, by presenting a "real-world" application with a small service-quality customer dataset provided by General Electric Supply, they showed how one actually estimated such a model and interpreted the results.

Organizations have traditionally managed services by manipulating engineering and operational attributes and observing market outcomes. In recent years, customer satisfaction ratings have become an important component in this process. Hence, managers are keenly interested in the effect of service changes on customer satisfaction, customer behavior and revenues. Bolton and Drew\(^1\) (1994) in their study “Linking Customer Satisfaction to Service Operations and Outcomes,” developed a framework that described the theoretical relationships among service operations, customer assessments and market outcomes. It also discussed the methodological and managerial issues that tend to arise during an investigation of these relationships. Then, three case studies are described: a model of aggregate customer complaint behavior, a model of perceived service quality and a model of customer satisfaction with a specific service encounter. They are used to illustrate how the effects of service changes can be examined by estimating statistical models based on company records and survey data. The advantages and disadvantages of different approaches are outlined. The researchers found that there is a difference

between a single encounter and the total service experience and in that regard stated: “In a dynamic framework, customer satisfaction with a specific service encounter depends on pre-existing or contemporaneous attitudes about service quality and customer post-usage attitudes depend on satisfaction.”

Anderson, Cox and Fulcher\(^1\) (1976) conducted a research that involved a determinant attribute analysis of bank selection criteria. Specifically, the analysis assessed the principal decision factors used and their relative determinance in bank selection decisions. Until this study, most of the early literature postured that location was consistently cited as the most important criterion in bank selection. Utilizing determinant attribute analysis, the investigators established two clusters, one made up of convenience oriented bank customers and the other based upon service oriented bank customers. Recommendation by friends and reputation ranked one and two respectively with the convenience oriented bank customers, while location ranked seventh. However, in the service oriented bank customers, recommendation by friends and location ranked one and two respectively, while reputation was a close third. It should be noted that service, while implied was not specifically offered as a category. The researchers determined that a substantial level of trust in the bank and its abilities was necessary to make the consumer comfortable enough to establish a banking relationship.

Zeithaml\(^1\) (1988) in her article entitled “Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence,” revealed a conceptual model that defines and relates price, perceived quality, and perceived value by combining the facts from past research and insights from an exploratory investigation. The investigator viewed perceived service quality as similar to attitude.

Babakus and Mangold\(^2\) (1989) in their research paper “Adapting the SERVQUAL Scale to the Health Care Environment: An Empirical Assessment” had serious reservations about the ability of SERVQUAL’s scales, reliability, and discriminant validity as the critiques are expected from marketing researchers, on the modified SERVQUAL which Zeithaml,\(^3\) et al (1988) determined to be the best determinates for measuring service quality.

Bahia and Nantel\(^4\) (2000) in their article described the study performed in Canada to develop a reliable and valid scale for the measurement of the perceived service quality of bank services. A sample of retail banking customers was questioned. The proposed scale is called banking service quality (BSQ) and comprises 31 items which span six dimensions: effectiveness and


assurance; access; price; tangibles; services portfolio and reliability. They disregarded responsiveness in their research, claiming a lack of reliability even though they recognized SERVQUAL and all of its dimensions as the best known, most universally accepted scale to measure perceived service quality.

Bitner\(^1\) (1992) presented a typology of service organizations and a conceptual framework was advanced for exploring the impact of physical surroundings on the behaviors of both customers and employees in her study. The ability of the physical surroundings to facilitate achievement of organizational as well as marketing goals was explored. Literature from diverse disciplines provided theoretical grounding for the framework, which served as a base for focused propositions. By examining the multiple strategic roles that physical surroundings can exert in service organizations, the author highlighted key managerial and research implications.

Garvin\(^2\) (1987) conducted a study on the companies’ ability to compete on the eight dimensions of quality, so as to please the consumers with high quality products, not just protecting them from annoyances. But, the investigator was in view that traditional programs of quality control in the United States like TQC, Reliability Engineering, and Zero Defects have mainly emphasized defensive actions-preventing defects-and even these programs have been pursued halfheartedly. No wonder U.S. consumers have become

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skeptical about the quality of goods and services offered by U.S. corporations, while Japanese electronics, automobile, and semiconductor companies have come to dominate important U.S. markets. The investigator had put-forth a hypothetical question as how does a company compete on quality deliberately and strategically? The investigator suggested the managers to divide the concept into manageable parts, that is, into the eight dimensions of quality by which consumers judge products: performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. Then, managers should carefully research their potential markets and the strengths of their competition to ascertain which of these eight quality dimensions can be emphasized in their goods and services-in effect, learn to compete within a quality niche. Price prohibits competing on all dimensions. It is a mistake to take on the industry leader within its niche, or to offer features consumers do not want. The worst error, however, is to disregard the consumer's desire for-and subtle perceptions of-quality when developing the company's strategic mission.

The study of Parasuraman, Berry and Zeithaml\(^1\) (1991) empirically examined organizational barriers to delivering high-quality service performance as measured by customer perceptions and expectations. Using the extended service-quality model developed by Zeithaml, Berry, and

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Parasuraman (Journal of Marketing, 52, 35–48) as a conceptual framework, five specific propositions implied by the model and by earlier studies contributing to its development were tested. Such testing required a complex research design involving five service companies as well as samples of customers, contact employees, and managers from each company. The results had practical implications and suggested an agenda for future organizational research.

Babakus and Boller\(^1\) (1992) clarified the conversion of negative wording to positive wording in their study entitled “An Empirical Assessment of the SERVQUAL Scale”. They reviewed the potential problems in defining and measuring service quality as a 5-dimensional construct, as in SERVQUAL, and found that SERVQUAL scale appeared to suffer from a number of methodological shortcomings. They suggested that the dimensionality of service quality may depend on the type of services under study. The use of mixed-item wording and the current operationalization of service quality on the basis of gap scores appear in the process of using SERVQUAL, the results of their study suggested increased the accuracy of the service quality dimension reliability, but to exercise caution as negative wording in the request for a customer response caused the customer to misinterpret this particular determinant. Suggestions are provided with implications for theory development and measurement in the service marketing area.

Chan and Ma\textsuperscript{1} (1990) in their article elaborated the survey in Hong Kong amongst a representative sample of companies directed to understanding their buying behaviour and attitude to banking services. The areas explored include split-banking behaviour, bank usage, bank switching, perceived importance of attributes of a bank in a banking relationship, and usage of other financial services. As Hong Kong may be the third financial centre in the world, after New York and London, and there was a general lack of literature on corporate banking behaviour of Hong Kong companies, hence their research aimed to contribute a pioneering study, which was expected to provide invaluable insights to banks operating in Hong Kong both locally and foreign-based so as to formulate their bank marketing strategies. While, other banking studies have not found the day-to-day efficiency of bank operations to be important in the bank selection process. However, they have found service quality to be significant.

Walker\textsuperscript{2} (1995) in the study entitled “Service Encounter Satisfaction: Conceptionalized,” presented a model of service encounter satisfaction offering conceptual and pragmatic advantages over the dominant disconfirmation paradigm. Expectations are compared with performance, at three separate stages, which directly combine into one overall consumer service encounter judgment. Offers service practitioners increased insight into understanding


consumers’ satisfaction processes. It was found that if there was an adequate delivery of the basic level of service, then peripheral performance lead consumers to evaluate the service encounter as satisfactory.

Banks and other financial services providers are increasingly developing service quality initiatives. In the article of Lewis¹ (1993) that entitled “Service Quality: Recent Developments in Financial Services,” revealed some of the research literature on service quality was considered to include definitions, determinants and measurement of quality. Attention was also given to research applications which focus on management, employee and customer perspectives. In addition, a number of continuing service quality concerns are highlighted, relating to changing customer expectations, the need for an integrated approach to service quality and the development of service quality measurement tools was shown. As financial institutions grow, there was a tendency for service to give way to volume delivery to enhance profitability. Those large banks appeared to have mistakenly felt that quality service caused profits to erode. But, the researcher was of the opinion that service quality could make a difference as it leads to reduced costs, increased profitability, and other beneficial elements.

Avkiran² (1994) emerged with a 17-item scale in his study to develop an instrument for measuring customer service quality at trading bank branches,

with a focus on retail banking. The conceptual framework addresses the psychometric shortcomings of the existing work in service quality research. A robust research design takes the study through multiple stages of development where the construct is pretested and piloted; in the main survey stage, data collection methods are triangulated, returning 791 completed questionnaires. Analysis of instrument reliability, dimensionality and validity present gratifying results; for example, scale alpha is recorded at 0.9249. He indicated that a telephone study in the Australian state of Victoria revealed poor service to the customer as the most likely reason for customers to consider moving their banking relationships. He observed that service basically had two levels. The first level was desired service, which the customer desires, and the second level is known as adequate service, which is the minimum level the customer will accept. His research led to concluding that developing a “true customer franchise” requires firms to exceed both levels of desired service and acceptable service. Furthermore, the instrument developed by him can be applied as part of branch performance measurement, as well as help diagnose problems in delivery of service, and segment the bank’s customer base for healthier decision making in marketing.

Coyne\(^1\) (1989) in his paper on “Beyond Service Fads: Meaningful Strategies for the Real World,” taken the opposite stance on service quality, and stated that “There appear to be thresholds of service for affecting customer

behavior, when satisfaction rose above a certain threshold, repurchase loyalty climbed rapidly. In contrast, when satisfaction fell below a different threshold, customer loyalty declined equally rapidly. However, between these thresholds, loyalty was relatively flat. He believed those twin threshold framework applied to a wide variety of service situations.” However, the researcher made an interesting case for a lack of loyalty other than the extreme limits of service quality, his arguments are easily refuted as it relates to American banks.

Dupay¹, et al., (1976) in their research paper entitled “Comments on ‘Bank Selection Decision and Market Segmentation” questioned the article of Anderson, Cox and Fulcher’s on the grounds that the determinant attribute results are inconsistent and problems reside in the scoring procedure; that the relevant population was misdefined; that some of the 15 decisional criteria were either too broad (e. g., "convenience") or too restrictive for effective analysis; and that the aggregate evaluation requested of the respondents may have concealed or distorted the realistic individual characteristics of banks.

Zaman, Unsal and Schlesinger² (1987) examined the attributes of sound banking as perceived by small business in their survey study. The sample was drawn from the comprehensive list of members of the Tompkins County Chamber of Commerce. The investigators excluded large corporations and non-profit institutions because they do not qualify as "small businesses." Of the total

of 376 firms, 174 (46 percent) responded to the study questionnaire. Respondents were asked general questions about themselves and the firm along with the following: (1) the type of business; (2) whether or not the firm used more than one bank; (3) if so, what percentage of business was conducted with the main bank; (4) whether or not the firm's main bank was locally owned; (5) whether the firm had changed banks over the last five years; (6) years of association with the current main bank; (7) whether the business had a deposit larger than $100,000 with any single bank over the last two years; (8) how the firm selected a bank; (9) the three most important factors and (10) the three least important factors; (11) how safe the firm thought the American banking system was; (12) perceived safety of respondent's main bank; (13) how the business determined the safety of banks it dealt with; (14) conditions under which the firm would change its current bank; (15) whether confidence in the bank would diminish or increase if it was taken over by an out-of-town bank; (16) whether or not the firm would change banks in such a situation.

Rosenblatt,¹ et al., (1988) conducted a study entitled “Commercial Banking in Canada: A Study of Selection Criteria and Service Expectations of Treasury Officers”. In their study four hundred and twenty-three Canadian financial officers were asked to participate in a national survey of bank selection criteria, seeking to determine who is responsible for selection of a

bank, the most important attributes in selecting a bank, and evaluation of bank services by corporate financial officers. One hundred and seventy questionnaires were returned, representing a response rate of 40 per cent. The survey results indicated that Schedule A banks (large, well established) are used as the primary financial intermediary by 95 per cent of the companies represented in that study. Corporate treasurers, treasury managers, VPs of finance and chief financial officers are responsible for choosing financial intermediaries in 72 per cent of the firms surveyed. The survey gave a choice of thirty-one selection criteria to be rated on a seven-point scale (7 = very important). Aside from interest rate considerations, efficiency of service, reliability of service, responsiveness of contact person, service delivery and speed of response are the most highly rated decision criteria used by financial officers in their choice of financial intermediaries. Of special interest was the rapid growth in the use of Schedule B banks (small, newly developed) and near banks (trust companies, savings and loan associations). Key factors in the decision seem to hinge upon lower borrowing rates and higher interest rates on deposits as well as better overall customer service. In spite of the trend of banks towards “one-stop-banking centres”, financial officers tend to disagree that they would consider one location for their banking, trust and other financial needs.
Turnbull and Gibbs\(^1\) (1989) conducted an empirical study that focused on the banking behaviour of corporate customers in South Africa. They sought to determine the attributes that were considered most important in the selection of a commercial bank. Additionally, the study also sought to determine whether the companies had single or split banking relationships. A sample of 388 companies from the top 1,000 companies in South Africa was surveyed with a 44 per cent response rate. Nine criteria were available for selection. Quality of service ranked number one, followed by both pricing of services and quality of staff tied for number two. Ratings were consistent over small, medium, and large companies. Reputation/image and convenience of location were seventh and eighth. Further, the investigation reported that although most of the responding companies had split banking arrangements, strong loyalty existed between organisations and their lead commercial banks.

A fiercer level of competition is becoming the most influential factor in the structure and activities of the banking system around the globe. Banks are competing not only with themselves, but also with other financial institutions within the financial industry. In a plural society such as in Malaysia, the competition is becoming fiercer with the existence of the Islamic bank, which was established specifically to cater for the needs of the Muslim population in the country. To attract more customers, both conventional and Islamic banks should have information on factors used by customers in selecting their banks.

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Haron, Ahmad and Planisek\textsuperscript{1} (1994) evaluated commercial banks in Malaysia and noted that the level of success enjoyed was based upon bankers’ ability to understand and satisfy customers’ needs. As part of the issues examined, the customer base was uniquely diverse in that it was made up of Muslim and non-Muslim customer bases which on its face had the potential to offer inconsistent results. Therefore, the study investigated how Muslims and non-Muslims select their banks and what services they used frequently. Results showed that there are many similarities between Muslims and non-Muslims in their selection of banks and utilization of services.

Zineldin\textsuperscript{2} (1996) in his study discussed some strategic issues related to bank positioning. A number of ways in which distinctive positions can be developed and maintained had been identified. A well-integrated application of technology and staff through operations that respond to customer needs encouraged customers to use a whole range of banking products/services rather than just a few. It also helped to build loyalty by creating deeper and fuller customer relationships. Surveyed how a bank had been selected and perceived from the point of view of its customers in relation to its competitors in that marketplace. Further, the findings of the study revealed that in Sweden, there was no single leading bank in all financial areas, but there are a number of leaders: a leader in terms of deposit base, a leader in terms of loans outstanding


base, a largest bank in terms of assets, and a niche leader bank, which showed that functional quality such as friendliness, helpfulness, accuracy, efficiency, and speed of service ranked first among the customers surveyed, than traditional marketing activities. As expected, convenience of location, price and advertising had a minor impact on bank selection.

Ulengin\(^1\) (1998) in the research paper presented a bank choice analysis designed to assess the usefulness of the hierarchical information integration method which involved measuring individual preferences. The substantive conclusions of the study are that, on average, respondents preferred the extended loyalty programs, the continuous information flow from the bank, the off-site ATMs, the maximum five-minutes waiting time in the branches and a simple application for all the accounts the bank offers. In terms of higher-order decision constructs, delivery channels and customer relations have the strongest influence on the respondents’ preferences. The results suggested that hierarchical information integration may be a potentially useful method for bank managers to study complex decision-making problems such as bank choice.

Ta and Har\(^2\) (2000) studied the bank selection decisions in Singapore using the analytical hierarchy process, in which they presented the findings of a survey of undergraduates on bank selection preferences. In the study, nine


criteria for bank selection decision and five banks are identified, and the decision problem was structured into a three-level hierarchy using the Analytic Hierarchy Process. The findings indicated that undergraduates place high emphasis on the pricing and product dimensions of bank services. Interestingly, convenient location and quality service ranked second and third respectively.

Ying and Chua\(^1\) (1989) found quality of service among the most important factors in the selection of banks by customers.

The authors of the book Zeithaml, Parasuraman and Berry\(^2\) (1988) noted that customer focus groups universally found good service quality as meeting the expectations of the customer. They also noted that firms not only have a difficult time delivering a consistent level of quality service even though it improves the profit level for firms providing services, but also understanding specifically what service quality really entails. The authors determined modified SERVQUAL dimensions to be the best determinates for measuring service quality. Tangibles, reliability, responsiveness were the original dimensions for evaluating service quality; however, assurance replaced competence, courtesy, credibility, and security; while, empathy replaced access, communication, and understanding the customer in the original ten dimensions for evaluating service quality.

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The purpose of the article entitled “Communication and Control Processes in the Delivery of Service Quality” by Zeithaml, Berry and Parasuraman\(^1\) (1988) was to understand why it was so difficult to be consistent in delivering good service quality and how it might be facilitated. The authors’ intent was to identify a reasonably exhaustive set of factors potentially affecting the magnitude and direction of four gaps on the marketer's side of their service quality model. Most factors involved (1) communication and control processes implemented in service organizations to manage employees and (2) consequences of these processes, such as role clarity and role conflict of contact personnel. Literature from the marketing and organizational behavior fields on these topics was reviewed and integrated with qualitative data from an exploratory study.

Clement Sudhahar, Israel and Selvam\(^2\) (2006) examined a study on service quality (SERVQUAL) that holds SERVQUAL primarily determines the customer value which in turn contributes to the customer retention and loyalty. Realizing the paramount role of SERVQUAL in service marketing, more specifically in a customer intensive industries like retail banking. Allred\(^3\) (2001) has developed a comprehensive scale to measure quality in banking sector. In their empirical study, a total of 400 respondents were contacted with


the aim of obtaining an equal representation of 100 respondents from each of the selected banks. The instrument used is the scale developed by Allred, and a perceptual map on a set of retail bank in India is drawn through a sophisticated multivariate non-parametric technique called correspondence analysis using SPSS. The findings of service quality attribute image survey of selected public and private sector banks reveal that much need to be done for public sector banks in improving their performance by revamping the service marketing strategies. They concluded that the study dissects the service attribute image enjoyed by the public sector and private sector banks.

Aparna and Kamini\(^1\) (2011) undertaken a study in an attempt to understand and analyze the customers perception on the Retail Banking services offered by namely five Private sector bank situated in Delhi and to study the major factors influencing their choice of banks and it’s products. Their paper endeavoured to review the existing literature by analysing the dimensions of customer perceived service quality in the context of the Indian retail banking industry. A set of most commonly perceived service quality parameters have been drawn from existing service quality literature and customers’ perceptions about service quality. They concluded that service quality of retail banking is a critical factor to customer satisfaction and these various dimensions of service quality are an integral component of customer

retention strategy implemented by banks as a part of their retail marketing programmes.

Table 2.1: Service Quality Attributes in Retail Banking

<table>
<thead>
<tr>
<th>Factor 1: Reliability</th>
<th>Factor 2: Responsiveness</th>
<th>Factor 3: Assurance</th>
<th>Factor 4: Tangibles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being sincere to solve problems</td>
<td>Telling customer exactly what they do</td>
<td>Employees are trustworthy</td>
<td>Up to date equipments</td>
</tr>
<tr>
<td>Providing services at promised time</td>
<td>Prompt services to customers</td>
<td>Knowledgeable employees</td>
<td>Physical facilities</td>
</tr>
<tr>
<td>Promise to do something on time</td>
<td>Employees willingness to help</td>
<td>Consistent courteous</td>
<td>Neatness of employees</td>
</tr>
<tr>
<td>Keeping records correctly</td>
<td>Employee oblige the requests of customers</td>
<td>Feeling safe in bank transaction</td>
<td>Communication material</td>
</tr>
<tr>
<td>Performing the service right at first time</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to Vanniarajan and Anbazhagan\(^1\) (2007) 17 important service quality attributes (as given in Table 2.1 below) in retail banking were identified and using factor analysis results these variables were then grouped into four important service quality factors namely reliability, responsiveness, assurance and tangibles. The most important factor is the “reliability” factor comprising

of five variables. The second important factor is responsiveness. The next two important factors are assurance and tangibles with four variables in each.

Table 2.2: Factors Determining Satisfaction

<table>
<thead>
<tr>
<th>Constructs/Factors</th>
<th>Particulars</th>
</tr>
</thead>
<tbody>
<tr>
<td>CoreServ</td>
<td>Core Services of the Bank</td>
</tr>
<tr>
<td>CustConv</td>
<td>Customer conveniences being provided</td>
</tr>
<tr>
<td>CustCont</td>
<td>Customers” continuation factors</td>
</tr>
<tr>
<td>ProbResoi</td>
<td>Resolution of customer problems</td>
</tr>
<tr>
<td>IntPol</td>
<td>Interest Related policies adopted</td>
</tr>
<tr>
<td>BankCharg</td>
<td>Charges levied by the bank</td>
</tr>
<tr>
<td>BankPark</td>
<td>Parking facility provided</td>
</tr>
</tbody>
</table>

Mishra¹ (2010) attempted to identify factors constructs or items beyond the service quality domain to capture the sphere of influence of the factors that drive customer satisfaction. The underlying objective was to help in the enhancement of the relationship between the retail banks and their customers so as to aid the decision makers of these banks to identify the major factors that determine the satisfaction of their customers. The factors as mentioned in Table 2.2 were derived from the different elements of retail banking which are listed in the order of their relative significance and influence.

The study has revealed factors which are consistent with the empirical findings of the previous studies on customer satisfaction in retail banking. The factors namely interest and bank charges seem to have insignificant influence on customer satisfaction and here it differs with the findings of Laroche and Taylor\textsuperscript{1} (1988), and Levesque and McDougall\textsuperscript{2} (1996).

Kumar, Mani, Mahalingam & Vanjikovan\textsuperscript{3} (2010) in their study suggest that customers distinguish five dimensions of service quality in the case of the private retail banking. These five dimensions of customer perceived service quality are: reliability, responsiveness, empathy, assurance, and tangible. These factors should be of central concern for retail bank managers to explore the specific component and train their employees in those areas and to delight the customers in the needed domain to enhance service quality and build attitudinal loyalty to retain the valued customers who are the most profitable customers for the banks as proposed by Zeithmal\textsuperscript{4} \textit{et al}. (1996); Bloemer\textsuperscript{5} \textit{et al} (1999); and Baker and Crompton\textsuperscript{6} (2000).


Sureshchandar, Chandrasekharan and Anantharaman,\(^1\) (2002a) examined the link between service quality and customer satisfaction has been kept based on the concept that customer satisfaction and service quality factors remain the same. The stratification has been done based on the type of bank (\textit{e.g.} public sector, private sector, and foreign bank). From each group of bank, about 150 customers were randomly selected. The results have indicated that the two constructs are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

Sureshchandar, Chandrasekharan and Anantharaman\(^2\) (2002b) in their study adopted a different approach and viewed customer satisfaction as a multi dimensional construct just as service quality, but argued that customer satisfaction should be operationalized along the same factors (\textit{and the corresponding items}) on which service quality is operationalized. Based on this approach, the link between service quality and customer satisfaction has been investigated. Their results have indicated that the two constructs are indeed independent but are closely related, implying that an increase in one is likely to lead to an increase in another.

Singh and Tripathi\(^3\) (2007) in their paper focused on Indian private sector banks and attempted to measure the gap in the service quality perception of both the service providers and customers. Their paper highlighted the

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various quality parameters and tests their relative significance in the customers’ and service providers’ quality perception. The difference between the customers expectations and management perception of customers expectations, i.e., the Gap I as defined by Parasuraman et al. in their model of perceptual gap. As far as Competence factor is concerned customers exceed their favourable perception from executives as is quite evident from the mean score of 6 and 5.6 respectively. Another factor where the significant gap is found is Product range where the customers and executives respective mean score of 5.8 and 6.6 show that there is a great need for private sector to increase the length and width of their product mix. The security which is also an important parameter in the era of e-commerce and internet banking, is the factor where the gap exists.

Padhy and Swar¹ (2009) examined the salient features of service quality, GAPS Model, SERVQUAL. The primary aims are to enhance understanding of “service quality” and to identify models that managers in the service industry can employ to improve quality. Their paper examined the applicability of alternative measures of service quality in the developing economy of India and assesses related issues in that context. The paper described some conclusions of significance for retail banking in particular, and service providers in general. A sample of 440 banking customers was taken and 300 useable questionnaires

were analyzed. The paper presents an empirical study of major quality improvement initiatives recently undertaken by two banks.

Khan and Sreekumar\(^1\) (2009) evaluated the service quality of internet banking (i-banking) services in India. Customers questionnaire containing 44 quality items is administered to various target groups. Seven quality dimensions, viz. reliability, structured accessibility, user-friendliness, privacy/security, efficiency, responsiveness and fulfillment, are identified based on principal component factor analysis. Demographic analysis of data reveals that gender is not a bias for use and evaluation of service quality of i-banking in most of the cases across various categories of customers. A valid mathematical model is proposed to assess the overall service quality using regression analysis. The results show that customers are satisfied with quality of service on four dimensions such as reliability, accessibility, privacy/security, responsiveness and fulfillment, but least satisfied with the user-friendliness dimension. The empirical findings not only priorities different parameters but also provide guidelines to bankers to focus on the parameters on which they need to improve

Sunayana\(^2\) (2010) investigated the level of customer satisfaction with the service quality of private banks. A structured survey was conducted in Hissar


district, India, with a sample of 250 respondents who had at least one savings account in a private sector bank. The questionnaire was based on SERVQUAL model (Parasuraman et al., 1985, 1988, 1991). A descriptive statistics analysed (mean and paired t-test) was used to evaluate the level of service quality of India's private sector banks from the customers' perspective. Their study examined the service quality gap by comparing customers' expectations and actual perceptions. Their study focused on customers' satisfactions towards the various service provided by private sector banks. The results of the study indicated that the overall service quality provided by the private banks was below customers' expectations.

Mishra et al. (2010) viewed that most of the literature reviewed by them finds that as compared to public sector, private sector bank customers’ level of satisfaction is comparatively more in India. Human element acts an important role in perceived service quality as well as satisfaction. Public sector banks need to redefine the customer service parameter in order to compete with the nationalised private sector banks both in profitability and corporate image. Their study helps in understanding the multi dimensional construct of service quality and its implications in competitive environment. Their paper attempted to extract few dimensions of service quality as perceived by bank customers and compares with five major dimensions already extracted in past literature. In factors like responsiveness, assurance and empathy the gap between

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perceptions and expectations is negative indicating dissatisfaction of the customers, which are also statistically significant as indicated from the t-values. Further, component wise analysis indicates that the higher level of dissatisfactions are observed in factors like; i) keeping accurate and error-free records; ii) modern looking equipments, iii) bank informs when the services will be performed, iv) promptness of employees, v) willingness of employees to help; in all components of assurance, and empathy except convenient working hours.

Singh and Sunayna\(^1\) (2011) investigated the level of service quality of private banks from the customers’ perspective and assessing their satisfaction of services Private Banks provide. A sample of 300 bank customers of private banks in Hisar district was selected by random sampling technique. A survey questionnaire, based on widely accepted SERVQUAL model, consisting of 22 items measuring customers’ understanding, service standards, service performance, communications and service quality was administered. A descriptive statistics analysis was used to analyze the date collected. The results found that the quality of services private banks provide was below customers’ expectations. In attributes like “Bank staff giving customers best interest at heart”, “Personal attention given”, “Friendliness and courtesy of Bank staff”, “When My Bank promises to do something by a certain time, it will do so”, “Individual attention given by Bank staff”, the service quality gap were high (more than -1.00).

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Sangeetha and Mahalingam\(^1\) (2011) examined 14 different service quality models reported in the literature applicable to the banking sector. The critical review of the different service quality models is done on the various dimensions which emerged out of the studies, compare the commonality between them and to study their relevance and importance in banking in the various cultural and cultural contexts. The review of various service quality models in banking revealed that the meaning of service quality may have some universal aspects, as demonstrated by the similarities in the underlying dimensions as proposed in the different studies. Service quality has some common dimensions across the different models but the items involved and their operationalization in different cultural contexts within the same banking sector may vary. Their paper indicated that a generic instrument for measurement of service quality or even one specifically developed for banking may not be applicable in its original form for all cultural contexts including Islamic society and banks.

Dharmalingam and Kannan\(^2\) (2011) evaluated the service quality in retail banking in the Tamil Nadu in general, and Erode District in particular, based on different levels of customers’ perception regarding service quality. This is an analytical study based mainly on the primary data collected through a scientifically developed questionnaire. The sample size was 240. The result

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indicated that customers’ perception is highest in the tangibles area and lowest in the Product Variety area.

Saji, Biju, and Alena\(^1\) (2011) proposed that quality of service is an indicator of customer satisfaction. Feedback about existing customers of CSB LTD, Parappur is taken with respect to their expectations and services offered. Standard scale of SERVQUAL developed by Parasuraman \textit{et al.}, has been used to conduct the survey. Their study is based on five overall dimensions of customer satisfaction with services provided by CSB LTD, Parappur. The five dimensions used to measure service quality are tangibility, reliability, responsiveness, assurance and empathy.

Singh and Arora\(^2\) (2011) in their research attempted to study customers’ perception of quality of services, both transaction based and IT enabled in terms of its constituent factors in public sector, private sector and foreign banks. The extent of IT adoption in public sector, private sector and foreign banks is understood through their study. The objective was to find out the extent of use of services especially the IT enabled services in these banks and to analyze the constituent factors affecting customer satisfaction with the quality of services. Multistage random sampling was used for selection of sample. The study was conducted in five zones (\textit{East, West, North, South, and Central}) of Delhi. The study shows that the customers of nationalised banks


were not satisfied with the employee behavior and infrastructure, while respondents of private and foreign banks were not satisfied with high charges, accessibility and communication.

Sindwani and Goel\(^1\) (2012) in their paper discussed problem with generic e-banking service quality scales. On the basis of review, various studies on e-banking service quality have been classified into four categories. It was found that there is problem with generic e-banking service quality scales as these scales lead to state of confusion for respondents. It has also been found that there is no consensus among researchers on scales of e-banking service quality. They suggested the need for further research to develop a generally accepted scale and model of e-banking service quality.

Gupta and Dev\(^2\) (2012) identified the factors impacting customer satisfaction in Indian banks and analyze their effects the level of customer satisfaction through a regression analysis. The primary contribution of their study was the analysis and resulting insights on the critical factors impacting client satisfaction within the Indian retail banking sector. The questionnaire was then sent out to current customers of 13 retail banks in India. In total, 400 accurate questionnaires were taken. A factor analysis suggests that there are five factors driving customer satisfaction: “service quality”, “ambience/hygiene”, “client participation/involvement”, “accessibility” and

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“financial”. Subsequent multiple regression analysis revealed that “service quality”, “ambience and hygiene”, and “client participation and involvement” in that order are the most important factors impacting client satisfaction.

Ladhari\(^1\) (2009) reviewed 20 years (1988-2008) of research on the SERVQUAL scale for measuring service quality. A range of studies that have applied the SERVQUAL scale in this 20-year period are examined in the review of the literature. These studies are selected from well-known databases such as ABI/Inform, ScienceDirect, and EBSCOhost. The paper identified and summarized numerous theoretical and empirical criticisms of the SERVQUAL scale. Despite these criticisms, the paper concluded that SERVQUAL remains a useful instrument for service-quality research. The paper provided a useful source of information on SERVQUAL and its applications. In particular, the paper summarized a selection of 30 applications of SERVQUAL.

Vijayarangam\(^2\) (2008) investigated customer relationship management practices in selected commercial banks in Cuddalore District. To achieve the objectives of his study, 340 customers were selected as respondents in proportion to the estimated customer population of nationalised banks, SBI group, old private sector banks and new private sector banks consisting of 139 bank branches for the purpose of evaluating the level of customer perception of banking services. Furthermore, the study was confined to 68 bankers in view of estimating the bankers’ perception on customer service. In his study, he also


assessed CRM practices prevailing in commercial banks. With regard to these objectives the self made questionnaires were used. The found that difference in age, gender, education and income of the respondents didn’t influence customer perception of banking services. The findings of his study infer that there is no much deviation among different banking sectors on the prevailing CRM practices.

Palanisamy\(^1\) (2012) investigated customer relationship management practices of the new generation private banks in Cuddalore district. To achieve the aim of his study, he selected 570 customers and 57 employees from three new generation private banks namely: Axis, HDFC and ICICI banks. He inferred that implementation of good CRM practices are to succeed in establishing a single identity card per client and to integrate information collected from all the distribution channels in a well organized data mart in order to fully serve, satisfy and retain them.

Agathee\(^2\) (2010) analysed the relationship between service quality and customer satisfaction in the Mauritian Banking Sector, using the SERVQUAL model. A sample of 90 individual customers from different bank service counters have been targeted for this study. The SERVQUAL model was applied. The study focused on the five dimensions of service performance \textit{i.e.} tangibles, reliability, responsiveness, assurance and empathy. The results...

\footnote{V.Palanisamy, Customer relationship management practices of the new generation private banks in Cuddalore district, \textit{Doctoral Thesis}, Annamalai University (2012).}

showed huge gap between customer’s perception and expectation for reliability and responsiveness. Thus, the results of their study showed that the bankers need to gear customer service and quality improvements efforts towards components of reliability and responsiveness. In addition, high scores and lowest gaps were noted for tangibles, indicating that customers are generally satisfied with the banks’ physical facilities, equipment and appearance of personnel. The result shows that those falling in the highest income groups are more likely to be unsatisfied with the banks’ services.

Elavarasan\(^1\) (2012) conducted a study to examine customer perception towards organized retailing in Tamilnadu. To achieve the purpose of his study 675 customers from nine retail outlets of the three organized retailers namely: Reliance fresh, Koutons and Apollo pharmacy from Chennai, Coimbatore and Erode were selected. He found that inconvenient location, absence of entertainment facility, absence of home delivery, absence of private label brand, inadequate visual merchandising, poor reply on enquiring, in adequate advisement, poor co-operation of the staff, higher price, incompetent sales personnel, undue delay in billing, inadequate parking facility, absence of customer database and inadequate sales promotion are the problem of the customers with the select organized retailers. Thereby, he concluded that attention to these factors is important for the effective functioning of the organized retailers.

Rangriz\textsuperscript{1} (2011) determined the quality of banking services based on the perception of approximately 12000 customers of a main Indian bank. Five drivers of banking service quality are expanded and argued to be a required for customer satisfaction: (1) business and financial dealings, (2) customer alliance, (3) information technology, (4) branch, and (5) image. The resultant structure might help bank executives when making strategic decisions on how to address their customer.

\textbf{2.3 SERVQUAL Scale}

The literature reviewing on SERVQUAL is a good start to deepen the researcher’s knowledge of service quality because Parasuraman and his colleagues were among the first researchers to introduce the importance of quality in services. They are the creators of the SERVQUAL technique that has been widely used in various service environments. Among the general instruments, the most popular is SERVQUAL, a well known scale developed by Parasuraman\textsuperscript{2,3} \textit{et al} (1985; 1988), which has been used by a variety of banks in both original and adapted versions. Many researchers supported Parasuraman \textit{et al}’s (1985, 1988) technique that service quality measures through expectations and perceptions by addressing its gaps as a logical basis.

for formulating strategies and tactics to enhance customer satisfaction and a positive quality evaluation.

Parasuraman et al (1985) initiated a research stream couple of decades ago that many consider the most comprehensive investigation into service quality. Parasuraman et al (1985) proposed service quality to be a function of pre-purchase customer expectations, perceived process quality, and perceived output quality. The researchers found that consumers evaluate the process as well as the outcome of the service received. In other words, the waiting time, the smile, and the attitude of the employees are as important as the approval of the loan. Through focus group interviews and later empirical investigation (Parasuraman et al, 1985; 1988), the scholars found that consumers employed ten determinants in their evaluation of the service quality process, to uncover key attributes that significantly influence customers’ perceptions of overall service quality. Beginning with the most important determinant, the list includes: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles.
Figure 2.1: Conceptual Model of Service Quality

Source: Parasuraman et al (1985)
The model by Zeithaml, et al (1988), as shown below in Figure 2.1, seeks to examine the amount and direction of the discrepancy between expected levels of service and the customer’s perception of a delivered service noted as Gap 5 in Figure 2.1. In order to eliminate the discrepancies between expectations of service and the perception of the delivered service, the provider of the service must close the four gaps (Gaps 1-4).

Based on Parasuraman et al’s (1988) conceptualization of service quality, they distilled the original instrument into two 22-item sections that intended to measure (i) customers expectations for various aspects of service quality, and (ii) customers perceptions of the service they actually received from the local service organization. The result of the initial published application of the SERVQUAL instrument indicated that five dimensions of service quality emerged across a variety of services.

Figure 2.2: Dimensions of Service Quality


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These dimensions include tangibles, reliability, responsiveness, assurance, and empathy\textsuperscript{1,2,3,4} as in Figure 2.2. Tangibles are the physical evidences of the service (\textit{e.g.} physical facilities, appearance of personnel, or tools or equipment used to provide the service); reliability involves consistency of performance and dependability (\textit{e.g.} firm performs the service right the first time and honours its promise); responsiveness concerns the willingness or readiness of employees to provide service (\textit{e.g.} timeliness of service); assurance corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence, and, finally, empathy pertains to caring, individualized attention that a firm provides its customers.

The literature has suggested that service quality is determined by the difference between customers’ expectations of a service provider’s performance and their evaluation of the services they have received. Customers' expectations are beliefs about a service that serve as standards against which service performance is judged\textsuperscript{5} and what customers think a service provider should offer rather than what might be on offer. Expectations are also formed

\begin{thebibliography}{99}
\end{thebibliography}
from a variety of sources such as the customers’ personal needs and wishes; the customers’ personal philosophy about a particular service; by promises (through staff, advertisements and other communications); by implicit service promises (such as price and tangibles associated with the service); by word-of-mouth communication (with other customers, friends, family and experts), including past experiences of that service.

Figure 2.3: The Influence of Customer Perceptions

Source: Zeithaml and Bitner (1996)

In Figure 2.3, Zeithaml and Bitner (1996) identified four primary factors as influencing customers perceptions of service: service encounters or “moments of truth”, the evidence of service, image and price; whilst perceived service quality is a consumer judgement; a form of attitude and results from

comparisons consumers make between their expectations and their perceptions of the actual service performance.\(^1\) The measurement of perceived quality has attracted considerable research interest and has been subjected to a continued debate.

\[
\text{Equation 1: Service quality} = f(\text{Perceptions} - \text{Expectations})
\]

Based on the above equation, Parasuraman and his colleagues developed and proposed the SERVQUAL instrument as a reliable, valid, and generalizable way to measure the service quality construct. The operationalization of the measurement is related to how service quality is viewed. Service quality has been conceptualized as the difference between a customer’s expectations and the actual performance of the service provider.\(^2\)

Thus, if perception of the actual service delivered by the supplier falls short of expectation, a gap is created which should be addressed through strategies that affect the direction either of expectations or perceptions or both\(^3\) as in Figure 2.4. When expected service exceeds perceived service, quality is less than satisfactory. When expected service equals perceived service, perceived quality is satisfactory. When perceived service exceeds expected service then service levels are more than satisfactory, possibly even tending towards customer


pleasure. Closing this gap might require toning down the expectations or heightening the perception of what has actually been received by the customers or a little of both.

![Figure 2.4: Service Gap Model of the Service Process](image)

Parasuraman *et al* (1985) and Zeithaml *et al* (1990) also determined the gaps arising in the investigated service firms as in Table 2.3. The first gap is between consumer expectations-management perceptions. Basically, management may not always put themselves in their customers’ shoes by not knowing their customers’ expectations in advance. Secondly, the management perceptions-service quality specifications gap. Customers are still not the main focus in the service firms’ processes and maybe management commitment is lacking and the stress is therefore on the wrong service quality standards. Thirdly, the service quality specification-service delivery gap is considered as
the service performance gap. Every single service delivered by each employee is unique and service firms usually face difficulties to measure or standardize service delivery. Fourthly, the service delivery-external communications gap arises. When promises do not match delivery, problems will arise. Four gaps stand in the way of delivering a service perceived by customers as being of high quality. The gap model highlights the four organizational gaps which contribute to the fifth gap, namely the discrepancy between the external customers’ perceptions and expectations; expected-perceived service. Search properties and experiences of using the particular services will influence expectations before hand.

Table 2.3: Gaps in Service Quality Measurement

<table>
<thead>
<tr>
<th></th>
<th>Managerial</th>
<th>Contact Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gap 1</td>
<td>Marketing research orientation Upward communication Levels of management</td>
<td>Gap 3</td>
</tr>
<tr>
<td></td>
<td>Management’s commitment to service quality Goal setting Task standardization Perception of feasibility</td>
<td>Employee-job fit Technology-job fit Perceived control Supervisory control systems Role conflict Role ambiguity</td>
</tr>
<tr>
<td></td>
<td>Gap 4</td>
<td>horizonal communication Propensity to overpromise</td>
</tr>
</tbody>
</table>

Source: Zeithmal et al. (1990)

In a subsequent publication Zeithaml et al. (1990) extended the SERVQUAL methodology to include importance measures, two for each gap comparison. That is, the original SERVQUAL item pairs captured difference scores, or gaps, between consumer perceptions of actual performance and consumer expectations of how the performance “should be”. The item pairs
represented the five dimensions previously identified by Parasuraman et al. (1988). However, these dimensions were not weighted in terms of the relative importance that the service firm’s consumers attach to them. Zeithaml et al (1990) thus proposed an additional series of items which captured the importance consumers placed on each of the dimensions of service quality seized by the SERVQUAL scale:

Equation 2: Service Quality = (Perceptions - Expectations) * Importance

Equation 2 represents weighted service quality measurement using the SERVQUAL scale. Measurement can be calculated as either weighted or unweighted indices. An overall service quality score can be attained by summing and averaging the five factor scores. In 1993, Parasuraman et al introduced the zone of tolerance; a measurement for desired service expectations *(level of what the customers believe can and should be delivered)* and adequate service expectations *(level of service the customers will accept)*.

This instrument has been widely utilized by both managers and academics to assess customer perceptions of service quality for a variety of services.

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2.4 The Disconfirmation of Expectation Paradigm

The dominant conceptual model in the customer satisfaction literature is the disconfirmation of expectation paradigm. This paradigm posits that customer satisfaction is related to the size and direction of the disconfirmation experience, where disconfirmation is defined as the gap or difference between an individual’s pre-purchase expectations and perceived performance of the product/service. A customer’s expectations are (a) confirmed when the product/service confirms to expectations; (b) negatively disconfirmed when perceived performance is less than expected; and (c) positively disconfirmed when performance is better than expected.1,2,3,4 This model theorises that expectations are crucial, as a standard of comparison, in the formation of satisfaction judgments. These expectations would appear to be shaped by previous experiences and prior attitudes towards a service provider as in Figure 2.5.

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Disconfirmation theory postulates that satisfaction is related to the size and direction of the discrepancy between prior expectations and actual product performance.\(^1\),\(^2\),\(^3\) This implies that confirmation occurs when product performance is equal to prior expectations and thus leads to satisfaction. Conversely, disconfirmation occurs when performance does not equal prior expectations. When product performance exceeds prior expectations, positive disconfirmation results and this also leads to satisfaction. On the other hand,\(^1\)


negative disconfirmation is the result of performance being lower than expected, leading to dissatisfaction.

Disconfirmation is treated as both an intervening variable and an independent variable in the satisfaction literature. It is typically measured as a separate, subjective construct (using a “Better than expected” – “Worse than expected” scale), rather than as a subtractive (objective) construct.¹

Hence: \( \text{CS/D} = f(\text{disconfirmation, performance, expectations}) \)

Other determinants of CS/D are customer’s attributions about unexpected events, and perceptions of fairness as derived from equity theory.² The basic disconfirmation model has been successful in explaining CS/D across a wide range of low-involvement consumer, non-durable goods. However, for high-involvement durable goods performance has been shown to have a powerful and direct effect on CS/D, as well as an indirect effect mediated through disconfirmation.³,⁴

According to confirmation/disconfirmation model, the consumer forms norms or expectations about product performance. Using these norms or expectations, the individual consumer makes judgments about the product.

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performance to determine if the expectations were positively or negatively disconfirmed and if satisfaction results from the process.¹

Disconfirmation theory postulates that satisfaction is related to the size and direction of the discrepancy between prior expectations and actual product performance. This implies that confirmation occurs when product performance is equal to prior expectations and thus leads to satisfaction. Conversely, disconfirmation occurs when performance does not equal prior expectations. When product performance exceeds prior expectations, positive disconfirmation results and this also leads to satisfaction. On the other hand, negative disconfirmation is the result of performance being lower than expected, leading to dissatisfaction.

Rivaling the confirmation/disconfirmation model, Oliver and Bearden² found that the importance of expectations as determinants of satisfaction decreases for high involvement products, while the importance of outcomes or performance increases. Accordingly, performance becomes an independent determinant of satisfaction.

Woodruff, Cadotte and Jenkins (1983) note that through a cognitive process, consumers form perceptions, which result in a set of beliefs about how the product has performed along some set of performance dimensions. The consumer, however, may note overall performance independent of perceptions

of the various attributes. High levels of perceived performance lead to high levels of satisfaction, while low levels of perceived performance should lead to low levels of satisfaction.

Thus, for a given decision, the major issue is whether expectations are necessary to explain variation in consumer satisfaction. Some researchers argue that there is more to satisfaction than can be explained by consumer perception of performance alone.¹

The contribution of the disconfirmation model is that satisfaction results from a comparison between some standard or expectation and performance.

2.5 Behavioural Intentions

Most theories of behavior share a belief that the single best predictor of an individual’s behavior is simply his/her intention to engage in that behavior. Thus, virtually all theories of behavior include some version of the construct of behavioral intention (BI) as a proximal antecedent to action. The most often cited of these theories is the Theory of Reasoned Action,² which has BI as its focal antecedent. Together with its offshoot, the Theory of Planned Behavior,³ the TRA illustrates many of the issues surrounding the conceptualization and measurement of intentions and other proximal antecedents to behavior.

Behavioral intention measures a person’s relative strength of intention to perform a behavior. Attitude consists of beliefs about the consequences of

performing the behavior multiplied by his or her evaluation of these consequences. Subjective norm is seen as a combination of perceived expectations from relevant individuals or groups along with intentions to comply with these expectations. Fishbein and Ajzen suggested, however, that attitudes and norms are not weighted equally in predicting behavior. "Indeed, depending on the individual and the situation, these factors might be very different effects on behavioral intention; thus a weight is associated with each of these factors in the predictive formula of the theory. Fishbein and Ajzen viewed that behavioral intentions when properly measured could to a large degree predict actual behavior. Since then, number of research has used intention to predict behavior.

Woodside\textsuperscript{1} et al. (1989) proposed that customer satisfaction on its turn affects behavioural intentions. Their model assumes the following casual chain:

![Diagram of the causal chain: Service Quality → Customer Satisfaction → Behavioural Intentions]

Taylor and Baker\textsuperscript{2} (1994) proposed that satisfaction moderates the relationship between service quality and behavioural intentions.


The behavioural intention battery was developed by Zeithaml\(^1\) et al. with regards to service loyalty. Little empirical research has focused explicitly on the relationship between service quality perceptions and customer loyalty. With regards to behavioural intentions in a service setting, Zeithaml et al. (1996) proposed a comprehensive, multi-dimensional framework of customer behavioural intentions in services. This framework was initially comprised of the following four main dimensions: (1) word-of-mouth communications, (2) purchase intention, (3) price sensitivity, and (4) complaining behaviour. On the basis of factor analysis on the 13-item scale, five dimensions were identified by Zeithaml et al. (1996):

(1) loyalty to company;
(2) propensity to switch;
(3) willingness to pay more;
(4) external response to problem; and
(5) internal response to problem.

According to Zeithaml et al.'s model, the behavioral consequences of service quality mediate between service quality and the financial gains or losses from the retention or defection. When customers' perceptions of service quality are high, the behavioral intentions are favorable, which strengthens their relationship with the organization. In the other hand, when service quality assessments are low, customers' behavioral intentions are unfavorable and the

corresponding relationship with the company deteriorates. Zeithaml et al. also suggested that behavioral intentions were indicators, which showed whether customers had remained with or had defected from the organization. Zeithaml et al. suggested that favorable behavioral intentions included elements such as saying positive things and recommending the services to others, paying the price premium to the company and expressing cognitive Loyalty to the organization. Cognitive loyalty has been operationalized as the service that first comes to one's mind when making a purchase decision and the service, which was a customers' first choice among alternatives.¹

Bloemer, De Ruyter and Wetzels² viewed that the relationship between perceived service quality and service loyalty is an issue which requires conceptual and empirical elaboration through replication and extension of current knowledge. They conducted a study that focuses on the refinement of a scale for measuring service loyalty dimensions and the relationships between dimensions of service quality and these service loyalty dimensions. The results of their study with large sample of customers from four different service industries suggested that four dimensions of service loyalty can be identified: purchase intentions, word-of-mouth communication; price sensitivity; and complaining behaviour. Further analysis yielded an intricate pattern of service


quality-service loyalty relationships at the level of the individual dimensions with notable differences across industries.

Although the construct of consumer loyalty has received considerable attention in the consumer behavior literature, its application to recreation and tourist behavior has not sufficiently addressed several theoretical and methodological issues. Following a critique of loyalty research in the leisure literature, Prichard, Howard and Havitz discussed suggestions for improving both the behavioral and attitudinal components of loyalty measurement. Crosby and Taylor's\(^1\) theory of psychological commitment is proposed as a basis for better operationalizing the attitudinal component of loyalty. This conceptualization describes the psychological phenomena that underlie loyalty to leisure goods and services in terms of preference stability (cognitive consistency) and resistance to change. Adopting this cognitive interpretation would allow leisure researchers to avoid some of the operational difficulties currently evident in consumer loyalty measurement.

Baumann\(^2\) et al. explored the factors predicting customer loyalty in retail banking. Loyalty was measured in terms of a customer's willingness to recommend a bank and their intention to remain with their main bank short-term (in the next six months) and long-term (from six months to five years). The study was based on a mail survey of 1,951 individuals. Potential predictors


were drawn from the literature and included in three separate regression models to model different types of loyalty. The results indicated that willingness to recommend is best predicted by affective attitude, overall satisfaction and empathy. Short-term behavioural intentions, however, were best predicted by overall satisfaction and responsiveness, while long-term intentions were predicted by overall satisfaction, affective attitude and empathy. The three models explained a substantial amount of the variation in the dependent variables: 71 per cent for willingness to recommend, 43 per cent for short-term intentions and 46 per cent for long-term intentions. The study adds to the discussion of the relationship between perceived satisfaction, service quality and a customer's intentions to recommend a bank and/or remain a customer. The results also contribute to the development of more parsimonious models, suggesting that affective attitude, overall satisfaction, empathy and responsiveness together explain a large percentage of the variation in customers' intentions. The results demonstrate the importance of satisfaction measures and some SERVQUAL dimensions in predicting loyalty in retail banking. It also found evidence that not all five SERVQUAL measures are needed to profile customers and predict loyalty.

Self-Service Banking (SSB) is one instance of the Self-Service Technologies (SSTs) in e-banking. Chen and Chen¹ (2009) examined consumer satisfaction and the long-term usage intention of SSB. In their proposed model,

four dimensions of Technology Readiness (TR) \((including \text{ optimism, innovativeness, discomfort and insecurity})\) influence a consumer's continuance intention through the mediation of satisfaction. The research model was evaluated using web-based survey data collected from 388 users about their perceptions of SSB. Overall, the results revealed that the effects of optimism and innovativeness are very important, but that discomfort and insecurity do not influence an individual's satisfaction and behavioural intention towards the continued use of SSB.

Ravichandran, Bhargavi and Arun Kumar\(^1\) investigated the influence of service quality variables on multidimensional model of customers’ behavioral intentions should help to measure, control and improve customer perception of service quality by public banks. They preferred purposive sampling technique to select the respondents from two major public banks of Tirchirappalli city of Tamilnadu, India. Using multiple regression analysis they identified the service quality dimensions like tangibility, responsiveness and empathy play an important role in predicting customer behavioral intention.

Davis\(^2\) developed and validated scales for two specific variables, perceived usefulness and perceived ease of use, which are hypothesized to be fundamental determinants of user acceptance. Definitions for these two variables were used to develop scale items that were pretested for content


validity and then tested for reliability and construct validity in two studies involving a total of 152 users and four application programs. The measures were refined and stream-lined, resulting in two six-item scales with reliabilities of .98 for usefulness and .94 for ease of use. The scales exhibited high convergent, discriminant, and factorial validity. Perceived usefulness was significantly correlated with both self-reported current usage (r=.63, Study 1) and self-predicted future usage (r=.85, Study 2). Perceived ease of use was also significantly correlated with current usage (r=.45, Study 1) and future usage (r=.59, Study 2). In both studies, usefulness had a significantly greater correlation with usage behavior than did ease of use. Regression analyses suggested that perceived ease of use may actually be a causal antecedent to perceived usefulness, as opposed to a parallel, direct determinant of system usage.

Davis, Bagozzi and Warshaw\(^1\) addressed the ability to predict peoples' computer acceptance from a measure of their intentions, and the ability to explain their intentions in terms of their attitudes, subjective norms, perceived usefulness, perceived ease of use, and related variables. In their longitudinal study of 107 users, intentions to use a specific system, measured after a one-hour introduction to the system, were correlated 0.35 with system use 14 weeks later. The intention-usage correlation was 0.63 at the end of this time period. Perceived usefulness strongly influenced peoples' intentions, explaining more

than half of the variance in intentions at the end of 14 weeks. Perceived ease of use had a small but significant effect on intentions as well, although this effect subsided over time. Attitudes only partially mediated the effects of these beliefs on intentions. Subjective norms had no effect on intentions. These results suggested the possibility of simple but powerful models of the determinants of user acceptance, with practical value for evaluating systems and guiding managerial interventions aimed at reducing the problem of underutilized computer technology.

Mathieson\(^1\) compared two models that predict an individual's intention to use an IS: the technology acceptance model (TAM) and the theory of planned behavior (TPB). The comparison was designed to be as fair as possible, not favoring one model over the other. Both TAM and TPB predicted intention to use an IS quite well, with TAM having a slight empirical advantage. TAM is easier to apply, but only supplies very general information on users' opinions about a system. TPB provides more specific information that can better guide development.

The model of Taylor and Todd\(^2\) is based on the theory of planned behavior. Data were collected from a sample of 761 respondents, using an environmental survey. Results reveal that (1) both intention to recycle, and composting were positively influenced by attitude and perceived behavioral

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control but was negatively influenced by subjective norms, (2) attitude towards both recycling and compositing were strongly determined by relative advantage, and negatively influenced by complexity, and (3) efficacy and resource-facilitating conditions were positively related to perceived behavioral control in recycling as well as in compositing. It was concluded that the integrated waste management model offered insights into the determinants of recycling and compositing intentions.

The work of Venkatesh\(^1\) (2000) presented and tested an anchoring and adjustment-based theoretical model of the determinants of system-specific perceived ease of use. The model proposes control (\textit{internal and external - conceptualized as computer self-efficacy and facilitating conditions, respectively}), intrinsic motivation (\textit{conceptualized as computer playfulness}), and emotion (\textit{conceptualized as computer anxiety}) as anchors that determine early perceptions about the ease of use of a new system. With increasing experience, it is expected that system-specific perceived ease of use, while still anchored to the general beliefs regarding computers and computer use, will adjust to reflect objective usability, perceptions of external control specific to the new system environment, and system-specific perceived enjoyment. The proposed model was tested in three different organizations among 246 employees using three measurements taken over a three-month period. The proposed model was strongly supported at all points of measurement, and

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explained up to 60% of the variance in system-specific perceived ease of use, which is twice as much as our current understanding.

Mehta¹ (2012) made an attempt to measure service quality in retail banking context and to segment the customers of banks based on high service quality perception and low service quality perception and investigation of relationships between these segments and selected demographic variables. Another objective was to determine the relative importance of each of the five generic dimensions of service quality in influencing overall service quality, overall customer satisfaction, likelihood of recommendation and loyalty intention. When compared with customers’ expectations, reliability dimension of service quality showed the highest shortfall considering all banks together and the dimension of assurance shows the smallest shortfall. One finding of her study is that the cooperative banks are ahead of the private and public sector banks. Employees’ willingness to help customers and giving prompt service to customer were most important in influencing overall service quality perception, customer satisfaction, their likelihood for recommendation and loyalty intention. Tangible dimension (appearance of physical elements) was the next most important dimension in influencing the above variables in the given context.

Culiberg and Rojsek\textsuperscript{1} (2010) explored service quality in a retail bank setting in Slovenia and its influence on customer satisfaction. In previous studies both SERVQUAL and SERVPERF scales have been used for measuring service quality. Based on SERVPERF a 28-item scale has been developed for their study. Through factor analysis four dimensions of service quality have been obtained. The results from regression analysis suggested that all four dimensions of service quality as well as service range influence customer satisfaction. The information provided by their research can be used when designing marketing strategies to improve customer satisfaction in retail banking.

Shahin and Janaty\textsuperscript{2} (2011) analyzed the correlation of service quality gaps and to estimate customer dissatisfaction based on those gaps in the Iran Travel Agency (ITA) as one of the international travel agencies of the country. They designed a questionnaire based on the SERVQUAL approach \textit{(perceptions and expectations)}, which includes five major categories of service quality dimensions and are subdivided into 15 dimensions and an additional question for measuring the overall dissatisfaction. 30 regular customers of the agency have been asked to fill the questionnaires. The correlation of service quality gaps and then the relationship between overall customer dissatisfaction

\textsuperscript{1} Barabara Culiberg and Ica Rojsek. “Identify service quality dimensions as antecedents to customer satisfaction in retail banking”, \textit{Economic and Business Review}, 12(3), (2010): 151-166.

and major service quality gaps are determined by correlation and regression analysis. Their findings imply that the maximum value of gap is related to appealing accommodation facilities, which is a part of the dimension of tangibles. The minimum values of the gaps are also related to on time delivery and reputation of service. The correlation analysis has not addressed any significant correlation among the gaps. Ultimately, regression analysis has approved and estimated linear correlation between the gaps of empathy and tangibles and the overall customer dissatisfaction.

Verdessi\textsuperscript{1} et al. (2000) tested discriminant analysis as a method of turning the information of a routine customer satisfaction survey (CSS) into a more accurate decision-making tool. A 7-question, 10-multiple choice, self-applied questionnaire was used to study a sample of patients seen in two outpatient care units in Valparaíso, Chile, one of primary care (n=100) and the other of secondary care (n=249). Two cutting points were considered in the dependent variable (final satisfaction score): satisfied versus unsatisfied, and very satisfied versus all others. Results were compared with empirical measures (proportion of satisfied individuals, proportion of unsatisfied individuals and size of the median). The response rate was very high, over 97.0\% in both units. A new variable medical attention was revealed, as explaining satisfaction at the primary care unit. The proportion of the total

variability explained by the model was very high (over 99.4%) in both units, when comparing satisfied with unsatisfied customers. In the analysis of very satisfied versus all other customers, significant relationship was identified only in the case of the primary care unit, which explained a small proportion of the variability (41.9%). Discriminant analysis identified relationships not revealed by the previous analysis. It provided information about the proportion of the variability explained by the model. It identified non-significant relationships suggested by empirical analysis. It measured the contribution of each independent variable to the explanation of the variation of the dependent one.

2.6 Summary of Literature

Customer satisfaction was heavily dependent upon customer expectations. These expectations rise as customers expect more from the companies that handle their banking relationships. Therefore, banks should treat every customer encounter as a way to improve or sustain customer satisfaction. The reviews on SERVQUAL Model (Parasuraman, et al, 1985, 1988) has been thoroughly examined both as an instrument to measure customer perceptions and expectations of service quality in a general industry setting as well as industry specific to the banking industry which is the focus of this study. An attempt will be made to determine the impact of different variables such as age, gender, income, education, frequency of using bank services, services used, and primary location for receiving service on service quality perceptions and expectations.
Furthermore, in view of the practical value of research on customer intention, combined with the limited published research on Indian banking services, the current work aims to evaluate the degree to which service quality dimensions can predict the multi-dimensional model of behavioral intentions, as suggested by Zeithaml et al. (1996) among nationalised commercial banking customers in India.

This second chapter summarized the review of related literature pertaining to customer satisfaction, service quality, SERVQUAL scale, disconfirmation of expectation paradigm and behavioural intentions. In the third chapter outlines the structure of the study, the materials and methods used were elaborated.