CHAPTER I

1.1 INTRODUCTION

Banking is an important segment of the tertiary sector and acts as the backbone of economic progress of a country. The banks render vital services to the masses belonging to the various sectors of the economy like agriculture, industry whether small scale or large scale. The banking system is one of the few institutions that impinges on the economy and affects its performance for better or worse. Banks act as a development agency and are the source of hope and aspirations of the masses. Within the banking institutions, the role of commercial banks has acquired a new meaning and significance, in view of the changing structure and requirements of a developing economy. The increased horizon of commercial banks identifies itself with the problems and responsibilities for making banking an instrument for bringing about social and economic transformation of a developing country. Banks have become the prime movers and pace setters for the achievement of socio-economic objectives of the country.

The resources of individual savers are meager and scattered. Commercial banks play an important role in mobilising savings of economically surplus units, which are widely scattered. Commercial banks, in view of their vast branch network spread over the country, obtain the savings on a short or medium term basis and they are placed in an especially privileged position to collect them. If the banks fail to tap these savings, the surplus money lying idle in the hands of the people could not be of any use in a nation's endeavour to attain economic development.
Savings and investments are the most important ingredients of capital formation for an economy, therefore, the promotion of domestic savings is a must to boost the process of capital formation and development. In fact capital formation is a function of generation, mobilisation and channelisation of savings into productive activities or investment. Thus, the commercial banks are in the nature of a catalyst, converting savings into capital for productive investment.\(^5\)

The contribution of the banking system is highly significant in the development of the economy of any nation. In the case of developing countries like India, banking system forms an integral and dominant part of the financial system\(^6\). The World Economic Forum and the Confederation of Indian Industry (CII) have identified the financial services sector as one of the six areas crucial for accelerating the rate of economic growth in the Indian economy. The other five areas include: economic reforms, exports, foreign direct investment, geo-political manufacturing and the energy sector.\(^7\)

Banking institutions in India have been assigned a significant role in financing the process of planned economic growth and nationalisation of banks was one of the steps taken by the Government of India to accelerate the phase of economic growth of the country.\(^8\) The nationalization of major commercial banks in India has paved the way for channelising the financial resources for the upliftment of the weaker sections and development of backward regions in the country.\(^9\)

The commercial banks provide a range of services to the whole community in many ways. Apart from the basic banking services such as deposits, loans and advances, banks have been traditionally rendering certain ancillary services also to their customers.
such as remittances, demand drafts, mail transfers, and telegraphic transfers, sale and purchase of foreign exchange, locker facilities, safe custody and safe deposit values, guarantee facilities, travellers’ cheques, trustier and executor services etc. They act as bankers for the issue of new capital. They help their customers in marketing of securities and send the dividends to customers’ account directly. Moreover, commercial banks undertake the payment of subscriptions, premix, rents etc., on behalf of their customers. Besides this, commercial banks undertake the issue of credit instruments like Letters of Credit, acceptance of bills of exchange and documents, acting as a referee to the respectability and financial standing of customers and providing specialised advisory services to the customers. Among the services introduced by modern commercial banks during the last quarter of the century the bank giro and credit cards deserve special mention. The bank giro is a system by which a bank's customer with many payments to make, instead of drawing a cheque for each item, may simply instruct his bank to transfer to the bank accounts of his creditors the sum due from him and he writes one cheque debiting his account with the total amount. By providing these diversified services banks help in the growth of trade and industry to a great extent.  

Modern commercial banks have diversified their activities with their entry into new non-traditional areas of business. These new areas include mutual fund, merchant-banking activities, portfolio management, corporate counselling, project counselling, and hire purchase finance, equipment leasing, venture capital and factoring service. These new activities by banks and their subsidiaries result in the development of industry and trade in the country. Briefly it can be said that it constitutes the very lifeblood of economic society.
The entry of foreign players in the Indian Banking Industry has brought tremendous changes in this industry. The dynamic services offered by these banks, the variety of the products offered by these banks, exploitation of the technology to the greater possible extent by these banks, offering the sophisticated services to meet out the varied demands of the variety of customers have resulted in securing a specific place for these banks in the Indian banking scenario. Hence, an attempt has been made by the researcher to assess the perception of the customers on the quality of services offered by these banks and to measure the level of satisfaction derived by the customers on the various services offered by these banks to their customers through this study.

1.2 STATEMENT OF THE PROBLEM

With the phenomenal increase in the country's population and the increased demand for banking services, speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus, it is imperative for banks to get useful feedback on their actual response time and customer service quality aspects of banking, which in turn will help them take positive steps to maintain a competitive edge. Measuring and assessing customer perception on various services offered by the banks has required foremost significance in development of banking sector. Customer perception on various services is considered as an important parameter for the management of banks to prepare future strategy. Today, customers are more value oriented in their consumption of services because they have alternative choices.

Customers make purchase decisions between competing providers. Hence, banks must be able to provide “up-close” personal service for customers who come with high expectations. For customers who value convenience most, banks must offer the latest
product such as electronic banking, touch-tone phone account access and internet banking. Clearly, customer value can be a strong driver of customer retention. Customer Perception is a more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on, but also a consideration of the price that the customer pays.

If experience of the service greatly exceeds the expectations customers had of the service, then satisfaction will be high, and vice versa. In the service quality, perceptions of service delivery are measured separately from customer expectations, and the gap between the two provides a measure of service quality. Expectations have a central role in influencing satisfaction with services, and these in turn are determined by a very wide range of factors. Lower expectations will result in higher satisfaction ratings for any given level of service quality.14

After the emergence of foreign banks in India, the banking sector in India has become more competitive and accurate. Foreign banks have brought latest technology and latest banking practices to India. Foreign Banks in India have brought prompt services to customers. Government has come up with a road map for expansion of foreign banks in India. The recent guidelines and initiatives of the Reserve Bank of India (RBI) have encouraged international banks to operate in India. Their contribution is significant in terms of making the Indian Banking system more competitive and efficient.15

There has been a steady increase in the number of foreign banks and their branches operating in India. At the end of September 2010, 34 foreign banks (from 24 countries) were operating in India as against 32 banks at the end of June 2009. The total
number of branches too increased to 315 in 2010 from 293 in 2009. In addition, 45 foreign banks operated in India through representative offices in 2010 as against 43 in 2009.16

The Coimbatore District, with a population of over 1.2 million, is the second largest industrial city in the State of Tamilnadu and it is also popularly known as ‘The Manchester of South India’ and ‘Textile Capital of South India’ as it has the presence of a large number of textile units. It has pioneered the growth of textile industry and engineering industry in the country. The diversified industrial structure of this district offers a wider scope for a variety of business ventures. The presence of more number of industries offers a wider scope for the banking activities in this district. As a result, there exists a cut throat competition among the banks which fall under different categories to retain the existing customers and to acquire new customers. In order to remain more competitive and to ensure their survival in the competitive banking environment, the banks of various sectors formulate and implement various customer centric policies. These policies are formulated and implemented by the banks with a view to offer a superior quality of services to the customers and to offer the highest level of customer satisfaction.

Each category of banks has their unique features. In that case the foreign sector banks are very sound in terms of technological innovations and implementations of sophisticated technologies. As a result, these banks are able to offer diversified products
to suit to the multifaceted requirements of different kinds of customers. Hence, the present study is a fact finding exercise to know the answer for the following questions:

a) What is the perception of the customers on the services offered by the Foreign Sector Banks in Coimbatore District?

b) What is the level of satisfaction derived and the factors that influence the satisfaction derived by the customers of Foreign Sector Banks in Coimbatore District?

1.3 REVIEW OF PREVIOUS STUDIES

The empirical study carried out by the researcher aims at the investigation of the perception of the customers on the quality of services offered by the foreign sector banks and the satisfaction derived by the customers on the various aspects of the Foreign Sector Banks which are functioning in Coimbatore District. A gist of some of the studies made previously has been given in the following paragraphs.

1. In their article titled “A Conceptual Model of Service Quality and its Implications for Future Research”, Parasuraman. A., Berry.L and Zeithmal.V.L. (1985) stated that the SERVQUAL technique can be used for performing a gap analysis of an organization’s service quality performance against customer service quality needs. It is an empirically derived method that may be used by service-based organizations to improve service quality. The method involves developing an understanding of target customers’ perceived service needs and measuring their perceptions of service quality for the organization in question against one that may be described as “excellent”. The resulting gap analysis may then be used as a driver for service quality improvement.17
2. Gronross (1990) in his study “Relational Approach to Marketing in Service Context: The Marketing and Organizational Behavior Interface” (1990) emphasized that the service sector has evinced significant interest in the attempt to identify factors that affect customer satisfaction. The main contention is that a satisfied customer is more likely to be loyal and be a long term client of the service providers. Relationship marketing argues that for a firm to be profitable, it must be attentive to those factors that affect satisfaction.  

3. Cronin and Taylor in their article “Measuring Service Quality: An Examination and Extension”, (1992) viewed that the level of service quality achieved can be described in terms of objective and perceptual characteristics. Objective characteristics include such things as service time, call wait time, credit application approval rates etc. These characteristics are easily quantified. Perceptual characteristics, on the other hand, depend on the clients’ perceptions which include dimensions of service reliability, responsiveness and so on. A bank’s response to customer problems can be of critical importance. Adequate problem/complaint resolution – or “service recovery” helps to increase customer loyalty and also in retaining customers. There is a high correlation with overall satisfaction, involvement in problem/complaint management, handling problems efficiently by paying attention to question of concern and resolving problems on the phone are of key importance to retain bank customers.  

4. In a study titled “Customer Orientation – A Pre – Requisite for Banks’ Success” Manoj Kumar Ambashta (March 1997) stated that customers belong to two categories – the existing or present customers and new customers including potential customers.
The Bank has two jobs to perform: (i) to retain the old customer and (ii) attracting new customers. But finding a new customer is costlier and time consuming business than retaining an old one. In spite of maintaining the old customer, attracting a new customer is necessary for banks to increase their business. Every interaction in a bank or its branch includes two things – business level and human level. Business level satisfies through accomplishment of customers’ work as per their expectations, and human level gets satisfied through excellent behaviour of employees and good working environment. With the rapid growth of technology, facilities of various cards such as credit card, debit card, charge card, corporate card etc., will enable banks to satisfy high valued customer needs.

5. Patrick, in his study “Banks Lend an Ear to Service” (January, 1997) stated that banks are now moving to market themselves as quality service providers. He argued that improved internal marketing, training and customer service had erased many of the old problems and the customers have noticed the difference in customer service becoming a strategic imperative for the organisation. The improved facilities to the customers also have made a vital contribution to better customer service.

6. In a study conducted by S. Sinha Chaudhari (March, 1997) titled as “Liberalisation of Financial Services : Challenges for the Domestic Banks” revealed that there is a sense of urgency which is indicated by the serious efforts made in the areas of computerization, in opening of specialized branches and improving the management structures in Indian Banking industry. On the other hand, problems of low profitability, lack of technology, poor motivation of work force continue in all the banks in various degrees. Customer service continues to be terrible. The transition of
the financial sector from a command economy to a market economy is far from complete, most of the domestic banks have negotiated that initial turbulence well. Prior to liberalization, banks had little control over their destiny and nobody seriously expected them to perform in the commercial sense of the word. The process of liberalization has not only offered freedom to the banks in substantial measures but has also imposed on them an obligation to stand on their own legs. The customers have benefited by way of better rates and services.  

7. In his article “Advancing Technology Means New Rules in Playing the Customer Service Game” Carolyn Spicer (April, 1997) discussed the impact of change in technology on banks’ ability to offer customer services, and concluded that customers would be more inclined to associate financial products with convenient access than with the locale of a particular financial institution.  

8. In his study titled “Making the Customer More Right”, Paul Calendrillo, (May 1997) stated that retail banking industry face the problem of maintaining customer loyalty and trust, while at the same time they should push the sales process forward to help in satisfying all their customers’ financial needs. He emphasized that the trust can be built only by learning their customer’s savings plan, financial plan, and financial goals and about their planning to achieve them. When the banks try to sell non-traditional products and services, all employees have to redefine their roles as problem solvers.  

9. Bill Rossello, in his paper “Customer Service Superstars” (October, 1997) stated that the banks are becoming detached from the very customers they want to serve better, in the process of using the new technologies, satisfaction, building long term
relationship and improve products and processes. High customer care performers do several things which include dealing successfully with the common challenges of all customer service operations.\textsuperscript{25}

10. In a study titled “Customer Focused Technology Improved the Banks Business”, (Nov.1997) conducted by Mannakee, it is stated that a proper mix of technology with customer service can help the organization in a better way. A primary challenge for banks today is learning how to become financial advisors for customers rather than simply selling them products. Hence, the challenge for the banking industry is to more specifically anticipate customer needs and to actively position the products and services that will meet growing customer needs.\textsuperscript{26}

11. Andres Soteriou and Stavros A.Zenios in their article titled “Efficiency, Profitability and Quality in the Provision of Banking Services”, (Nov.1997) developed a general framework for combining strategic benchmarking with efficiency benchmarking of the services offered by bank branches. In particular, the service profit chain is cast as a cascade of efficiency benchmarking models. Three models – based on Data Envelopment Analysis (DEA) – are developed in order to implement the framework in the practical setting of a bank’s branches: an operational efficiency model, a quality efficiency model and a profitability efficiency model. Empirical results indicate that superior insights can be obtained by analyzing operations, service quality and profitability simultaneously, that the information is obtained from benchmarking studies of these three dimensions separately. Some relations between operational efficiency and profitability and between operational efficiency and service quality are also investigated in this study.\textsuperscript{27}
12. In a study titled “Disentangling within and Between –Country Efficiency Differences of Bank Branches” (Nov.1997) conducted by Athanassopouls, developed an efficiency benchmarking method for linking service quality with profits and tests this method on sample of retail bank branches. In the empirical results of his paper there lies an important observation: incorporating multiple drivers of performance in the framework of efficiency benchmarking studies yields superior insights than isolated efficiency analyses of different links of the service profit chain. The study revealed that enhanced improvements in efficiency of branches are obtained if potential improvements in service quality are accounted.  

13. Berger and Humphrey in their paper, “Efficiency of Financial Institutions: International Survey and Directions for Future Research” (Dec.1997) stated that the importance of delivering high volume of output of superior quality, although recognized, has not been incorporated in any benchmarking model in the literature. Branches ignoring service quality may report high volume of products and services offered, as well as profits but lose their advantage in the long run due to eroding service quality.  

14. Customer satisfaction and customer service are related terms but not the same thing as stated by Biff Motley in his study “Customer Satisfaction Vs Customer Service” (January, 2000). If a great deal of money and time are spent on improving customer service with little or no positive impact on customer satisfaction, the expenditure is wasteful, he observed. The study emphasized that the outcome of such expenses should be customer satisfaction for which customer services is a mean or a strategy. Sometimes customer services are very well thought out, based upon a detailed
understanding of what customers expect and supported with great resources and management attention. These are usually successful because they are very well focused. Often, however, such strategies are risky because they involve change.\textsuperscript{30}

15. In a study titled \textit{“Creating a New Customer Experience”} Tony Floyd (January, 2000) stated that to meet customer expectations, traditional call centers are evolving into web enabled, customer-focused multimedia device centers. The call centers characterized by call routing, interactive voice response, e-mail management and provision for recording and analyzing customer experience is used to retain existing clientele which costs ten times lesser than winning new clients. These technologies give customers the real time response and accessibility on one hand, while the ability to record and analyze the customer experience shows financial institutions what they need to do to keep the relationship with the other.\textsuperscript{31}

16. Ramachandra Reddy, B. et.al., (February, 2000) in their article titled \textit{“Customer Service in Banks”} stated that the customer care is emerging as a critical factor in the banking industry and banks are fully conscious of the need for attaining international standards of service. It will be the key to success in the decades to come. The authors suggested the measures such as making the structural changes, adopting proper market segmentation, conducting customer surveys, facilitating customer education, organizing customer contact programmes, creating a feeling of convenience in the minds of the customers and complying redressal for the achievement of better customer services by the banks.\textsuperscript{32}

17. Vaikunthe, L.D (April, 2000) in his article \textit{“Banking Sector Reforms in India – A Critical Appraisal”} stated that the Indian banking system is still perceived as a
relatively high cost banking. The costs of both public sector and foreign banks have registered an increase in the reforms period. The main reason for this is the high operating cost of banking system. The average operating cost of banks in percentage of asset was about 2.30% in India during 1991 to 1995 -1996. But it was as low as 1.10% in China, 1.60% in Malaysia, 1.90% in Thailand, 1.00% in Japan and 2.10% in G - 10 Europe. 33

18. In his article “Privatization of Banks – The Need of the Hour” Basudeb Pal (May, 2000) stated that the customer service of nationalized banks is very poor as compared to the private and foreign banks. Despite lots of committees and their recommendations like Sarayya Committee, Talwar Committee and Goiporia Committee etc., the position in this regard has not really improved. The Number of private and foreign banks are gradually increasing. Almost all of them are opening their branches with all sorts of hi-tech facilities. It is presumed that in the next five years manual banking will become obsolete in metro / urban areas. The author argues that the privatization of banks will result in giving more choice to the consumers, stimulate the managers to be more responsive to consumer demand and be more innovative in developing new products and services, improve customer service, employee efficiency and work culture. He further stated that the banks move from stagnation to growth, from rigidity to flexibility, from protection to competition and from bureaucracy to professional management, the banks must be switched over from public sector to private sector. 34

19. In the article on “Leveraging Customer Relationship”, the authors Bill Bradway and Randi Purchia (May, 2000) have stressed the importance of data warehouse to
support the delivery of personalised action tactics, so that real time customer interactions through branch, call centre and electronic channels will produce better outcomes for customers and financial service institutions. The “Customer Knowledge Factory” must provide the competency to deploy, near real time decision making customer intelligence at any and all points of contact with the customer.  

20. Bryant Duhon in his study “Customer Service for Life” (July, 2000) has highlighted the importance and advantages of electronic document management system to improve customer service. The need for a strategic policy that would immediately enable better customer service and pave the way for e-commerce initiatives has been emphasized.

21. Geofry Smith, in his study “Bigger Isn’t Better for Fleet’s Customers”, (July, 2000) has opined that big banks take advantage of their market power at the customers’ expenses characterized by hiked costs and lower quality of service. Big banks being beneficiaries of the deregulated financial services industry fail to fulfill the promise of adopting a customer friendly approach, which requires immediate remedy.

22. Brian Nixon in his study “Community Banks and Customer Service” (October, 2000) stated that the Banks today provide choices and options to meet the needs of customers and community in its best way, by providing more services to enhance their reputation by means of personal touch.

23. Sora Songs in an article “Thoroughly Modern Mutuals: A Look at Institutions that are Enhancing the Image of Mutuality Through Customer Service and New Products and Services”, (October, 2000) stated that banking is no longer just about
opening a basic passbook savings account. Banking institutions now find themselves growing and facing the force of high tech and multi-service competitors who are threatening to eat away their customer base. Modern customers demand other products from their banks such as access to web based banking, mutual funds, stock trading and financial planning services instead of the traditional banking practices being followed.  

24. Bigham Bernstel, in his study titled “Is the Customer Stupid?”, (November, 2000) stated that Quality customer service is at present moving as close as possible to the idea of one to one marketing, while the old fashioned service has been redefined to meet the modern world. The latest concept in banking is “Customer Relationship Management”, whose crucial component is on a one-to-one marketing approach which ensures reshaping the way business looks at products and people. The need to develop a system of holistic banking with a customer focus, through customer centric relationship has been stressed. The use of on-line banking for customer service has been suggested.  

25. In their article titled “Customer Relationship Management” (CRM) Malyadri, P and Santhosh Kumar, V.D, (June, 2002) have stated that the customers are becoming more demanding. In the changing phases, the customer has become the key focus area of all sectors in the banking industry. The banks which provide value added services and satisfaction to customers are bound to become winners. With the tough competition, retaining market share will call for adaptation of CRM. The main focus should be on measuring profitability of each customer and not the products. There should be gradual shift to relationship marketing by introducing this new approach in
selected branches and the same can be expanded later. As times get tougher, banks will have to focus on retaining their key customers. Customers are becoming increasingly more demanding and are looking for better and more convenient services.\textsuperscript{41}

26. In their article titled \textit{“Reforms in the Banking Sector: An Over View”}, Tejmani Singh et.al., (July, 2002), stated that human resources development, technology, industrial relations and customer service are the four pillars of the banking system of the future. The public sector banking system as a monolith is bound to crack as banks within this group will become vastly different from each other and as such it will no longer be possible to insist on uniform industry-wise norms, induction of technology, recruitment and training, customer service and wages settlement.\textsuperscript{42}

27. Prabal, K .Sen (January, 2003) in his article \textit{“Computerization in Banks as a Tool for Customer Service”} has stated that the unprecedented progress in the area of telecommunications and gradual synthesize of information and computer technologies have enabled banks in India to make use of these technologies for intensifying their trust on quality management and improved customer service. New Generation Private Sector Banks, which did not have the legacy of excess man power, high non performing assets and antiquated systems and procedures, started their functioning with what is known as Total Bank Automation (TBA). It is expected to accelerate the banks’ movement towards the goal of improving the quality and speed of services rendered to their customers at large and also reducing the cost of their transactions in the long run, if not in the immediate future. Indian banks will be able to face the heat only by laying increased emphasis on improved customer service through betterment
and diversification of the range of their products – tailored to the changing needs of their customers, consistent with cost and what is not less important, by strengthening their professional expertise through greater reliance on an appropriately upgraded technology.\textsuperscript{43}

28. The study titled \textbf{“Banking Industry: Current Trends and Future Prospects”} by Dr. Yadav S.K.S. (November, 2003) has stated that the Indian banking Industry can be segregated into three distinct segments – Public Sector banks, Private Sector banks and Foreign banks. After a decade of reforms, the Indian banking sector is slowly emerging stronger. Regulations are forcing the banks to adopt better operational strategies and upgrade their skills for better service to the customers. He further suggested that the banking companies have to create a clear, simple reality and customer focused vision to be more competitive in the industry.\textsuperscript{44}

29. Sathya Swaroop Debasish and Bishnupriya Mishra (March, 2005) in their book titled \textbf{“Indian Banking System – Development Performance and Services”} stated that the five factors determining satisfaction of customers of nationalized banks in India, in order of their importance are: staff factor, environmental factor, technical factor, routine operation factor and promotional factor. The customer survey finds that the average score of overall quality of service received by the customers of branches of nationalized banks is 7.80 (Out of maximum of 10.0) which is quite good. Sixty eight percent of nationalized banks’ customers expressed that the banking service quality has relatively improved for better, while seventeen per cent feel that services have become little worse and the remaining fifteen per cent opine that nothing has really changed at nationalized banks, as compared to the previous years.\textsuperscript{45}
30. Dr. Selvam, M., (December, 2005) in his article titled “Customer Satisfaction of Banking Services: An Over View” concluded that banks, both public sector as well as private sector, have to gear up their speed to adapt to the fast changing technology. Organisational structures have to be changed to suit the customers’ needs. Banks should realize that the customer is the focus point to improve the business. Banks have to evolve plans and strategies to provide better services and enhance satisfaction level and try to create a brand image. As this arena is proving to be very competitive for the existing as well as emerging banks, every bank should keenly focus every aspect of the services provided to the customer, if they want to survive in this competitive world.

31. Dr. Baskara Rao K.V. in his article (January, 2006) titled “Customer Service in Banks” stated that the bank managements and staff should recognize the fundamental fact that they derive their revenues from their clients. Modern management practices should be adopted to transform the banking operations into professional. The branch managers’ ability and effectiveness is a critical factor in offering better customer service. Every effort should be made to improve the quality of services by imparting higher level of skills and training in leadership and decision making. Periodical meeting with staff should be held to deliberate on matters relating to the customer service. The promotional policies of the banks should take into account the performance of the employees in the field of customer service. An excellent way of motivating staff is through self supervision in many areas affecting customer service. Every bank branch should set up a Customer Service Committee to monitor the quality of customer service dispensed by the branch. With more number of players in
the financial market and state of the art delivery mechanism, banks need to do a lot more for retaining as well as augmenting their clientele base.\textsuperscript{47}

32. In a study titled “Evaluation of Private Sector Banks in India – a SWOT Analysis” Dharmendra Singh and Garima Kohli (August, 2006) revealed that the Indian banking system still suffers from under penetration and any new bank entering the market is likely to make money. Only those banks will excel that focus on building strong brands, developing innovative new products and aim to provide higher standard of service quality by putting the customer at the center of everything they do. For that purpose, both old and new private sector banks will continue to strive to offer cost effective strategies, efficient services to their customers, strengthening service quality and cross selling of products and services. The new generation private sector banks have set the trend in usage of technology, better utilization of man power, along with professional management adopting corporate governance principles. The success of these private sector banks made the large traditional banks follow suit by inducting technology to retain customer profitably. They revealed that the offering of wide range of banking and financial products to corporates and retail customers through variety of delivery channels such as ATMs, Internet Banking, Mobile Banking etc., and focus on customization of products that are designed to meet the specific needs of the customers are the major strengths of these private sector banks.\textsuperscript{48}

33. In their article titled “e- Banking – Challenges Ahead” Dr. Narasaiah, P., and Sudarsana Murthy.D., (October, 2006) stated that banks in India have entered the domain of information technology and computer networking not only for improving
the quality of services rendered to the customers, but also for better marketing of their products. Technology today has become a strategic and integral part of banking, driving banks to acquire and implement world class systems that enable them to provide products and services at competitive cost with better risk management practices. Customers have become very demanding and banks have to deliver customized products through multiple channels, allowing customers access to the bank continuously without any hindrance. There is a tremendous scope for the Indian banks to enlarge their electronic banking services which in turn enhance their image. It is most essential to remove the hindrance of security reluctance to change the lack of awareness among the customers.49

34. Madhavaiah.C., and Dr. Durga Rao,S., (November, 2006) in their study “Effective Measurements of Customer Services in Banks” suggested that a combination of the Disconfirmation Model, SERVQUAL, SERVPERF and Direct Investigation methods is required to cover all the important aspects of bank customer service. The market share method ties in the important factor in all the methods, the disconfirmation paradigm, the perception attitude, the performance evaluation and direct investigation. The focus is on making the evaluation of the customer service beneficial to the company through increased market share. In addition, input from the customer service evaluations will identify problem areas as seen from the customer perspective. The bank management can then correct these problems which otherwise may have gone unnoticed. The combination of increased market share and fine tuning internal operations will increase profits and make effective use of measuring customer service.50
35. Rathnakar.G, and Dr.P. Veeraiah (November, 2006) in their article titled “Changing Scenario in Banking Sector in India” stated that banks today face a world of competition and opportunities. Traditionally banks and financial institutions have reached their customers through the use of branch networks. However, a number of factors have led banks to rethink their channels such as rapid growth of internet, demand on time as a limited resource, rising branch real estate expenses, changing human resources and information technology infrastructures and fierce competition. These changes have necessitated the banks to provide services to their customers. Services and products like ‘Anywhere Banking’, ‘Tele Banking’, Internet Banking’, ‘Web Banking’, ‘e-Banking’, ‘e-Commerce’, e-Business’ etc., have become the buzz words of the day and the banks are trying to cope with the competition by offering 51

36. The results of the study conducted by Dr.Vijayakumar, R. et.al., titled “Customer Satisfaction in Private Sector Banks in Coimbatore” (December, 2006) revealed that the factors viz., Account Opening Formalities, Working Hours of the Banks, Interest Rate on Deposits, Products Offered by the Banks, Loan Sanctioning Procedure, Quantum of Loans Sanctioned by the Banks, Efficiency of Staff, Value Added Services Offered by the Banks, Time Taken to Serve the Customers, Ambience Facilities in the Banks, Customer Dispute Settling Mechanism, Relationship Maintained by the Bank with Their Customers and Overall Quality of Services of the Banker significantly influence the satisfaction derived by the customers of Private Sector Banks in Coimbatore. 52
37. In her article titled “Banking Industry Vision 2010” Dr. Sumathy Venketasan (January, 2007) has stated that banks strive to provide value added services to their customers. Product innovation and creating brand equity specialized products will decide the market share and volumes. Technology will bring fundamental shift in the functioning of banks. It would not only help them bring improvements in their internal functioning but also enable them to provide better customer service. Gearing up to face the challenges towards 2010, banks of India are marching ahead in the right direction by building up robust risk management systems, evolving good human relations policies, embracing technology, effective communication, excellent interpersonal relationship and by adopting creative thinking and innovative methodology.53

38. In her study titled “Analytical CRM in Banking Sector – Applications of user Profiling Customer Service” Sujatha, B. (January, 2007) stated that the banking and financial services sector has undergone rapid transformation and progress and the process is still continuing at a steady pace. Only those organizations that move fast and keep pace with the service and products offerings are able to survive and thrive in the new and challenging environment. Success in such an environment is all about maintaining relentless focus on the customer, imparting efficient, affordable, personalized services through multiple channels. Study of consumer behaviour, transactions, payment modes and patterns etc., can help assess the customer profiles. Based on such analyses, banks can tailor their campaigns to influence customer behaviour in areas such as channel migration, cross selling, upselling etc., the banks could then formulate strategies to educate, motivate and influence the customers to migrate to the electronic delivery mechanism.54
39. Navitha Nanthani et.al., (February, 2007) in their study titled “Organising Customer Relationship and Customer Perceivence” made a comparative study of the current status and strategies used by the banks and also discovered the customer perception regarding relationship banking. Maintaining customer relationship refers to the state of firm being oriented, or directed towards the customers. Customer relationship for a bank would mean the implementation of the philosophy that where it has to create wins and keep the customers. Provision of free ATM Services, creating customer friendly environment, creation of a suitable organizational structure, adding to the value of relationships, offering 24 hours service, making the availability of currency convertibility facility, developing trust, commitment and good relationship with the customers and creation of data base relating to the personal information of the customer will make the customer to have a positive perception on the services of the banks.\(^5\)

40. Dr. Khanna P.K. (February, 2007) in his article titled “Customer Service in Banks” concluded that in the present scenario when competition is tough, the best way for survival is to be in constant touch with the customers and letting them know what bank can do for them. A banker has to be sincere and thoughtful to the customers. Sincerity creates confidence and this is the most important reason for a customer to do business with the bank. Banks have to create such service environment that it becomes apparent to customers that doing business with the bank is easy and economically beneficial to them and it is totally stress free. The banker has to provide excellent services. This will result in increase in the number of profitable customers. Banks have to realize that it is not the customer acquisition which is important but
their retention is important. Banks have to provide quality services so that customers do not defect and migrate to other institutions. Banks have not only to measure and manage customer satisfaction on a regular basis, but have also to find out the reasons for their defections. A banker has to be more customer focused than operation focused.56

41. Yadagiri, M. and Rajender, P. (April, 2007) in their study titled “CRM in Banking Sector” stated that the modern banking has become wholly customer driven and technology driven. During the last decade, technology has been dramatically transforming the banking activities in India. For a new bank, customer acquisition is more important, but to an established bank, it is retention that becomes more important. Retaining a customer in a highly competitive and volatile market is a tough task for the banks. 57

42. In her article titled “Performance of Indian Banks against Global Peers” Dr. Noronha, M.R., (April, 2007) stated that greater stress was laid on customer services to improve basic banking services provided to the common person. The recently constituted Banking Codes and Standards Board of India is an important step in this regard which is expected to ensure that the banks formulate and adhere to their own comprehensive code of conduct for fair treatment of customers.58

43. Dr. Saghir Ahmed Ansari and Dr. Nisar Ahmad Khan (April 2007) in their study titled “Banking Sector Reforms: Achievements and Future Challenges” concluded that the new private sector banks have been instrumental in forcing other banks to adopt modern technology, offer wider product range and adopt a customer centric approach. But this is limited to a few metropolitan cities. In small cities and
semi – urban areas, a customer of a nationalized bank does not see any changes. The things are still going in the same way as they were during the pre-reforms period. There is no change in the attitude of the bank employees towards customers.  

44. Sushuma. G., (May, 2007) in her article titled “HDFC Bank – Fostering Relationships Through Private Banking” stated that from the time of the inception of HDFC Bank, the bank aims to satisfy the financial needs of the customers under one roof. High quality service, novel products and implementation of the latest technology have made the bank the leader among the top three in almost all areas they deal with. In the process of understanding the needs of existing customers and expanding the future business opportunities, this bank has carried on Customer Contact Management Programme (CCMP). “Customer Convenience” has been the motto of the bank since its inception and to facilitate the customers, this bank has become a one stop financial market. The customers can approach the bank for all their needs.  

45. Balakrishna. A.V., (May, 2007) in his study titled “Market Segmentation : A Successful Marketing Approach of Banks” stated that the ongoing reforms in the Indian financial sectors and the plethora of new developments taking place in the global financial markets, the Indian banking industry has a point to prove in servicing different segments of customers. Many Indian banks realizing the rising potential of the Indian women customers started offering special services and loan schemes to them. The liberalization of Indian economy brought a sea change in the perspective of Indian banking industry, particularly in the outlook of the Indian Public Sector Banks. Indian public sector banks exposed to new competitive situations with the entry of
foreign players, mended their ways to become competitive. Many new products were introduced to suit the different classes of customers, taking the differences among them on various parameters into consideration. The resulting scenario was computerized banking, segmenting the customers on various demographic characteristics and tailor-made new banking products. 61

46. Reetu Kapoor and Payaree Lal (May, 2007) in their study “Productivity and Profitability of Public Sector Banks” stated that the role of public sector banks has come under close scrutiny in the recent period. Public Sector banks in India have been entrusted with the task of providing finance to the weaker sections of the society, development of priority sectors and providing credit under Differential Rate of Interest Scheme. PSUs in India have already sacrificed a big chunk of their profits to make their contribution in fulfillment of social and economic objectives. The impact of technology and cut throat competition from private and foreign banks is paving the way for public sector banks to think of improved productivity and profitability which are the pivotal issues that cannot be ignored if these banks want to survive in the globalized environment. The study suggested that the banks should continuously strive to provide a wide variety of alternative banking products and make amendments or improvements from time to time. Formation of grievance handling committee and regular contact with customers can help in improving productivity and profitability in banks. 62

47. In a study titled “Relationship Quality Antecedents: The Malaysian Banking Sector Perspective” Nelson Oly Ndubisi (June, 2007) concluded that trust, commitment and conflict handling ability of the banks determine the quality of bank-
customer relationships. When the bank behaves trustworthily, shows commitment and handles conflicts well, firm customer relationship would be enhanced. However, trust drives relationship quality more than the other dimensions. Managers and marketers of banking services in particular and service organizations in general should recognize the importance of these factors in their efforts to build quality relationship with customers and to manage customer relationships more effectively.  

48. The study “Digital Banking” conducted by Dr. Vijayakumar. R., et.al., (Sep, 2007) revealed that Indian banking industry today is also in the midst of IT revolution. Combinations of regulatory and competitive reasons have led to increasing importance of total banking automation in the Indian Banking Industry. E-banking in India in its present form is a huge success. The technology and concepts are gaining acceptance. People are beginning to see the convenience and benefits of e-banking. The entry of new banks in Indian banking industry has resulted in a paradigm shift in the ways of banking in India. The growing competition and expectations led to increased awareness amongst the banks on the role and importance of technology in banking. The arrival of foreign and private banks with their superior state-of-the-art technology-based services pushed Indian banks also to follow suit by going in for the latest technologies so as to meet the threat of competition and retain their customer base. 

49. In their study titled as “Customers’ perception on the services of New Generation Private Sector Banks in Coimbatore District” (June, 2008) conducted by Dr. Vijayakumar. R., and Dr. Kanagaraj, suggested that implementation of the factors such as establishing a comprehensive customer information system, adopting well formulated strategies for maintaining long term relationship with the customers,
organizing customers contact programmes on a regular basis, strengthening the internet banking base, establishing customer grievance redressal cell, more focus on offering number of value added services, customer education, designing and implementing effective customer relationship management, designing and adopting effective customer oriented strategies and practices, total commitment of the staff in bank creation of a conducive banking atmosphere and provision of adequate amenities will result in provision of a superior quality of the services by the New Generation Banks to their customers.  

50. Pooja Mengi (September, 2009) in her study on “Customer Satisfaction with Service Quality: An Empirical Study of Public and Private Sector Banks” mentioned that Customer service is an integral part of any facet of banking and it defines the future of any banking organization. In India, this realm has undergone vast changes induced by regulatory and competitive forces and the banking industry has undergone revolutionary changes since 1991. For a service sector like banking industry, the whole range of activity and generation of income swivels around the customer. It is necessary to identify the key success factors in the banking industry, in terms of customer satisfaction keeping in view the increasing market size and intense competition. This study compares customers' perceptions of service quality of public and private banks of Jammu. The service quality of both the banks has been measured using SERVQUAL (service quality) scale. SERVQUAL scale was used to determine different dimensions of service quality and Chi-square Analysis was used to understand the impact of SERVPERF (service performance) dimensions (tangibility, reliability, responsiveness, assurance and empathy) on customer satisfaction. It was found that customers of public sector banks are more satisfied with the service quality than those of private sector banks.
51. An article on (2009) “Service Quality, Customer Satisfaction, and Customer Loyalty in Indian Commercial Banks” by Usha Lenka, Damodar Suar, Pratap K J Mohapatra examines whether service quality of Indian commercial banks increases customer satisfaction that fosters customer loyalty. Data were collected from 350 valued customers of scheduled commercial bank branches in Orissa (India). A questionnaire elicited information on socio-demographic variables along with human, technical, and tangible aspects of service quality, customer satisfaction, and loyalty. Results suggest that better human, technical and tangible aspects of service quality of the bank branches increase customer satisfaction. Human aspects of service quality were found to influence customer satisfaction more than the technical and tangible aspects. Customer satisfaction furthers customer loyalty. Increase in service quality of the banks can satisfy and retain customers. In the Indian banking sector, human aspects are more important than technical and tangible aspects of service quality that influence customer satisfaction and promote and enhance customer loyalty.  

52. In a study (2010) titled “A causal relationship between Information Technology and customer satisfaction – a case study on Indian public sector banks” Saroj Kumar Datta stated that In the present hyper-competitive, complex and uncertain business environment, any organization need to be ready to take on the challenges unleashed by various external forces such as competition, globalization, shrinking margins etc. Indian public sector banks (PSBs) are not out of the periphery of this changing business environment. Customer satisfaction being a prerequisite for organizational survival and growth, Indian PSBs are also getting equipped with more
and more new products and services which demand more technological solutions. This paper focuses on the impact of information technology on Indian PSBs and how this is affecting the level of their customer satisfaction. Various literatures and articles on this topic are ensuring the fact that these two issues are closely related. But we do not get any idea about the exact nature and the degree of interdependence of these two closely related issues. 68

53. Koushiki Choudhury in his study (June, 2010) on “Service Quality: Insights from the Indian Banking Scenario” revealed that the Indian banking industry is going through turbulent times. With the lowering of entry barriers and blurring of product lines of banks and non-banks since the financial sector reforms, banks are functioning increasingly under competitive pressures. Hence, it is imperative that banks maintain a loyal customer base. In order to achieve this and improve their market and profit positions, many retail banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. Moreover, with the advent of international banking, the trend towards larger bank holding companies, and innovations in the marketplace, customers have greater and greater difficulty in distinguishing and selecting one institution from another. Therefore, the current problem for the banking industry in India is to determine the dimensions of customer-perceived service quality. This is because if service quality dimensions can be identified, service managers should be able to improve the delivery of customer perceived quality during the service process and have greater control over the overall outcome. The objective of the study was to explore the dimensions of customer
perceived service quality in the context of the Indian retail banking industry. A set of service quality parameters, drawn from customers’ perceptions about service quality as well as the bank marketing and service quality literature, were drawn up. These parameters have been used in the context of four of the largest banks in India to identify the underlying dimensions of service quality, using Factor Analysis. The study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. This article has drawn upon the findings of the service quality dimensions to contend the initiatives that banks’ managers can take to enhance employees’ skills and attitudes and instill a customer-service culture. 69

54. A study on “Profitability of Foreign Banks Operating in India; A Multi-Discriminant Model” by V. K. Shobana and G. Shanthi (Sep.2010) revealed that moving from the scenario that was dominated by nationalized banks. Indian Commercial Banking System has witnessed a rapid spread of foreign banks. The operations of foreign banks have received a considerable boost during the post-reform era beginning with the year 1993, providing opportunities for players to shape up and prepare for their growth. This paper is an attempt to determine the profitability of Foreign banks operating in India, using the data for the period from 1996-97 to 2004-05. The study was multi-discriminate function analysis to identify the variables discriminating the high profitability bank groups from the low profitability groups. 70
Dr. R.K. Uppal (December, 2010) in his study on “Service quality in Indian Banks: lessons and future outlook” stated that apart from attracting new potential customers, business organizations, these days, realize the importance of retaining the existing customers. Developing long-term relationship with latter, requires the firms to ensure customer delight through quality service. Hence, to have a competitive edge, companies/multinational companies are focusing on service quality. In this study, an attempt has been made to examine and measure the quality of services provided by commercial banks (both public and private sector) in India. An Empirical survey is conducted to determine expectations and perceptions of the quality of services offered by selected commercial banks. The scope of the study is limited to urban areas only. The study brings out that the actual delivery of service by both public and private sector banks in India falls short of the expectations of customers on a large majority of the elements of service quality. Nevertheless, private sector banks were found having an edge over public sector banks in terms of quality of services being offered to customers.71

Arpita Khare (2011) in his Study on “Service quality in Indian and foreign banks: Indian customers’ perceptions and gender differences” stated that the deregulation and financial sector reforms in India have changed the nature of banking services. Indian customers' quality perceptions pre-liberalisation was primarily dependent on the services offered by public sector banks. The quality expectations of the Indian customers can help banks in planning their strategies. The SERVQUAL model was modified to understand the service quality perceptions with reference to Indian and
foreign banks. The banks need to assess the needs of women in planning their strategies. The results show that customer perceptions regarding Indian and foreign banks differ significantly. The two genders differ in their service quality assessment.  

A study on (January, 2011) “Service quality gap analysis in private sector banks a customer’s perspective” by A.Ananth. et.al., evaluates the customer perceptions of service quality in selected private sector banks. Data was collected from 200 customers of Private Sector Banks using structured questionnaire. Gap Analysis and Multi Regression were used for analysis of data. The result shows that the dimension of service quality such as Empathy and Accessibility has more gap, as the customer expectations are high to their perceived service. The result also indicates that Empathy-Reliability-Assurance positively influence the service quality. The study implies that bank should reduce the service gap to deliver superior quality of service to retain existing customers as well as to attract new customers.

1.4 SCOPE OF THE STUDY

The present study titled as “Customers’ Perception and Satisfaction on the Quality of Services Offered by Foreign Sector Banks in Coimbatore District” aims to probe into the perception of the respondents on the quality of services offered by the Foreign Sector Banks and the satisfaction derived by the respondents on the various aspects in the functioning of Foreign Sector Banks in Coimbatore District.
1.5 OBJECTIVES

The present study has the following objectives:

a) To present a picture about the origin, growth and progress of Foreign Sector Banks in India.

b) To assess the perception of the respondents on the quality of services offered by the Foreign Sector Banks in Coimbatore District.

c) To measure the satisfaction derived and the factors that influence the satisfaction derived by the respondents on the various functional aspects of Foreign Sector Banks in Coimbatore District.

d) To offer suggestions for improving the services offered by these Foreign Sector Banks and to promote the satisfaction derived by the respondents on the various functional aspects of Foreign Sector Banks.

1.6 HYPOTHESES

Hypotheses have been formulated in tune with the second and third objectives of the study that various independent variables relating to the sample respondents such as age, sex group of the respondents, marital status, literacy level of the respondents, occupational status of the respondents, family size of the respondents, monthly family income of the respondents, average monthly savings of the respondents, respondents’ motive behind savings, bank in which the respondents have their accounts, type of account maintained by the respondents, purpose of opening the account by the respondents, mode of operation of the accounts by the respondents, period of association with banks, frequency of transactions held by the respondents with the banks, respondents’ preferred mode of transaction, loan availed status of the respondents,
respondents’ level of confidence on the banks and the respondents’ opinion on the overall services offered by these banks do not significantly influence the following dependent variables:

a) The perception of the respondents on the services offered by Foreign Sector Banks.

b) The level of satisfaction derived by the respondents on the various functional aspects of the Foreign Sector Banks.

1.7 OPERATIONAL DEFINITIONS

a. **Bank:** An institution accepting money as deposit for lending.

b. **Nationalized banks:** Nationalised banks are fully owned by the Government, State Bank of India by RBI and the associates of SBI by SBI. In the case of nationalized banks there was no provision for private participation. As there was no capital adequacy requirement, there was no need to consider accessing the market. In certain cases the Government provided the necessary capital.

c. **Private sector banks:** A private bank is a bank which belongs to an individual or group of individuals who contribute in capital and form the banking organization under sole ownership, partnership or under Joint Stock Company. The bank receives money from or on behalf of its customers and disburses it to the creditors and also performs agency and general utility services under the supervision of Central Bank and laws/legislations of the country in which it operates.

d. **Foreign Sector Banks:** These are banks which are operating in different countries. The registered office is situated in one country, they operated through their branches in other countries.
e. **Customer:** Customer means any person having an account with a bank for whom a bank has agreed to collect items and includes a bank carrying an account with another bank.

f. **ATM card:** (Automated Teller Machine) An ATM card (also known as a Bank Card, Client Card, Debit Card, Key Card or Cash Card) is an ISO 7810 card issued by a bank, credit union or Building Society. It can be used at an ATM for deposits, withdrawals, account information, and other types of transactions, often through interbank networks.

g. **E-Banking:** It means all the money transactions taking place electronically, in place of physical exchange of money. This means of banking facilitates a customer to perform his basic banking transactions through the computer located anywhere in the globe.

h. **Net Banking:** The extension of banking services through the network of computers.

i. **Value added services:** The services other than the routine and regular services offered by the banks such as Merchant Banking, Investment Advice, Insurance Schemes, Mutual Fund Options, Demat Account Facility, Phone Banking, Net Banking, ATM, Home Banking, e-Fund Transfer, Credit Card Facilities, Debit Card Facilities, Foreign Exchange Dealings, Product Information, Credit Information, Provision of Timely Accounts Statements, Providing the needy and timely information, Informing the maturity of term deposit, Assistance in Business Development, Tax and other bill payments are called as value added services.

j. **Customer Services:** Customer Service is the set of behavior that a bank undertakes during its interaction with its customers. It is the degree of assistance and courtesy granted to those who patronize the bank. It is anticipation and identification of
customer’s needs and expectations and taking action for positive customer satisfaction. It consists of codes of ethics, etiquette, behavior, courtesy etc.

k. **Customer Satisfaction**: Satisfaction derived by the customers of the banks with regard to the various services that have been offered by the banks and the various facilities that have been provided by the banks to fulfil the requirements of the customers.

1.8 METHODOLOGY

The present study carried out by the researcher is an empirical study in nature based on survey method. The data required for carrying out the present study were collected in three stages. The researcher has made use of primary data collected from the selected sample respondents, published and unpublished data from various sources, and discussions with the officials of the concerned banks for the purpose of carrying out the present study.

In the first stage, primary data were collected from the selected sample respondents. The perception of the respondents on the quality of services offered by the Foreign Sector Bank branches in Coimbatore and the level of satisfaction derived by the respondents on the services of these banks were collected by means of interviewing the selected sample respondents with the help of the interview schedule (Appendix - II) specially designed for this purpose.

The secondary data relating to the study such as trends in the growth and progress of Foreign Sector Banks in India, the performance of these banks, brief profile of these banks and the variety of services that have been offered by these banks were obtained from various published and unpublished records, annual reports, bulletins, booklets, journals, magazines, etc., during the second stage of data collection. In the third stage,
discussions were held by the researcher with the officials of the concerned banks to obtain the clear picture on the functioning and the various services that have been offered by these banks to meet out the demands of their customers. The discussions held by the researcher were helpful for identifying the problems of the study in a precise manner. The present study undertaken by the researcher is individual customer oriented and the factors selected are personal in character.

1.9 CONSTRUCTION OF TOOLS AND PILOT STUDY

The researcher himself constructed the tools for collecting the primary data required for the study. The researcher conducted Casual Interviews which were conducted with fifty customers and ten executives of Foreign Sector Bank branches in Coimbatore District for the purpose of identifying the variables for the study. The outcomes of these discussions were considered and given due weightage by the researcher in the construction of the Interview Schedule.

Interview Schedule (Appendix – II) for the purpose of assessing the perception of the customers on the services and measuring the level of satisfaction derived by them on the various services offered by these banks was constructed in English for the purpose of carrying out a pilot study by the researcher. The pilot study conducted during January 2010 covered fifty customers of various Foreign sector banks in Coimbatore. The necessary modifications were carried out by the researcher in the interview schedule in accordance with the outcomes of the pilot study, the schedule was revised. Data Sheets (Appendix – V) were prepared for the purpose of obtaining and recording the secondary data gathered from various sources.
1.10 SAMPLING DESIGN

The Coimbatore District is the third largest district and the second largest industrial district in the State of Tamilnadu. The District has the presence of sound banking network. Considerable number of nationalised and private sector banks is functioning in this district. In total, four Foreign Sector Banks viz., Citi Bank, HSBC Bank, Standard Chartered Bank and Bank of Nova Scotia are having their offices in Coimbatore District. The researcher has selected one hundred customers from each bank and it works out to a total of four hundred customers. The lists of customers from each bank were obtained and from the list one hundred respondents from each bank were selected by simple random technique by using the Tippets Random Numbers. Thus on the whole 400 sample respondents were selected for the study and the sample selected includes different types of customers of the respective banks.

1.11 GEOGRAPHICAL COVERAGE

The area of coverage of the present study is Coimbatore District in the State of Tamilnadu in India.

1.12 THE FIELD WORK AND COLLECTION OF DATA

The field work for the study was conducted during the period between January 2010 and May 2010. The researcher has made use of personal interview with the selected sample respondents as the major tool for collection of data for the purpose of conduct of the study. During the time of interview, an interview schedule designed to fulfill the objectives was employed for obtaining the necessary data from the selected respondents.
of the study. The researcher held the interviews with the selected sample respondents at their residence according to their convenience. Before the interview, proper rapport with the sample respondents was established by the researcher. The data were obtained during the time of interview were recorded by the researcher in the interview schedule. The schedules thus filled up were thoroughly checked to ensure accuracy, consistency and completeness of data. On an average, each interview took about 30 minutes. The data thus collected were categorised and posted in the master table for further processing.

1.13 RELIABILITY TEST FOR THE INTERVIEW SCHEDULE

The components which were considered for scaling for assessing the perception of the respondents on the quality of services accounted for seventy six in number and for measuring the satisfaction derived by the customers on the services offered by these banks is sixty six in number. The data collected through the interview schedule from fifty customers of the Foreign Sector Banks were considered for reliability analysis. The components which were included in the scale were divided into two parts, each part containing seventy one items selected randomly. The correlation between two parts was found to be 0.989 for the dependent variable i.e, quality of services and 0.990 for the dependent variable i.e, customer satisfaction. This revealed that the components between the two parts in both the dependent variables i.e, for perception on quality of services and level of satisfaction derived by the customers correlate well. Cronbach’s co-efficient alpha (α) uses variance for k individual components and the variance for the sum of all the components. If there is no true score but only error in the components, then the
variance of the sum will be the same as the sum of variance of individual components. Therefore, co-efficient alpha will be equal to zero. If all items are perfectly reliable and measured by the same thing (true score), then co-efficient alpha is equal to one in both the cases. The reliability of Cronbach’s alpha revealed that the reliability of scales constructed for the purpose of assessing the perception of the customers on the quality of services offered by the Foreign Sector banks is 0.989 and for measuring the customer satisfaction is 0.990 and it indicates that the scales constructed for this purpose are fairly reliable.

1.14 DATA PROCESSING

The analysis required for the present study has been processed with the help of the computer.

1.15 QUANTIFICATION AND MEASUREMENT OF VARIABLES AND CONSTRUCTION OF SCALES

The present study has been carried out by the researcher with the primary objectives of assessing the perception of the respondents on the quality of services offered by the foreign sector banks and measuring the satisfaction derived by the customers on the services offered by these banks and to identify the factors that influence the perception of the respondents on the quality of services offered by these banks and the satisfaction derived by the respondents on the various functional aspects of these banks.
In order to assess the perception of the respondents on the quality of services offered by the foreign sector banks, the researcher has formulated ‘Quality of Services Perception Scale’, (Appendix – III) and to measure the satisfaction derived by the respondents on the various functional aspects of the banks, the researcher has formulated ‘Customer Satisfaction Scale (Appendix – IV)’. These scales have been constructed based on the scores for the various components which were identified by the researcher that contribute for perception of the respondents on the quality of services offered by the banks and the satisfaction derived by the respondents on the various functional aspects of the foreign sector banks in Coimbatore District. The various independent variables relating to the sample respondents have been categorised and the perception of the respondents on the quality of services on the various components of the services offered by the foreign sector banks and the satisfaction derived by the respondents on the various functional aspects of the banks have been measured through the respective scales developed by the researcher for this purpose.

1.16 FRAMEWORK OF ANALYSIS

The general plan of analysis ranged from simple descriptive statistics, bivariate test, testing of hypotheses, to multivariate techniques. The extent of variation in the perception of the respondents on the quality of services offered by the foreign sector banks and the factors that influence the perception of the respondents on the quality of services offered by these banks and the satisfaction derived by the respondents on the various functional aspects of these banks and the factors that influence the satisfaction derived by the respondents have been analysed. The perception of the respondents on the
quality of services offered by the foreign sector banks and the satisfaction derived by the respondents on the various functional aspects of these banks have been measured through the scales constructed for this specific purpose. These scales were constructed on the basis of scoring for factors that contribute to the perception of the respondents on the quality of services offered by the foreign sector banks and the factors that contribute to the satisfaction derived by the customers.

Then the factor-wise analysis was made. The dependent variable viz., the perception of the respondents on the quality of services offered by the banks and the satisfaction derived by the respondents on the various functional aspects of the banks, were related to various factors which influence these dependent variables. The mean and range scores of each group of the respondents on the various components were calculated. In order to find out the significance of the differences between the mean scores, Analysis of Variance has been employed. Contingency Tables have been formed and Chi-Square tests have been applied for testing the association between the variables.

The co-efficient of correlation between the dependent variables of the study and the selected independent variables have been put into Multiple Regression Analysis to explain the extent of variance of the dependent variables influenced by the independent variables combined. The step-wise analysis has been used to find out the joint influence of different combination of factors.

Factor analysis has been used to find out the components which are similar and form a factor. The direct and indirect effects of the independent variables to the dependent variables were measured through the Path Analysis.
1.17 LIMITATIONS OF THE STUDY

The following are the limitations of the present study:

a) The study is confined only to the Foreign Sector Bank branches which are functioning in Coimbatore District.

b) The results of the study cannot be generalized to other types of banks such as Nationalised, Old Generation and New Generation Private Sector Banks as the mode of operation and the nature of services offered by these banks differ between them.

c) The study covers only the Coimbatore District and hence the results may not be generalized to other parts of the country as there exists differences in the socio-economic profile of the respondents and the nature of functioning of these banks.

1.18. CHAPTER SCHEME

The first chapter consists of introduction and design of the study. This includes introduction, statement of the problem, review of previous studies, scope of the study, objectives of the study, hypotheses, operational definition of the concepts, methodology, construction of tools and pilot study, sampling design, geographical coverage, field work and collection of data, reliability test for the interview schedule, data processing, quantification and measurement of variables and construction of scales, framework of analysis, limitations and chapter scheme.

The second chapter presents the trends in the growth and progress of Foreign Sector Banks in India.
The third chapter assesses the extent of variation in the perception of the respondents on the quality of services that have been offered and the factors that influence their perception on the quality of services offered by Foreign Sector Banks in Coimbatore District.

The fourth chapter deals with the extent of variation in the satisfaction derived by the respondents on the services rendered by the Foreign Sector Banks in Coimbatore District and the factors that influence their satisfaction on the various services of these banks.

The fifth and last chapter deals with the summary of findings, suggestions for offering superior quality of services offered by the Foreign Sector Banks and for enhancing the satisfaction of the customers on the various services provided by these banks to their customers, scope for further study and conclusion.
1.19 SUMMARY

Banking is an important segment of the tertiary sector and acts as the backbone of economic progress of a country. The banks render vital services to the masses belonging to the various sectors of the economy like agriculture, industry—whether small scale or large scale. Banks have become the prime movers and pace setters for the achievement of socio-economic objectives of the country. The contribution of the banking system is highly significant in the development of the economy of any nation. In the case of developing countries like India, banking system forms an integral and dominant part of the financial system. Within the banking institutions, the role of commercial banks has occupied a new meaning and significance, in view of the changing structure and requirements of a developing economy.

The commercial banks provide a range of services to the whole community in many ways. Apart from the basic banking services such as deposits, loans and advances, banks have been traditionally rendering certain ancillary services also to their customers such as remittances, demand drafts, mail transfers, and telegraphic transfers, sale and purchase of foreign exchange, locker facilities, safe custody and safe deposit values, guarantee facilities, travellers’ cheques, trustier and executor services etc. They act as bankers for the issue of new capital. They help their customers in marketing of securities and send the dividends to customers’ account directly. Moreover, commercial banks undertake the payment of subscriptions, premix, rents etc., on behalf of their customers. Besides this, commercial banks undertake the issue of credit instruments like letters of credit, acceptance of bills of exchange and documents, acting as a referee to the respectability and financial standing of customers and providing specialised advisory services to the customers.
By providing these diversified services banks help in the growth of trade and industry to a great extent. Modern commercial banks have diversified their activities with their entry into new non-traditional areas of business. These new areas include mutual fund, merchant-banking activities, portfolio management, corporate counselling, project counselling, and hire purchase finance, equipment leasing, venture capital and factoring service. These new activities by banks and their subsidiaries result in the development of industry and trade in the country.

With the phenomenal increase in the country's population and the increased demand for banking services, speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Measuring and assessing customer perception on various services offered by the banks has required foremost significance in development of banking sector. Customer perception on various services is considered as an important parameter for the management of banks to prepare future strategy.

After the emergence of foreign banks in India, the banking sector in India has become more competitive and accurate. Foreign banks have brought latest technology and latest banking practices to India. Foreign Banks in India have brought prompt services to customers. They have helped made Indian Banking system more competitive and efficient.
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