CHAPTER ONE

PREAMBLE

1.1 INTRODUCTION

Service is given by the company to help the customer in reaping the benefits of the product. Service management can be a process by which the company tries to improve the quality given to the customers to get more productivity in process of operations. To get this improved productivity of employee is a must and this will be got by forming an environment in the origination to get customer orientation. Better recruitment of employees, and better decision process of them can improve delivery of services. Job design process improvements and motivation of employees will also help in efficient service delivery.

The thesis helps to analyse quality of service in different banks by comparing them so as to find out the deficiencies in different types of banks. Also the study aims to understand employee perception of service quality and the facilities provided to them to facilitate smooth functioning of duties towards customers.

Banks are trying to provide efficient quality of services. Customers can be very happy with improved service quality. There is more demand for higher quality service. Awareness and quality emphasis are there in all parts of globe (Lee 2004). So banks have to give excellent services to their customers for competitive advantage. Sales can improve due to better customer satisfaction which is connected to the quality of delivery of service. The customers will become loyal customers because of service quality which will result in profit and growth of a firm.
SERVICE QUALITY

This is defined as the difference between client expectations with respect to service and perceived service. A very useful model used is GAP model of service quality. In this, word of mouth advertising, experience etc define expected service and service delivery and external communications define perceived service. Quality of service which is perceived by customers can be explained the extent to which the service gives satisfaction to them (Berndt, 2009). The two perspectives with respect to service quality are European and American.

The study tries to find out the relevance of quality of service in different types of banks and uses different factors to compare the banks. Also it analyses the employee perception and tries to find out whether employees contribute to the satisfaction of consumers.
1.2 THE IMPORTANCE OF THE STUDY

Service quality is very important in marketing of services. Firms in service kind of business have to concentrate on quality strategically for improvement of success (Lewis and Mitchell, 1990; Spathis, Petridou and Glaveli, 2004). High service quality oriented companies achieve better level of client satisfaction and they also retain a sustainable advantage with respect to competitors (Lewis and Mitchell, 1990; Meuter et al., 2000; Guo, Duff and Hair, 2008). The study finds out that firms with much better client service obtain an improvement of seventy two percentage in profit per employee when we compare with other related firms that give relatively inferior client service; It is also worthwhile to note that it is very costly to acquire new consumers than to hold on to clients who are already there (Cook, 2004). This means that giving relatively higher service is a method to keep customers both happy and to retain them.

We can see from secondary data that the banking in private sector is superior to the public banking sector. Lynn, Lytle and Samo, (2000) found that in countries like USA, private banks were superior to state banks in the parameters of service and financial performance.

This study is relevant since it finds out quality of service in different banking sectors as well as co-operative banks (selected) in Mumbai in order to find out if banks are different in terms of client and employee thinking of quality of service. The study is different as employee perceptions of service and their perceptions of facilities given to them by the top management are included in the study. The study will identify the areas of weakness with respect to service quality, and offer suitable solutions. In addition, the research will identify the relevant dimensions of quality of service for each banking sector.

The SERVQUAL scale is used everywhere to analyse quality of service. Aspects like reliability, responsiveness, empathy, assurance and tangibility are the most relevant areas of quality of service (Parasuraman et al-1988)
Though SERVQUAL is a good instrument it may not be applied to all settings. For example it may not hold true in retail banking setting. One of the major criticisms of SERVQUAL model is that the factors are highly correlated to each other (Gilmore, 2003). Seth et al. (2005) understood that service situation, time of service and repetition of services etc define the measurement of quality using SERVQUAL.

For the study Bahia and Nantel scale is also used along with some statements of SERVQUAL. In this scale the author prescribes the following dimensions for the purpose of the study:

1. Effectiveness and assurance;
2. Access;
3. Price;
4. Tangibles;
5. Services portfolio; and
6. Reliability.

The Indian banking has undergone multiple modifications for the last 6 decades. Different reforms and measures were taken to change the industry. Functions like service of customers, accumulation of resources and other related areas are now controlled by technology.

Different information technology based functions are nowadays very common among Indian Customers now (Rawani and Gupta, 2000). The customers of banks, in future, will want better and new products and will change their preference to new service providers and will find information easily.

The important part to win in the new environment will be the capacity of bank to address all the issues of each client by giving efficient services and better products in a one to one manner so that each individual customer is benefitted. Banks are
using customized strategies to market to compete with each other and to meet the customers’ expectations.

Banks are developing strategies to fight competitors and to give their customers high quality banking services and highly technology products. Banking institutions are finding out that customer needs have to be considered to design and deliver services along with the technical superiority success (Zeithaml and Bitner 1996).

Service quality which is better and more efficient will help companies in banking sector to reach a competitive advantage (Lewis, 1991). Quality of service is a very useful ingredient for making customers happy and retaining them (Taylor and Baker, 1994; Cronin and Taylor, 1992). Also it is vital to think that a customer who is happy will be most likely be a part of the company forever and he or she will be a part of the bank forever (Heskett et al., 1997).

A very significant point is that cost of retention of the present customers by making better products and giving better services is generally lower than the cost of getting new customers. As quality of service and client happiness are the most significant focal points for advantage and to get better profits in banking, it is not easy to find a single bank which does not focus on some initiative to improve service quality (Newmann, 2001; Soteriou and Stavrinides, 2000). The market segment has to be understood for achieving and retaining customers in this competitive world.

At present 70% of India’s banking industry is controlled by public sector banks but the situation is going to change as new foreign players and private banks are going to come in big way. Several corporate houses like Aditya Birla Group, Tatas etc have taken interest in banking. This will create healthy competition but at the same time government should ensure consolidation of banks which are in public sector.

Banks which are in Private sector in India have surpassed other banks especially in public sector in terms of customer trust and satisfaction. They are trying to improve their services constantly. Generally there is a need for banks to train their employees on customer service. The ability to multitask and the knowledge of products are 2
key weak points which the employees generally have. Waiting time is another area of concern for banks.

Banks should ensure that they do not overcharge for the services given. Also banks need to tell customers when they are charging them for the services. Still banks have made lot of improvement in functioning of bank branches and ATM'S . They are giving services like recharging prepaid mobile, paying bills or taxes online which are all value added services. One more are where banks have to improve with the help of government policy is the financial inclusion especially in the rural India (HT MARS BANK SATISFACTION SURVEY, HT DEC 26, 2012).

Bahia and Nantel (2000) formed a new questionnaire which is a modification and extension of the SERVQUAL scale formed by Parsuraman et al (1985). The BSQ includes thirty-one items under seven dimensions.

These dimensions are: **effectiveness** (recognition of regular clients, knowing the customers on a one to one basis, confidentiality, and confidence); **access** (less waiting, speed of queues, good size of open tellers, and promptness); **price**, **tangibles** (neatness of facilities, better and more efficient work environment,); **service portfolio** (whole services, connection of services with the latest innovation in services in banking, and modern equipment); **reliability** (absence of error in giving the service, accuracy in work, absolute relationship between decisions of human resource and management, delivery when promised, precision of account statements, and well-trained personnel); and **assurance** (safety, high reputation, automated teller machines which are sufficient per branch, indication of quality, and no interruption of service).

**Description of BSQ (six dimensions, 31 items)**

**Effectiveness and assurance**

1. Confidence

2. Recognition of a regular client

3. Confidentiality
4. Valorisation of the personnel

5. Interruption of the service

6. Well-trained personnel

7. Knowledge of the client on a personal basis

8. No contradictions in decision between personnel and management

9. Delivering when promised

10. Good reputation

11. Feeling of security

12. No delays due to bureaucratic factors and procedures

13. Indications (communications) of quality

**Access**

14. Sufficient number of ATMs per branch

15. Modern equipment

16. Sufficient number of open tellers

17. Waiting is not too long

18. Queues that move rapidly

**Price**

19. The bank contacts me every time it is useful

20. Good explanations of service fees

21. Balance amount from which service charges begin

22. Reasonable fees for the administration of the accounts
23. Keeping the client informed every time that a better solution appears for a problem

**Tangibles**

24. Precision on account statements
25. Cleanliness of facilities
26. Decoration of facilities
27. Efficacious work environment

**Services portfolio**

28. Complete gamut of services
29. The range of services is consistent with the latest innovation in banking services

**Reliability**

30. Absence of errors in service delivery
31. Precision of filing systems

Source: Bahia and Nantel (2000, p. 91).
1.3 PURPOSE OF THE STUDY

1. It finds out the gaps existing in each banking sector with respect to customer and employee perception

2. It can give ideas to banks regarding the gaps existing in different areas and where they have to concentrate

3. It will help the banks to find out their relative position in service delivery vis-à-vis competitors

4. It will be able to find out whether there is any gap in service quality formulation and implementation between different types of banks

Since customer satisfaction is the primary concern for any bank service quality study is a must. Along with this employee survey is also a must as it is imperative to know whether employees are able to understand the customer needs and also whether employees get the necessary support from the organization.

The study will give the banks an idea about the areas of improvement in both customer and employee perceptions. Also it would allow the researchers to understand the areas where banks are different from each other which will help the banks to formulate policies to improve customer and employee retention.

Banks has to have the following features if they want to have Quality
1. Customer orientation
2. Good leadership
3. Enough personnel
4. Procedure has to be systematic
5. System approach
6. Continuous improvement in all activities
7. Making decisions based on actual statistics
8. Mutually beneficial supplier relationships.
1.4 SERVICE QUALITY MODELS

Takenchi and Quelch have given some markers for quality perception. These are classified into 3 categories, i.e., before purchasing, at the point of purchasing and after purchasing.

The factors before purchasing are
1. Brand name and image
2. Experience with the brand
3. Friend’s opinion
4. Store and its name
5. Price which is advertised

The factors at the point of purchasing are
1. Brand performance
2. Sales people and their opinion
3. Warranty, service policies
4. Quoted price

The factors after purchasing are
1. Installation easiness
2. Repair problems and their handling by service people
3. Availability of Spare parts
4. Efficiency of service
5. Consistency of brand
6. Performance in comparison with others
Service quality requires different factors which will help to achieve the desired effect. Some of these are

1. Orientation towards doing effective marketing research to understand requirements of customers and also doing research inside the organization to understand employee needs

2. Communication of employees towards the top level management

3. Different levels of management existing in the organization

4. Commitment of top level, middle level management etc towards achieving better service quality

5. The ability and intention of employees to set goals and achieve them

6. The process efficiency in the organization by which the tasks given to employees are standardized so that all are utilized properly

7. Tasks have to be given in such a way that quality is feasible to be achieved in all of them

8. Teamwork becomes an important part of attaining and retaining service quality and so this has to be achieved in all aspects

9. Service quality is a factor which also depends on whether employees are able to understand needs of customers which ultimately require the organization to align the jobs in the right way so that there is proper job fit
10. There should be control of the quality of process at each step so that effective management is possible.

11. Supervisors of the organization who have been given the powers to control the processes have to be apt for the job and systems generated for the purpose of this have to be monitored on a routine basis

12. The roles for each employees have to be properly defined so that there is no role ambiguity and people know what they are supposed to know which will improve quality of service and the result will be better service more satisfaction and less conflicts over role clarity

13. Service quality requires a system which will make sure that only promises which can be achieved are given to customers initially so that there is no disappointment later

14. Communication at all levels must be so efficient that there will be very less confusion created

All these rules mentioned above can hold organizations to make sure those factors of service quality are attained and maintained in a systematic and efficient manner
DIFFERENT MODELS

1. **LEHTINEN AND LEHTINEN (1982)** - Physical, Interactive, and Corporate quality


3. **LEBLANC AND NGUYEN(1988)** - Corporate Image, Staff and customer interaction, Internal Organization, Physical Support of the system, and level of customer satisfaction

4. **GARVIN(1988)** - Performance, features, reliability, durability, service, aesthetics, response, reputation


7. **HEDVALL AND PALTSCHIK (1989)** - a) Whether the organizations are Willing to serve and Ability to serve b) Physical and Psychological access

8. **CRONIN& TAYLOR(1992)** - They developed performance oriented model called as SERVPERF

9. **MATTSSON (1992)** - This gives a value approach to service quality

11. **BERKLEY AND GUPTA (1994)**- The model talks about integrating service with IT Strategies and also on the method of aligning service and aligning strategies.

12. **DABHOLKAR (1996)**- Two models were formulated here namely attribute model (based on knowledge based approach of making decisions using compensation as the main reason of decision) and Overall Affect Model (Clients using information technology)

13. **SPRENG AND MACKOY (1996)**- The model analyses result of influence of customer thinking, perceived performance desires, and expectation on disconfirmation on overall quality of service quality and client happiness

14. **SWEENEY ET AL, (1997)**- This is defined as consisting of alternate 2 models. One model which defines functional and technical quality along with product quality and price as the factors which define value perceptions and the other model tells about the effect of functional quality of service on client willingness to buy.

15. **DABHOLKAR ET AL, (2000)**- This defines a model of service quality as a one which give ideas about areas of concepts which is related to service quality

16. **FROST AND KUMAR (2000)**- This model consists of 3 internal gaps which are Perception of different back line staff’s perception of front line staff’s expectation (gap 1), service quality specification and quality delivered (gap 2), and internal customer gap (gap 3).

17. **SOTERIOU AND STAVRINIDES (2000)**- The model tells us about resources that are not used properly. The model has resources which can be consumed (Human resources, duration and amount of space etc.) and the number of client
accounts in different areas. The result of the whole thing is the service quality level which is felt by the human resource management of the branch.

18. Brady & Cronin (2001)- This model defines 3 quality dimensions, i.e., Interaction Quality (attitude, behavior and expertise), Physical environment Quality (ambience, design and social factors) and Outcome Quality (Waiting time, Tangibles and Valence).

19. BRODERICK AND VACHIRAPORNPUK (2002) - The study makes and tests a service quality model for internet banking. Observation is used as a method for this.

20. ZHU ET AL (2002) - Traditional service factors are related to IT based services in this paper. The model relates the service factors by SERVQUAL model, factors using information technology based service quality, liking with respect to traditional service parameters, etc. and information technology policies which are perceived.

21. Santos (2003) - This research gives a model of electronic quality of service model with its main factors.

According to Saravan and Rao (2007), service quality remains critical in the service industries, as businesses strive to maintain a competitive advantage in the marketplace and achieving customer satisfaction. Banks and other financial services companies fight each other by having products which are similar and so therefore service quality becomes a very important method (Stafford, 1996).

Literature has proven that providing quality service delivery to customers helps in retention and attracting new customers thereby enhancing better perception in consumer mind, good referral, and also better efficiency (Negi, 2009; Ladhari, 2009).

In spite of the fact, service quality is important to the business, analyzing quality of service is very difficult to the organizations as the important features of services like intangibility, heterogeneity, inseparability and perishability (Bateson, 1985; Douglas & Connor, 2003). In view of this, services have to have a different set up for quality explication and identification.

Among the prominent frameworks, Parasuraman et al. (1985; 1988) SERVQUAL model is most important and useful method for identifying quality of service in service organisations.

Gap between what consumers expect and what they get may not be the same thereby creating a gap. 10 factors that are important are given by Parasuraman, Zeithaml and Berry. Parasuraman, Zeithaml and Berry (1985) –wikipedia 11th April 2013

- **Competence** is the capacity to do the service using skills and knowledge.
- **Courtesy** is significance given to the client and other factors like politeness, respect, and friendliness.
- **Credibility** contains factors such as trust, honesty and belief.
- **Security** which has safety, safety with respect to money availability and clause of confidentiality.
**Access** is easiness in contacting somebody.

**Communication** has both aspect of information and proper listening

**Knowing the customer** - Customer’s individual needs are found and individualized attention is given and customer is recognized when they arrive

**Tangibles** include look of the facilities, and facilities which are used to perform the service and the usage of people and other materials which are used to communicate the message.

**Reliability** is the ability to give the service in an accurate and sincere manner. The service is performed accurately in the first attempt and the records and schedules for the same are kept

**Responsiveness** is the ability and readiness of employees to give customers timely services like, mailing a slip of transaction quickly or creating appointments in a fast manner.

1088 studies have been conducted so far on client happiness and quality of service from 1992 to 2011, papers that have been written on the relationship between client happiness and quality of service are 315 over the last 20 years

Similarly 32 papers were on the connection between client happiness and quality of service dimensions from 1997 to 2011 and out of this six were on the correlation between client happiness and quality of service with parameters of SERVQUAL from the year 2003 to 2010.

This shows that very little research work have been done with emphasis on service quality dimensions

Cronin & Taylor in 1992 studied 660 customers and the study rejected SERVQUAL and advocated use of SERPERF. Like this most of other studies have found relative advantages and disadvantages of different tools and the study has used a combination of tools.
Given below are the main parameters required generally for improved service quality

1. Access
2. Communication
3. Competence
4. Courtesy
5. Credibility
6. Responsiveness
7. Security
8. Tangibles
9. Reliability
10. Knowing the customer
1.5 RATIONALE OF THE STUDY

The report tries to find out gaps in the different studies conducted before. Most of the studies done before have concentrated on the customer view points and not on employee view points. The studies mentioned below are the important ones in the area of quality of service especially between different banking sectors.

Sharma S, et al (2007) in his study told that quality of service is related to client happiness and there was pertinent gap between quality of services given by banks in private and public sector.

Prasanta K. Padhy, Biranchi Narayan Swar(2009)- The study compared all banking sectors and compared branches(selected) in terms of important parameters like the awareness and happiness level of customers and found out that quality of service in banks in public sector is average due to factors like tangibility factors, lack of adequate response and empathy.

Elmayar, Ashraf (2011) did a study to relate the quality of service levels of the Libyan private and public banking sectors.

Surabhi Singh and Renu Arora(2011)- The research tried to find out the reach of use of services specifically in information technology enabled services in these banks.

The study understood that the clients of nationalized banks were not happy with the general attitude of employees towards them and in infrastructure provided, but at the same time sample survey found that private and foreign bank customers
were not satisfied with access given to the services, charges for the services and communication

**P.GANESH(2011)**-The study found out that there is very high difference between client expectations and perceptions in retail banking in all dimensions

**Dash, Mihir and Saxena, Garima(2012)**- The study understood that the gap between client thinking and perceptions on each of the factors of banking service quality were same for public and private/foreign banks
1.6 SCOPE OF PROJECT (PROBLEM AT HAND)

The study analysed employee viewpoint of service quality also along with customer viewpoints in banks in Mumbai especially Navi Mumbai and the impact of different types of banks in the above mentioned aspects.

The project covers the following target groups. Customers of State Bank of India, Saraswat bank, IDBI, Corporation Bank, HDFC and ICICI only. Other banks in different sectors are not considered for the study. Employees of ICICI Bank were not taken for the study.

Employee perception and customer expectation difference in service quality was not found out for all the parameters. The idea was to compare the main factors for customer expectation of quality of service in these banks, the impact of type of bank and bank name on the different service quality factors and also employee perception of service quality and impact of bank type and bank name on these employee perception factors.