2.1 INTRODUCTION

Banking industry plays a vital role in shaping the economic destiny of a nation. Banks act like arteries that supply vital nutrients to different parts of the human body in attracting savings and supplying credit to the body economic of a country. Efficiency of these arteries is a major determinant of the soundness of the body politic. In the Indian situation, where proclivity to consume is high, resulting in very poor saving habits among people, banks play a strategic role in attracting increased deposits from the people and deploying these savings as lubricants for various sectors of the economy.

The first attempt to examine productivity, efficiency and profitability of commercial banks was made by the Luther Committee appointed by the Reserve Bank of India which submitted its report in 1976. The Luther Committee had brought under its purview and evaluation, bank management information system, criteria for evaluation of bank performance, annual accounts of banks, trends in their earnings and expenses and profitability as well as pricing of banking services.

Department of Banking Operations and Development of the Reserve Bank of India (RBI), in their paper has observed that rapid expansion of bank activities since 1970 called for a phase of consolidation to improve the quality and operational efficiency, productivity and customer service of banks. It has to be recognised that
banks had to go a long way to really improve the overall efficiency, productivity and profitability of banks.

Nationwide surveys have been done from time to time by government agencies and business journals to measure the efficiency of banks and to rate the service quality levels of banks in India. Extensive surveys with regard to various aspects of customer satisfaction and their impact on performance of banks operating in different market segments have been done in India and in other counties.

In this chapter an attempt has been made to present a review of the available studies in the relevant area of operational efficiency, profitability, productivity and service quality of commercial banks. This has been done under two broad sections i.e. operational efficiency of commercial banks and service quality of commercial banks.

2.2 OPERATIONAL EFFICIENCY OF COMMERCIAL BANKS

A brief review of the important studies in the area of operational efficiency of commercial banks is presented here.

Bhattacharyya (1979)\(^1\) in his study on “Improving Performance of the Bank” examined the role of positive attitude of managing personnel towards the organisation in increasing productivity. The findings of the study revealed that majority of the managers did not have a positive feeling towards the organisation. It is obvious from the study that continuous fall in the performance of the bank as a whole is the result of the highly negative feeling of branch managers, ultimately on the decisions actions of whom the growth of the bank is dependent.

Majumdar (1982)\(^2\) in his study on “Bank’s Profit and Branch Profitability” switched a view of developing suitable framework for monitoring
profitability in the bank. The study also assessed the impact of RBI policies and national policies on the profitability of Allahabad Bank (Kolkata). The study revealed that there is a gradual increase in absolute figures of profit. At the same time there is a declining trend in profitability due to declining trend in spread income, increasing share of priority sector advances, lower share of other income to total income and the increasing cost of manpower.

Karkal (1982)\(^3\) in his study on “Profit and Profitability in Banking” examined the concept of profit and profitability, the factors that determine the volume or magnitude of profit and the techniques used in profit planning. He has also suggested some measures to improve the profitability in banks through increasing the margin between lending and borrowing rates, improving the efficiency of staff, and implementation of uniform maximum service charges.

Dighe (1983)\(^4\) in his study on “Profitability of Branches in State Bank of India” has proposed a system which can identify the deficiencies in the working of the branches, regions and zones so that the management could formulate effective strategies to remove the deficiencies and improve the productivity and profitability. This study gives stress mainly on the areas of income and expenditure. The study shows that average turnover per employee varies with different groups. Expenditure per employee is very high in some groups and comparatively low in other groups. It found that there existed a very high ratio of other expenditure in newly opened branches.

Angadi (1983)\(^5\) in his research paper entitled “Measurement of Efficiency in Banking Industry” puts forth a proposition that operational efficiency of a bank is inversely related to the responsiveness of operating costs to the changes in output.
The ratio of proportional change in operating cost due to proportionate change in output is treated as a measure of responsiveness of operating costs. Recognising the external and internal factors that affect productivity, the paper revealed that operating cost can be a measure of most of them.

**Angadi and Devaraj (1983)** in their study on “**Productivity and Profitability of Banks in India**” observed that earnings of all scheduled commercial banks increased significantly during the period under their study. The study also revealed that, over the period 1971-80, productivity and profitability ratios were highest for the foreign banks followed by the State Bank Group and fourteen Nationalised Banks.

**Joshi (1986)** in his study on “**Profitability and Profit Planning in Banks**” found that the ratio of the net profits to average assets of commercial banks declined continuously from 0.21 per cent in 1970 to 0.10 per cent in 1982. Analysing the causes for the decline in profitability ratios, the study observed that the return on Statutory Liquidity Ratio, Cash Reserve Ratio, food procurement credit, export financing and credit outstanding of priority sectors was lower than the return from other advances.

**Chopra (1987)** in his study on “**Managing Profits, Profitability and Productivity in Public Sector Banking**” studied the progress and overall trends in profitability and productivity of public sector banks. The study revealed that the profitability in terms of income, deposits and total business was the lowest for United Commercial Bank, both at the supervisory level and branch level. The study also revealed that the productivity in terms of manpower deployment per branch was highest in Syndicate Bank.
Ojha (1987) in his study entitled “Productivity and Profitability of Public Sector Banks in India: An International Comparison” studied various indicators of profitability and underlined that profitability of banks has not been improving despite increases in productivity. The study further revealed that on an international comparison, public sector banks showed very low level of productivity and profitability. The study emphasised that a most comprehensive and multi-dimensional approach had to be adopted to increase productivity and profitability.

Rajagopal (1991) in his study on “Profit Planning and Improving Profitability – Bank of Maharashtra” observed that the borrowings are not adequate to bridge the gap between sources and use of funds which indicated that the bank’s liquidity position was under strain. The study concluded that the increase in staff expenses have not brought about an increase in the productivity level and quite contrarily the productivity levels are slowly declining.

Bansod (1992) in his study on “Manpower Productivity- Causes of Low Productivity, Ways and Means to Improve the Same with Reference to West Zone- II in Union Bank of India” identified the causes of low productivity in the branches and also identified productivity variation within the branches of the zone which could form the basis for management in deployment of manpower to the branches. The study revealed that the productivity in terms of business per employee of Union Bank of India was higher than all India productivity. Total income per employee, man power productivity and profitability shows an increasing trend under the study period.

Sadare (1992) in his study on “Profitability in Banks” measured the profitability of nationalised banks. The study observed a declining trend in the ratio of
spread to working fund. The study concluded that bank deposits per employee, advances per employee and income earned per employee were estimated to have grown at rates higher than the increase in the salary earnings of employees.

Karunagaran (1993)\textsuperscript{13} in his research work on “Performance Differentials of Foreign and Domestic Banks in India” measured the profitability performance of banks. The study concluded that among the external factors various policy measures such as differences in priority sector lending, branch expansion policy, interest rate policy, policy compulsion on credit deposit ratio, policy relating to recruitment and remuneration, policy permitting the banks to take active participation in the securities investment, difference in the reserve requirement are distinctly more favourable to foreign banks than the domestic banks. Some other external factors like locational advantage, worldwide branch network and domestic market conditions were also crucial for the foreign banks to perform better.

Singh (1993)\textsuperscript{14} in his study on “Indian Banking Industry: Growth and Trends in Productivity” analysed the trends and changes in productivity in different banks and bank groups particularly on labour productivity and branch productivity in public sector banks. The study revealed that on almost all accounts, United Commercial Bank performed miserably and the ranking of the banks revealed that most significant improvement in the ranking was achieved by Indian Bank and Indian Overseas Bank.

Swami and Subrahmanyam (1994)\textsuperscript{15} in their study on “Comparative Performance of Public Sector Banks in India” utilised ‘Taxonomic Method’ for studying the inter-bank differences in the performance of public sector banks in India. This study showed that many banks had wide disparities in their measures of
performance especially with differential weighting of individual indicators of business activity and no bank showed a measure of performance close to the ideal of the respective groups of banks. Almost every bank in the study had never attained even 50 per cent efficiency measures in the period under study.

Bhatt and Ghosh (1995)\textsuperscript{16} in an empirical study on “Profitability of Commercial Banks in India” observed that the profitability of commercial banks has been very low during the post-nationalisation period. The ratio of profits to assets or working funds of the Indian banking system were observed to be much lower as compared to international averages. The study concluded that gross profits had been declining for the banking system over the past decades. The study further revealed that the erosion of bank profitability can be ascribed to broad policy of social obligations on one hand and the system of directed investment in terms of statutory liquidity ratio and cash reserve ratio, and priority sector lending at subscribed rate of interest on the other.

Noulas and Katkar (1996)\textsuperscript{17} in their study on “Technical Efficiency in the Indian Banking Sector” analysed the technical and scale efficiency of public sector banks using Data Envelopment Analysis. The study observed that overall technical inefficiency was approximately 3.75 per cent of which only 1.5 per cent could be attributed to pure technical inefficiency and 2.25 per cent were due to scale inefficiency.

Das (1997)\textsuperscript{18} in his study on “Technical, Allocative and Scale Efficiency of Public Sector Banks in India” examined the efficiency of public sector banks since nationalisation using longitudinal data. The findings indicated that banks of State Bank Group were more efficient compared to the nationalised banks. It has been
concluded that inefficiency in public sector banks was due to underutilisation of resources rather than incorrect input combination.

Das (1997) in his study on “Measurement of Productive Efficiency and its Decomposition in Indian Banking Firms” utilised non-parametric frontier methodology to derive efficiency measures for 65 major banks using cross-section data for the year 1995. The results indicated that banks in India were more technically efficient than allocative efficiency. The study also found that there were no significant differences in any of the efficiency measures between public and private sector banks, except scale efficiency. Foreign banks were seen to differ significantly from public and private sector banks.

Hebbar (1998) in his research work on “Productivity: Discussion on Vital Issues” attempted to look objectively at the existing concepts and tools of measuring productivity. This article analysed causes of low productivity levels in the Indian banking industry and the interventions needed towards enhancing the productivity levels. The researcher specified broad areas that had significant impact on level of productivity. The research article also revealed that employee related issues, technology related issues and systems/infrastructure related issues are the causes of low productivity.

Bhatia and Verma (1999) in their study on “Factors Determining Profitability of Public Sector Banks in India: An Application of Multiple Regression Model” attempted to determine empirically the factors influencing the profitability of public sector banks in India by making use of the technique of multiple regression analysis. This study is confined to public sector banks comprising the State Bank Group and fourteen Nationalised Banks. The study revealed that
priority sector advances influenced the profitability of public sector banks in India negatively, whereas net spread ratio are influenced their profitability positively.

Sowani (1999)\textsuperscript{22} in his study on “Influence of Non-Productive Assets on the Profitability of Public Sector Banks” identified the various factors affecting banks’ profitability. As per the study, profitability in nationalised banks’ had always been quite low and recorded huge losses. As percentage of working funds, net profits of these banks were observed to be at a level of -2.2 per cent and -0.1 per cent during 1996 and 1997 respectively. However, the profitability of foreign banks was always observed to be at a better level. Among the factors influencing the profitability of banks, the high level of non-performing assets was registered as the major factor. High levels of Cash Reserve Ratio, Statutory Liquidity Ratio and priority sector were the other factors which negatively influenced the profitability of public sector banks.

Subbiah (2000)\textsuperscript{23} in his study on “Comparison of Growth Rates of Per Employee Amounts of Deposits and Advances of Commercial Banks in India” found out whether there is any significant difference in the growth rates of amounts of per employ amounts of deposits/advances of commercial banks of different classifications operating in India for the period of seven years from 1993 to March 1999. For the purpose of the study commercial banks were classified into three categories, vis-à-vis State Bank Group, Nationalised Commercial Banks and Private Sector Commercial Banks. The results indicated that per employee performance of deposit mobilisation as well as per employee performance of advances granted by Private Sector Commercial Banks were at their best during the period under study.

Naidu and Nair (2002)\textsuperscript{24} in their study on “Technical Efficiency of Scheduled Commercial Bank Group” attempted empirically the technical
efficiency of scheduled commercial banks. The study revealed that the technical efficiency level among bank groups had declined during the post reform era which had indicated a severe competition among the bank groups.

Ramaiah and Ghosh (2002)\textsuperscript{25} in their research article, “Understanding the Determinants of Bank Spreads in India: An Empirical Analysis” investigated the determinants of interest rate spread in the Indian banking system using a combination of bank specific, bank-industry specific and macroeconomic factors. Using the narrow and wide definitions of spreads, the research paper found that among the bank-specific factors, operating expenses, other income and to a certain extent, provisions as the key determinants. Among the bank-industry specific factors, the yield on 91 days treasury bills remained a significant factor influencing spreads.

Sayuri (2002)\textsuperscript{26} in his research paper, “Road from State to Market-Assessing the Gradual Approach to Banking Sector Reforms in India” assessed the impact of reforms by examining the changes in the performance of banking sector. It was found that profitability of nationalised banks turned positive in 1997-2000 and that of SBI groups had steadily improved their cost efficiency over the reform period. Foreign banks and private sector banks generally performed better than the public sector banks in terms of profitability, earning efficiency and cost efficiency.

Kumar and Verma (2003)\textsuperscript{27} in their study on “Technical Efficiency, Benchmarks and Targets: A Case Study of Indian Public Sector Banks” aimed to investigate efficiency record of 27 public sector banks by using Data Envelopment Analysis. In this attempt to explore the relationship between efficiency and profitability using ‘efficiency-profitability matrix’, it has been observed that about 63 per cent of the public sector banks showed potentials for profitability increase
through efficiency improvements. The subsequent Tobit regression analysis highlighted that technical efficiency was positively related to higher profitability, larger branch network and higher staff productivity.

Joseph (2003)\textsuperscript{28} in his research work, \textit{“Changing Perspectives in Asset Liability Management in the Post Reform Phase of Modern Banking – A Study”} evaluated the operational efficiency of the banks in the pre and the post reform period. The study revealed that the selected banks could increase their owned fund and could attain the capital adequacy ratio beyond the limits prescribed by the RBI. It also revealed that the profitability performance of all banks irrespective of sector had increased in the post reform period as compared to the pre reform period.

Choudhari and Tripathy (2004)\textsuperscript{29} in their study on \textit{“Measuring Bank Performance: An Application of DEA”} evaluated the relative performance of public sector banks in India using Data Envelopment Analysis. This study evaluated performance of banks using five indicators vis-à-vis profitability, financial management, growth, productivity and liquidity. The study found that Corporation Bank stood more efficient than other public sector banks. The study concluded that banks were not emphasising enough on other measures such as productivity, growth and liquidity as compared to profitability and financial management.

Madhumathi and Kumar (2004)\textsuperscript{30} in their research paper on \textit{“Multifactor Evaluation and Forecasting of Bank Performance in India”} analysed the commercial banks operating in India in respect of their financial ratios. Cluster analysis had brought out three clusters into which a bank could fall, namely, niche banks, sound banks and mass banks. The study showed that the public sector banks
were trying to reach out to the masses but the new banks had placed their thrust in taking benefit from quality-oriented and fee-based activities.

Mohan and Ray (2004)\textsuperscript{31} in their study on “Comparing Performance of Public and Private Sector Banks- A Revenue Maximisation Efficiency Approach” compared the performance of public sector, private sector and foreign bank groups using physical quantities of inputs and outputs as well as revenue maximisation of efficiency of banks during 1992-2000. Instead of profit maximisation efficiency, they used revenue maximisation efficiency in their study and came out with a conclusion that public sector banks performed significantly better than private sector and foreign banks.

Shanmugam and Das (2004)\textsuperscript{32} in their study on “Efficiency of Commercial Banks During Reform Period” employed stochastic frontier analysis to measure the technical efficiency of banks in four different bank groups in India during the reform period 1992-’99. The study tested whether the technical efficiencies varied over time or not and came out with the results that the efficiency of raising interest margin remained time invariant while the efficiencies of raising other outputs like non-interest income, investments and credits were time varying.

Natarajan (2005)\textsuperscript{33} in his article on “Financial Sector Reforms: Implications on Banking Sector”, pointed out that financial reforms had resulted in competition of banks with non-banks and the phenomenon the distinction between them, disappearing. Competition resulted in requirement for improved customer service where institutions were found to fail in answering that demand satisfactorily.

Raul and Ahmed (2005)\textsuperscript{34} in their book, “Public Sector Banks in India-Impact of Financial Sector Reforms” examined the impact of financial sector
reforms on the working of banking sector in general and public sector banks in particular. The study identified many critical issues like determinants of non-performing assets, profitability, and productivity, mismatch of assets and liabilities and services rendered by banks particularly in backward regions.

Satish et al. (2005) in their study on “Indian Banking: Performance and Development 2004-'05” adopted CAMEL Model to assess the performance of Indian banks. The study analysed the performance of 55 banks for the year 2004-'05 by using CAMEL Model. The study concluded that the Indian banking system looks sound and Information Technology would help the banking system grow in strength going into future.

Senkumar (2005) in his study, “Cost and Profit Efficiency of Indian Banks During 1986-2003- A Stochastic Frontier Analysis” examined the efficiency of all commercial banks in India. The study revealed that while cost efficiency of the banking industry increased during the period, profit efficiency underwent a decline. The study concluded that domestic banks appeared to be more efficient than foreign banks and also found that new private sector banks and foreign banks exhibited the least efficiency in terms of both measures.

Bodla and Richa (2006) in their study on “Evaluating Performance of Banks through CAMEL Model: A Case Study of SBI and ICICI” made an attempt to study the performance of SBI and ICICI through CAMEL Model for the period 2000-01 to 2004-05. The study revealed that in earning quality, measured in terms of the ratio of operating profit to average working funds, net profit to average assets, etc., ICICI Bank had outperformed SBI. The same was true of assets quality,
earning quality and management quality ratios. The liquidity position of both the banks was sound and did not differ significantly.

Sinha and Chatterjee (2006)\textsuperscript{38} in their study on “Intermediation Cost Efficiency of Indian Commercial Banks: A Data Envelopment Approach” assessed the relative cost efficiency position of twenty public sector and ten private sector banks for the years 1996-'97, 1998-'99, 2000-'01 and 2002-'03 using Data Envelopment Analysis. The results indicated that the cost efficiency of the banking sector improved during the period when non-interest income was taken as output indicator. At the same time when loan was taken as the output indicator the mean efficiency scores fluctuated significantly over the years. The study observed that private sector commercial banks exhibited higher mean technical and cost efficiency scores than observed in public sector commercial banks irrespective of the output indicator chosen.

Padmavathi et al. (2006)\textsuperscript{39} in their study on “Efficiency of Public Sector Banks in India” examined the productivity and profitability of Public Sector Banks in India. The study revealed that per branch profits and spread, burden and working funds were not significant. Even though, the correlation between profits and spread; profits and burden; and profits and working fund were positive, it was not significant. The study concluded that after nationalisation, the public sector banks had been achieved impressive results, particularly in achieving national targets.

Kumar (2006)\textsuperscript{40} in his research study on “Banking Sector Efficiency in Globalised Economy” analysed the overall efficiency of the banking system in terms of various financial parameters. The Data Envelopment Analysis showed that during the reforms period the average technical efficiency of the public sector banks was
much better than the private sector banks and was comparable to that of foreign banks. The study also revealed that the overall allocative efficiency was highest in foreign banks and the average efficiency of public sector banks was much higher than private sector banks. In terms of overall economic efficiency, the public sector banks were better performers than private sector banks and slightly lower than the foreign banks.

Lakshmanan (2008)\textsuperscript{41} in his study on “A Study on the Performance of the Dhanalakshmi Bank Limited, Thrissur”, evaluated the performance of the bank on deposits and advances and also studied the profitability of the bank under study. The study revealed that the bank was slowly overcoming from its past adverse climate and had begun to show improvements from the financial year 2005-’06 onwards. The study also showed an increasing trend of 20.06 per cent in advances during the year 2005-’06 when compared to the previous year.

Shobhana and Shanti (2008)\textsuperscript{42} in their research paper on “Operational Efficiency of Foreign Banks Operating in India: A Non-Parametric Model” assessed the operational efficiency of foreign banks in India using the data for the period 1996-'97 to 2004-'05 and used ANOVA to find that there were no significant relationship between operational efficiency and variables such as size of assets, branch network and staff strength. The study concluded that State Bank of Mauritius achieved the highest productivity of 596.92 per cent. The study revealed that there were no significant differences in the operational efficiency of foreign banks according to the differences in the size of their assets, network of branches and staff strength.
Singla (2008)\textsuperscript{43} in his study on “Financial Performance of Banks in India” examined the profitability position of the sixteen selected banks for a period of five years (2000-'01 to 2006-'07). The study revealed that profitability position was reasonable during the period of study when compared with the previous years. Return on investment proved that the overall profitability and the position of selected bank were sustained at a moderate rate.

Kumar and Gulati (2008)\textsuperscript{44} in their study on “The Impact of Size and Group Affiliation on Technical Efficiency of Indian Public Sector Banks: An Empirical Investigation” analysed the effect of size and group affiliation on the Technical Efficiency (TE) of Indian public sector banks with a cross-sectional perspective. The technique of Data Envelopment Analysis (DEA) had been used for computing the TE scores of individual public sector banks. The empirical study suggested that the extent of TE in the Indian public sector banking industry was to the tune of 88.5 per cent. Regarding group affiliation, the results revealed that the banks affiliated to SBI group were more efficient than nationalised banks. The relationship between size and technical efficiency indicated that the small banks were more efficient than their larger counterparts.

Jayaraman and Srinivasan (2009)\textsuperscript{45} in their study on “Relative Efficiency of Scheduled Commercial Banks in India (2001-08): A DEA Approach” measured the scale efficiency of scheduled commercial banks in India from 2001-08 using Data Envelopment Analysis and identified best-practice banks for each year. The results revealed that performance of scheduled commercial banks under study was relatively high during the period 2001-'08 and more than 60 per cent of the scheduled commercial banks under study were above the average efficiency scores for each
study period except for the year 2006. The results showed that ICICI Bank, IndusInd Bank, ABN Amro Bank, Calyon Bank were efficient.

Chandrasekhar and Sonar (2009)\(^{46}\) in their study, “An Analysis of the Impact of Information Technology on the Productivity of Indian Banks” analysed the effect of Information Technology resources on the productivity of Indian banks. Data were collected from 29 banks from government and private sectors for the period 2001-02 to 2005-06. The results indicated that IT had a beneficial impact on bank productivity.

Bodla and Verma (2009)\(^{47}\) in their study on “Earning Quality of Scheduled Commercial Banks in India: Bank-wise and Sector-wise Analysis” studied the earning quality of the Scheduled Commercial Banks (SCBs) in India from the year 1991-92 to 2005-06. This study attempted to view the Earning Quality (E) of Indian banks as per CAMEL Model. The study revealed that foreign banks had edge over their domestic counterparts in terms of operating profits to average working funds ratio, spread to total asset ratio and non-interest income to total income ratio. Public sector banks enjoy the same in terms of net profits to average assets ratio and interest income to total income ratio.

Uppal (2011)\(^{48}\) in his book on “Service Quality, Customer Satisfaction and Efficiency in Indian Banks – An Empirical Study” studied the relationship between service quality, customer satisfaction and efficiency in Indian banks. Data were collected from 384 customers selected from twelve banks in Chandigarh, Delhi, Haryana and Punjab. The study revealed that due to least gap between expectations and perceptions of customers, customer satisfaction was highest in foreign banks which resulted in higher efficiency levels for foreign banks.
2.3 SERVICE QUALITY OF COMMERCIAL BANKS

A brief review of the important studies in the area of service quality of commercial banks is presented here.

Rao (1979)\(^49\) in his study on “Improvement of Customer Service in a Metropolitan Branch” investigated the optimal size of a metropolitan branch and also studied the ways of improving the customer service in a metropolitan branch. The study was confined to the metropolitan branches of United Bank of India in Mumbai and the resulting hypothesis from this study was ‘Bigger the branch, Poorer the customer service’. The study revealed that small branches gave better service to customers.

Shanti (1984)\(^50\) in her research book entitled “Customer Services in Banks” attempted to examine the issues relating to delivery of customer services in Indian banks against the backdrop of a sound conceptual framework. This study provided an empirical analysis of the job behaviour of bank employees and its relationship with services delivery of the concerned banks. This study concluded that lack of job motivation, lack of freedom at branch level, lack of leadership qualities among bank managers, job security, etc. had resulted in poor quality of customer services in Indian banks.

Purushothaman (1991)\(^51\) in his study “Survey Report on the Implementation of Customer Service in the Public Sector Banks in Kerala” revealed that the performance of the implementation of customer service measures in the public sector banks in Kerala was average. The customer services rendered by the urban branches were better than that of rural branches.
Sharma and Singh (1993)\(^5\) in their study on “Quality of Customer Service in Banks: A Comparative Study of SCB and PNB” analysed the quality of customer services produced by Standard Chartered Bank (SCB) and Punjab National Bank (PNB). The study concluded that the quality of customer services of Punjab National Bank branch stood considerably poorer in comparison with Standard Chartered Bank branch.

Singh and Malhotra (1993)\(^6\) in their work on “Customer Satisfaction in Banking Services: A Study of Amritsar” analysed customer satisfaction in banking services in Amritsar city. The study concluded that public sector banks had to improve their services to attract new customers. Bank management needed to prepare a list of existing and prospective customers and carry out detailed studies on customer satisfaction in order to improve their services.

Govindarajalu (1996)\(^7\) in his research article, “Satisfaction and Dissatisfaction with Bank Services” states that quality of customer service in Indian banks had been deteriorating and as a result, customer dissatisfaction with bank services has become a matter of serious concern for the customers, bank management and the government alike.

Madhukar (1997)\(^8\) in his article, “Customer Service in Banks - A New Sense of Urgency” concluded that staff skills and attitudes were yet to attain levels, which the public in general would consider to be satisfactory. The challenge before the Public Sector Banks was to transform their work culture so as to make banking a delightful experience. If the staff employed by the Foreign Banks (FBs) and the new Private Sector Indian Banks (PSIBs) could set high standard of service and customer orientation, there was no reason why Public Sector Banks could not do the same.

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Bhaskaran, Rao and Vishwanath (1999)\(^56\) in their study “Service Quality Management in Indian Banks” evaluated the needs of customers and response of banks to them among public sector banks and private sector banks in Karnataka. The study concluded that there was either little or no improvement in services to accommodate customer expectations, leaving alone service quality in absolute terms.

Varghese (2000)\(^57\) in his study “Marketing of Banking Services” assessed the customer service rendered by banks in Kerala. It was found that there was no significant difference between the services rendered by private and public sector banks. The study also evaluated branch level performance of public sector banks and private sector banks, using the scoring model developed by V S Kaveri, Kalyan Swarup and N.B. Shete of the National Institute of Bank management.

Roy (2000)\(^58\) in his paper on “Customer Loyalty Management: Branch Level Perspective” studied the customer loyalty management which was an important part of the relationship marketing exercise undertaken by banks at branch level. This paper concluded that without an effective customer loyalty management programme, no relationship marketing exercise would bring about the desired results and this failure would lead to frustration and under performance.

Heggade (2000)\(^59\) in his study on “Banker-Customer Relationship in India” studied bank customer relationship in India. The study analysed the responses of different classes of bank customers including businessmen, salaried people, self employed professionals like advocates and peasants. It also analysed customers’ views on one hand and employers’ views on the other. The paper concluded that there was a low correlation among the different occupations and their satisfaction levels resulting from services in public sector banks.
Pushpangathan (2002)\textsuperscript{60} in his study on “A Study on the Quality of Customer Service in Public Sector Banks in Kerala” examined the facilities and the quality of services provided by the public, private and foreign banks in Kerala. The study found that the facilities and amenities provided by the public sector banks did not match the customer expectations. They were dissatisfied with the attitude and behaviour of people on the staff of public sector banks.

Verghese and Ganesh (2003)\textsuperscript{61} in their study, “Customer Service in Banks: An Empirical Study” analysed customer services in ten public sector banks and thirteen old generation private sector banks operating in India. The time taken to transact business had been analysed with the help of thirteen variables. The study concluded that there is no difference between the public sector banks and old generation private sector banks with regard to the time customers had to spend to transact a business.

Krishnaveni and Prabha (2004)\textsuperscript{62} in their study on “Measuring Service Quality in Banking Sector: With Special Reference to Motor and Pump Industry” examined whether there was any significant difference in the service quality perceptions among the respondents between public and private sector banks and also studied the extent of relationship between overall satisfaction and overall service quality using correlation test. The study revealed that the factor of competence (with reference to service quality) of the private banks was better than that of public sector banks. The study also disclosed that overall service quality contributed to eighty six per cent of overall satisfaction.

Singh (2004)\textsuperscript{63} in his article, “An Appraisal of Customer Service of Public Sector Banks” appraised customer services of Public Sector Banks. This study
concluded that the level of customer services and satisfaction was determined by the branch location, design, variety of services, rates and charges, systems and procedures and attitude and responses.

Jayawardhena (2004) in his study, “Measurement of Service Quality in Internet Banking: The Development of an Instrument” showed that service quality in e-banking could be measured using twenty one parsimonious measures spread across five dimensions namely access, website interface, trust, attention and credibility. Using SERVQUAL, the study indicated that the importance of attention was comparatively less than access and website interface dimensions for customers in determining the service quality of e-banking.

Joshua and Moli (2005) in their study, “Expectations and Perceptions of Service Quality in Old and New Generation Banks - A Study of Select Banks in the South Canara Region” identified that new generation banks exceeded service quality expectations in dimensions of reliability, empathy and price. The performance of new generation banks in terms of service quality was much better than old generation banks.

Bhat (2005) in his study, “A Correlate of Service Quality in Banks: An Empirical Investigation” used SERVQUAL scale to study the service quality of State Bank of India, Punjab National Bank, Jammu & Kashmir Bank, CITI Bank and Standard Chartered Grindlays Bank operating in four North Indian states. The results indicated that foreign banks were relatively close to the expectations of their customers in comparison with Indian banks. The study confirmed that poor service quality among Indian banks was mostly due to deficiency in tangibility and responsiveness.
Bodla (2005)\textsuperscript{67} in his study on “Service Quality Perception in Banks: An Indian Perspective” examined the expectations and perceptions of the quality of services offered by commercial banks. The SERVQUAL instrument developed by Parasuraman, Zeithamal and Berry had been used as the measurement of service quality in banks. The study covered four private sector banks (ICICI, HDFC, Citibank and ABN AMRO Bank) and four public sector banks (State Bank of India, Punjab National Bank, Union Bank of India and Oriental Bank of Commerce). The study brought to light that there exist a significant gap between the expectations and perceptions in relation to quality of services offered by both public and private sector banks in India. The results of the study made it clear that service quality of private sector banks was better than that of public sector banks.

Gowda (2005)\textsuperscript{68} in his study, “Transformation in Banking Services: Customer’s Choice Vs. Customer’s Shifting of a Bank” identified that ATMs, convenient timings and service quality determine the customer’s choice of bank. Delays and discourtesies form the reasons to shift a bank. The study suggested that there was a need to instill greater confidence among the customers regarding service quality.

Makesh (2006)\textsuperscript{69} in his study “Marketing of Financial Services- A Study of Financial Institutions in Kerala” evaluated the levels of satisfaction and loyalty among the customers of the financial institutions in Kerala. The study was undertaken to evaluate the perceptions of customers, personnel and managers of financial institutions. Bank customers had a higher opinion than non-bank customers on quality of service and the response of non-bank customers was more homogeneous than that of bank customers.
Awasthi and Dogra (2006)\textsuperscript{70} in their study entitled “Measuring Service Quality in Banks: An Assessment of Service Quality Dimensions” had made an empirical assessment of service quality, particularly the relative importance of functional service quality dimensions and outcome service quality dimensions in the Indian banking sector. The study revealed that the functional quality dimensions of responsiveness, assurance, empathy and tangibles did not have much significance for customers. Reliability was found to be the vital dimension in customers’ perception of service quality.

Sharma (2007)\textsuperscript{71} in her research book “Customer Satisfaction and Loyalty in Indian Consumer Banking” examined how far the Indian Banking industry had stood up to the new challenges thrown by the ever increasing customer expectation, what constituted the ground reality and what more needed to be done to ensure customer loyalty and delight in the banking sector. The book reviewed the available literature on “Customer satisfaction and Loyalty in Indian Consumer Banking” under five broad sections vis-à-vis customer satisfaction, customer loyalty, customer delight, service quality and consumer banking. The study stated that along producing satisfied customers it was also important to produce delighted and loyal customers.

Uppal (2008)\textsuperscript{72} in his paper “Customer Perception of E-banking Services in Indian Banks: Some Survey Evidence” empirically analysed the quality of e-banking services in the changing environment using five point Likert-type scale. With different statistical tools such as weighted average method and ranking, the paper concluded that most of the customers of e-banks were satisfied with the different e-channels and their services, but the lack of awareness remained a major obstacle in
the spread of e-banking services. On the basis of the observation of the respondents, the future of e-banking services looked bright.

Kamakodi and Khan (2008)\textsuperscript{73} in their article on “Customer Expectations and Service Level in E-Banking Era: An Empirical Study” found out whether banks understood the preferences of the customers and delivered services matching the expectations of the customers in the era of electronic banking. The results of survey indicated that the banks were exceeding the expectations in technology based services; and their perceived service level on branch network was below the expected levels of the respondents. This study identified top ten factors of importance which influenced the respondents to choose the banks. They were safety of funds, secure ATMs, availability of ATMs, reputation of the bank, personal attention, pleasing manner of the staff, confidentiality, closeness to work, timely service and friendly staff willing to help.

Singh (2008)\textsuperscript{74} in his article, “A Study of the Quality of Services Provided to SSI Customers by Public Sector Banks” attempted to study the quality of services provided by the public sector banks to SSIs. The level of customer service and satisfaction was determined by the location of the branch and design, variety of services, systems and procedures, delegation and decentralisation, mechanisation and computerisation, complaint redressal; and skills, attitudes and responses of the staff.

Subbiah and Jeyakumar (2008)\textsuperscript{75} in their article, “Customer Service in Commercial Banks in India: A Study with Reference to Core Banking” explained that Core Banking Solutions (CBS) helped banks achieve a centralised processing mechanism and provided an ‘anytime anywhere’ service to their customers leading to better customer service. Benefits, problems, defects and impact of core banking were
pointed out in this article. It also pointed out the Ten Commandments for an effective and successful implementation of core banking. The article concluded that rapid improvements in technology, faster communication facilities and availability of high computer power, net banking and core banking had resulted in a revolution in the banking industry worldwide.

Uppal and Chawla (2008) in their study “Customer Service in Banks - Meeting Customer Expectations” analysed the widening gap between desirability and availability in respect of reliability, accuracy, confidentiality, flexibility, e-channels, high attention to customers, low service charges and overall satisfaction of customers in three bank groups vis-à-vis Public Sector Banks (PSBs), Private Sector Banks and Foreign Banks. On the basis of five Point Likert-type scales, the survey conducted in Chandigarh concluded that desirability regarding all parameters was very high as compared to availability of banking services.

Khan, Mahapatra and Sreekumar (2009) in their article, “Service Quality Evaluation in Internet Banking: An Empirical Study in India” studied the service quality of internet banking services in India from customer’s perspective. The result revealed that customers were satisfied with quality of service on four dimensions such as reliability, accessibility, privacy/security, responsiveness and fulfillment but least satisfied with the ‘user-friendliness’ dimension.

Venkatesh and Ghai (2009) in their article, “Branding and Customer Satisfaction in the Indian Banking Industry: Some Essential Propositions” provided few propositions in the area of branding and customer orientation in the banking area. A conceptual model of a bank brand was proposed after literature
review. The paper also created propositions based on dimensions such as branding, segmentation, customer satisfaction and employee satisfaction of banks.

**Kumar and Rajesh (2009)** in their study, “Whether Today’s Customers are Satisfied? – A Study with Banks” attempted to identify the services available to the customers and satisfaction of customers. The analysis revealed that fifty one percent of the respondents felt that infrastructure had to be extended or cabin system of functioning might be introduced for avoiding inconvenience. The study revealed that a majority of respondents were dissatisfied with regard to technology enabled services. State Bank of Travancore had given the first rank in the overall rating as per the study.

**Uppal and Kumari (2009)** in their study on “Customer Delight- Using Technology as Enabler” examined the effect of e-channels on customer delight. The study revealed that the customers of private and foreign sector banks were delighted more than those of public sector banks as the former were providing e-channel services to their customers. Gender wise, females and occupation wise agriculturist were the most satisfied groups of customers. The results highlighted significance of e-channels that were perceived as the most powerful tools for enhancing the quality of banking services and consequently improving the performance of banks.

**Sakthivel and Murugeshwari (2009)** in their study, “Customers’ Attitude Towards Internet Banking: A Study with Reference to ICICI Bank, Gobichettipalayam” examined the customers’ attitude, influencing factors and satisfaction level towards internet banking service of ICICI Bank at Gobichettipalayam. This study revealed that majority of respondents was aware and satisfied with the internet banking service of ICICI Bank. It was also disclosed that as
customers saw it, ‘Time saving’ factor ranked as first important factor that drew customers to internet banking service of ICICI Bank.

Swarup (2009)\textsuperscript{82} in his paper, “Factors Affecting Customer Service in Public Sector Banks” discussed various developments in the banking sector which directly impacted customer service. The paper also presented a comparative analysis of factors of customer service in two major public sector banks. The paper concluded with recommendations for improving customer service in public sector banks like creation and delivery of services in tune with customer needs and expectations, constant striving for upgrading the quality of customer service, speedier adoption of technology, good attitude towards small depositors and borrowers etc.

Dhandabani (2010)\textsuperscript{83} in his study on “Linkage between Service Quality and Customers Loyalty in Commercial Banks” examined the nature of linkage between service quality and customer loyalty in Indian retail banking. The study used confirmatory factor analysis to identify the service quality dimension. Data were collected from 20 public sector banks and 20 private sector banks in Tamil Nadu. The structural equation model revealed that there was no significant direct linkage between service quality and customers loyalty. It also revealed that the service quality had a significant indirect impact on customer’s loyalty especially through customers’ satisfaction.

Kamath (2010)\textsuperscript{84} in her article, “Measuring Service Quality (SERVQUAL) in Banks” determined the crucial factors which affected customer satisfaction in banks. The data were collected through a standard structured questionnaire to measure SERVQUAL from various branches of a bank around Mangalore city. SERVQUAL was measured on five different dimensions of tangibility, reliability, responsiveness,
assurance and empathy. The study showed that SERVQUAL scores for all items under the five dimensions bore negative signs which indicated that perceived quality was less than satisfactory and a service quality gap had been affected. The study also disclosed that the largest discrepancy between expectations and perceptions of customers was in terms of ‘empathy’ dimension.

Rao and Lekew (2011) in their article, “Service Quality Perceptions of Customers: A Study of the Customers’ of Public Sector and Private Sector Commercial Banks in India” examined the service quality perceptions of customers of public sector and private sector banks in the city of Visakhapatnam. A total of 300 respondents were surveyed using the universally accepted SERVQUAL model in which 42 quality measurement parameters were used under five dimensions of service quality: Tangibility, Reliability, Assurance, Responsiveness, and Empathy. The study revealed that the Reliability and Assurance dimensions of service quality scored the highest ratings while the Tangibility and dimension got the lowest score. Moreover, the study found a strong dissimilarity in service quality perceptions between customers of private sector and public sector banks.

Gnanadhas and Ghost (2011) in their book on “Service Quality in Commercial Banks” measured the difference between the perception and expectation on service quality factors using SERVQUAL. Data were collected from customers of public, private and new private sector banks in urban, semi-urban and rural areas of Kanyakumari district. The study revealed that SERVQUAL scale was negative among all customers of three bank groups. It inferred that customers were dissatisfied and there existed a significant difference between their expectations and
the banks performance in respect of reliability, responsiveness, assurance and empathy.

**Murugan (2012)**\(^87\) in his article, “Customer Satisfaction with Service Quality: An Empirical Study of Public and Private Sector Banks in Tirupati Region” compared customers’ perceptions of service quality of public and private banks. The service quality of both segments of banks had been measured using SERVQUAL scale. Two public sector banks-States Bank of India and Punjab National Bank - and two private sector banks – ICICI Bank and Axis Bank were selected for the study. The study revealed that customers of public sector banks were more satisfied with the service quality than those of private sector banks.

**Anand and Selvaraj (2012)**\(^88\) in their article on “Customer Perception Towards Service Quality in State Bank of India – An Empirical Study” assessed customer perception towards service quality in State Bank of India in Salem district. Using SERVQUAL the study revealed that there was no significant difference between the demographic and personal variables except age in respect of overall perception. The study also revealed that the State Bank of India provided better service quality than what customers were expecting from it.

**Ragavan and Mageh (2013)**\(^89\) in their article on “A Study on Service Quality Perspectives and Customer Satisfaction in New Private Sector Banks” examined the influence of service quality dimensions on customer overall satisfaction. The results shows that the most important service quality practice on customer satisfaction is responsiveness as it is perceived as a dominant service quality. The results also revealed that the service quality dimensions of tangibles, responsiveness, reliability and assurance are positively and significantly influencing
the customers overall satisfaction, while the empathy is negatively and significantly influencing the customers overall satisfaction.

Paul (2013)' in her paper on “An Assessment of Service Quality of Commercial Banks in Odisha” aimed to analyse the service quality of commercial bank with special reference to State Bank of India in Mayurbhanj district. Using SERVQUAL, the study revealed that responsiveness and empathy are the two most important dimensions determining the service quality of SBI. The study also revealed that when satisfied customers are concerned, there exist a long gap between the expected service quality and actual service quality.

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