CHAPTER – II

REVIEW OF LITERATURE

INTRODUCTION

Customers satisfaction has been one of the most referred in subjects recently in corporate circles. It is a strategy used to been more about customers needs and behaviour in order to develop stronger relationship with them. Overall, good customer relationships are at the heart of business success.

The concept of customer’s relationship management has been a core concept which has attracted all fault business Customer Satisfaction has relevant and demanding applications is semi marketing. Retail banking of financial serious has also not been an exception of this phenomenon.

Customer Satisfaction in the field of retail business has attracted much a researches and parishioners. There has been continuous research in the field of customer relationship management and its applications in banking and financial frames.

But in India, research in the field of relationship marketing has not taken of the expectations and is still the infant stage when compared to other countries in the work. However, the available contribution from the following authors and researchers in India and other parts of the world in the
one of customer relationship management in returned banking is work envisioning. Hence, in refused the empirical works relations to Customer Satisfaction in banking industry are reviewed and a brief account of the review is presented in the chapter.

**Group Studies**

The Banking commission\(^1\) (1972) undertook a comprehensive research study of the entire banking system of the country and came out with major policy level recommendations in 1972. It reviewed the operating methods, procedures and made recommendations for improving and modernizing operating methods and procedures, particularly of those related to customer service, credit procedures and internal systems. The various ways in which the banking system could assist economic development were also explored.

The Productivity, Efficiency and Profitability (PEP) committee on Banking\(^2\) (1977) constituted to study the productivity efficiency and profitability of commercial banks has used four criteria viz productivity, social objectives spatial, sectoral - profitability. Under each criterion it used a set of indicators. It also examined a few other points like planning, budgeting, marketing, management information systems. Annual accounts audit systems

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and procedures. It analysed banking costs profitability of operations, pricing of bank services, trends in earnings and expenditures.

The study was experimental in nature and it categorically stated that the set of indicators used by it does not represent either the first or the least choice.

The Talwar committee, appointed by Government of India under the Chairmanship of R.K. Talwar submitted a report in March 1977. It pinpointed the areas in which the banks have to be strengthened and the areas in which services are to be rendered effectively.

The Committee on the functioning of Public Sector Banks appointed by the Reserve Bank of India in 1977 made a broad evaluation of the performance of public sector banks in the country covering the spheres of branch expansion, deposit mobilization, credit disbursement, priority sector lending, efficiency and management-employee relations; and made recommendations to ensure improvement in the efficiency of their opinions and to restore their financial health. The committee made a pragmatic evaluation of the actual performance and functioning of the public sector

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banks during the period from 1969 to 1977. It collected data from bank, bank staff, and other financial institutions

**INDIVIDUAL**

Nedu (1977)\(^5\) studied customers' perception of commercial bank services.

The main findings are:

1. The Commercial banks satisfy the older customers more than the

2. Older bank customers, as a group, are more aware of the existence of the various services provided by the banks than the young customers etc

3. Commercial banks satisfy the female customers more than the male customers.

4. College education or lack of it does not significantly affect the perception of bank customers.

5. Occupational membership (white or blue collar) and residential location do affect the perceptions of bank customers in varying degrees.

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Shetty⁶ (1978) critically examined the extent to which the banking system in India has been able to achieve the objectives set before it initially by the scheme of social control and subsequently by the nationalization of banks. It was observed that no major structural change had occurred in the composition of deposits and the banks had failed to improve their credit-deposit ratio over the years. Obviously, rural areas were neglected in the opening of bank branches too.

Agarwae⁷ (1979) in his book-Management of Nationalised Commercial Banks in India with Reference to their Social Obligations has assessed the performance of nationalised banks in discharging their social obligations. There is being no absolute line of measurement in this regard, an effort has been made to evaluate the performance of the nationalised banks in discharging the various social obligations on the basis of a comparison with the performance of other bank groups. For the assessment of their individual performance, the line of assessment adopted was the combined average performance of all the nationalised banks.

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⁷ Agarwall H.N. Management of Nationalised Commercial Banks in India with reference to their social obligations inter India Publications, Delhi, 1979.
Kulkarni\textsuperscript{8} (1979) stated that while considering bank's costs and profits, social benefits arising out of banks' operations cannot be ignored. He claimed that the profit maximization approach is out of place while referring to profitability of banks. He recognized that while fulfilling their social responsibility, banks should try to make the developmental business as successful as possible, reduce costs, improve the banking system and increase the overall productivity.

Agarwal\textsuperscript{9} (1982) in his book - Commercial Banking in India after Nationalisation-a case study of their policies and progress analysed the performance of commercial banks in India after nationalization. It was neither an empirical study nor a study of a particular aspect of commercial banking. It was only a study of banking development in the light of nationalization. Annual reports of banks, periodical reports of the Reserve Bank of India and personal discussions with bank officials were the major sources relied on in the study.

\textsuperscript{9} Agarwal B.F., Commercial Banking in India After Nationalisation-a study of their policies and progress; classical publishing company. New Delhi, 1982.
Yadav\textsuperscript{10} (1983) evaluated the working of the Syndicate Bank "in the northern Zone and ascertained whether' it was working on the lines suggested by the Government of India and the Reserve Bank of India. With the help of an analytical and comparative study, the researcher has ascertained whether the Syndicate Bank has been successful in the northern part of the country and how far it has been able to achieve the objectives of nationalization by accelerating banking facilities in the rural, remote and the neglected areas.

M/s. Akhilesh and S. Pandey (1986) in their study, "A comparative study of organisational climate in Two banks" have pointed out that nationalised bank has a better attitudinal profile over private sector bank. In their opinion, there is better recognition. and rewards for performance in private sector banks. It appears that this relationship is the strength area of the private sector bank over the nationalised bank. The study further revealed that the private sector bank has a slight task oriented climate\textsuperscript{11}.

Hussain\textsuperscript{12} (1987) in a study of the new roles of public sector commercial banks in India analyses the major problems faced by the public

\textsuperscript{12} Hussain Farhat. A study of New Roles of the Public Sectors commercial banking in India, deep and deep publications, New Delhi, 1987.
sector banks in India. As public sector institutions they are required to face new challenges.

The Department of Banking operations and Development—a section of Reserve Bank or India\textsuperscript{13} (1988) in its conference paper observed that the rapid expansion of banking activities called for a phase of consolidation to improve the quality of banks, their operational efficiency, productivity and customer care service. It noted that the poor quality of bank assets continues for concern in view of large-scale industrial sickness and widespread defaults in repayment of bank dues.

Sathyamurthy\textsuperscript{14} (1988) points out how the Estimate Committee of the Eighth Lok Sabha has observed that social banking should not be viewed as different from 'normal commercial banking but as complementary and supplementary field. Banks must reconcile themselves to the fact that social banking continues to remain as their main responsibility and must strive to make it, notwithstanding various constraints, a profitable proposition.

\textsuperscript{13} Bankers Training College, Reserve Bank of India, Efficiency productivity and customer service in banks, conference paper, National Conference on Banking Development, Bombay, November 12, 1988.

Karunagaran and Benjamin\textsuperscript{15} (1989) analysed the performance of commercial banks in TN during 1969 – 1986 the analysis was carried out with the help of some simple distribution of their branches, deposits and advances in different population graduate, the progress of commercial banks in the state was also compared with that in the camely as a whole. The analysis pointed out that by and large, the banking industry in TN was not in a good stat a health.

Bhattacharya\textsuperscript{16} (1990) in his research article examined whether customer service in the banking industry was really deteriorating. He examined the issue using data from two field surveys, conducted by the National Institute of Bank Management in 1974 and 1984. Based on the study he concluded that an unqualified assertion that customer services have deteriorated in the post nationalisation phase was empirically untenable.

Chandrayya\textsuperscript{17} (1990) has undertaken a study structural change in the credit deployment policies and practices of commercial banks in India - a case study of Andhra Bank. The study was confined to the period 1969-1984. The researcher has examined the various changes that took place in the structure, organisation and composition of credit deployed by the commercial banks in

India and the varied problems experienced both by the lending authorities as well as the borrowers and suggested feasible ways and means to overcome these problems.

Rajalakshmi C.\textsuperscript{17} 1990 in the study titled, “A critical appraisal of general utility services of commercial banks in Aruppukkottai town”, focused on one different range of general utility services provided in commercial banks and one test revalued that such services play a very important role in attending and satisfying are customers.

The Reserve Bank of India Committee on Customer Service in Banks (1991)\textsuperscript{18} ‘undertook a detailed customer survey covering different categories of bank customers. The Committee has made ninety-seven wide-ranging recommendations to improve the customer service in banks.

Chawla\textsuperscript{19} (1991) in his study focused on several segments of banks financial statements to provide an assessment of the financial health of different bank groups. The study was based on an analysis of financial and related data available in the annual reports of banks and the Reserve Bank of India) publications. The study covered a period of twenty years from 1969 to 1989.

\textsuperscript{17} Rajalakshmi .C A and unpublished M.Phil., Dissertation, 1990, Annamalai University, PP. 171-176.
\textsuperscript{19} Chandrayya Y., Structural changes in the credit deployment policies and practices of commercial banks in India a case study of Andhra Bank. Discovery publishing House New Delhi, 1990.
Manjula Bose\textsuperscript{20} (1991) in her study on 'Trend' and Progress of Banking in India' has tried to analyse the connection between banking and economic development during the first three Five Year Plan periods. The problem was studied under two aspects viz. the impact that economic development had on banking in India and secondly the role of the banking system that could play in economic development.

Holland\textsuperscript{21} (1992) in his article, “Relationship Banking Choice and control by the multi national firms”, investigates how, large UK multinational firms evaluate individual and multiple banking relationships, and how they exercise control over their portfolios of banks. The identification and description of how firs do this is important for those banks marketing a wide range of financial series to the corporate sector. Between 1986 and 1990, 15 confidential corporate case studies were developed from interviewers with UK firms. The case firms were a sample of 15 large UK based Multinational Companies (MNCs) drawn from the fortune 100. Senior finance personnel were interviewed during 1986 – 90 in all 15 firms using a semi – structured questionnaire. The study uses a theoretical perspective to interpret the semi

making behaviour of the personnel and explores the nature and function of the rules that lead to the receiver – making process.

Perrion, Filiatrault and Ricard (1992) in their article titled, “Relationship marketing and commercial banking: A critical analysis”, analyze and evaluate the competitive pressures as well as the search for free-based incomes, mainly desired from cross-selling, that has forced commercial financial institutions to redefine their marketing strategies and to focus on “relationship marketing”. The analysis identifies the major problems raised by one implementations of an effective relationship approach. The critical analysis concludes that relationship banking is a major corporate issue and not the sole responsibility of front-line people.

Hueter & Ben22 (1993) in their article “Banking changing paradigms”, describe how a payment is automatically transferred through electronic signals and information about the Automated Cleaning House (ACH). They also describe how the ATM system works, areas that challenge regulation authorities to find ways to make a network socially optimal. ATM is one of the technologies which come under the umbrella term fast packet along with frame relay and cell relay. The problem at present with multi media communications is line capacity. They suggest various means a flexibility

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that offer bandwidth on demand removing the need for users to pre calculate their communications capacity for dial – up or leased line networks. They concluded that various application of technology can offer a competitive edge in banking activities.

Rajendran\(^23\) (1993) in his comparative study of the public sector and private sector banks during the year 1990-91 has chosen three profitability ratios and six balance sheet ratios. He has selected the sample of eight scheduled private sector banks, three nationalised banks and the State Bank of India for his study.

Jagwant\(^24\) (1993) in his book Indian Banking Industry: Growth and Trends In Productivity examines the trends in productivity in public sector banks excluding the six banks nationalised in 1980. He has analysed the trends and changes in productivity, with particular emphasis on labour productivity and branch productivity. The trends, changes and differentials in productivity in different banks and bank groups are examined in detail based on seventeen indicators. The main source of data for the study was Financial Analysis of Banks published by the Indian Bank Association and Annual reports of the banks.


\(^{24}\) Rajendran K.A., Comparative study on public and private sector banks in N.Vinayakumar. A peep in to private sector banks. Kaniskha Publishers and Distributors
Farrance\textsuperscript{25} (1993) in his article “Can Bank succeed in the currant market plane? Discuss the demand – side changes stimulated by higher levels a consumer awareness and sophistication, have combined with supply – side changes, mainly induced by legislation, to create a difficult elimate for banks. They find themselves competitively disadvantaged, particularly in cost termed against the buildings societies. The article also explains the difference in the way in which consumers perceive banks and what the expect from banks suggest that relationship banking well offer a way forward but this revising a better understanding of marketing, organizational flexibility and a clearer customer focus.

Anbalagan K.\textsuperscript{26} (1994) in his article, “Diversification of banking business to meet the challenges – problem and prospects of departure from traditional banking” focused on popularizing credit card system would reduce cash payment and cash withdrawals at the bank counters, leading to more convenience to customers by preventing waiting by customers at the cash counters.


\textsuperscript{26} Diversification of banking business to meet the challenges – problem and prospects of departure from traditional banking. The banker, June 1994, PP. 31-38.
Srinivasan\(^{27}\) (1995) studied the experience of public sector banks in priority sector lending during the period 1969 to 1989. The study highlighted the achievement of the banks in securing the designed allocational pattern of credit in different sectors and sub-sectors. He derived home the point that the burden of priority sector lending is borne mainly by the public sector banks and other institutional agencies. It was observed that the regional rural banks and the co-operatives have not played their due role owing to certain structural deficiencies in their working. The study revealed that there was a fall in spatial and sectoral imbalances in banking operations over a period a time.

Dalal & Sucheta (1995) in their article, “The clean up continues”, focus on the business operations the banking industry in India. The article concentrates on competition in the industry, series in short – term lending diversification in the industry; dominance of nationalized banks; slowdown in credit expansion; improvement a banks’ performance after the implementation of new banking standards and conversion of main development financial institutes into public limited companies. The authors also highlight that the changing scenario in the Indian banking industry will

shake up the market give the Indian customer more efficient and customized services rank the clock in commits days.

Seal\textsuperscript{28} (1998) in his research paper titled, “Relationship banking and the management of organizational trust” analysis the personal, institutional and behavioural bases of trust in banking relations, enquiry that banks should pay attention to intra as well as inter firm policies for developing bank and assessing trust – worthiness. Trust may deliver from person to person insulation and /or from an impersonal, symbolic presentational base. Marketing strategies can both analyses the trunk characteristics of customers as well as privatively issue those relational forms of marketing that can generate long-term competitive advantage. However, the most relational levels of marketing require a system delivery approach which must itself desire from internally nurtured forms of trust based on appropriate personnel policies, organizational routines and training.

Stewart\textsuperscript{29} (1998) “in her search paper lilted an exploration a customer exit in retail banking”, states that if the marketing community is to adopt the prescriptions of the relationship marketing school at thousand, more knowledge and understating of relationships is required. The knowledge on


the customer it growing and there is now greater appreciation of the processes
germane is healthy relationship, shell as trust, satisfaction and commitment.
Less attention has been paid to the negative aspects such as relationship
breakdown and ending. This paper addresses the neglected area of the end of
customer exit. Interviews were concluded with bank customers who had
recently used the exist option. As reported here, the required took the
perspective of the customers.

This shows that customers end their relationships with banks after
facing many problems need to develop relationship management system and
skills.

Lassar, Manolis & Winger30 (2000) in their research paper of service
quality perspectives and satisfaction in private banking” examine the effect of
service quality on customer satisfaction from two distinct methodological
perspectives. Specifically, a study utilizing a sample of international private
banking customers is conducted where in service quality is operational zed
via two distinct and well – know, measures – SERVQUAL and Technical
Functional Quality. There two same quality measures are subsequently
compared and contracted as to their ability to product customer satisfaction.
To surface assess the validity of these findings two moderators of the service

quality / customer satisfaction relationship are introduced and evaluated. The findings are a importance to service managers as the strive to identify efficient and effective approaches.

Mukkajee, Nath and Pal\(^{31}\) (2002) in their article “performance bench marketing and strategic homogeneity of Indian banks”, explore the linkage between performance bench marketing and stringently A Indian commercial banks. The articles devise a method a bench marking performance A Indian commercial bank only their published financial information. The article defines performance by how a bank is able to utilize its resources to generate business transition and is measured by the ratio, which is then called the efficiency. The concept of efficiency is critical from a marketing practice methodologically, in order to overcome some of the short comings. A simple efficiency obtained thought self – appraisal of individual banks, a more “democratic” concept of cross efficiency evaluated with the process of peer appraisal has been brought into bench more the banks. Cluster banks based on similarly in business Polly which offers a framework for competitive positions in the target market save as a bank for long-term static focus. They concluded with a finding that the public sector banks generally at

\(^{31}\) Avindan Mukhersee ; Prioviraj Nath ; Monabondra Nath Pal, “ Performance bank marketing and strategic homogeneity of Indian banks”, the Industry herm and bank making” Volume : 20 members : 3, 2002, PP. 122-139.
performance the private and foreign banks in this rapidly evolving and liberalizing seeks.

Bennett and Durkin (2002) in their case analysis, “Developing relationship cultures in retail banking”, discuss how the concept of relationship marketing has attracted increasingly the attention of academics and parishioners in the recent years. Issues relating to the practical and context specific implementation of relationship marketing cultures have been less developed. Indeed, recent literature pinpoints many difficulties associated with the implementation of relationship marketing. This paper addresses a number of key issues associated with the implementation of a relationship culture in the context of a leading and long established retail banking institutional specifically, the from which such a culture should take is discussed together with a critical review of how successful the bank has been in its establishment. In eight of this analysis, a conceptual model is proposed for the development a relationship cultures within the banking industry.

Avinandan & Priconwiray (2003) in their research article title “A model a trust in online relationship banking”, contribute their research findings on how the role of trust encompasses the exchanges and interactions of a retail bank with its customers of various dimensions of online banking specifically, they lay stress on the bank – to – customer exchanges that takes
place through the technological interface. The study hypothesis shared value, communication and opportunistic behavior as antecedents to truth a banks. Truth and commitment also have a causal relationship. They empirically text fine hypotheses will a sample of 510 internet users of various profiles in India and develop a strut wall equation model (tinsel) and establish all hypotheses. They observe that shared value is most critical to develop trust as relationship commitment. It is also found that higher perceived trust significantly, enhances customer’s commitment in online banking transaction. An important contribution concerns how truth is developed and sustained over difficult and sustained over difficult levels of customer relationship in online banking. The future commitment of the customer of online banking depends on perceived trust.

E.W. Chirwa\textsuperscript{32} (2003) in his article “Determinants a come banks profitability in Malary, a co-integration approach investigates the relationship between market structure and profitability a commercial banking in Malawi using time series data between 1970 and 1994 the areas time series, techniques of co-integration and error – correlation mechanisms to test the collusion hypothesis and determine whether a long-term relationship exists between priests A commercial banks and concentration in the banks and

\begin{footnotesize}
\begin{tabular}{l}
\textsuperscript{32} E. Chirwa “Determines of came bank particularly in Malaws : A Co-integration approach – 1 applied financial economics, volume 13, number 8, August 2003, P. 4.
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concentration in the banks industry the concludes supporting the traditional collusion hypothesis of a long-term positive relationship between concentration and performance.

Long & Pauline⁵³ (2004), in their outside, from cash ‘N’ carry to the digital age investigate the implications a Real – Time Gross Settlement Systems (RTGS) for banks and corporations in India. The Indian banking system while rebuts and well – regulated, is widely regarded as one of the most complex in the region. They feel that the system is still mostly paper based and the vastness of the country addles to the complexities inherent in a structure based on physical delivery cash management in India has traditionally meant no more than providing a service for centralized receivables. They conclude that this is due to a combination of factors peculiars to the county, including the law level a technology, low sensitivity among companies to the timing of payments, law of nationwide payment data, general resistance to outgoing payments, and lace a products from banks.

Dibb, Sally, Meadows & Nancreen⁵⁴ 2004 in their research paper, “Relationship making and Customer Satisfaction; a finance serious case study consider the shift towards relationship marketing principles and the

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implementation sector. Man players offering personal banking and related product have not bought into the concepts behind relationship marketing and are investing heavily (particularly in new information technology) to enhance customers relationship and implementation rates. They trend is considered from the perspective of an organization that is one of those loading the change. An independents case study reveals the progress made in recent years towards the company’s goals, scouing especially on the introduction of new systems and moves to enhance customer data. However, the analysis also suggest not major challenges remain if the benefits of Customer Satisfaction are to be fully realized will particular concerns for the implementation of Customer Satisfaction principles.