CHAPTER 2

REVIEW OF LITERATURE
CHAPTER 2

2.1 Service and quality:
The word service has been derived from the Latin word, Servitum, which means served by slaves.
According to Kolter (1991) defined as an intangible benefit whose ownership cannot be claimed, provided from one entity to another.
The word quality stands for the standard of something as accessed against other things of a similar kind; the degree of superiority of something: Quality is defined as the discrepancy between customers’ perception and expectations. Berry described it as what actually conforms to customers’ specifications. In this definition, the customers are given priority because they are the core point of modern marketing. Customers treated like a king. Therefore, customers’ conceptions of quality are what counts, not that of management.
In this regard, quality is also defined as the overall impression concived by customers pertaining to the superiority or inferiority of service provided. Quality is one of the three significant basis of companies’ performance; the others are costs and productivity. Above mentioned the three indicators, quality has been given significant importance in the literature because it is peculiar to both service providers and customers. In a competing environment, organizations normally provide the same type of service. The way the organisation provides service quality distinguishes one firm from the other.

Meaning of service quality:
Service quality is an accomplishment in customer service. It follows at each service encounter. Customers develops service expectations from their past experiences, word of mouth and advertisement. In general, customers observe perceived service with expected service in which if the perceived falls short of the expected the customers are discouraged. Service quality has been studied in business management for several years. However, the development of service marketing as a result of the continuous supremacy of the service sub sector of the global economy has generated more academic interest in service quality theory. To understand fully the concept of service quality, it is significant to attempt a definition and to analyse various scholarly perspectives. Although, service quality is a conceptual and a complex concept, researchers have made many attempts to define it.
From system-thinking paradigm attributes, service quality has been defined as:
According to Lakhe and Mohanty: “a production system where various inputs are processed transformed and value added to produce some outputs which have utility to the service seekers, not merely in an economic sense but from supporting the life of the human system in general, even maybe for the sake of pleasure.” Along the SERVQUAL paradigm, Zeithaml defined “service quality as the overall impression of the superiority or inferiority of an organization or its service and product”. Customers identify service quality as the value customers actually acquire at a given price. Customer value is the emotional bond created between a service provider and a customer after a service or a product is. A number of scholars Anderson & Narus, Higgins: have attempted linking customer value and customer perceived service quality. To enhance understanding of service quality and its correlation to price in predicting purchase decision-making by consumer some scholars

Bolton & drew, Zeithaml introduced the value construct into service quality studies. Perceived value has been conceptualized as trade off to perceived quality, perceived monetary and psychological sacrifice. It is conceptualized that the interaction between service providers and customers presents an opportunity for critical judgment to be made on service quality.

Parasuraman identified ten service quality determinants, which can be generalized in all types of service as:

Tangibles- these contains physical facilities, the appearance of staff, and the appearance of equipments and tools used in service provision
Reliability- receiving consistent treatment at every service encounter or consistence of service performance
Responsiveness- preparedness of service personnel to provide service at every encounter
Competence- the knowledge, skills, and abilities of service personnel and staff involved in the production of services
Access- the ease with which services can be researched
Courtesy- the respect, friendliness, affability, and politeness of service staff
Communication- Providing comprehensive information to customers in the appropriate language and through the appropriate channels
Credibility-the trustworthiness, honesty, and validity demonstrated to customers
Security- the sense of freedom, safety, and confidentiality
Understanding- promotion of dialogue with customers that leads to an understanding of the needs of customers

2.2 Statement of problem:

The present research is accordingly, committed to a detailed probe into the retail banking in India with special reference to Malwa Punjab. It also concentrates to make a comparative study, on the basis of service quality attributes, between public sector banks and new Indian private sector banks.

Before embarking upon the actual administration of the study, a research of available and relevant published work on the subject of this research is made in order to have an insight into the depth of retail banking and also the particular aspects covered in the work. The prior literature inferred below recounts the work so far done in the field of present study, the nature of the work, the features dealt with as well as brief outcome came out from the studies.

2.3 Review of Literature:

Indian banking industry is one of the most technologically modern industries with wider networks of branches empowered by strong banking system, their vast range of product and effective distribution channel capabilities. However, regulatory, structural and technological dimensions are remarkably changing the banking environment throughout the world. One of the most significant factors that is motivating the growth of the Indian banking institutions is the liberalization. The financial sector amendments in India were designed to impart greater competitive intensity in the banking system. To achieve this aim, the “Narsimhan committee” was formed. The Narsimhan committee report recommended wide ranging amendments for the Indian banking sector in 1992, including the relevant one to introduce internationally accepted banking rules so as to enable Indian banks to achieve service excellence. The committee suggested a liberal policy towards the entry norms of private sector banks and foreign sector banks into the Indian banking sector.

The interest rate mechanism has been deregulated to a great extent and banks have been given a great degree of freedom in establishing their rate structure for deposits and advances, as well as their other product range. Banking has also become more competing in respect of branch network. The conclusion is that market power is getting shifted from banks to their customers. Financial liberalization has induced to acute competitive pressures, and retail banks are consequently directing their strategies towards enhancing customer satisfaction and loyalty.
through improved service quality. With such a high potentiality in the Indian banking industry, all leading banks are looking ahead to set up themselves as the most preferred bank by the customers as this can only happen when they are able to distinguish themselves on the basis of service quality being offered by their rivals. Retail banking has greater opportunities in a developing economy like India. As the growth story further unfolds in India, retail banking is going to become a major driver of economic growth. A.T. Kearney, a global management consulting firm, recently recognised India as the second most attractive retail distribution centre of 30 emergent markets.

In any research work, the problem is formulated after a detailed review of literature related to the problem is studied. It is felt necessary to quest into the banking service. For this purpose the researcher has looked up to multifarious journals, books, internet, previous studies, etc., which are all concerned to the nature of the problem chosen by her. Here, with the help of literature review, the various features of service quality in retail banking, customers satisfaction and customer loyalty as well as the relationship among them as concluded by earlier researcher has been described.

The Researcher will try to include all the existing literature available on service quality and strategies taken by selected banks in public and New Indian private sector published by earlier researchers.

The below mentioned literature review section is divided into four sections:

I. Overview on Public Sector and New Indian Private Sector Banks

II. Customer Relationship Management


IV. Emotional Marketing Strategies in Banking Sector

I. Overview on Public Sector and New Indian Private Sector Banks

Bayel & Janalgie (1994) had reviewed services quality dimensions with an aim in retail banking. First the study examines & identifies the services quality variables pertaining to financial services provided by the bank. Secondly, it investigates the relationship between perception accorded to these variables & the overall attitude towards the banking. Thirdly, it analyses the significant discrimination in service quality factors among the group of banks with the help of paired comparison.
Bhayani, S.J. (2003) in his study titled as, “empirical study on retail banking awareness” has emphasised on the retail banking awareness by conducting a survey on 200 consumers having their current account with special reference to private banks, nationalized and cooperative banks in Rajkot city of Gujarat. The main purpose of his research was to compare the services imparted by different private sector banks, nationalised and cooperative banks in the Rajkot city and also to know the customers awareness about the services imparted and how often they utilized these services. The study determines that in India, due to illiteracy and various factors, the IT awareness of the customers is still very low. That’s why the banks needs to put major stress towards educating the customers for building up an IT savvy customer base”.

Krishnaveni and Prabha 2005-06 believed that in this era of increased competition, in order to succeed, it is imperative for the banks to develop long term relationships with the consumers. The study consists of 27 banks; and the banks were selected randomly from of total of 49 banks (public and private banks). The results exhibited that among the different internal service quality variables taken up in the study, ‘offering the right information and facilities to the employees’ encounter to improve the internal service quality perceptions better than the other variables.

Neeta Parkash (2006) administered a comprehensive study on “growth of retail banking in India” in which she had emphasised on high growth pattern of the retail banking. The results of the study indicate that growth & development of retail banking is significant milestone in Indian banking sector development, though the development of retail banking in India is very small as compared to world guidelines. The study also reveals that the performance of private sector banks is much better than that of their public sector counterparts in respect of growth of retail banking.

The marketing research report by RNCOS (2006), titled as “booming Indian retail banking sector” provides comprehensive research and realistic analysis of the opportunities, challenges and drivers crucial to the growth of the retail banking industry in India as well as the future analysis of the industry in terms of asset size, number of financial cardholders and various other significant features. The future predictions discussed the possibilities of different arms of banking industry that includes rural banking by bank assurance, financial
cards, mobile banking, role of technology in retail banking, pension fund and future course of action or strategies for retail banking.

Luca et al. (2006) discussed that customer satisfaction, service quality and loyalty are the imp elements for building long term relationship with customers. Banks have understood the strategic importance of customer value, continuously seeking new and creative ways to enhance customer relationship. Many banks offer almost same type of products and services but customers have more choice and more controls because of competitive environment and they like to spend and continue their relationship with those banks that gives them better quality of products and services as compared to their competitors.

Capegemini & Efma (2007) in the article titled as, “transforming operating models in retail banking” emphasises why bank managers went for transforming operating models, increasing revenue growth, improving customer services and cutting costs. The results of this study conducted by survey relate to what retail banking operating models look like today and what drivers their information and what these models will look like in the next five years in the area of retail banking operations conducted. The retail banks managers would emphasises on five key elements to globalize their operating models. The key elements are: Developing international governance, ensuring consistency with market and product strategy investing upfront in IT transformation building a very thorough HR vision and focusing on execution quality.

Holger J Kern (2007), in his thesis entitled “retail banking-global perspective” emphasised on the competition level in retail banking and various strategies adopted by the banks to retain customer. This study examined the causes that, why retail bank should give stress on the customer’s need for understanding the customer and provides product differentiation. A box client segments and retail banking is provided to show the significance of segmenting the client and specializing specific products for specific groups.

Debashish and Sathya Swaroop 2009 concluded on the basis of his study the actual level of service quality in the nine selected commercial banks in Delhi by emphasising their scores as against the various service quality variables and to make a comparative analysis of the degree of service quality across various Public, Private and Foreign banking sector operating in Delhi. The study has emphasised that the foreign banks situated in Delhi provide better service quality, as compared to private and public sector banks.
RK Uppal 2010 explained the efficiency of Indian commercial banks during the time period 1997-98 to 2007-08. The study reveals that comparative efficiency, profitability and productivity were much higher in the case of new private sector banks and foreign banks as compared to Indian Public sector banks. Even the liquidity position of the new private sector banks and foreign banks was also stable as compared to their counterparts.

Peter et al. (2011) studied that the discipline of operations management has long been offering different quantitative techniques for enhancing the efficiency of banking operations. However, there has been a pattern and trend in recent years that operations and services of the banking industry are becoming more distinct and unstructured, providing many traditional operations management quantitative techniques less effective in performance improvement. By consolidating the literature on banking operations, service quality, leadership style and work teams, they argue that leadership style and team performance are critical concerns determining the service quality performance of today’s banking operations in a team setting. The data was collected from 192 employees from 32 operational teams (a leader and five members in each team) in 15 retail banks in Macau, China, they examined whether the five variables of transformational leadership have an effect on team performance with respect to team cohesion, team leader job satisfaction and team competence; and whether the dimensions of team performance have an impact on such service quality dimensions as reliability and responsiveness. The results showed that one of the dimensions of transformational leadership and two of the dimensions of team performance have a remarkable impact on service quality.

Karthikeyan and Mayilvaganan (2011) in their research concluded that banks cannot exist without customers. In service sector especially in banks, customer service should not only be a crucial function, but a way of life also. Customer satisfaction and delightment should be the central point. That alone serves the banks’ aim of maximization of profit. It is but obvious that a bank cannot think of making profit without customers. A customer measures the quality of service delivery and the output delivery after a service is provided. There is always a gap between the quality of service which is expected by the customer and the quality of service that is perceived by the customer. Parasuram, Zeithaml and Berry have identified five dimensions of service quality: tangibles, reliability, responsiveness, assurance and empathy.
They measured the quality of service delivery and determined service gap to offer suggestions for the purpose of minimizing service gap.

II. Customer Relationship Management

Muffato and Panizzolo (1995) studied that customer satisfaction is supposed to be one of the most significant competitive factors for the coming time and will be the best indicator of a firm’s profitability. They further recommend that customer satisfaction will provide firms to improve their reputation and image, to reduce customer turnover and to increase attention to customer wants and needs. Such steps will help firms to create barriers to switching and this will improve business relationships with their customers.

Thomas Olsen and Xavier Brice, 2005 concluded that challenging tasks of the retail banks are to retain their customers. Banks cannot rest in the laurels of the consumers loyalty. Banks cannot take it for granted that consumers, irrespective of the services rendered will be loyal to their banks. But utmost care should be taken to retain and attract the customers. The basic steps that can be taken by retail banks to retain their consumers are to maintain personal relationships, improve branch access, selectively, enhance the breadth of relationships and minimize administrative disruptions.

Tantakasem & Lee (2005) in their thesis titled as “service quality and the customer satisfaction chain in the retail banking industry”, aimed to create a better understanding of the relationship between of service quality dimensions and customer satisfaction by focusing on the retail banking segment in Thailand. The results reveals that there are three types of quality dimensions that affect customer satisfaction: (1) basic factors (2) performance factor, and (3) excitement factors, and that these factor will vary in their effect on customer satisfaction.

Chaisomphol and Barry (2006) studied that service quality is a key variable in consumer satisfaction at the retail level. While investigating commitment to and examines within service quality, they found that in Thailand the importance has been on improving personal counter services in spite of the rapid growth in electronic banking.

Tapan K. Panda & Bivraj Bhushan Parida (2006) in their research titled as “customer relationship management in retail banking in India” talk about the applicability of CRM principles in retail banking sector, examines the need for drivers of CRM applicability and the challenges associated with special reference to HDFC bank and PNB. The paper
discusses the retail banking challenges like customer retention and attaining new customers and the need for implementing CRM in retail banking sector. The study revealed that the CRM has opened a new path to the world of customer intelligence. In today’s competitive environment business decision & strategies are made looking at the proximity to consumers.

**Arturo Molina, David Martin- Consuegra, Agueda Esteban, 2007** have studied that Relationship marketing strategy has to be extensively adopted by retail banks to attract, retain and enhance customer relationships. The term “relationship marketing” means to develop a core element around which the sound relationship with the customer is constructed, to personalize the relationship, to enhance the central element by offering some extra benefits to improve loyalty to the provider through price fixation and to make employees conscious that they are immediately responsible in front of customers.

**Chris Baumann (2007)** in his paper titled as, “predicting consumer behaviour in retail banking” dwells on the consumers share of wallet (SOW), or the percentage of their business that they assign to one bank. This study is based on 1951 retail banking customers develops separate models predicting SOW for deposits, debt and loans, and percentage of accounts and credit cards used from customer’s man bank. The study recommends that about 25% to 65% of the variance in SOW can be created by demographic factors such as age, income, profession and customer’s residential location while overall satisfaction and affective attitude have generally been analysed to be strong predictors of behavioural intentions.

**S. Venkata Seshaih & Vunyale Narender (2007)** in their thesis titled as, “factors affecting customer’s choice of retail banking”, have analysed various elements affecting customer’s choice and study consumer behaviour with respect to the people’s choice of retail banks. In this research study efforts have been made to deep into the psychology of the customer’s loyalty. Though in a survey various factors have been identify (1) safety of deposits (2) size and strength (3) accuracy (4) general survey quality (5) speed of delivery (6) proximity (7) security of environment (8) cordiality of staff (9) price & services charges (10) product packaging (11) general public impression (12) peer group impression (13) face lift (structural) (14) friendship with staff (15) advertising & publicity. The findings revealed that retail banking must redesign their activities to achieve their corporate mission through customer orientation.
Smith Ramchandran (2008) in this study titled as, “customer management in retail banking: an overview” concludes that the concept of retail banking and it is becoming more customer-driven. The study concentrated the role of IT in the growth and future of retail banking. The key issues and operational challenges like customer satisfaction and retention, customer acquisition, competitive pressure to deliver the new and creative product & services rapidly to market are the growing need for customer retention and acquisition management. 

Smith Ramachandran 2008 studied that innovation is the key element for the banks and these innovations will be of varied types or forms like the product differentiation to the customer management and new channels to strategic diversifications. For retail banks to grow, they require product development and differentiation, micro planning, marketing, prudent pricing, innovation and BPR (business process reengineering), Customization, technological innovation, cost reduction and cross selling. To maintain the growth level in innovation and positioning themselves, banks should adapt at least four necessary strategies – that is to exploit the available good workforce with effective performance management and to give due acceptance of technology that would be the crucial success factor in customer relationship management.

Tapan K Panda and Bivraj Bhushan Parida 2008 studied that CRM (Customer Relationship Management) programs allow the service provider to track the customer needs and collect customer data from all the 360 degree view and apply this data to create new business intelligence for developing customized products and services, to reduce churn and increase loyalty level. The main objective of any CRM initiative is customer optimization. Customer optimization is the nervous system of CRM. It is acquired through a value exchange which the bank makes an investment in a customer interaction in exchange for some desired behaviour. Applicability of CRM programs, HDFC and PNB banks was selected for their study have resulted in higher profits, better customer relationships and higher loyalty level. The findings of customer relationship management program are reflected in the overall profitability and growth rate of selected bank.

R.K. Upaal (2009) in his paper titled as, “customer service in Indian commercial banks: an empirical study” reveals that in the emerging competitive environment and IT era, with little or no distinction in the product offering, it is the speed or promptness of rendering services that sets apart one bank from another. Prompt service is associated with quality service. Time
is major dimension which affects the quality of service and that is why they are becoming more demanded.

**Sandip Ghosh Hazra and Kailash B L Srivastava** (August and November 2009) opined the effect of service quality on customer loyalty, commitment and trust in the Indian Banking Sector. Their main aim was to explore the strength of association between service quality and customer satisfaction, loyalty and trust. The other part of the study contained of evaluation of perceptions of consumers of private and public sector banks and finds the degree of difference and the factors affecting the same. A 43 item questionnaire was used wherein service quality was assessed by 22 item scale adapted from Parasuraman et al. And customer loyalty was assessed by a 13 item scale adopted from the Behavioural Intentions Battery developed by Zeithaml et al. Customer commitment and customer trust was assessed by a 4 item scale each adopted and modified from Gabarino and Johnson (1999) and Walter et al (2003). As all the above factors are multi dimensional, factor analysis was used to study the major factors. The results revealed the significance of four factors; assurance-empathy, reliability, tangibles and security. Customer commitment came out as a single factor which was independent. Consequently, the research scholars worked on analysing the strength of association between independent and dependent measures by multiple regression analysis techniques. Implications of the study show that banks should go for loyalty programs and provide better quality services in order to retain and attract customers and get their commitment. The findings regarding service quality of the private sector banks showed a lack of ‘reliability’ factor whereas for public sector banks, the ‘tangibility’ aspect was missing. A strong correlation was ascertained between assurance-empathy factor and customer loyalty and commitment.

**Sultan Singh** (2009) in his study titled as, “Impact of ATM on customer satisfaction” highlights the effect of ATM on customer satisfaction. It is a comparative study of three major banks i.e. SBI, ICICI bank and HDFC bank. It contains the review of the various services rendered by the three banks. A sample of 360 respondent’s equally representing each bank has been taken through survey which shows the level of satisfaction among different customers.

**A Krishna Kumar** (2010) in his paper titled, “customer satisfaction Vs. Service quality” revealed that on the customer satisfaction which is the foremost imp variable to remain in
business in the Indian banking industry. The study examines the satisfaction level of customer with the quality services provided by the Indian public banks with special reference to the state bank of India. The presentation also analyses the excellence with customer service to improve the customer satisfaction.

R. Nagesh (2010) in his thesis “a study on quality of services as a tool from enhancement of customer satisfaction in banks”, measures the quality of services offered by two banks in Chennai and compares the service performance of these two banks respectively. The study has also emphasised on identifying the changes to be brought about at these banks in their service quality, so that these banks act as a major delivery vehicle for service and play a crucial role in increasing customer satisfaction. The study has also focused on finding out the discrepancy between customer’s service perception and expectations, which acts as essential stimulant to enhance the customer satisfaction so that a good relationship is created between the service provider and the customer.

Jaspal Singh and Gagandeep Kaur (February 2011) administered an empirical study of selected Indian banks to identify the dimensions of customer satisfaction. Two banks each of private and public sector were selected for the study. 32 items selected for the survey were included in a questionnaire which was conducted at 200 customers. A demographic profile of customers was also undertaken for the research. The data analysis was subjected to factor analysis using principal component method with varimax rotation. They analysed nine factors namely responsiveness, tangibles, service innovation, social responsibility, reliability and accessibility, assurance, pricing and other facilities, problem solving capability and convenient working hours of the bank .They suggested that in this world of growing customer expectations, their satisfaction should be the basic element for all banks where the above mentioned variables play a justifiable role. Customer dissatisfaction will put the bank at a competitive disadvantage.
Fig. 2.1: Customer Relationship Management in Retail Banking in India


III. **Service Quality Evaluation**

According to **Anderson and zeithaml (1984)**, the dimension of service quality has become increasingly important because competition in service industries has increased as compare to prior times. Service quality has been analysed as a key determinant of market share, return on investment and cost reduction.

**V. A Zaithaml & L.L Berry (1985)** presents “a conceptual model of service quality and its implication for future researches” has concentrated on service quality in banking industry. In his paper he has originally emphasised ten determinants of service quality that are generic to
the service industry. These determinants were tangibles, reliability, responsiveness, competence courtesy, credibility, security, access, communication and understanding the customer. He constructed a 22 item questionnaire in 1988, recognized as SERVQUAL that has become to be widely used as a generic instrument for increasing service quality. The instrument items contains the five dimension i.e, reliability, responsiveness, tangibles, assurance and empathy.

**Schmenner (1986)** analysed the retail banking industry as a mass service. Mass service industries have a low degree of variation in customization. Mass service firms face several challenges including the problem of making their service “warm” or responsive, developing innovative marketing practices to retain and attract customers and paying attention to physical facilities of the bank (the tangible dimension of the SQ construct). These institutions are also faced with managing a fairly inflexible workforce and work procedure hierarchy with the need for standard operating procedures that ensure correct and reliable service delivery.

**Schmenner’s (1986)** opined that service classification scheme suggests and predicts the variables that will likely be dominant in the mass service context “tangibility” (includes the physical facilities, equipment and appearance of personnel); “responsiveness” (the willingness or readiness of employees or professionals to provide service targeted to customers’ specific needs); “knowledge” (the knowledge and competence of service providers, possession of necessary skills, etc.); “accessibility” (the service provider’s ability – through its location, operating hours, employees and operational system- to design and deliver the service capable of adjusting to the demands and wishes of customers in a flexible way); “reliability” (the degree to which customers can rely on the service provider to keep promises and perform with the best interests of the customers).

Following their earlier work, **parasuraman et al. (1988)** conducted one more study which resulted in the service quality measurement scale with 22-items on 5 dimensions. The dimensions reliability, responsiveness and tangibles were relined as identified in 1985 whereas communication, competence, credibility, courtesy and security merged as a new dimensions “assurance”. Access and understanding / knowing the customer merged to form the dimension “empathy”.
Persuraman et al. (1988) in their thesis titled as, “SERVQUAL: a multiple – item scale for measuring consumer perception of service quality”, defined service quality as, “the degree of discrepancy between customer’s normative expectations for the service and their perceptions of the service performance.”

According to Parasuraman et al. (1991), consumers judge the accuracy and dependability (i.e., reliability) of the rendered service, but they judge the other dimensions also as the service is being delivered. It is examined that although reliability is the most significant dimension in meeting customer expectations, the process dimensions (especially assurance, responsiveness and empathy) are most significant in exceeding customer expectations.

Spreng and Singh (1993) have focused on the lack of discrimination between several of the SQ dimensions. In their research studies, they found very high correlation between assurance and responsiveness dimensions, indicating that they were not separable dimensions. They also analysed a high correlation between the combined assurance-responsiveness constructs and the empathy construct underlying service quality.

Bayel & Janalgie (1994) had studied services quality dimensions in retail banking with some goals. First aim of the study is to examines & identifies the services quality dimensions with special reference to financial services. Secondly, it investigates the relationship between perception accorded to these dimensions & the overall attitude towards the banking. Thirdly, it investigates the significant discrimination in service quality factors among the group of banks by paired comparison method.

The empirical study conducted by Stafford (1996) reported the attributes of bank service quality as perceived by customers. Seven attributes were found in measuring bank service quality. The first dimension, named “bank atmosphere”; included cleanliness, as well as an overall positive and courteous attitude by employees. The second dimension, ‘relationship’, indicates the importance of a personal relationship with the customers. The third dimension, “interest rates and charges”, shows that low costs and high interest rates can have impact on individual’s perception of bank service quality. The fourth dimension, “available and convenient services”, shows a full array of services that are available, easily accessible and convenient. The fifth dimension, “ATMs”, indicates available, convenient and working automatic teller machines. The sixth dimension, “reliability/honesty”, shows the importance
of a solid bank rating and honest reliable employees. The seventh attribute, “teller”, indicates adequate and accessible teller.

**Robert Johnston (1997)** in his research work, “Identifying the critical determinants of service quality in retail banking: importance and effects”, analysed on the categories of the quality variables in terms of their relative importance and their effect on satisfaction and dissatisfaction. The research work is based on an analysis of over 200 customers in the UK banking industry and 100 interviewers. The research work recommends that increasing the speed of processing information, delighting customers, such as improving the reliability of equipment, will lessen dissatisfaction rather than delighting customer.

**Yavas et al. (1997)** concluded that although prior studies interpreted service quality perceptions as an outcome of satisfaction, recent studies have characterized service quality as an imp determinant of satisfaction. He suggested that there are three dimensions of service quality: tangibles, responsiveness and empathy that are significant predictors of customer satisfaction.

**Angur (et.al) (1999)** in their research work as “service quality in the banking industry: an assessment in a developing economy” focused on the applicability of different measures of service quality in the banking industry in India. Data was gathered from customers of two major banks in the retail banking industry (a leading public sector bank and a leading private sector multinational bank). The results recommended that the service quality concept in the retail banking is a multidimensional construct of service quality in India as one of the developing economy.

**Bahia and nantel (2000)** administered a study in Canada to develop a reliable and valid scale for the measurement of the perceived service quality of retail banking. They elucidated that the universality of the variables of service quality across different types of services had been questioned in a number of succeeding studies. They also elucidated that these five variables are not fully generic. It is often essential to incorporate additional items to variables because they are particularly important for some service categories. The scale was developed based on expert opinions that revealed six dimensions of service quality. These were termed as: effectiveness and assurance, access, price, tangibles, service portfolio and reliability.

**Cronin et al. (2000)** concluded that there is a important direct link between service quality (SQ) and behavioural intentions (BI). However, when the data for the organisations were
tested separately, the same authors found that “service quality had a direct impact on consumer BI in four of the six industries with exceptions being the health care and long-distance carrier industries”.

**Kunst and Lemmink (2000)** opined that customers can observe differences in the quality of service. Banks have realised the significance of concentrating on service quality as a way to enhance customer satisfaction and loyalty and to improve their core competence and business performance.

**Lori S. Cook & Rohit Verma (2002)** in the research study entitled as, “exploring the linkages between quality system, service quality and performance excellence: service providers perspective”, explore the linkages between quality system, employee service quality culture, and performance excellence in the banking industry operating in a uncontrolled business environment properly conducted quality culture and strategic consensus assessment has the potential of informing a service organism of its current position and possible area of improvement. The aim of the study was to measures the service workers perception of an organization’s quality management system on service quality and on operational performance. As explained in the case study and revealed by the survey results, the intended relationship seem to hold for a large service organization operating in the competitive business environment.

**Sureschandar** et al. (2002) studied to develop an empirical model of service quality with a specific reference to the banking sector. The aim of their study are: (1) to identify the critical factors of service quality from the customers’ perspective; (2) to develop an instrument to measure customer-perceived service quality based on the identified factors with a specific focus on the banking sector; (3) to empirically test the proposed instrument for uni-dimensionality, reliability and validity using a confirmatory factor analysis approach. They advanced the five crucial elements of service quality from the customers’ perspective i.e. human element of service delivery, tangibles of service (services gapes), core service or service product, systematization of service delivery, and corporate social image. These variables resulted from modifying the original service quality instrument, by adding and/ or reducing other relevant variables.

**Bhayani, S.J. (2003)** in his research titled as, “empirical study on retail banking awareness” has concentrated on the retail banking awareness by administering a survey on 200 customers
having their current account with private banks, nationalized and cooperative banks in Rajkot city of Gujarat. The main aims of his study was to analyse the services provided by various private sector banks in the Rajkot city and also to know the consumers awareness about the services provided and how often they avail these services. The study determines that in India, due to various factors like illiteracy and low income level etc, the IT awareness of the customers was still very low. That’s why the banks should put major efforts towards educating the customers for building up an IT savvy customer base”.

Sheetal B. Sachdev & Harsh V. Verma (2004), in the research study titled as, “relative importance of service quality dimensions: a multi sectored study”, analyses relative significance of service quality variables across a ‘select’ service context. The study recommends the following: (1) all the service quality dimensions are equally important as no proper order of their importance could be established, (2) the service performance in relation to the expectations” is poor in respect of nearly all the dimensions and in all the select service, and (3) the nature of service does not seem to have a role in establishing an order of importance of the variables.

Laksminarasimha & S. Murali (2006) in their research titled as, “measurement of customer satisfaction – need of the hour” put emphasis on the usage of SERVQUAL for assessing service level of banks in 5 dimensions i.e. tangibles, reliability, responsiveness of banks personnel to various requests and demands of the customers, assurance to customers as reflected through knowledge and trust of people in the bank and finally, the empathy caring ability of banks towards customers. It is believed that assessment of customer satisfaction helps to encourage an increased focus on customer outcomes and stimulate improvements in the work processes.

Reena & Maha Lakshmi (2007) in their paper entitled as “an empirical study of service quality gap in banking sector using PZB services quality model” emphasises the customer satisfaction level and examine variables associated with customer satisfaction among the customers of Indian foreign banks (with special reference to standard chartered bank, Chennai) using the gap model of service quality as proposed by Parsuraman, Zeithaml and berry. The gap between the expectations and perceptions service forms the basis of consumer’s perception of service quality.
Choudhary (2008) in his paper titled as, “customer perceived service quality” examined the variables of the customer perceived service quality in the framework of the Indian retail banking industry. A set of service quality dimensions, described from customer’s perception about service quality as well as the bank marketing and literature were drawn up. These dimensions have been used in the context of four of the largest banks in India to examine the underlying attributes on service quality by using factors analysis. The study recommends that customer perceive four dimensions of service quality in the case of the retail banking industry in India, namely attitude, competence, tangibles and convenience.

Jill Sweeneya and Joffre Swaitb (2008) studied that customer churn is an ever-growing issue in the retail banking sector, where business models entirely depend upon long-term relationships with consumers as the basis for profitability. Businesses in the retail banking sector have tended to view satisfaction and service quality as the imp tools for increasing customer retention and attraction. The study examined the significant additional role of the brand in managing the churn of current customers of relational services with special reference to retail banking. Based on results, they propose specifically that the integrity of the brand influences the role that the brand can play in this process. This study leads to the increased understanding that brand has a important role to play in managing long-term customer relationship and details how the usual dimensions of customer relationship management, satisfaction and service quality associated to brand credibility. Results from study of retail bank customers emphasizes that brand credibility serves in a defensive role: it significantly increase word-of-mouth and decreases switching behaviours among customers; these relationships are intermediated by customer satisfaction and commitment. Their results reveal that brand credibility primarily effects customer satisfaction, secondarily loyalty commitment. The impact of brand credibility on loyalty commitment was primarily indirect through customer satisfaction. This emphasises that the two experiential constructs, brand credibility (representing trustworthiness and expertise) and satisfaction (summarizing customer consumption experiences over time), influence loyalty commitment (representing psychological attachment and a desire to continue the relationship in the future).

Kamble (2008) in his paper entitled as, “perceived level of bank service quality in banking sector” examined the variables of the service quality banking services in private and public sector banks using BSQ an instrument specifically designed for banks. He revealed that the
public and private sector banks have distinct perceptions of receiving service quality, private banks are perceived to be better on the variables of effectiveness, access and tangibles whereas, the public sector banks are perceived better on the variable of price reliability.

Manoj Kumar Joshi (2008) in his study titled as “customer service in retail banking in India” focused on the service aspects of banks in retail banking. It tries to highlights that customer service of good standard and high quality implemented through the use of latest technology that helps banks to get success in the competitive world of retail banking. Banks should also provide complete information to the borrowers with regard to the fees/charges imposed while processing the loans. Banks, by standardizing the producers, shall make the consumer’s visit to banks hassle free and guide them to the right officials to save the consumers from making time-consuming enquiries.

Zillur Rahman (2008) in his study titled as, “service quality-gaps in the Indian banking industry” conducted a study for assessment of service quality of banks in India. It investigates and evaluates variables like-competitive service quality assessment scores, expectation and perception, and gaps among users of bank services. The aim of this study is to examine service short falls in the banking system accurately by measuring and comparing customer perceptions. It diagnoses the discrepancy between customer’s expectations and perceptions towards service quality provided by banks. The findings revealed that the sample population has perception problems with their banking service experience and it is, therefore, suggested that managers should become more attentive of their role and provide the employees with adequate training in order to offer a consistently high standard of service quality.

Zeithaml et al. 2008 described service quality as “a global judgment or attitude, relating to the overall superiority of the services”. Zeithaml has defined the service quality through below diagram.
Barbara and Ica (2010) described service quality in a retail bank setting in Slovenia and its impacts on customer satisfaction. In prior studies both SERVAQUAL and SERVPERF scales have been used for assessing service quality. Based on SERVPERF scale a 28-item scale has been developed for this study. With the usage of factor analysis four dimensions of service quality have been obtained. The finding from regression analysis recommends that all four dimensions of service quality as well as service range has an impact on customer satisfaction.

Munusamy et al. (2010) administered a research study on service quality in the banking sector with special reference to Malaysia. A quantitative research was exercised to explore the relationship between service quality dimensions and customer satisfaction. The results revealed that assurance has positive relationship but it has no significant impact on customer satisfaction. Reliability has negative relationship even it has no significant impact on customer satisfaction. Tangibles have positive relationship and it has significant impact on customer satisfaction. Empathy has positive relationship, but, it has no significant impact on customer satisfaction. Responsiveness has positive relationship but have no significant effect on customer satisfaction. The study recommends the implications for service providers in banking industry for improvement in delivery of service quality.
Sandip Ghosh & Kailash B.L. Srivastava (2010), in their research “Impact of service quality on customer satisfaction, loyalty, and commitment in the Indian banking sector”, investigated the strength of correlation and association among the independent variable, namely service quality perception and dependent variable namely customer satisfaction, customer loyalty and customer commitment. The findings revealed that customer value four dimensions of perceived service quality such as: assurance, empathy, tangibles, security and reliability. The result also revealed the significant differences between the public and private sector banks with concern to customer satisfaction, commitment and two variables of loyalty namely, loyalty to company and willingness to pay. Public sector banks should concentrate on assurance – empathy, tangibles and the private sector banks should concentrate on providing reliable services.

Siddique and Kazi Omar (2010) conducted a study to find the interrelationship between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector with special reference to Bangladesh. The study conducted to identify the most significant attributes in bank settings, which may be used to analyze the characteristics of the banks as experienced by customers. The findings revealed that all the service quality attributes are positively related to customer satisfaction and customer satisfaction is positively associated with customer loyalty in the retail banks in Bangladesh. Empathy establishes the highest positive correlation with customer satisfaction and tangibility demonstrates the least positive correlation with customer satisfaction. This study recommends that service quality or service quality model is a suitable instrument for assessing the bank service quality in the Bangladeshi context.

E Mubarak Ali, G.S David Sam Jaykumar and P L Senthil (May 2011) examined into the service quality of Indian Bank in Thanjavur District of Tamilnaidu where the five dimensions of the SERVQUAL or service quality instrument along with demographic profile were tested using empirical analysis. Multiple Regression Analysis, the statistical tool was used to analyze the contribution of various variables to the overall service quality. And then the 22 items of the SERVQUAL scale were put to factor analysis so as to reduce the same and derive the most relevant ones to the service quality to and the conclusions reinforced the significance of ‘empathy’ as the key element to influence and enhance customer loyalty.
Fatima Holy Ghost and Edwin Gnanadhas (2011) administered a study to examine customers’ perception on service quality factors; and to identify the impact of perception on service quality variables in commercial banks among the different set of customers, based on their demographics. The primary data was collected from 715 customers through the structured questionnaire, by adopting purposive sampling. Out of 715 consumers, only 43.64 per cent of the consumers responded to the questionnaire. The study summarised that there is a close association between customers’ perception on the service quality factors and customer satisfaction.

Saraswathi (2011) described that banking industry is facing challenges due to high level of competition, changing market expectations, risk and uncertainty, dynamic environment and demanding customers. Customer service is heart of the banking industry. There is a need to analyse the dimensions of the service quality perception by the customers of banks. She investigates the effectiveness of the service quality’s five dimensions in the retail banking sector and assesses service quality that is perceived by the customers. The service quality scale is carried out to assess customers’ perception on service quality. The study was administered among the 111 customers of private banks by adopting convenience sampling. For data analysis mean, standard deviation, item to total correlation, correlation matrix and reliability were computed. The results revealed that the “tangibles” and ‘assurance’ were the attributes perceived high by the consumers while the attribute ‘reliability’ is perceived low as compared to other dimensions. Correlation matrix showed that the high correlation exists between ‘understanding the specific needs of customers’ and ‘staff giving customers’ best interest at heart’ which shows that these two factors are significant for the customers in perceiving the service quality provided by the private banks.

Santhiyavalli and B Sandhya 2011 studied the service quality of selected leading commercial banks by analyzing the major variables responsible for customer satisfaction. SERVQUAL scale, based on the model developed by Parasuraman (1988) was adopted who described five dimensions of service quality, namely, tangibility, reliability, responsiveness, assurance and empathy (Parasuraman et al., 1988 and Zeithaml et al., 1990). The Study is focused on quality of service rendered by the SBI and ICICI Bank in Coimbatore district. The results of the study show that the service quality of SBI is much better as compare to the services offered by the ICICI Bank. Data Analysis of gap score shows that in SBI'
empathy has the maximum average score of 3.240 as compare to other four dimensions. Regarding service provided by the ICICI Bank 'assurance' has the maximum average score of 3.240 as compare to other dimensions. The factor analysis technique was used that clearly identifies that among five dimensions 'assurance', tangibility, and reliability are the major variables responsible for customer satisfaction which stood at 74% with regard to the services provided by ICICI Bank. In SBI bank - Reliability, empathy, responsiveness, and tangibility are the dimensions which stood at 94% on customer satisfaction. Thus based on the results of customer satisfaction, ICICI bank has area of scope for improvement in the quality of the services provided to its customers to ensure their loyalty.

Tooraj and atefeh (2011) examined customers’ understanding and five attributes of service quality and their relationship with customers’ understanding of service quality. It was analyzed that after investigating customers’ expectations it determines the desirable services from the standpoints of the customers and its effective factors and also the investigation of the current status of services quality that responses to customers’ expectation in all of the branches under examination and understood services quality have been always more than service quality expected by the customers. The cohesion or cooperation method used in this research is for which a questionnaire was prepared and distributed among the customers.

Usha Arora and Bhavna Vashishat (August 2011) examined into the perceptions of borrowers regarding service quality attributes of retail banking with special reference to credit schemes. In this research, total service quality was assessed in the selected attributes with the help of a structured questionnaire filled by borrowers of selected banks (3 public sector banks and two private sector banks) of Haryana. The 51 items were selected covering various attributes of perceptions of customers regarding credit schemes of banks. Principal component analysis method reduced the variables from 51 to 11 and then they were further categorised in five categories; a) product features b) office services c) pre sale services d) post sale services and e) behavioural response. The SERVPERF score, which is the overall score for service quality, was acquired by averaging the mean scores of all the dimensions and multiple comparisons were also carried out. The Punjab National Bank revealed best results in all the attributes. It find out that people look for customization of products, trained employees and feedback system for better customer complaint handling. A special emphasis
was made by ‘A’ class borrowers for door to door services. The significance of benchmarking for quality improvement was also showed in the study.

Vasanthakumari and Sheela Rani (2011) have examined that service quality is becoming more imp for banks to maintain their market shares. This study emphasises the perception of customers of banks through the relationship of five dimensions along with the demographic characteristics of customers. A 304 retail banking customers have been taken for the study and convenience sampling method was used for collecting a sample. Factor analysis method revealed five factors and the findings of analysis of variance (ANOVA) analyses that while age, gender, occupation have no significant effect on customer perception of service quality, income and qualification differ significantly.

IV. Emotional Marketing in Banking Sector Strategies

“The emotions aren’t always immediately subject to reason, but they are always subject to action”

- William James (American Philosopher & Psychologist)

Heffernan, T., O’Neill, G., Travaglione, T. and Droulers, M. et.al. 2008 opined Relationship marketing: “The impact of emotional intelligence and trust on bank performance”. The results reveals that business banking relationship managers with heightened levels of EI (Emotional intelligence) will have the ability to build and maintain quality long-term relationships with their clients. This is perceived to be a critical development in the theory surrounding EI, the findings of which may bring about several best practice suggestions not only to the banking sector but with further research, to customer relations in general.
Fig. 3: The affect of emotional intelligence on business relationship longevity

Through the organising of emotion, and being able to exhibit the correct emotional behaviours at the right time (e.g. warmth), trust will be increased. Subsequently greater levels of EI and greater levels of trust are likely to influence enhanced customer satisfaction and customer loyalty. It is then recommended that greater levels of customer satisfaction and higher levels of customer loyalty as influenced by EI and trust constitute a quality relationship which then leads to the desired outcome of BRL (Business Relationship Longevity).

P1: greater levels of emotional intelligence enhance trust;
P2: greater levels of trust enhances relationship quality;
P3: greater levels of emotional intelligence in conjunction with greater levels of trust enhance customer satisfaction and loyalty therefore enhancing relationship quality;
P4: customer satisfaction and customer loyalty constitute a quality relationship;
P5: a quality relationship has a positive effect on business relationship longevity; and

P6: emotional intelligence (EI) has a positive relationship with business relationship longevity.

2.4 Research Gap:
The above literature present wide knowledge and information in respect of the prior studies based on evolution, management, working, prospects and challenges of banking sector in India and abroad. Majority of the above mentioned studies deal with the service quality of banking services as a whole covering various aspects of banking operations and practices in various states of India. Some of them have devoted to assess the levels of satisfaction of bank consumers with the quality of services offered by Indian banks and made suggestions for bringing about improvement in quality standards. A couple of research publications in the form of articles are related to retail banking sector of Indian banking industry. But they are not broader in coverage. They deal with a specific aspect of retail banking service quality, for an e.g.: service quality of ATMs, service quality of employees while delivering service, levels of customer satisfaction with ATMs, retail banking challenges, predicting consumer behaviour in retail banking etc.

The review of literature thus shows a gap in so far as no study completely and specifically deals with the retail banking sector in India both in the public and new Indian private sector banks.
Nor does any work reveals above tried to examine the comparative performance of public sector banks and new Indian private sector banks on the service quality dimensions in the context of Indian banking industry with special reference to Malwa Punjab. The present research study is an effort in the direction of bridging this gap. It is devoted entirely to retail banking sector, analyses and examines the products and services offered by these segments and measures the quality of services rendered by bank in this sector. Since the retail banking is shared by both public sector and new Indian private sector banks, a comparative analysis is made of the performance of banks under both sectors on the basis of various variables of service quality.