CHAPTER II
REVIEW OF LITERATURE
CHAPTER – 2

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2.1 INTRODUCTION

One of the most important issues that organizations deal with in the present competitive conditions is awareness of the extent of customers’ satisfaction and their ideas about the performance, production and services of the organization. A close and continuous analysis of the customers’ satisfaction will pave way for the adoption of a suitable policy for existence in competitive environment. Many organizations have found out some ways for gathering information about ideas and opinions of the customers. Using a system that can lead to achieving an actual numerical index for customers’ satisfactions is very important.

This issue of customer satisfaction for service organizations, that supply goods to customers, has excessive importance. Customer satisfaction, in its simplest form, is the relationship of perceived performance to expectation. It is anticipated that higher satisfaction levels increase customer loyalty, reduce price elasticity, insulate market share from competitors, lower transaction costs, reduce failure costs and the costs of attracting new customers and improve the firm’s reputation.

Satisfied customers lead to long-term business viability through repeat purchases, brand loyalty and word-of-mouth referrals. Satisfaction relates to the entire purchase experience and not just post-use reflection. Therefore, attention needs to be given to ensure that all stages of the purchase experience result in positive satisfaction. It can be assumed that early dissatisfaction can result in a negative intention to purchase.
Satisfaction and dissatisfaction will exist in varying degrees. Therefore, highly satisfied customers can be expected to display much higher levels of repeat buyer intention and a higher level of positive referrals. Those customers who are only satisfied or neutral are unlikely to provide strong referrals and their repeat buying intentions will be significantly lower. At both extremes, highly satisfied and highly dissatisfied, customers will have a multiplier effect on outcomes. They are much more likely to be vocal about their experiences and impact on many potential purchasers – either negatively or positively.

Satisfaction and dissatisfaction can coexist for the same purchase experience. One can be dissatisfied with the information available on the product and the service one received and yet be delighted by the product in use. My dissatisfaction may lead me to tell others of the poor information and service while still saying how good the product is.

Satisfaction can change over time depending on subsequent personal experience with the original and alternative products and with the reported experience of others. Positive or negative comments from reference groups such as family or friends may also affect post purchase satisfaction. The intensity of satisfaction or dissatisfaction may change over time, often depending on the original intensity of the emotional response around the time of the original purchase experience.

Satisfaction itself may comprise of a number of components, some explicit while others may be implicit. Some basic characteristics of the product or service are taken for granted; it works, it exists, it is safe to use and so on. These are sometimes referred to as hygiene factors. Consumers only think of these when they are absent and that can lead to serious dissatisfaction.
At a more practical level, expressed or anticipated performance is what the consumer expects and it is against this hurdle that satisfaction is normally measured. At a higher level, the surprise or delight in an experience can increase satisfaction However, the absence of these experiences will not cause dissatisfaction as they were not anticipated or expected.

2.2 CUSTOMER SATISFACTION

The customer is the one who defines their needs own, consumes our goods and production services and willing to pay an appropriate price for it. However when this price is paid that he/she observes value in goods or delivered services delivered and justifies the paying of its price.

According to the latest studies, the Customer Satisfaction is very effective on long-term profitability. Loyal customers both spend even more money and introduce new customers to organization and are less costly. It is worth noting that the attraction of a new customer is almost six times more costly than keeping an old customer.

According to the investigations conducted in the U.S on nine different industries, organization can increase their revenue twenty five to eighty percent only with five percent more expense to keep old customers (Wood and Pitts, 1992). So knowledge of determining factors in maintaining is of great importance. It is clear that the effective factors in deciding to purchase vary with respect to variety of products and various markets. Therefore, these factors can at least be divided into six main groups. Each of these groups reflects a specific message from customers.

Through the outspreading competition and the dynamic economy; nowadays, the objectives and desires of the organs have been changed consciously. While once the focus was on the new customers, however, now the strategic policies and trades are focusing on the customer Assurance and the loyalty and even increasing the
customer confidence to the organs as such. The acceleration of the general knowledge of the people and public announcements is considered as the main reason for such shifts towards the advantage of the customer satisfaction as such. The companies which have considerable loyal customers have used so many elements such as the high rates on redemption, decreasing the advertisement’s costs (as the customers are involved throughout the process by their words and introducing it to the others). Furthermore, by declining tendency of the exchange and replacement of the distributed sources from article points of view and services, this has direct relation to increasing the benefits of the organs and companies.

However no one can ignore the customer’s role plays a vital role in the commercial organs seeking giant changes and improvements in the process of their development. In other words, no business is able to survive without a customer. Therefore, it is a vital need for any commercial institutes to have a clear framework for evaluating the customers' feedbacks and satisfaction level.

It is a term frequently used in marketing and is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals." In a survey of nearly 200 senior marketing managers, 71 percent responded that they found the customer satisfaction metric very useful in managing and monitoring their businesses.

It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.
"Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers' expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability.... These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective."

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able to do this, firms need reliable and representative measures of satisfaction. "In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel—even though its facilities and service would be deemed superior in 'absolute' terms."

The importance of customer satisfaction diminishes when a firm has increased bargaining power. For example, cell phone plan providers, such as AT&T and Verizon, participate in an industry that is an oligopoly, where only a few suppliers of a certain product or service exist. As such, many cell phone plan contracts have a lot of fine print with provisions that they would never get away if there were, say, 100 cell phone plan providers, because customer satisfaction would be far too low, and customers would easily have the option of leaving for a better contract offer.

There is a substantial body of empirical literature that establishes the benefits of customer satisfaction for firms. "Customer satisfaction provides a leading indicator of consumer purchase intentions and loyalty." "Customer satisfaction data are among
the most frequently collected indicators of market perceptions. Their principal use is twofold:

a) "Within organizations, the collection, analysis and dissemination of these data send a message about the importance of tending to customers and ensuring that they have a positive experience with the company's goods and services."

b) "Although sales or market share can indicate how well a firm is performing currently, satisfaction is perhaps the best indicator of how likely it is that the firm’s customers will make further purchases in the future. Much research has focused on the relationship between customer satisfaction and retention.

Studies indicate that the ramifications of satisfaction are most strongly realized at the extremes."

On a five-point scale, "individuals who rate their satisfaction level as '5' are likely to become return customers and might even evangelize for the firm. (A second important metric related to satisfaction is willingness to recommend. This metric is defined as "The percentage of surveyed customers who indicate that they would recommend a brand to friends." When a customer is satisfied with a product, he or she might recommend it to friends, relatives and colleagues. This can be a powerful marketing advantage.) "Individuals who rate their satisfaction level as '1,' by contrast, are unlikely to return. Further, they can hurt the firm by making negative comments about it to prospective customers. Willingness to recommend is a key metric relating to customer satisfaction."

2.2.1 What constitutes Satisfaction?

The meaning of satisfaction: "Satisfied" has a range of meanings to individuals; however it generally seems to be a positive assessment of the services.
The word "satisfied" itself had a number of different meanings for respondents, which can be split into the broad themes of contentment/happiness, relief, and achieving aims and happy with the outcome and the fact that they did not encounter any hassle. Clearly then there is some variation in understanding of the term. Some of the interpretations fit with the definition used in much of the service quality and satisfaction literature, where satisfaction is viewed as a zero state, merely an assessment that the service is adequate, as opposed to “delight” which reflects a service that exceeds expectations. However, most respondents have more positive interpretations of the term. These questions allow us to identify priorities for improvement by customer satisfaction with stated (overt) importance, comparing satisfaction with modelled (covert) importance (from identifying key drivers of overall satisfaction), as well as respondents’ own stated priorities.

2.3 IMPORTANCE OF LITERATURE REVIEW

- It describes that how the proposed research is related to prior research.
- It explains the origin of the relevant problem.
- It also justifies research methodology
- It helps to find out the scope of further research
- It also reflects the issues debated or discussed on the topic.
- It also shows writing pattern of some authors in journals/articles

Alka Sharma and Versha Mehta (2005), in their published article, “Service quality perception in financial services- A case study of banking services the American perspective”. Explains the service quality on the basis of gap between the expected level of service and perceptions of the customers regarding the level of service received. The main assumption of the model is that service quality is a
multidimensional concept. These dimensions contribute to the assessment of the service quality in any setting. The researcher concludes that those banks, which have long established parent organizations like UTI bank (Unit Trust of India), should promote their linkage to the parent institutions. This would not only increase the reliability of these banks in the minds of the customers but also the assurance. In-depth interviews were held with customers to establish the valuation criteria and factors which result in customer satisfaction. Then, a Interview schedule was constructed and piloted. According to the customers of ICICI, the satisfaction of the customer with the services of Indian banks is linked with the performance of the banks.1

Aruna Dhade and Manish Mittal (2008) in their research project Preferences, satisfaction and chances of shifting –A study of customers of public sector banks in India. Mainly focus on the primary opinion of the customers of these banks. The State Bank of India (SBI) is selected as the representative of the public sector banks and HDFC, ICICI, IDBI and UTI as representatives of the new private sector banks.. It is evident from the study that the customers of private banks are more satisfied than those of the SBI. Customers of the SBI are more sensitive with regard to the processing time taken for account handling and technological updates. The researcher finds that Dissatisfaction in those areas can lead to a shift to other banks, while proximity to residence and sometimes, delay in processing time can be a reason for changing the existing bank for a new one in the case of private bank customers. Customers of private banks are more satisfied than those of the SBI. In prompt services private banks have little edge over the SBI, and technologically customers of private banks.2
Pooja Mengi (2008) in Customer satisfaction with service quality-An empirical study of public and private sector banks compares customers' perceptions of service quality of public and private banks of Jammu. The service quality of both the banks has been measured using SERVQUAL (service quality) scale. It was found that customers of public sector banks are more satisfied with the service quality, than those of private sector banks. The results of the study indicate that tangibility and reliability provide Maximum satisfaction to customers of private as well as public sector banks. Superior SERVQUAL performance will ensure maximum customer satisfaction and also help in attaining customer's loyalty. Improved customer satisfaction through SERVQUAL would result in a positive word-of-mouth and consequently better customer acquisition and retention.

Kusum W. Ketkar, in her article “performance and profitability of Indian banks in post reform Period” has explained that the technique of DEA (Data Envelopment Analysis) has been used after deriving efficiency of each institution by using comparable mix inputs. The researcher concludes that a high percent of officers in their workforce has added to their efficiency. Excessive bank investment in government securities has negatively impacted bank efficiency. Such overdependence on government securities by public sector banks is an indication of their risk-averse behaviour. Finally, the new MSI variable developed to measure the income environment facing each bank is found to be quite relevant in explaining lower efficiency scores of state-owned and nationalized banks.

B S Bodla and Richa Verma Bajaj (2006) in “An analysis of private sector banks in India” have started that the Production approach of Data Envelopment Analysis (DEA) was applied to judge the efficiency of private sector banks. In this model, banks are considered as service providers, and their performance is judged in
relation to interest expenses, non-interest expenses and the Non-Performing Asset (NPA) ratio. The study findings are as follows:

- The private sector banks performed their best in the year 1998-99.
- The major source of inefficiency, in the case of private sector banks, was deposits (15 banks) in 2000-01, advances (19 banks) in 2001-02, investments (18 banks) in 2004-05, and net NPAs to net advances ratio (19 banks) in 2004-05.

Therefore, it can be inferred that the position of private banks is greatly affected by the output variables; And On the whole, HDFC Bank was the top performer with an average productivity score of 414.56%, followed by ICICI Bank. Centurion Bank (64.17%) was the most inefficient bank among the private sector banks during the study period. Based on the above findings, it can be said that the efficiency of private sector banks was acceptable during the study period.

Usha Lenkaa, Damodar Suarb and Pratap K.J. Mohapatra, in their article “Customer satisfaction in Indian commercial banks through total quality management approach” examine whether soft and hard aspects of quality management practices determine service quality and customer satisfaction. Data were collected from a branch manager and a valued customer from each of the 315 scheduled commercial bank branches in Orissa (India). A conceptual model depicting the relationship was applying structural equation modelling. Results reveal that transformational leadership, workplace spirituality and service climate, depicting the soft aspects of quality management practices, do increase employees' job satisfaction and affective commitment. Management information system and physical evidence depicting hard aspects of quality management practices enhance service quality. The study reveals that not only the information and analysis, but also the quality of the system, quality
of information and efficiency of managers in using those technologies are important for providing better services to customers.6

Manoj P.K., (2010) in the article “Determinants of Profitability and Efficiency of Old Private Sector Banks in India with Focus on Banks in Kerala State”, have focused on the OPBs based at Kerala state (KOPBs) in the Indian union. This paper seeks to identify the determinants of profitability and operational efficiency of KOPBs, using an econometric methodology. For the sake of comparison of KOPBs, the general case of OPBs and New generation Private sector Banks (NPBs) in India have also been analyzed. Their study has shown that priority sector advances do not affect either profitability or risk management adversely, as against the popular belief in this regard. The strategies as above have got special significance in respect of OPBs in general and KOPBs in particular in the ongoing globalized regime of fierce industry competition; because higher profitability, and strong risk management capability are vital for these banks for survival and growth.7

Jaspal Singh and Gagandeep Kaur(2009) in their article, “ Determinants of Customer Satisfaction: An Empirical Study of Select Indian (Universal) Banks” investigate the determinants of customer satisfaction of Indian(Universal) banks. Data was collected from a sample of 180 respondents using convenience sampling technique. Factor analysis results reveal that responsiveness, tangibles, services innovation, reliability and accessibility, assurance, pricing and other facilities, problem solving capability and convenient working hours are the main determinants of customer satisfaction. Their result shows that customer satisfaction is influenced by nine factors, namely, Responsiveness, tangibles like appearance of a bank’s physical facilities , equipment and employees, Reliability and accessibility, assurance, pricing
and other facilities, problem solving capability and convenient working hours of
bank.  

G. Santhiyavalli and B. Sandhya in “Service Quality Evaluation in Select
Commercial Banks: A Comparative Study” evaluate the service quality of select
leading commercial banks by identifying the major factors responsible for customer
satisfaction. To support the objective of the study, SERVQUAL technique, based on
the model developed by Parasuraman et al. (1988), was adopted. The factor analysis
clearly indicates that among the five dimensions ‘assurance’, ‘tangibility’ and
‘reliability’ are the major factors responsible for customer satisfaction which stood at
74% with regard to the services provided by ICICI Bank. State Bank of India (SBI)
scored 94% on customers’ satisfaction in respect of ‘reliability’, ‘responsiveness’, ‘
empathy and tangibility. The findings of the study reveal that the service quality of
SBI is much better than the services offered by the ICICI Bank. Based on the services
offered by the SBI, ‘reliability’, ‘responsiveness’, ‘empathy’ and ‘tangibility’ are the
dimensions which stood at 94% on customer satisfaction.

D.P. Samantaray and Swagatika panda (2007), in their research project on
“Corporate governance in Indian banking industry; An experience with SBI and
HDFC bank”, have started is that corporate governance, important in a company. A
detailed comparative study on CG practices of two leading banks based on their
annual report of 2006-07 has been done the study between the above two leading
banks, one is from public sector and the other is from private sector, which is based
on the report of CG given by the Narayan Murthy commission of CG. This study
reveals that the CG practices of both the banks are quite satisfactory, whereas the
practices of each bank in a few areas are more satisfactory than the counterpart. At the
same time, there is ample room and scope for improvement for the both the players in
different areas of disclosure. HDFC bank’s (privatized bank) application of CG is effective. SBI is also having good CG practice. It can be concluded that the disclosure practice of Indian private banks helps the stake holders to make an effective interpretation about the performance of their bank.10

Tejpalsingh and Manpreetkaur in their article “Internet banking, content analysis of selected Indian public and private sector banks: online portals”, aim to compare pre login and after login features of selected banks online portals. For study purpose two banks, one from public and the other from private sector was selected, then content analysis technique was used to study the listed feature of selected website. Study found that selected banks’ online portals differ on various features such as accounts information, fund transfer, online request and general information. The study says that it is clear that both the banks attempt to make their online portals more secure, informative and user-friendly but still they differ on one account or another. ICICI bank’s portal has good features. From the comparative position, it is clear that ICICI -bank's online portal has upper hand as compared to SBI Bank.11

Vikas Gautam, a research scholar of ICFAI in his paper, “An Empirical Investigation of Perceptions of Customers About Quality of Services Offered by Public and Private Sector Banks” compares and analyzes the service quality perceptions of customers about the public sector and private sector banks. The study also seeks to find the relevant dimensions of the SERVQUAL / SERVPERF scale in banking industry in Indian context. Survey was conducted in the Dehradun city of Uttrakhand state. The primary statistical techniques used in the study are correlation analysis factor analysis and multiple regression analysis. An attempt has been made here to quantitatively study the levels of the
dimensions of service quality and its relation to customer service quality perceptions. Results of overall service quality perceptions show that public sector banks are rated high as compared to private sector banks. Observation is that the customer base of the public sector banks is very large as compared to the private sector banks; therefore it is important to retain and satisfy those customers with banks. The overall comparison between public sector and private sector banks identifies the public sector banks as having the higher quality perception than their private sector counterparts.12

Dr. K. Ganesamurthy and DR. S Amilan in their research paper, “The customers' attitude on CRM practices of commercial banks in India: An empirical study (with special reference to Sivagangai district, Tamilnadu” have made an attempt to study the customers' perspectives on CRM practices of Commercial Banks in India. The sample size includes 421 respondents from both public and private sector banks in Tamilnadu. The study reveals that customers' perception of CRM in banks does not vary irrespective of different classifications of customers on the basis of age, sex, education, occupation, income level, the bank in which customers have an account, type of account, type of account maintained by the customers and the period of customers' association with banks. The validity of the results has been tested statistically by applying techniques such as ANOVA, 't' – Test and discriminated functional analysis.13

Sonia Chawla and Ritu Sehgal (2011) in their article, “An Empirical Analysis of the Awareness and Satisfaction Level of Internet Banking Users with Respect to Demographic Profile”, make an attempt to explore the sources of awareness regarding Internet banking and usage of Internet banking services. The study also assesses the satisfaction level of the respondents on the basis of their demographic profile across the public and private sector banks. The data was collected from 120 respondents
from SBI and PNB with required to public sector banks and ICICI, HDFC and Axis Bank among the private sector banks in the state of Punjab. The study reveals that age has a statistically significant effect on the choice of a particular bank. Income also has a significant influence on the number of banks used. Their findings say that the satisfaction level can be improved with some more efforts of the banks by providing Internet banking services as per the users’ expectations.14

Dr Biranchi Swar (2012) in “Managing Customers Perceptions and Expectations of Service Delivery in Selected Banks in Odisha”, has conducted among six banks – SBI and PNB from the public sector, ICICI and Axis Bank from the private sector banks being the 2nd largest bank and most successful bank in India, and Citibank and Standard Chartered Bank having the maximum operations in India among the foreign banks. For this study service delivery (Human element and Systemization element) is taken as an independent variable to provide better customer service quality. A sample of 524 useable Interview schedules of customers has been analyzed. It has been found that as far as customers' perceptions of service delivery are concerned, 'human element of service delivery' is the most important dimension, followed by systemization element of service delivery respectively.15

Navinkumar Mishra and Vijaykumar Pandey (may 2013) in their paper “customer satisfaction –A comparison of public and private sector banks of India” compare public and private sector banks of India by evaluating their customer satisfaction. This research is mainly based on primary data which has been collected through a well-structured Interview schedule (adapted from three different studies). The Interview schedule has been distributed to 350 different respondents on different chosen locations. This paper makes a useful contribution as there are very low number of studies conducted in India on such areas like price, technology, reliability,
customer service, location and infrastructure. Their finding says that most of people prefer to deal with public sector banks due to safety and reliability factors.

R.K. Uppal in his article “Customer service in banks; meeting excellence in emerging new competitive era” (2007) The survey was conducted in Amritsar district of Punjab in the month of September 2007. Chi-Square test is used to check the level of significant difference among various bank groups and coefficient of contingency among various bank group customers’ responses is also calculated. Their findings say that private sector banks offer better technology services with latest changes compared to public sector banks.

C. Padmavathi, M.S/B Alaji and Vijay Shivkumar in, “Measuring effectiveness of CRM in Indian retail banks” adopts two different studies to develop and validate the scale for CRME. In study 1, responses obtained from 197 Indian retail banking customers were used to identify key dimensions of CRME. In study 2, homological validity for the CRME scale was provided using a new sample of 261 actual bank customers. Furthermore, the relationship between CRME dimensions and customer behavioural outcomes such as customer satisfaction, loyalty and cross buying were examined. Their results say that systematic CRM practices and regular communication with customers through m-banking, net banking and fast solution system of consumer complaints help to enhance long lasting loyal customer relationship.

O.B. Sayeed (1974) in his Ph.D. research has examined the correlates of organizational health productivity and effectiveness in the SBI. The study is related to productivity and effectiveness. It is focused on the psychological aspect. There is neither a single comprehensive study on “Critical Evaluation of Indian Banking
made to analyse contents of its profitability, productivity and financial efficiency after the new generated private banks arrived. Hence present study is a humble effort to bridge the gap in the existing literature.21 S.G. Shah (1979) in his paper has analysed the weakness of the banks and pointed out the specific areas where action could be taken to improve profitability. He has revealed that rising expense and overheads increase in wasteful work practices, declines in productivity were major weaknesses. He has suggested the following areas for improving profitability of bank

(i) To evolve measures that could widen the spread between the cost of funds, services, and administration and the return on them.

(ii) To developed supplementary sources of income.

(iii) To find profit centers and cost centers in the bank

(iv) To assess the extent to which these elements of the structure could be influenced by policy and planning or by changing the nature of operations.

(v) To recognize the element that controls or settles the income and cost structure at each such center and for the bank as a whole.22

Makrand (1979) has studied the performance of public sector banks. He selected six quantitative indicators for performance index. They were branch expansion priority sector lending, deposit mobilization, export credit, net profit, working funds and wages and cost of business development. The main recommendations of his study were (i) counseling and expert opinion to the priority sector lending on diversified activities is needed. (ii) The lower level staff should also actively be involved in
priority sector lending activities. (iii) Necessary lending power should be vested with the branch managers.23

M.R. Vyas (1991) has studied the financial performance of regional rural banks in Rajasthan. He analysed the financial performance with the help of quick ratio, credit deposit ratio, and profit to proprietor’s capital ratio and working capital analysis. He has concluded that regional rural banks had a bright future as an effective instrument in the economic growth and up-liftment of down trodden sections of Indian society particularly in rural area.24

M.N. Mishra (1992) in his paper has evaluated the profitability of scheduled commercial banks taking into account the interest and non-interest income and interest expenditure, manpower expenses and other expenses. The Author has identified that the growing pre-emption of funds in the form of statutory liquidity ratio, cash reserve ratio, faster increase of expenses as compared to the income, advances, and total investment than interest income and few more factors have contributed to the declining profitability of Indian commercial banks.25

Subramanian and Swami (1994) in their paper, “Comparative performance of public sector banks in India” have analyzed and compared the efficiency in six public sector banks, four private sector and three foreign banks for the year 1996-97. Operational efficiency is calculated in terms of total business and salary expenditure per employee. The analysis revealed that higher per employee salary level need not result in poor efficiency and business per employee efficiency co-efficient was also calculated. Among the PSBs, Bank of Baroda registered the high efficiency and operating profit per employee. Among the private sector banks Indus Bank followed by Citibank has registered the highest and second highest operating profit per
employee respectively. However, among the Nationalized Banks there existed wide variations in efficiency.26

S.G. Hundekar (1995) has studied the productivity aspects of the regional rural banks. He examines the growth and working of regional rural banks. He has studied operational efficiency, profitability and productivity in rural oriented Bijapur gramin bank. He concluded that Bijapur gramin banks operating profitability has been very poor over the study period because of its ineffectiveness in controlling the burden.27

Zacharias Thomas (1997) has studied on “Performance effectiveness of Nationalized Bank- A Case Study of Syndicate Bank”. Thesis studies the performance effectiveness of Nationalized Bank by taking Syndicate Bank as case study in his Ph.D. thesis. Thomas has examined various aspects like growth and development of banking industry, achievements of Syndicate Bank in relation to capital adequacy, quality of assets, Profitability, Social Banking, Growth, Productivity, Customer Service and also made a comparative analysis of the performance effectiveness of Syndicate Bank in relation to Nationalized bank. A period of ten years from 1984 to 1993-94 is taken for the study. This study is undertaken to review and analyze the performance effectiveness of Syndicate Bank and other Nationalized banks in India using an Economic Managerial- Efficiency Evaluation Model (EMEE Model) developed by researcher. Thomas in this study has found that Syndicate Bank got the 5th Position in Capital adequacy and quality of assets, 15th in Profitability, 14th Position in Social Banking, 8th in Growth, 7th in Productivity and 15th position in Customer Service among the nationalized banks. Further, he found that five nationalized banks showed low health performance, seven low priority performance and eleven low efficiency performance in comparison with Syndicate Bank.28
Berry Wilson (1997) has studied on “Bank Capital and Bank Structure: A Comparative Analysis of the US, UK and Canada.” This study investigates a 100-year history of the asset-risk and capital structure choices of the publicly-traded banks located in the UK, Canada and US. These three countries were chosen because of their diverse regulatory and banking structures, while sharing common legal and cultural institutions. For example, the US has historically fostered small banks, and a regulatory system split between national and state regulators. In contrast, Canada has sought financial-sector stability through a small number of large nationally-branched banks that have acted cooperatively with bank rescues during periods of crisis, prior to the presence of their central bank. Finally, the UK established an early tradition of internationally-diversified banking assets and developed a "life-boat" support system orchestrated by the Bank of England. These differences in bank structures and regulatory framework form the basis of the analysis.

V.K. Bhatasana (1999) has studied the appraisal of financial performance of State Bank of India (1980 – 1995) particularly productivity and profitability of State Bank of India during the study period. He observed adequacy of capital fund, growth in deposits, branch expansion in rural area and less borrowing from Reserve Bank of India. In the study period, has improved the productivity & profitability of State Bank of India among public sector banks.

SBI Research Department (2000) in this project, “Performance analysis of 27 Public sector banks” analyzes the Performance of the 27 Public Sector Banks for the year 1999-2000 vis-a-vis the preceding year. Selecting four different categories of indicators-Business Performance, Efficiency, Vulnerability and labor productivity indicators, carried out the analysis. Altogether, 39 indicators were selected for this purpose. For the purpose of analysis, 27 PSBs disaggregated into four groups, namely,
the SBI, ABs (7), the SBGs (8), the NBs (19). During 1999-2000, the PSBs exhibited better show in terms of several parameters studied above. Nevertheless, the problems of NPAs and capital adequacy remain to be taken care of. Researchers in this paper opinioned that greater operational flexibility and functional autonomy should be given to PSBs especially to strengthen their capital base. Further, they felt that since net interest margin will continue to remain compressed in a deregulated interest rate regime, a lot of effort would have to be made to mitigate this through generation of non-interest income. As far as NPAs are concerned, they believe' that, the outdated laws and regulations that pose hindrance to banks in getting back their dues need to be suitably amended.31

Prashanta Athma (2000) in “Performance of Public Sector Banks – A Case Study of State Bank of Hyderabad” made an attempt to evaluate the performance of Public Sector Commercial Banks with special emphasis on State Bank of Hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade. In this study, Athma outlined the Growth and Progress of Commercial Banking in India and. analyzed the trends in deposits, various components of profits of SBH, examined the trends in Asset structure, evaluated the level of customer satisfaction and compared the performance of SBH with other PSBs, Associate Banks of SBI and SBI. Statistical techniques like Ratios, Percentages, Compound Annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in India has been very impressive. All three types of Deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of SBH performance in respect of resource mobilization with other banks showed that the average growth
of deposits of SBH is higher than any other bank group. Profits of SBH showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, majority of the customers have given a very positive opinion about the various statements relating to counter service offered by SBH.

I M Pandey (2001) in “Capital Structure and the Firm Characteristics: Evidence from an Emerging Market”. Examines the determinants of capital structure of Malaysian companies utilizing data from 1984 to 1999. The data is classified into four sub-periods that correspond to different stages of Malaysian capital market. Debt is decomposed into three categories: short-term, long-term and total debt. Both book value and market value debt ratios are calculated. The results of pooled OLS regressions show that profitability, size, growth, risk and tangibility variables have significant influence on all types of debt. These results are normally consistent with the results of fixed effect estimation with the exception that risk variable loses its significance. Unlike the evidence from the developed markets, investment opportunity (market-to-book value ratio) has no significant impact on debt policy in the emerging market of Malaysia. Our results are generally robust to time periods, but the significance of some variables changes over time. Profitability has a persistent and consistent negative relationship with all types of debt ratios in all periods and under all estimation methods. This confirms the capital structure prediction of the pecking order theory in an emerging capital market.

RadhaT. (2002), in her Ph D Thesis, titled, “Impact of banking sector refoems on the performance of commercial banks in India, in Andhra University, Visakhapattanam, critically evaluates the impact of Banking Sector Reforms on the performance of Commercial Banks in India. In this Study, Radha analyses the magnitude of deposits and borrowings, and trends in branch expansion, advances and
investments, trends income and expenditure and also studied the magnitude of achievements in priority sector advances, capital adequacy, CD ratio, staff position in different bank groups and individual banks within the group. This study covered the period from 1989-90 to 1998-99. Simple statistical techniques like percentages and growth rates were used in this study. Major findings of the study are...: (i) Total Deposits of all Commercial Banks put together may be divided as SBI (21.5 per cent), Associate Banks (6.6 per cent), Nationalized Banks (58.6 per cent), Private Banks (6.9 per cent) and Foreign Banks (6.3 per cent) respectively, (ii) In the total borrowings of SCBs, Nationalized banks, on an average, accounted for 39.42 per cent followed with 22.77 per cent by Foreign Banks, 23.54 per cent by SBI, 7.76 per cent by Private Banks and 3.47 percent by associate banks, (iii) In Branch expansion, Indian Private Sector Banks, registered 21.36 per cent growth rate which is the highest amongst SCBs, during the study period, followed by Foreign Banks with 16.96 per cent, Associate Banks with 12.77 per cent, Nationalized Banks with 11.36 per cent, SBI with 6.23 per cent, (iv) Total investments of Commercial Banks in India increased to Rs. 346271 Crore in 1998-99 from Rs. 97,199 Crore in 1989-90, (v) Priority Sector advances as proportion of net bank credit after exceeding the target of 40 percent in 1991 has been continuously falling short of target up to 1999, (vi) Foreign Banks in India as a group achieved the highest capital adequacy ratio among all groups of SCBs, (vii) Among all Indian banking groups, Indian private sector banks recorded the highest CD ratio with 67.06 'per cent.34

Saumitra N. Bhaduri (2002) in “Determinants of capital structure choice: a study of the Indian corporate sector” has made research on capital structure which is largely confined to the United States and a few other advanced countries. This paper attempts to study the capital structure choice of Less Developed Countries (LDCs)
through a case study of the Indian Corporate sector. The objective is to develop a model that accounts for the possibility of restructuring costs in attaining an optimal capital structure and addresses the measurement problem that arises due to the unobservable nature of the attributes influencing the optimal capital structure. The evidence presented here suggests that the optimal capital structure choice can be influenced by factors such as growth, cash flow, size, and product and industry characteristics. The results also confirm the existence of restructuring costs in attaining an optimal capital structure.35

Narayan Rao sapar & Jijo Lukose (2002) in their article “An Empirical Study on the Determinants of the Capital Structure of Listed Indian Firms” present empirical evidence on the determinants of the capital structure of non-financial firms in India based on firm specific data. A comparative analysis is done for pre-liberalization and post-liberalization periods. The study period and sample firms for pre-liberalization period are 1990-1992 and 498, respectively. The same for post-liberalization period are 1997-1999 and 1411. Empirical results imply that tax effect and signaling effect play a role in financing decisions whereas agency costs effect financing decision of big business houses and foreign firms. It is also revealed that size of the firm and business risk became significant factors influencing the capital structure during post-liberalization period.36

Ram Mohan TT (2003) in his article “Long run performance of public and private sector bank stocks” has made an attempt to compare the three categories of banks-Public, Private and Foreign-using Physical quantities of inputs and outputs, and comparing the revenue maximization efficiency of banks during 1992-2000. The findings show that PSBs performed significantly better than private sector banks but not differently from foreign banks. The conclusion points to a convergence in
performance between public and private sector banks in the post-reform era, using financial measures of performance.37

Singh R (2003) in his article “Profitability management in banks under deregulated environment” has analyzed profitability management of banks under the deregulated environment with some financial parameters of the major four bank groups i.e. public sector banks, old private sector banks, new private sector banks and foreign banks. Profitability has declined in the deregulated environment. He emphasized to make the banking sector competitive in the deregulated environment. They should prefer noninterest income sources.38

ICRA (2003), in a paper titled “comparative study on Indian banking”, tried to analyse the fast-changing environment, the Indian Bank's Association (IBA) has Commissioned ICRA Advisory Services (ICRA) to carry out a study to benchmark the strengths and weaknesses of Indian Banks against those of select international banks. The scope of work for the study is to benchmark the performance of Indian Banks vis-a-vis select global banks along three dimensions-structural factors, operational factors and efficiency factors. As suggested by IBA, 21 Indian Banks (those with asset over Rs. 20,000 Crore as on 31st March, 2003) and Seven International Banks have been selected for the study. The parameters, which have been used for benchmarking, are Risk weighted capital norms, Income Recognition norms, asset classification norms, provisioning norms, which come under "Structural Parameters". Return on Assets, Return on Equity, Net interest margin, Operating expense ratio and Asset quality are concerned with "Operational Parameters". Business per employee, Business per branch, Operating expenses per Branch, Establishment expenses per employee, profitability per employee, profitability per Branch are 'Efficient Parameters'. ICRA Limited, in this study, found that the
profitability of Indian Banks in recent years compares well with that of the global benchmark banks primarily because of the higher share of profit on the sale of investments, higher leverage and higher net interest margins. However, many of these drivers of higher profits of Indian Banks may not be sustainable. To ensure long-term profitability, ICRA Ltd. suggests that Indian Banks should diversify their loans across several customer segments; they should introduce robust risk scoring techniques to ensure better quality of loans; they should reduce their operating expenses by upgrading banking technology and they should improve the management of market risk.39

Simon H. Kwan (2003) has investigated operating performance in Asian countries. After controlled for loan quality, liquidity, capitalization, and output mix, per unit banks operating costs are found to vary significantly across Asian countries and over time. His further analysis reveals that the country rankings of per unit labour and physical capital costs are highly correlated, suggesting that there exist systematic differences in bank operating efficiency across Asian countries. However, this measure of operating efficiency is found to be unrelated to the degree of openness of the banking sector. His research also identified that Asian banks operating costs were found to decline from 1992 to 1997, indicating that the banks were improving their operating performance over time.40

Keshar J. Baral (2004) in his article “Determinants of Capital Structure: A Case Study of Listed Companies of Nepal” has made, an attempt to examine the determinants of capital structure - size, business risk, growth rate, earning rate, dividend payout, debt service capacity, and degree of operating leverage-of the companies listed to Nepal Stock Exchange Ltd. as of July 16, 2003. Eight variables multiple regression model has been used to assess the influence of defined
explanatory variables on capital structure. In the preliminary analysis, manufacturing companies, commercial banks, insurance companies, and finance companies were included. However, due to the unusual sign problem in the constant term of the model, manufacturing companies were excluded in final analysis. This study shows that size, growth rate and earning rate are statistically significant determinants of capital structure of the listed companies.41

Abor (2005) seeks to investigate the relationship between capital structure and profitability of listed firms on the Ghana Stock Exchange and find a significantly positive relation between the ratio of short-term debt to total assets and ROE and negative relationship between the ratio of long-term debt to total assets and ROE.42 David Hutchison and Reymond A K Cox David (2006) have been studied on “The Causal Relationship between Bank Capital and Profitability”. This paper examines the causal relationship between the return on equity and financial leverage in the U.S. banking industry. For the periods 1983-1989 and 1996-2002 we find there is a negative connection between bank capital and equity profitability except for the best performing banks.43

Singla H.K. (2008) in his article in his article “financial performance of banks in India” has examined as to how financial management plays a crucial role in the growth of banking. It is concerned with examining the profitability position of the selected sixteen banks of banker index for a period of six years (2001-06). The study reveals that the profitability position was reasonable during the period of study when compared with the previous years. Strong capital position and balance sheet place, Banks in better position to deal with and absorb the economic constant over a period of time.44
Jobin T (2009) in his article “The Determinants of Bank Capital Structure” shows that dispraised deposit insurance and capital regulation were of second order importance in determining the capital structure of large U.S. and European banks during 1991 to 2004. Instead, standard cross-sectional determinants of non-financial firms, leverage carry over to banks, except for banks whose capital ratio is close to the regulatory minimum. Consistent with a reduced role of deposit insurance, we document a shift in banks liability structure away from deposits towards non-deposit liabilities. We find that unobserved time invariant bank fixed effects are ultimately the most important determinant of banks capital structures and that banks leverage converges to bank specific, time invariant targets.45

Ugo Albertazzi and Leonard Gambacorta (2009) have studied on “Bank Profitability and the Business Cycle”. An important element of the macro-prudential analysis is the study of the link between business cycle fluctuations and banking sector profitability and how this link is affected by institutional and structural characteristics. This work estimates a set of equations for net interest income, non-interest income, operating costs, provisions, and profit before taxes, for banks in the main industrialized countries and evaluates the effects on banking profitability of shocks to both macroeconomic and financial factors. Distinguishing mainly the euro area from Anglo-Saxon countries, the analysis also identifies differences in the resilience of the respective banking systems and relates them to the characteristics of their financial structure.46

Reint Gropp and Florian Heider (2009) in their paper “The Determinations of Bank Capital Structure” shows that dispraised deposit insurance and capital regulation were of second order importance in determining the capital structure of large U.S. and European banks during 1991 to 2004. Instead, standard cross-sectional determinants
of non-financial firms, leverage carry over to banks, except for banks whose capital ratio is close to the regulatory minimum. Consistent with a reduced role of deposit insurance, we document a shift in banks, liability structure away from deposits towards non-deposit liabilities. We find that unobserved time invariant bank fixed effects are ultimately the most important determinant of banks, capital structures and that banks leverage converges to bank specific, time invariant targets.47

Ade Salman and Riko Hendrawan (2009) have observed that banks were known to have volatile capital structure caused by their financial liquidity. This paper aims to examine the impact of capital structure towards performance of two group of banks, conventional and Islamic banks, by using profit efficiency approach. Two stages procedure were employed. In the first stage we measure profit efficiency score for each bank in Indonesia during year 2002-2008 by using distribution free approach (DFA). In the second stage we employ banks, capital ratio to measure their impact towards their performance. Output from the first stage indicates that bank’s average profit efficiency scores equal to 0,60. Whereas the maximum score equal to 0,78. So there is still room for 0,18 Indonesian banks to improve their performance. The output also indicates the Islamic banks in Indonesia succeed to place their position at top 20% highest profit efficiency score. Results from the second stage indicate that bank’s capital ratio have a negative effect on their profit efficiency. Furthermore, the negative effect happened to be higher for the Islamic bank group compared to conventional bank.48

Chowdhury, T. A. & Kashfia, A. (2009) have tried to analyze the development and growth of Selected Private Commercial Banks of Bangladesh. In a developing country like Bangladesh the banking system as a whole plays a vital role in the progress of economic development. It is observed that all the selected private
commercial banks are able to achieve a stable growth of branches, employees, deposits, loans and advances, net income, earnings per share during the period of 2002-2006. Seven trend equations have been tested for different activities of the private commercial banks. Among them the trend value of branches, employees, deposits and net income are positive in case of all the selected banks. Square of correlation coefficient ($r^2$) has also been tested for all trend equations. The $r^2$ of branches, deposits and net income is more than 0.5. This shows that branches, deposits and net income collectively influence 50% of the performance of the private commercial banks.49

Ebru Caglayan (2010) has studied on “The Determinants of Capital Structure: Evidence from the Turkish Banks” This paper examines the capital structure of banks, from the perspective of the empirical capital structure literature, for non-financial firms by using the panel data analysis method. It investigates which capital structure theories can explain the capital structure choice of the banks. The paper also identifies two sub-periods to determine the differences across determinants of capital structure in the different periods for Turkish banks after the financial crises and restructuring periods. The findings show that size and market to book have positive effects whereas tangibility and profitability have negative effects on the book leverage in all periods. The results of the analysis indicate some evidence of the pecking order theory’s expectations.50

Gill, Amarjit, Nahum Biger, Neil Mathur, (2011) have arrived at findings regarding the effect of capital structure on profitability by examining the effect of capital structure on profitability of the American service and manufacturing firms. A sample of 272 American firms listed on New York Stock Exchange for a period of 3 years from 2005 – 2007 was selected. The correlations and regression analyses were
used to estimate the functions relating to profitability (measured by return on equity) with measures of capital structure. Empirical results show a positive relationship between short-term debt to total assets and profitability and between total debt to total assets and profitability in the service industry. The findings of this paper show also a positive relationship between short-term debt to total assets and profitability, long-term debt to total assets and profitability, and between total debt to total assets and profitability in the manufacturing industry.51

Chandra Sekhar Mishra (2011) in this study seeks to identify the determinants of Indian central PSUs, capital structure. This is important since one does not come across many studies related to the PSUs. Moreover in the post disinvestment phase, the PSUs in India have become more market oriented in terms of raising funds. The gradual reduction in the budgetary resources for the PSUs is also one of the reasons. The PSUs have got to depend more on extra-budgetary resources (EBRs) for their needs. PSU’s are also different in several ways than their counterparts in the private sector. For this study a sample of 48 profit making manufacturing PSUs is considered for the time period 2006 to 2010. Multiple regression has been used to find out the factors affecting capital structure. The independent variables have been considered keeping in view Agency Theory, Pecking Order Hypothesis and other established capital structure models. The results suggest that the capital structure (Total Borrowing to Total Assets) of the profit making PSUs is affected by Asset Structure (Net Fixed Assets to Total Assets, NFATA), Profitability (Return on Assets, ROA) and Tax. Unlike suggestion of pecking order hypothesis, growth (defined as growth in total assets) is positively related to leverage. As predicted by theory NFATA and ROA are respectively positively and negatively related to leverage. In contradiction to theory, tax and leverage are negatively related. Firms with less effective tax rate have
gone for more debt. None of the other variables like non-debt tax shield (NDTS), Volatility, Size were found to be significant.52

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