CHAPTER – II

REVIEW

OF LITERATURE
2.1 REVIEW OF LITERATURE

INTRODUCTION

The primary objective of this study is to identify the customers’ perceived and desired levels of service quality on the selected public and private sector banks operating in Salem city.

The service quality of banks in developed countries like USA, UK and in other European countries is different from the service quality provisions of the Indian banking sector due to the prevalence of dual ownership namely, public and private sector banks, the differences in the technology absorption in banks etc. Similarly, the standards of living, the socio economic background of the customers are also different. These differences are naturally lead to differences in service provision and the desired and perceived service quality of the customers. Hence, the methodology of studying the banks’ service provision and customers’ expectations are also expected to be different. Therefore, an understanding of the differences in the methodology of the study, the variables influencing the level of satisfaction of the customers and the conclusions arrived at thereof becomes pertinent. In the present chapter, a review of the available studies is made for the
Indian studies followed by foreign studies which would help to make methodological improvement in the present study.

Bajaj

In this study stated that the satisfied customers improve the business bottom line not only through continued relationship but also through referrals and positive Word of Mouth (WOM), feedback or WOM behaviour. He insisted on the effective use of communication channel for better and fast delivery of services and concluded by saying up-gradation of human resources is of utmost important.

Gupta

All customers expect the bankers to be polite, courteous, helpful and understanding as explained by him. He also viewed that the customers also expect to be treated as important individuals and would be satisfied if prompt, accurate, and speedy attention is given to their work and banking problems. He said that customer services are made up of several aspects like technical, efficiency, advisory and behavioural, after sale service and customer amenities.


Aravindhan and Punniyamoorthy ³

“Customer Satisfaction” is the definition of Service Quality. To him, measuring customer satisfaction gives a strategic advance in knowing where an organization stands in the market in terms of service quality. It provides an impetus to the organization to act and to improve its position in the competitive environment.

Arvind Brahme ⁴

Customer complaint is a universal phenomenon, with the banking industry being no exception. Handling of complaints is the core activity for successful development. The author found that 68 per cent of the customers are lost due to shortcomings in Customer Service. He concluded by stressing that there is a need for awareness and positive attitude and approach among the staff to win the customer and customers’ confidence to curb growing complaints.

Rohini Gupta Suri ⁵

In her study it is concluded that the services available in Indian banking industry is being fully utilized by the customers as the available services are not supplied by the bank employees effectively. Hence, the study suggested for an effective service provision by the bank officials.

⁵ Rohin Gupta Suri, Services Marketing, Ammal Publications Pvt., Ltd., New Delhi, 2002
In the RBI Report on ‘Trends and Progress of Banking in India’

It is clearly stated that “commercial Banks need to become conscious as they are entering a challenging environment and will have to redefine their position with the financial industry. New ways and methods will have to be determined in order to successfully respond to the new challenges, particularly when there is a growing demand from customers for high quality service”.

Bhat and Mushtaq

Delivering higher levels of service quality is the strategy that is increasingly being offered as a key to service provider's efforts to position themselves more effectively in the marketplace. Almost all banks perform same functions. Therefore, customer takes into account the relative efficiency while choosing a particular bank. Moreover, banks carry on business with public money and, therefore, customers expect better services from them. Under such circumstances, customer's decision to patronize one and not the other is based on quality service offered to him. The results of the study lead us to the conclusion that customers perceive that service quality of all banks is below their expectations, and suggests heavy investment on tangibility and improvement in other dimensions of service quality.

In search of competitive advantage, business organizations are placing more focus on service quality. Research has shown that high service quality contributes significantly to profitability and productivity. In addition, knowledge of the costs and benefits of retaining consumers relative to attracting new ones draws company's foremost attention to looking after present customers, responding to their needs and problems and developing long term relationships. Interest in the measurement of service quality is, thus, understandably high. An attempt has been made in the present paper to study service quality in banks and its variation across demographic variables. The study offers suggestions to make overall service quality in banks more effective and efficient. The results of the study lead us to the conclusion that service quality of foreign banks is comparatively much better than that of Indian banks and there are service quality variations across demographic variables.

Al-Hawari, Mohammed and Tony

Automated service quality has been recognized as the factor which determines the success or failure of electronic commerce. Those models currently available to measure automated service quality are limited in their focus, encompassing only one electronic channel - the internet - thereby ignoring attributes of the other automated service channels. In relation to the banking sector, research has identified that bank customers tend to use a combination of automated service channels. As such, this research strives to develop a comprehensive model of banking automated service quality taking into consideration the unique attributes of each delivery channel and other dimensions that have a potential influence on quality issues. The proposed model has been empirically tested for unidimensionality, reliability, and validity using confirmatory factor analysis.

Shard Kumar 10

The success of the banking institutions lies in the innovative methods used and the customer-friendly approach. The establishment of a 24 hour customer service centre helps to respond not only to queries and complaints of the customers but also to promote and sell the bank’s products and services. Adoption of similar services by the Indian banks would go a long way in satisfying their customers.

Gopalakrishnan 11

In the modern competitive world, banks have to find out the needs of the customers and make them available at competitive price without delay. The needs of different segments are to be addressed separately and appropriate schemes are to be introduced to remain in the market. It is for the banks to change the mindset of customers and infuse confidence in them that the banks are reliable long term partners. Interaction with the customers at regular intervals to find out their requirements and make them available would go a long way in making the organizations to survive in this fiercely competitive world. Telephone calls are required to be attended promptly and queries clarified on the spot as far as possible.

B.R. Parthasarathi ¹²

There is always a certain level of expectations by the customers from the bank’s services. Wider the gap between the expected and actual service provided, the more is the customer dissatisfaction. If the gap is very narrow, the client feels satisfied or happy with the bank. Hence, it is always necessary for the bank to bridge the gap between what the customers expect and what the banks offer.

Pushpangathan ¹³

This article presents abstract of a study which evaluated the quality of customer service in public sector bank in Kerala, India. The principle of maximum profitability is noted. A comparison between the customer services of Indian commercial banks and foreign banks is discussed. The parameters to be used in the selection of bank employees are enumerated.


¹³Pushpangathan, A Study on the Quality of Customer Service in Public Banks in Kerala, Finance India, Mar2006, Vol. 20 Issue 1, p209-211
A key competitive issue for the banks today is to manage their existing customer relationship by developing their product range and service quality to meet the increasingly sophisticated needs of the different classes of customers. This paper explores the service quality perception and expectations of corporate customers towards their bankers. Various tests were applied in the study like factor analysis, z-test and z-test among the factors. The result shows that there was a significant difference between service quality perception of corporate customer towards private and public banks. The factor analysis resulted in the emergence of seven factors like customized banking solutions, customer satisfaction, banking facilities, bank policies, satisfaction with services, online solutions and other facilities.

Singh and Sultan\textsuperscript{15}

In banking, the quality of customer service holds primary significance, particularly in the context of sustained business growth. Unlike other industries engaged in the production of tangible goods, banks are unique in the sense that they produce and deliver the service at the delivery points—the branches. This has an overwhelming impact on the customers' psyche and makes them supersensitive towards the quality of service. The relationship between a bank and its customers is not a one-time affair, but a relatively permanent and enduring one, which requires to be nurtured with good quality of service. In such a situation, any bank not having a mind towards bettering the quality of customer service is almost certain to lose its business. In the present study, an attempt is made to study the quality of service provided by the Public Sector Banks (PSBs) to Small-Scale Industries (SSIs). The level of customer service and satisfaction is determined by the branch's location and design, variety of services, systems and procedures, delegation and decentralization, mechanization and computerization, complaint redressed and skills, attitudes and responses of the staff.

\textsuperscript{15}Singh and Sultan, A Study of the Quality of Services Provided to SSI Customers by Public Sector Banks, ICFAI Journal of Bank Management, Aug2008, Vol. 7 Issue 3, p71-84
Introduction of Liberalization Privatization and Globalization (LPG) in Indian economy has affected almost all the sectors and industries of the economy. Indian banking industry is no exception to that. The net result of such policy initiatives has been increased competition at the marketplace. The fight for customers has got intensified. Literatures establish a direct link between service quality and marketing performance of banks thus concluding that loyal customer base can only be created through superior service. Hence effectiveness of service quality of banks is largely being tested to forecast the marketing performances of the banks. It has also been seen that degree and effectiveness of service quality has been said to be different in case of public and private sector bank. The paper investigates the service quality gaps existing with the offerings of the leaders of public and private sector banks of India, viz., SBI and HDFC Bank. An attempt has also been made to identify the weak links of selected banks and enable the banks to understand the areas of their strengths and weaknesses and work upon to infuse efficiency and effectiveness.

Rai and Alok Kumar\textsuperscript{16}

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Mengi and Pooja

Customer service is an integral part of any facet of banking and it defines the future of any banking organization. In India, this realm has undergone vast changes induced by regulatory and competitive forces and the banking industry has undergone revolutionary changes since 1991. For a service sector like banking industry, the whole range of activity and generation of income swivels around the customer. It is necessary to identify the key success factors in the banking industry, in terms of customer satisfaction keeping in view the increasing market size and intense competition. This study 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. SERVQUAL scale was used to determine different dimensions of service quality and chi-square analysis was used to understand the impact of SERVPERF (service performance) dimensions (tangibility, reliability, responsiveness, assurance and empathy) on customer satisfaction. It was found that customers of public sector banks are more satisfied with the service quality, than those of private sector banks.

Manabendra and Koushiki 18

The Indian banking industry is going through turbulent times. With the lowering of entry barriers and blurring product lines of banks and non-banks since the financial sector reforms, banks are functioning increasingly under competitive pressures. Hence, it is imperative that banks maintain a loyal customer base. In order to achieve this and improve their market positions, many retail banks are directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. Moreover, with the advent of international banking and innovations in the marketplace, customers are having greater and greater difficulty in selecting one institution from another. Hence, to gain and sustain competitive advantages in the fast changing retail banking industry in India, it is crucial for banks to understand in-depth what customers perceive to be the key dimensions of service quality and to evaluate banks on these dimensions. The study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, customer-orientedness, competence, tangibles and convenience. A methodological innovation in this study has been in the use of TOPSIS in the field of customer-perceived service quality. TOPSIS has been used to evaluate and ranking the relative performance of the banks across the service quality dimensions.

This paper deals with the concept of service quality and has demonstrated the model of service quality gaps; it aims to measure customers' gap between satisfaction levels of interpretation of services and their preferences of the interpretive service in internet banking at Indian commercial banks. The research questions are utilized to measure the gap between expectation and satisfaction levels of customers about quality of internet banking. For this purpose a questionnaire with five-point Likert scale is applied to measure customer’s expectation as well as satisfaction. Data was obtained from 102 respondents and analyzed using SPSS 12 software by employing factor analysis and multiple regressions. Results indicate that there are significant differences between overall expectations and satisfaction levels of customers. For practitioners, it is worth noting that customers are exclusively concerned with the "Sufficient menu for transaction"," Variety of services readily accessible", "Availability for business" and "Have a user-friendly system", as important factors for them to apply internet banking. The paper contains material relevant to the Internet banking industry, and Implications are discussed and recommendations are offered for improving Internet banking services.

This study attempts to investigate the relationship between service quality, overall customer satisfaction and behavioral intentions across public and private banks in India. The findings indicated that service quality is a significant determinant of customer satisfaction in Indian banking industry irrespective of public and private sector banks. However, different dimensions of service quality were found to be statistically significant across public and private banks. Customer satisfaction was found to be strongly associated with propensity to recommend.
This study examines 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 tested applying structural equation modeling. 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. Employees' job satisfaction and affective commitment have a positive influence on human aspects of service quality, which in turn increases customer satisfaction. Management information system and physical evidence depicting hard aspects of quality management practices enhance service quality and the latter furthers customer satisfaction. Applying the hard and soft aspects of quality management practices in a synergistic manner, organizations can deliver high service quality and achieve customer satisfaction.

Financial liberalization has led to intense competitive pressures and private banks dealing in retail banking are consequently directing their strategies towards increasing service quality level which fosters customer satisfaction and loyalty through improved service quality. This article examines the influence of perceived service quality on customer satisfaction. The article concludes that increase in service quality of the banks can satisfy and develop customer satisfaction which ultimately retains valued customers.
The need of the hour in the Indian banking sector is to build up competitiveness through service quality, thus making the banks more market oriented and customer friendly. This is why service quality is a vital concern for banking services. Effective service quality is increasingly being seen as a key strategic differentiator within the financial services sector. Thus, the present study focuses on customer satisfaction & service quality gap (customers' perceptions & expectations) measurement among public, private & foreign banks in Orissa. The study conducted among six banks of the state, namely State Bank of India (SBI) & Punjab National Bank (PNB) in public sector banks, ICICI Bank & Axis Bank in the private sector banks, and Citi Bank & Standard Chartered Bank among the foreign banks. A sample of 440 banking customers was taken and 300 useable questionnaires were analyzed.

Vanniarajan, T and Subbash Babu.K

Globalization leads to lot of changes in the financial service industry. The competitive pressures in the service industry are mounting up. The service quality is recognised as a only weapon to survive in modern banking industry. The service quality of commercial banks rests on the internal service quality. It reflects the concept of "high-touch" in banking activities. Since, the internal service quality is the base for customer satisfaction and the behavioural intention among the customers of banking industry, the present study focuses on the important aspect namely internal service quality. The study was conducted among the bank employees and the customers' in the public and private sector banks at Madurai, Tamilnadu. The study identified that the important internal service quality factors are their employees' and customers' orientation, team orientation and employee orientation, learning environment and outcome orientation. The above said service quality factors were identified as higher in Private Sector banks than in Public Sector banks. The important discriminate service quality factors between the two groups of banks are customers' orientation and team orientation. The above said two factors are significantly and positively influencing the customers' satisfaction and the behavioural intention. The study conveys the need of conversion of "high tech" strategy to "high-touch" strategy to create customer loyalty in the banking industry.

Haque and Imamul 25

Service quality in Indian Banking Sector is considered as main determinant of customer satisfaction. Before liberalization the banking sector in India was mainly dominated by nationalized banks. In the pre-liberalized era, the nationalized banks did not pay much attention on the service quality performance and customer satisfaction. After liberalization and implementation of the Narsimham Committee Report. Indian Banks are facing tough competition from the new private and foreign banks observing International Banking Standard. These new generation banks were characterized by the usage of modern information technology network and modern banking services, like ATM, debit card, online banking facilities. Customers have a wide ranging banking services offered and delivered by modern private sector banks and foreign banks. The need of hour for the Indian banking sector is to enhance their services quality and shore up their competitive capabilities, making the banks more market oriented and customer friendly. This present study is an attempt to focus on the service quality in Retail Banking and highlight the dimensions of quality banking service in the private sector banks and public sector banks.

Customer Loyalty/Excellence has been a buzzword for a long time now with banks. In the current tough economic environment, this has become even more imperative to retain the good customers and proper handling of customers becomes even more important to business success. It is always cost effective to have and grow an existing customer who is profitable than getting a new one. With institutions going through cost cutting measures due to financial pressures it becomes more important to closely monitor customer experience. Increasing the share in the customer's wallet is the new mantra. This study highlights and measures the quality of services delivered by Indian commercial banks. The expectations and perceptions of borrowers regarding service quality dimensions are composed and service quality of banks is measured regarding credit schemes. In this study, total service quality is measured for the selected dimensions with the help of a structured questionnaire filled by borrowers of selected Indian banks. Borrowers' expectations as well as perceptions of the service quality are analyzed to measure the service quality in Indian commercial banks. Factor analysis, SERVQUAL model, SERVPERF model and multiple comparisons (Turkey HSD test) are used for the measurement of service quality in banks.

Swar, Biranchi Narayan; Sahoo and Prasant Kumar\textsuperscript{27}

The need of the hour in the Indian banking sector is to build up competitiveness through enhanced service quality delivery; this is why service quality delivery improvement is a vital concern for banking services. Thus, the present study focuses on the relationship between service quality and service delivery among public, private and foreign banks in Odisha. The objective of the study is to find out whether customers' service delivery perceptions and expectations influences the customers' service quality perceptions and expectations with respect to three different banking sectors. For this a sample of 524 useable questionnaires of customers has been analyzed.

George and Sajeev Abraham\textsuperscript{28}

The article presents information on an investigative study of the service quality and operational performance of the public sector banks in India. It informs that the form the onset of the economic liberalization in 1990 the public sector banks in the country are facing a stiff competition from the private sector banks and the other foreign banks. It further informs that the in spite of the fact of this competition the majority of the shares in this sector belong to public sector banks.

\textsuperscript{27}Swar, Biranchi Narayan; Sahoo and Prasant Kumar, Service Quality: Public, Private, and Foreign Banks, SCMS Journal of Indian Management. Jul-Sep2012, Vol. 9 Issue 3, p43-51

The service sector in India has been growing rapidly, and its contribution to Gross Domestic Product (GDP) is increasing year after year. In the service sector, financial service is the lifeblood of economic activity, and in the financial service, banking plays an increasingly important role in the economy of a nation. At present, the focus of banks is on the customer. The number of players being large, customers has a good range of choice. Customer usually picks up a bank which provides maximum satisfaction and quality service. This has led banks to adopt more customer-oriented policies and schemes aimed not only to increase the number of customers but also to retain the existing customers. So, an attempt has been made by the researcher to study the demographic variables that influence the service quality in banking. The study was undertaken only in the private sector banks of Chennai. The sample size of the study was 300. Both primary and secondary data were used for the study. The primary data collected for the study were analyzed with the help of SPSS package by using ANOVA. The findings of the study help to know which demographic variable influences the service quality of banks. This information also helps the banks to understand their customers better and improve their service quality in order to enhance customer satisfaction.

This study attempts to know the relationship between service quality, customer satisfaction and customer loyalty through two public sector banks in Sikar district of Rajasthan. Data were collected from 150 customers. Three aspects of service quality; namely, people, process through technology and physical evidence, were considered for the study. Findings indicate that service quality has significant impact on customer satisfaction and customer loyalty, and customer satisfaction has stronger influence on loyalty. People aspect of service quality is found more important than physical evidence and process through technology aspect of service quality.

Singh and Shamsher 31

The article reports on a study which examined customer satisfaction from service delivery quality of leading banks in India. It was suggested that the enhancement of service quality depends on customer relationship and human touch or interaction. Banks that participated in the study include State Bank of India, ICICI Bank, HDFC Bank and Punjab National Bank.

Sayed, Gazia Jamil; Sayed and Najmus Sahar 32

The Banking sector is an integral part of an economy. This sector plays a key role in the wellbeing of the economy. The Banking sector is becoming more and more complex due to globalization. The Indian banking sector is one of the fastest growing sectors and after liberalization it has been working in more open and globalized environment. Therefore, sound financial regulation and supervision has become the need of the hour. Evaluating Indian banks is not an easy task. There are various factors which need to be taken care. Various models have been discussed for evaluating the performance and quality of banks. One such model is CAMELS. It is an acronym, where C - Capital Adequacy, A - Assets Quality, M - Management Efficiency, E - Earning Quality, L - Liquidity and S - Sensitivity to Market Risk, which rates the performance of banks on five point scale.


The purpose of the paper was to empirically study the causal relationship of the service encounter constructs of perceived service quality dimensions, customer satisfaction, and perceived value with behavioural intentions in public sector banks in India. The study was conducted with customers of second largest public sector bank in India. A two-dimensional structure of bank service quality was developed through exploratory and confirmatory factor analysis. The relationships between the constructs were tested through a comprehensive multivariate model using structural equation modelling with software AMOS ver 4.0. Service quality was found to be a two dimensional construct consisting of service system (human and technology) and core service or service product. Service quality has significant direct effect on customer value perceptions, satisfaction judgements, and behavioural intentions. Service quality dimensions also affect behavioural intentions indirectly. Banks need to manage and measure both the dimensions since system quality is a direct antecedent of customer satisfaction, while core service is a direct antecedent of perceived value. The results demonstrate the need for banks to improve their service quality perceptions on relevant dimensions of system quality and core service for better customer retention and positive word-of-mouth. Banks need to manage both the direct and indirect effects of service quality for enhanced customer loyalty.

Banking is the epicentre of economic development. The banking system in India is undergoing a structural transformation, thanks to globalization, deregulation, technological advancement, and institutional and legal reforms. While the liberalized environment has opened new avenues of business for banks, it has led to a competitive environment. Today, banks have diversified their activities and are entering into new product areas and services that include credit cards, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. The present paper analyzes the service quality of a bank with regard to savings account services provided by the bank using SERVQUAL. Such a study is useful in determining the weak areas of a bank's service where immediate steps are necessary. If such deficiencies are ignored, it may lead to loss of reputation and credibility, and ultimately switching over of customers.

Bose, Sunny, Gupta and Nitin 35

This article studies the difference in service quality between public sector banks and new generation private sector banks based on the SERVQUAL dimensions as perceived by Indian customers. It also compares banks within these sectors on the given parameters. The authors also develop a perceptual map considering the SERVQUAL dimensions as attributes. The results suggest that the new generation private sector banks are perceived to provide better quality services as compared to public sector banks.

Naceur Jabnoun and Azaddin Khalifa 36

This paper proposes developing a measure of service quality in the UAE and then testing this measure in UAE conventional and Islamic banks. Design/methodology/approach - The components of service quality were developed through a brainstorming and sorting exercise. Based on the results of this exercise, the authors developed a 30-item questionnaire comprising the five dimensions of SERVQUAL and two other dimensions called values and image. Factor analysis of the responses resulted in four dimensions. The reliability and predictive validity of these dimensions were confirmed. Finally separate regression models were developed for conventional and Islamic banks.

36. Naceur Jabnoun and Azaddin Khalifa, A customized measure of service quality in the UAE, Managing Service
These models were analyzed and compared. Findings - Factor analysis resulted in four dimensions: personal skills, reliability, values, and image. Results of regression analysis revealed that all four dimensions were significant in determining service quality in conventional banks. Values and image were however the most important of these dimensions. This paper provides guidelines for bank managers in the UAE on which dimensions of service quality they should emphasized.

Hassan.A and Jabnoun

Banks service quality is becoming an important factor of competitiveness in the banking industry. This paper compares service quality and bank performance between national and foreign commercial banks in the UAE. This paper compares the importance of the dimensions of the instrument between the two sets of banks. Bank performance is measured using ROA and ROE. ANOVA is used to compare the service quality and its dimensions between national and foreign banks. The financial performance is compared using the Mann Whitney non-parametric test. The results of the two comparisons are discussed and conclusions are drawn that the foreign banks scored higher than national banks in terms of Human skills and similarly foreign banks have performed better than national banks in terms of ROE.

Akroush, Mamoun, Khatib, and Fahed\textsuperscript{38}  

The aim of this research is to examine the relationship between service quality dimensions (functional and technical) and banks performance assessed based on financial performance and customer indicators. A quantitative methodology was employed to test a model of service quality which was developed for the purpose of this study. The research data were collected from managers' perspectives working for banks operating in Jordan. The sample size was 390 managers working at Jordan's commercial banks headquarters. Multiple regression analysis and ANOVA statistical tests were employed to test the research model and hypotheses. The research findings indicate that the service quality dimensions (functional and technical) have positively and significantly affected banks performance assessed based on financial performance and customer indicators. The functional quality dimension has a stronger effect on all banks performance indicators than the technical quality dimension. The effect of service quality dimensions (functional and technical) on the banks financial performance is still stronger than their effects on banks customer indicators. Research findings, conclusions and implications, contribution to knowledge as well as future research were also discussed.

This article examines the service quality and performance of banks in Turkey. Specifically, by utilizing mystery (secret) shoppers as a benchmarking technique, the study compares the quality of services offered by different types of banks (state, private, and foreign banks) to identify the strong and weak service quality areas. Based on 351 evaluations by university students acting as mystery shoppers, the results indicate that all the banks were offering an acceptable quality of service. Using the overall mean as a benchmark, it seems that the banks are providing fairly good quality of service in most banking areas, except in building rapport and greeting and closing. Comparisons of the service quality by the three types of banks show that state banks offer lower quality service than private banks and foreign banks. Private and foreign banks offer similar quality banking services.
The emergence of new forms of banking channels such as Internet banking, Automated Teller Machines (ATM), phone banking and also maturing financial market and global competition have forced bankers to explore the importance of customer loyalty. Therefore, studies need to focus on the changing role of the banking system and its dynamic financial market. The underlying model of SERVQUAL with five dimensions was used by this research to evaluate the impact of service quality on customer loyalty among bank customers in Penang, Malaysia with customer satisfaction mediating these variables. The findings show that improvement in service quality can enhance customer loyalty. The service quality dimensions that play a significant role in this equation are reliability, empathy, and assurance.

This study examines the relationship between service quality and customer satisfaction regarding Islamic banks as well as conventional banks in Pakistan. It also investigated how service quality affects customer satisfaction by assessing the magnitude of the relationship between selected variables. This study is important due to an emerging trend of Islamic banking practices in Pakistan in the existence of conventional banking system.


Data were collected from 720 bank customers by using stratified random sampling. SPSS 15.0 version is applied for data analysis. The results reflect that there is strong positive relationship between service quality and customer satisfaction in case of Islamic banks as well as in case of conventional banks. Findings showed that there is stronger positive relationship between service quality and customer satisfaction in Islamic banks as compared to Conventional banks in Pakistan. The study has a number of implications for bankers, policy makers and academicians.

Sadek and Kamaruzaman 42

The article presents a comparative study on the quality of service offered by the Cooperative Bank (CB) and Islamic Banks of Britain PLC (IBB) in Leicestershire, England. Both banks were compared based on the similarities and differences of their customer preference in terms of service quality. The findings of the study revealed that empathy and responsiveness are being prioritized for the CB customers while the compliance issues are preferred by IBB customers.

42. Sadek and Kamaruzaman, Service Quality Perceptions between Cooperative and Islamic Banks of Britain, American Journal of Economics & Business Administration, 2010, Vol. 2 Issue 1, p1-5
Ahmad and Sultan 43

This study examines the relationship between service quality and performance of conventional banks operating in Pakistan. The researcher collected data from 864 respondents of 72 branches of selected banks. The data were collected by a structured questionnaire developed in the light of existing literature. The responses were analyzed through SPSS 15.0 Version. The relationship between service quality and performance of conventional banks was assessed by Pearson's correlation and regression analysis. The results indicate that there is a weak positive relationship between service quality and performance of conventional banks. Bankers should improve their services by blending of traditional facilities and modern technology to meet customers' expectation for better performance in future. Similarly, bank managers should take quality initiatives to improve their products by considering demographic characteristics of the customers to retain them as satisfied customers for better performance. It is also suggested that bankers should introduce new, diversified and marketable products to meet requirements of different segments.

Abbasi and Kashif ⁴⁴

The paper focuses on determining the impact of employee empowerment on service quality and customer satisfaction in the banking sector of Pakistan. The data was collected from a random sample of middle and lower management staff and the customers of the banks through questionnaires. Statistical techniques such as factor analysis and correlation analysis were employed for data analysis. The study suggests a positive relationship between employee empowerment, service quality and customer satisfaction. This implies that employee empowerment results in higher level of service quality and customer satisfaction in Pakistani banks.

Mersha and Yonatan ⁴⁵

This study uses the SERVQUAL method to assess perceived service quality in selected Ethiopian banks based on customer surveys conducted in three private and the largest public bank in Addis Ababa. For all banks, service expectations were not matched by perceived performance. While there were only a few differences in service expectations between public and private banks, private banks were perceived to be relatively better in delivering service.

⁴⁵Mersha and Yonatan, Perceived service quality in Ethiopian retail banks, Thunderbird International Business
The findings also indicate that perceived service quality falls short of customer expectations in all the five dimensions of service quality-tangibles, reliability, responsiveness, assurance and empathy—with the largest perception-expectation gap observed for the empathy dimension. As the banking sector becomes increasingly more competitive in Ethiopia, these findings can provide valuable insight to bank managers regarding the specific customer service issues that they need to address in their ongoing effort to attract and retain more customers.

Qureshi, Muhammad Imran and Khalid

The objective of the study is to examine the determinants of expected service quality in conventional and Islamic banking in Pakistan. A convenient sample of eight hundred customers from eighty branches of five conventional and five Islamic Banks in Khyber Pakhtoonkhawa (KPK) province of Pakistan participated in the study. A self designed questionnaire was used for data collection. Total of five hundred and thirteen filled-out questionnaires were returned, of which 38% were filled out by female customers and 62% by male customers, forming a rate of 64% of total distributed questionnaires. The result indicates that there is a significant relationship between expected service quality and three of their determinants i.e., bank's tangibles, responsiveness and

assurance, while there is a weak relationship has been observed from reliability and empathy over service quality in commercial banks. On the other hand, there is a significant relationship between expected service quality and its determinants i.e., tangibles, reliability, responsiveness, assurance and empathy in case of Islamic banks. The results of the study are of value to both academics and policymakers.

Butt, Muhammad Mohsin, Aftab and Muhammad 47

The proposed model also aims to investigate the relationships among e-service quality, e-satisfaction, e-trust and e-loyalty. Design/methodology/approach – A questionnaire was designed to collect data from the regular users of online services of Islamic banks in Pakistan. Convenience sampling method was adopted to collect data from the existing customers of six Islamic banks, residing in five major urban centres of Pakistan. A total of 350 questionnaires were distributed, out of which 292 returned questionnaires were suitable for further analysis. Structural equation modelling procedure was used to test the proposed research model. Findings – The results of this research suggest that attitude towards Halal banking positively influences perceived e-service quality and overall e-satisfaction with the online services of Islamic banks. Furthermore, perceived online service quality enhances customer 47.Butt, Muhammad Mohsin, Aftab and Muhammad, International Journal of Bank Marketing, 2013, Vol. 31 Issue 1, p6-23
e-satisfaction and their e-loyalty towards the bank. Similarly, e-trust mediates the relationship between e-satisfaction and e-loyalty. Practical implications – This study enhances our understanding of how specific religious attitudes can positively influence consumer assessments of a bank's perceived e-service quality. This study contributes to the existing literature by exploring the causal effect of attitude towards Halal banking on consumer perceptions about the e-service quality and e-satisfaction with the online services of Islamic banks.

Sayani, Hameedah, Miniaoui and Hela 48

This study aims to identify the determinants of bank selection for Islamic and conventional banks in the United Arab Emirates (UAE). Design/methodology/approach – Data were collected from 246 respondents in the Emirates of Dubai and Sharjah and focused on aspects such as bank products, service quality, profit, and reputation, cultural and religious factors, in addition to demographic attributes of the sample. Multiple discriminant analysis is used to identify the most important determinants of bank selection. Findings – The study concluded that the determinants for bank selection are more distinguishable amongst Islamic bank customers. Bank reputation and expectation of profit on deposits are not determinants of bank selection; however, religious preferences are the most important considerations.

in selection between Islamic and conventional banks. Research limitations/implications – Use of convenience sampling due to lack of resources may result in insufficient representation of population. Additionally, analysis of differences between the Muslim and non-Muslim population with respect to their bank selection process may provide an avenue for future research. Practical implications – The study has implications for both Islamic and conventional banks that can appropriately target the customers using bank selection determinants that are valued by the customers.

Migdadi and Yazan 49

The purpose of this study is to identify the differences in the internet banking service encounter's quality between clicks-and-mortar retail banks in Jordan and the different internet banking models of the UK retail banks, and between clicks-and-mortar and dot com. retail banks in the UK, the web sites were evaluated by using the web site quantitative evaluation method (QEM) that developed by Mateos, the evaluation of the banks' web sites was conducted in March 2008 for sixteen clicks-and-mortar retail banks in Jordan, eleven clicks-and-mortar retail banks in the UK, and six dot com. retail banks in the UK, the results indicated that; the internet banking service encounter quality of the clicks-and-mortar in Jordan retail banks is very close to the UK banks.


Seck, Anne Marianne, Philippe and Jean 50

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This article studies service quality and customer satisfaction in a context of multi-channel service distribution. The objective is to identify quality factors influencing the overall satisfaction of a multi-channel customer. A quantitative study was conducted among 445 customers mainly targeted on users of the traditional physical channel and online channel of a French retail bank. Using structural equation models with AMOS, the results show that perceived service quality in the virtual channel, perceived service quality in the traditional channel, and multi-channel integration quality have a positive influence on the overall satisfaction of the multi-channel customer.

2.2 UNIQUENESS OF THE PRESENT STUDY

The studies reviewed above clearly indicated the importance of the customer service quality among the financial institutions. These studies have made use of various parameters to measure the service related variables. It can be noted that majority of these studies could establish their view on service quality in isolation. However, it can not be denied that the level of satisfaction are strongly influenced by the socio-economic background of the customers, and none of the studies attempted to identify the extent of influence of these factors on the level of satisfaction on the service quality opinion. This study, apart from analyzing the service quality perception of the customers, would examine the extent of influence of socio-economic background on the satisfaction levels of the customers. In this regard this is a maiden attempt and exploratory in character. Through this, the study also contributes to the existing literature.