1.1 Introduction

Services sector is becoming one of important sectors in growing economies of the world. Since last ten years it is evidenced that, service sector is rising as a prime source of white colour employment in India, it is accelerating the growth. It contributes a considerable share to the GDP as compared to other sectors in India. In 2008-09 Service sector has contributed ₹ 30,86,132 crore at current prices only Finance, Insurance, Real Estate & Business Services have contributed ₹ 6,91,221 crore in the GDP. It is becoming faster growing sector in India. According to Central Statistical Organisation (CSO), the economy has achieved 7.2 per cent of growth rate in 2009-10, with the 8.7 per cent growth rate of service sectors\(^1\). Within the services sector, Financing, Insurance, Real Estate & Business Services have achieved 9.9 per cent of growth rate during 2009-10. As matter of concern to the economy of Maharashtra, the service sector has contributed ₹ 2,36,599.68 crore in 2007-08, It rose from ₹ 1,33,375.3 crore. Banking and insurance sector contributed ₹ 57,770.47 core in 2007-08\(^2\) at current prices in the state.

Banks are the most important service institutions in the economy of any country. Especially, in the Indian economy it plays catalytic role in the socio-economic development since independence. It includes not only public sector but also private sector banks. After banks nationalisation (1969 and 1980) banks have changed from class banking to mass banking. Before nationalisation of commercial banking in India, all private sector banks were dealing with banking business based on business approach and opened their most of branches were opened in the urban areas. But now their approach has been changed and many banks are opening their branches were opened in the rural areas. According to RBI\(^3\), there are all Scheduled Commercial Banks (SCB) in India are providing banking services through 71,998 offices (61301 offices of public sector banks, and 10387 offices of private sector banks) and their 9,44,620 employees as on March 2010. Deposits of all SCB were increased from ₹ 21,64,682 to ₹ 47,52,456 crore, Advances and advances have increased from ₹ 15,16,811 to ₹ 34,97,054 crore, Business per employee has increased from ₹ 419.80 lakh to ₹ 873.32 lakh and Profit per employee has increased from ₹ 2.80 lakh to ₹ 6.05 lakh in year 2005-06 to 2009-10.

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2 Economic Survey of India, GOI, 2009-10, Table No. 7
3 The RBIs Report of Banks Profile, 2009-10
It is evidenced that, Indian banking sector is growing significantly during post reform period with novelties and inclusiveness.

All statistical data is evidenced that, undoubtedly, banks are providing important service institutions. They play a significant role in the service sector in the economy. Despite their social attachment there is a tremendous growth of the banking industry in India. Almost banks in India are struggling for the customer satisfaction so as to retain their customers’ and expand their customer base for good positions in the banking industry. Since 1985, almost all banks are providing advanced banking services with the help of Information and Communication Technology (ICT). Unfortunately it is realized that, ICT based banking services are not meeting all needs of all types of customers. Therefore there is need to go for research to identify the problems and threats to ICT based banking services so as to make proper suggestions and modifications for their further growth and development.

Since 1991, Indian banking has witnessed a paradigm in the financial reforms. It has created and provided some new opportunities to the customer, but this is a challenge. Under the financial liberalisation many foreign banks and financial instructions are coming India. They were using high-tech services to the customers. Therefore, Indian banks now have to develop technology savvy banking services with world class service standards for satisfy their worldwide customers. Competing with such foreign banks is a challenge to Indian banks. However, it has been witnessed a amazing change in the Indian banking sector as a part of the financial sector reforms. Prior to economic liberalisation, Indian public sector banks have enjoyed a protected market in the banking industry. But after economic liberalisation, Indian banks are exposed to free market competition. Consequently, customers’ retention becoming crucial is strategic need. Today, growing competition in banking market is not highly stressed profits oriented banking, it has moved towards customer centric and mass banking. Competition has forces to go for a new marketing policy in banking sector. They have introduced a new strategy of customer centricity in banking for the customer satisfaction and the retention. It has become very important for the banks to retain at least their existing customer and think for enlarging the same. It is not only problem of public sector banks in India but also a problem of private sector banks because many foreign banks and financial institutions are aggressively acquiring Indian banking market. Therefore, Indian banks should try to satisfy their all types of customers by providing good quality services.
Competition in service industry is realized in the global business. To acquire such high-tech uses is begin a challenge in imperfect money market. The phrase “Customer Satisfaction” does not only express a happy customer, but rather complex than that. In the service organisations like banking and financial companies, it is an indicator of service quality, brand perception and perceived value in services provided by a bank or a financial company to meet their customers’ expectation. Customers’ satisfaction is a combination of their cognitive and affective response to service encounters. Service quality is the overall evaluation of a firm’s service delivery system. Service quality is the managerial delivery of services; while satisfaction is customers’ experiences with those services. Improved service quality will result in more customer satisfaction (Bitner et al., 1994; Cronin & Taylor, 1992). According to Business Guru,” if you can’t improve the level of customers’ satisfaction you can’t improve your business”.

a) Banking technology and customers’ satisfaction

Technology in the banks is presently catching up with a high level of development around the world. The gaps between the Indian banks and their counterparts in the technologically advanced countries are gradually narrowing down (Kalavathy, 2005). The world has witnessed an information and technological revolution of late. This revolution has touched every aspect of public life including banking (Siam, 2006). Since two decades, due to an increasingly competitive, saturated and dynamic business environment, retail banks in many countries have adopted customer-driven philosophies to address the rapid and changing needs of their customers (Walker et al., 2008). Technological advances have changed the world radically, altering the manner in which individuals conduct their personal and business affairs. Over the past two decades in particular, the banking industry has invested substantial resources in bringing ICT to customers. The banking industry is undergoing through the significant technological changes; it has several impacts on customer satisfaction and loyalty. “It has revolutionised every industry including banking in the world by rendering faster and cost effective delivery of products and services to the customers. Core banking solution enables banks to extend the full benefits of ATM, tele-banking, mobile banking, internet banking, card banking and other multiple delivery channels to all customers allowing banks to offer a multitude of customer-centric services on a 24x7 basis from a single location, supporting retail as well as corporate banking activities (Chakrabarty, 2010).
Chapter I: Introduction

Kumbhar V. M.

Technology is the surest and most appropriate way of bringing inclusion in respect of any product and/or service. The banking industry is a large and highly diverse service industry than other services. This industry covers all types of customers and their financial needs including deposit, lending and other banking services. It also makes a significant contribution in the economic development of the nation. Recent world wide technological revolution influenced the banking industry than other service sector in India. Since 1980, Indian banking sector undergoing through technological advancement phase and most of the banks have countered their business as e-business.

Technology and the internet have had a profound effect on service marketing including banking services. Banks today are increasingly providing customer service in support of relationship marketing strategic objectives, with the help of technology via e-service. With these developments, a new era of banking has emerged, which is known as “e-banking.” E-banking encompasses an arrangement of financial transactions, once done through the tangible exchange of information, now are done electronically (Moutaz Abou-Robieh, 2005). E-banking services are new and services for Indian customers. As a result Indian banks are investing heavily in the technologies such as branch automation and computerization, core banking, tele-banking, mobile banking (M-banking), internet banking, automated teller machine (ATMs), data warehousing etc. ICT innovations in the previous few years have changed the landscape of banks in India (Mittal and Dhingra, 2007). Today public sector and private sector banks are offering online banking services. Various alternative channels to provide easy and any where banking are properly thought of. The process of bank computerization was started since 1985 in public sector banks in India. However, some private sector banks have started computerization prior to the public sector banks in India. The banks in India are using ICT not only to improve their own internal processes but also to increase facilities and services to their customers. The Reserve Bank is playing an important role in bringing the technology based banking, which has resulted in large scale computerisation of the banking sector in India. The Financial Sector Technology (FST) vision serves as a lighthouse for the banks to make their own IT initiatives based on the broad approach as envisioned by the Reserve Bank. With the efforts of the RBI today most of public sector banks are fully computerized as on 2010. Now, there are various alternative banking services available to bank customers in India e.g. core banking, ATM, credit card, debit card, NEFT, RTGS, SWIFT, internet banking, mobile banking, MICR clearing, speed clearing, cheque truncation etc.
A customer satisfaction is an ambiguous and abstract concept. Actual manifestation of the state of satisfaction will vary from person to person, product to product and service to service. The state of satisfaction depends on a number of factors which consolidate as psychological, economic and physical factors. The quality of service is one of the major determinants of the customer satisfaction, which can be enhanced by using ICT available to survive.

The banks in India are using Information Technology (IT) not only to improve their own internal processes but also to increase facilities and services to their customers\(^4\). Particularly, in the banking sector ICT is one of the most important tools, because it provides many suitable alternative banking channels to the customers. It brings connivance, customer centricity, enhance service quality and cost effectiveness in the banking services. Even now, customers are evaluating their banks based on availability of high-tech services. Therefore, implementation of ICT in the banking business continues to improve the banking service. Many researchers from USA, UK, Finland, Malaysia, Taiwan, etc. have proved that the use of technology positively affects the customers’ satisfaction in banking industry. But some researches evidenced that, technology based banking service can’t satisfy the each and every need of the customers’ and each type of customers’. There are may be some possibilities of gaps between customers’ expectations and actual service perception in ICT based banking service, which leads to customer dissatisfaction. Hence, there is a need to assess the impact of alternative banking services on customers’ satisfaction in Indian context to study the level of satisfaction, problems and areas of further improvements.

b) Public and private sector banks and customer satisfaction

As on March 2010, there were 27 public sector banks, 22 private sector banks and 34 foreign banks providing banking services in India. According to the various reports of the RBI and IDRBT (Institute for Development & Research in Banking Technology), Indian private sector banks are more advanced in the manner of utilization of technology. As on March 2009-10, almost all branches of private sector banks are fully computerised and are having more alternative banking services as compared to public sector banks in India. While, many rural branches of public sector banks are partially computerised in India. However, public sector banks are not only concentrated on providing technology based banking service to their customers’, but

\(^4\) RBI, Report on Trend and Progress of Banking in India 2008-09, pp 140
also providing banking services to the types of the customers with consideration of socio-economic development aspect. There is a clear difference in the policy of the private banks and public sector banks even these two banks are working in the different working conditions in the India. Private sector banks are enjoying more liberal environment than public sector banks. However public sector banks are working on the road mapped by RBI and the Government of India. But recent five years have evidenced that public sector banks have entered in the alternative banking service market to compete with private sector banks and provide various types of alternative banking service to their customers’. Therefore, there is a need to assess service quality of alternative banking services provided by public and private sector banks in India and their customers’ satisfaction level to know which banks are providing satisfactory banking services through their alternative channels e.g. either the public or private sector banks.

1.2 The gaps

There are several researches conducted in the field of business, marketing and management subjects. Several articles have investigated the components of quality service metrics, which includes customer satisfaction, customer loyalty, profits, and consumer behaviour, attitudes across a variety of service providers. Most of them have conducted marketing and management point of views, while a very few research works have conducted research in economics. Therefore, we have tried to fill the gap in the literature. There are some researchers who have conducted researches to identify the customer satisfaction, job satisfaction, employees’ satisfaction in the traditional banking services. Very few studies have so far been published on the diffusion of internet-based platforms for the banking (Alam et al 2010, Thulani et al, 2009), Most of them deal with the diffusion of ATMs in the financial sector (Corrocher, 2002). Some of the research was conducted under faculty of commerce and management than economics or business economics. However, recent changes in the banking industry evidenced almost banks are changing themselves as e-bank and providing new and modern banking services through various e-channels, which are called as alternative banking channels. Previous researches in banking industry realized that, there are a very few efforts made to identify the comparative customer satisfaction in alternative banking services (Yen and Gwinner, 2003; Bettencourt, 1997). The present market scenario of banking industry shows that, all public and private sector banks are updating themselves according to the technological changes and providing convenient
banking to increase the customer base. Hence, there is also a need to indentify the comparative customer satisfaction of public and private sector banks and problems faced by them. It will help to adopt appropriate policy service designing and service improvements to increase customer satisfaction. Perceived service quality and customer satisfactions are major areas in the business and marketing research literature (Parasuraman et al, 1998; Berry, et al, 1994; Cronin & Taylor, 1992; Cronin & Taylor, 1994). It is defined collectively as the ultimate goal of a firm in customer retention or customer loyalty (Reynolds, 2007). There are number of research work conducted under the various branches of business studies. Most of these works stressed the overall customer satisfaction in the banking industry rather than transaction specific satisfaction. Measurement of transaction-specific requires assessing each aspect of the banking services (Olorunniwo et al., 2006). It refers to a customer’s evaluation of an array of different attributes of the service after having an experience with it. However, empirical research makes no attempt to distinguish between the customers satisfaction in private and public sector banks in India.

1.3 Statement of the problem

With the advancement of science and technology, the modern market has gone a buyer’s market; it also called as customer oriented market. Banking institutions are one of the most important service industries, which have special importance in the economy. Advancement in the technology and concomitant developments in communication channels has resulted in innovation of alternative delivery channels. These have changed the way in to interface the customers. In the traditional banking customer has to visit the branches to carryout banking transaction, but now they have the choice of alternative delivery channels i.e. ATMs, Credit cards, Debit cards, internet banking, mobile banking, core banking etc.

Customers are now looking for multiple delivery channels and flexible as well as convenient working hours neither the clock nor the geographical locations are constraints. Therefore, almost all Indian commercial banks are providing services through the various alternative e-channels, it is called as ‘Alternative Banking’. Alternative banking is defined as “the alternative delivery channels to provide existing traditional and new banking services to the customers through electronic, interactive communication channels. It includes the systems that enable banking institution customers, to access accounts, transact business, or obtain information on financial products and services through a public or private network, including the internet”. The
customers can access banking services using an intelligent electronic device, such as a personal computer (PC), personal digital assistant (PDA), automated teller machine (ATM), kiosk, or mobile phones, POS terminals including automated branches of the banks (See Figure 1.1).

**Figure 1.1- Alternative Banking Channels**

Source: Designed by Author

There are various means of alternative banking i.e. Core banking Solution (CBS), ATM, POS Terminals, Mobile Banking, Internet Banking, Credit Cards, Debit Cards, EFT, RTGS, MICR clearing etc. Theoretically, alternative banking channels will enhance good performance of banking services and increases the level of customer satisfaction by providing anytime, anywhere and multi way banking services including varieties of services, convenience, speed, efficiency, security and cost effectiveness. The IT experts and banking experts argued that, use of ICT in banking will increase overall quality of the banking services. However, various annual reports of the Bank Ombudsman Scheme of the RBI indicate that the use of ICT specifically after 2003 has created various problems relating to the banking services. Although, no one has been conducted a field work which examines the impact of the service quality of alternative banking on customer satisfaction. Therefore, we have conducted an empirical research to examine the impact of alternative banking on customers’ satisfaction.

Implementation of ICT in banking industry improves quality of service and improved service quality in the banking business. It is expected to influence the customer satisfaction. The customers are going to use a variety of service dimensions or attributes that are salient to the customer to infer in the service quality and perceived value (Toelle, 2006). These service quality dimensions play an important role in the
customer satisfaction. There are various service quality dimensions which influence customer satisfaction and loyalty. Parasuraman et al (1985; 1988; 2000; 2005), Zeithaml et al (2000; 2002) and Cronin and Taylor (1992; 1994) mentioned that there is a relationship between perceived service quality and satisfaction in traditional service and general e-service. However, technology based alternative banking services differ from the common service and traditional banking services. Therefore, this research attempts to examine the effect of alternative banking service quality on customer satisfaction. It is based on the basic research questions mentioned below:

1. Which service quality dimensions influence the customer satisfaction in alternative banking?
2. To what extent of distinction and difference in service quality of alternative banking services on the customer satisfaction received in public and private sector banks?
3. What are the major factors influence customers’ satisfaction? and what are the problems, loopholes and disadvantages of alternative banking services which adversely affects the customers’ satisfaction?
4. If customer satisfaction level is low what are the possibilities of improvement in alternative banking services to increases customers’ satisfaction?

1.4 Objectives of the study

Prior to this research work was realized that there were a very few studies have devoted to identify the customer satisfaction level in alternative banking. Hence, this study is carried out to fulfill the following adjectives:

1) To understand the history and present status of alternative banking services.
2) To identify the factors affecting on the customers’ satisfaction by alternative banking and develop a specialized instrument to assess service quality and customer satisfaction in alternative banking.
3) To assess relationship between service quality and overall customer satisfaction in alternative banking.
4) To make comparative analysis of customer satisfaction in public and private banks.
5) To find out the problems of alternative banking services and to recommend suggestions for betterment of customers’ satisfaction in alternative banking services.
1.5 Hypothesis of the study

This study is proposed to test the followings hypotheses.

**Hypothesis-1:**
H1(null) - Overall customers’ satisfaction in the alternative banking services do not differ based on demographic characteristics.

H1(alt) - Overall customers’ satisfaction in the alternative banking services differs based on demographic characteristics.

**Hypothesis-2:**
H2 (null) - There is no significant relationship between service quality dimensions and overall customer satisfaction in alternative banking

H2 (alt) - There is a significant relationship between service quality dimensions and overall customer satisfaction in alternative banking

**Hypothesis-3:**
H3 (null) - Band perception and perceived value not have a significant relationship with overall customer satisfaction in alternative banking.

H3 (alt) - Band perception and perceived value have a significant relationship with overall customer satisfaction in alternative banking.

**Hypothesis 4**
H4 (null) – Perception regards various service quality dimensions of alternative banking is not differ in public sector banks and private sector banks.

H4 (alt) – Perception of various service quality dimensions of alternative banking is differ in public sector banks and private sector banks.

1.6 Scope of the study

We have covered on a specific alternative banking products and services which have been mostly used by the most of the customers’. e.g. Front office services, core banking, Electronic Fund Transfer including EFT, NEFT and RTGS, Service of the currency note Counting Machine, MICR cheque facilities, Credit card, Automated Teller Machine (ATM), Internet Banking and Mobile Banking. We are intended to examine customer satisfaction through the perceived service quality, brand perception and perceived value in alternative banking services. We have surveyed customers of public and private sector banks working in the Satara city. This survey dose not includes foreign and cooperative banks. This study comparatively examines the impact of alternative banking on customers’ satisfaction in public and private banks and presented facts of survey conducted by using appropriate statistical techniques and tools.
For the purpose of our study, we have selected commercial banks in the ‘Satara city’. Satara is one of the developing cities in the western Maharashtra and there is more scope to enhance e-banking or alternative banking in the city area. It is realized that these banks are investing lot of money for bank computerization and automation for improvements in the customers’ services and enhance business performance. Although, there is a need to examine modern services with positive effects on customer satisfaction. Hence, we have selected this city to examine the impact of alternative banking on customer satisfaction. Satara is one of the historic and tourist places of western Maharashtra. Many tourists are coming across the country and abroad. These tourists prefer to stay in Satara because of good accommodation facilities and other services including banking services. Because of the district place and the government offices located in the city, many people are coming from all over the district for their official works. They also want such convenient banking facilities. Therefore, we have selected Satara city as geographical area of the study. Secondary sources of data and background information were collected from 2002-03 to 2008-09. However the data has been extended to 2009-10. Fieldwork and collection of primary data collection for the study was extended to a period of seven months from March 2010 to September 2010.

1.7 Importance of the study

Measuring customer satisfaction has a great potential to provide the managers of retail banks with information about their actual performance of the bank and the expectations of their customers (Al-Eisa and Alhemoud, 2009). For a service provider customer satisfaction is important issue. There may not be an ultimate goal in itself rather; it is a means for yielding greater profits; even satisfied customer is also as another type of profit. Therefore, assessment of customer satisfaction and factors influencing satisfaction should be examined in the banking sector. With is in view the present research attempts to measure the overall customer satisfaction with alternative banking services in Satara City.

The present study offers meaningful insights for policy implications to be proved better for customers’ satisfaction through improved alternative banking facilities. The main concern of the study is to provide information that would help the management of the public and privates sector banks to re-design their alternative banking services in order to retain its existing customers and to attract new ones in today’s competitive environment. This research has practical significance because
findings of the research understand the factors affecting customer satisfaction from the alternative banking channels, and comparative level of the customer satisfaction in public and private banks. Findings and suggestions of this research can help to design and improve their alternative channels, service and marketing strategies to cope with the challenges of keeping profitable customers in the virtual market place. Question behind this research is whether evaluating impact of alternative banking on customer satisfaction and relationships between service quality of alternative banking service and customer satisfaction. Several studies have found that firms spend substantial resources to attract new customers as they do keeping existing customer (Raman Nair, 2003). Several firms have been exerting all their efforts toward achieving customer satisfaction under the basic assumption that satisfaction will lead to loyalty (Buracom, 2003). However, in the recent era almost banks are trying to attract new customers by providing modern looking services and convenient e-service. We have investigated this attitude and concluded some findings. For academia, the findings of this research will provide empirical evidence and may add to a new knowledge to the existing literature of business economics and banking for understanding the impact of complex relationship between customer satisfaction and alternative banking service.

It is expected that e-banking service may reduce the errors in banking services but actual data of the complaints shows that e-banking services failed to reduce errors in banking services. However, In India, it is realized that, after the year 2002 customers’ complaints against e-banking services are increasing continually. Customer complaints about banking services during 2008-09 increased by 44 per cent, with a majority related to modern banking services in India. K. Lakshmi mentioned that most of complaints were received from the related to credit cards, debit card, ATM, EFTPOS and personal banking services wonders as per the grievances submitted to the RBI. According to annual reports of Bank Ombudsman (BO) scheme of the RBI complaints registered with banking ombudsmen for the year 2008-09 rose to 69,117 from 5399 a year 2002-03.

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6 K. Lakshmi, Banking ombudsman registers an increase in customer complaints, The Hindu, Tuesday, May 26, 2009.
Chapter I: Introduction

Graph No. 1.1: Numbers of Complaints Received and Average Complaints (Per BO Office)

Source: Report of RBI, Bank Ombudsman Scheme, 2008-09

Graph No. 1.1 shows that there were only 5399 complaints in 2002-03 which were registered in BO offices in India. However, recently the number of complaints have increased to 69000 and their average growth rate was 61.83 per cent in 2003 to 2009. It is realized that modernized banking services do not succeed to provide better and error free banking services in India.

In India, most of the customers registered their complaints regarding credit cards, charges without any information, remittances, failure to meet commitments and deposit related problems. Table-1.1 shows that all complaints other than notes and coins are related to e-banking services. There are 6,706 complaints registered regarding deposits account in 2008-09 because of wrong entrées, miss-calculation, unexpected deduction, 5,335 complaints related to improper fund transfer, delay and losses, 7,331 complaints related to loans principal deduction , interest calculation, fines, etc were registered. Now the government has started e-pension facilities through selected banks in India to provide quick pension distribution. But it also created problems to pension holders, Total 2,916 complaints about pension account has been registered in 2008-09. From the last two years complaints regarding ATM services also have increased. As per the available data most of complaints registered regarding credit cards (17,648) followed by failure to meet commitments (11,824). There are 0.19 complaints per thousand customers related to credit cards in India.
### Table No. 1.1: Category-Wise Receipt of Complaints Received

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<td>1</td>
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<td>5612</td>
<td>6706</td>
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<td>2</td>
<td>Remittances</td>
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<td>5213</td>
<td>5335</td>
<td>4794</td>
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<td>3</td>
<td>Credit cards</td>
<td>7688</td>
<td>7688</td>
<td>10129</td>
<td>17648</td>
<td>11824</td>
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<tr>
<td>4</td>
<td>Loans and advances - General</td>
<td>4442</td>
<td>4442</td>
<td>5297</td>
<td>7331</td>
<td>4794</td>
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<tr>
<td>5</td>
<td>Loans and advances - Housing</td>
<td>709</td>
<td>709</td>
<td>757</td>
<td>843</td>
<td>4794</td>
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<tr>
<td>6</td>
<td>Charges without notice</td>
<td>2594</td>
<td>2594</td>
<td>3740</td>
<td>4794</td>
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<td>7</td>
<td>Pension Deposits and Withdrawals</td>
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<td>1582</td>
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<td>8</td>
<td>Failure to meet commitments</td>
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<td>6388</td>
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<td>9</td>
<td>DSAs &amp; DRAs*</td>
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<td>1039</td>
<td>3128</td>
<td>3018</td>
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<td>Notes and coins</td>
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<td>130</td>
<td>141</td>
<td>113</td>
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</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>9636</td>
<td>9636</td>
<td>5900</td>
<td>8589</td>
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<td></td>
<td><strong>Total</strong></td>
<td>38638</td>
<td>38638</td>
<td>47887</td>
<td>69117</td>
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</tr>
</tbody>
</table>

*Direct Selling Agents (DSA) and Direct Recovery Agents (DRA)

Source: Annual Reports of Bank Ombudsman (BO) Scheme, RBI

Table 1.2 shows that the number of complaints against public sector banks, which meet some 70% or more of India’s banking needs, was the highest at 33,141, up from 25,694 during 2007-08. There are 27 percent of complaints against nationalised banks (their market share is near about 50 per cent) and 29 per cent against SBI groups are registered. While average complaints per branch were lower than both private sector and foreign banks. In the same period 28 per cent of complaints against private banks, and 13 per cent of complaints against foreign banks are registered in India. The percentage of complaints registered against nationalised banks in India is decreased from 45 per cent to 22 per cent; while numbers of compliments have increased near about three times.

### Table 1.2: Bank-Group-Wise Complaints Received

<table>
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<td>Nationalised Banks</td>
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<td>10137</td>
<td>10543</td>
<td>12033</td>
<td>14974</td>
<td>52811</td>
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<td>SBI Group</td>
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<td>11117</td>
<td>13532</td>
<td>18167</td>
<td>56067</td>
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<tr>
<td>Private Sector Banks</td>
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<td>6754</td>
<td>9036</td>
<td>14077</td>
<td>21982</td>
<td>53712</td>
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<tr>
<td>Foreign Banks</td>
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<td>2997</td>
<td>3803</td>
<td>6126</td>
<td>11700</td>
<td>25203</td>
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<tr>
<td>Scheduled Primary Co-op. Banks</td>
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<td>198</td>
<td>313</td>
<td>295</td>
<td>302</td>
<td>1364</td>
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<td>RRBs</td>
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<td>794</td>
<td>536</td>
<td>826</td>
<td>846</td>
<td>3361</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11538</td>
<td>30772</td>
<td>35348</td>
<td>46889</td>
<td>67971</td>
<td>192518</td>
</tr>
</tbody>
</table>

Note: Figures in brackets indicate percentage to total of particular year

Source: Annual Report on Banking Ombudsman Scheme, 2002-03 to 2008-09

The data indicates that modern alternative banking services which provides various alternatives to the customers including convenience. However, there are various alternative banking services which provides various alternatives to the customers including convenience. However, there are various...
questions about customer satisfaction related to both public sector and private sector banks in India. Hence, there is need to examine customers’ satisfaction in alternative banking services.

1.7.1 Relevance of the study

According to Chakrawarty (2010) technology must be implemented in the banking industry with the customer in focus and enable customer facilitation in terms of cost, time, easiness and convenience. It should be dovetailed to customer needs and expectations towered banking and financial services and it should be more customer-friendly rather than employee friendly. To investigate this problem, the “Committee on Customer Service in Banks” is empowered in June 2010 under the chairmanship of the M. Damodaran, former Chairman, SEBI by the RBI to review the existing system of attending customer service in banks - approach, attitude and fair treatment to customers from retail, small and pensioners segment. To evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints. It is also intended to examine the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects in the light of increasing use of internet and IT for bank products and services and recommend measures to enhance consumer protection. Our empirical study may help RBI to enhance customer service policy. The most immediate relevance of the study is imbedded in the ability of its results’ to provide a concrete set of indicators to indicate the potentials for new investments in the field of alternative banking services. From this angle, the study is relevant to bankers seeking to explore new and unique areas for their investments in technology.

1.8 Definition of the major terms used

The following terms are defined for the purpose of this study:

- **Customer:** The term ‘customer’ has not yet been statutorily defined. In common parlance the term customer means a person who has an account with the bank (whether saving, fixed or current account) and he should be in the habit of dealing with the bank (Sir. Jon Paget).

- **Public sector banks:** Public sector banks are those in which the majority stake is held by the Government of India (GoI). They include the SBI banking group (SBI + its 5 associate banks) and 19 nationalised banks

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\(^7\) State Bank of Saurashtra was merger on 13 August 2008, State Bank of Indore on 19 June 2009
- **Private sector banks:** In this type of banks, the majority of share capital is held by private individuals and corporate. The private banks includes the old private sector banks and new private sector banks.\(^8\)

- **Alternative banking:** as the name suggests, is the newer method of carrying on banking operations. It includes all non-traditional means of banking (Shrotryiya, 2007) such as ATM, Internet banking, bank Automation, Core banking, credit cards, debit cards, mobile banking, EFT etc.

- **Online banking services:** Banking services are delivered over the internet. These include opening/closing of account, domestic/foreign money transfer, standing orders, direct debit, debit card application, loan application, credit card application, insurance investment, mutual funds investment, etc.

- **Service quality:** Service quality is a relativistic and cognitive discrepancy between experience-based norms and performances concerning service benefits Parasuraman, Zeithaml and Berry (1985). Juran (1999) defined customer led quality as, “feature of products, which meet customer’s needs and thereby provide satisfaction”. The service quality relates to meeting customers’ needs. It is the consumer’s overall impression of the relative inferiority / superiority of the organization and its services’ Bitner, Booms and Mohr (1994).

- **E-services:** These services are delivered over the internet. The fact that the services are delivered over the internet pose some challenges to the service providers. First of all, the direct contact between service employees and customers is missing and secondly, the service delivery setting is completely changed. In the case of e-services, websites become the “moment of truth” between customers and the company (Iwwarden, Wiele, Ball & Millen, 2003).

- **E-service quality:** Zeithaml, Parasuraman and Malhotra (2000) defined e-service quality as the extent to which a website facilitates a efficient and effective shopping, purchase and delivery. E-service quality is defined as overall customer assessment and judgment of e-service delivery in the virtual marketplace (Santos, 2003). Businesses that have been experienced and successful in offering e-services are starting to apprehend that besides website presence and low price, the important success or failure factors also include the electronic service quality (Zeithaml, 2002). One of the reasons for the increased importance of e-services quality is that

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\(^8\) The commercial banks established after the new bank licensing policy was announced in July 1993.
over the internet, it is much easier for customers to compare different service offerings than through traditional channels. Thus, customers of online services expect equal or higher levels of service quality than the customers of traditional services.

- **Customer satisfaction**: Satisfaction is defined as pleasurable fulfillment. That is, the consumer senses that consumption fulfills some need, desire, goal, or so forth and that this fulfillment is pleasurable. Customer satisfaction is a post-purchase response that occurs as the result of comparing pre-purchase expectations and perceived performance (disconfirmation) (Oliver, 1980; 1999). It is a consumer's state of being as a result of consumption experience.

- **E-satisfaction**: “This is defined as the contentment of the customer with respect to his or her prior purchasing experience with a given electronic commerce firm” (Anderson and Srinivasan, 2003; Jaronski, 2004).

### 1.9 Chapters in brief

The present study is articulated with the help of following chapters.

The first chapter is epilogue of the research work, it consist research context, research gap, importance of the study, statement of the problem, definition of the various terms used in this study, objectives and hypothesis of the presents research work, area and scope of this study etc. Second chapter presents reviews of related literature which has been reviewed for the development of hypothesis and theoretical framework of the study. Third chapter envisages research methodology adopted for the study.

Fourth chapter presents concept and types of alternative banking channels, historical aspects of alternative banking worldwide as well as Indian context. This topic covers history and developments of major alternative banking channels supplying by secondary sources of data from Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland USA, UK and India. This topic also presents the related provision made under the Information Technology Act, 2000 and its further amendments. Fifth chapter gives bankable profile of the Satara city. The statistical results of the data analysis, results of interview conducted, experts’ views and overall observations regarding alternative banking services are endorsed in chapter six. Seventh chapter carries findings, observations and suggestions based on statistical analysis and observations.