

**A Study on Customer Service  
Quality of Banks in India**

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## CHAPTER-1

# Introduction

Bank plays an important role in the economic development of a country. It is a financial institution that accepts deposits and channels those deposits into lending activities either directly or through capital markets. A bank connects customers which have capital deficits to those customers with capital surpluses. The banking industry in India is facing certain challenges i.e. challenges of quality service, customer satisfaction, customer retention, customer loyalty, Quality service plays a major role in achieving customer satisfaction, and creating brand loyalty in banking sector.

### 1.1 Role of Banking in Indian Economy

The Government of India, after independence had to focus on many areas among which one of the important tasks was economic development of the country. In this context, the Industrial policy resolution in 1948 focused on mixed economy, which played an active role in development of different sectors including banking and finance. A major step in this direction was the nationalisation of banks in 1948. The Banking Regulation Act was enacted which empowered the Reserve Bank of India (RBI) to regulate, control and inspect the banks in India. In other words all the banks in India fell under the jurisdiction of Reserve Bank of India under the Banking Regulation Act.

The Government of India nationalised private banks in 1969 and later in 1980 in order to have better control over this sector. Government of India controls around 91% of the banking business in India. In early 1990s, the then prime minister of India P.V Narsimha Rao liberalized the sector by giving licenses to a small number of private banks, which came to be known as new generation tech-savvy banks. Among these banks were, Global Trust Bank (Now acquired by Oriental Bank of Commerce), UTI Bank (now re-named as Axis Bank), ICICI Bank and HDFC Bank. The banking sector in India constitutes government banks, private banks and foreign banks.

In the era of Liberalization, Privatization, and Globalization (LPG) banks play a dynamic role in contributing to the economic development of the

country. Some of the contributions of banks to the economy of the country are discussed below:

**Facilitator for Monetary Policy:** The fiscal and monetary policy of a country has greater impact on its economic development, and a well-developed banking system is pre-requisite for successful implementation of the monetary policy.

**Promoting Capital Formation:** Banks are the reservoirs of capital providing loans to the individuals and business. Pooling of financial resources and formation of capital is encouraged by banks by way of deposits and other activities. This capital is utilized by entrepreneurs and contributes for the economic development of the country.

**Encourages Innovation:** Entrepreneurship and Innovation go hand-in-hand. Banks encourage entrepreneurship by attractive credit, which empowers them towards innovation.

**Monetization:** The coining of currency or printing of banknotes is done by the central bank. In other words; banks are the manufacturers of money which is important for the economy.

**Influence Economic Activity:** Banks influence the rate of interest in the money market through its supply of funds. It can influence a monetary policy with low-interest-rates which will tend to stimulate economic activity.

Banking sector has become so important that the absence of banking industry leads to stagnation in economic development of the country, the savings would sit idle in our homes, the entrepreneurs would not be in a position to raise money, innovation of new products or business models will get affected. Ordinary people having dreams of new car or house will not be able to purchase-which will affect automobile and real estate business.

### 1.2 Indian Banking Industry & Service Quality

The banking industry is facing rapid changes in the market, such as: new technologies, economic uncertainties, fierce competition, more demanding

customers and the changing climate which lead to an unprecedented set of challenges. Banking is a customer oriented service industry which has witnessed a radical shift in the market power. The effectiveness and efficiency became the buzzword of the success of banking operations and its proper functioning particularly with respect to providing services to the customers. Service is an invisible thing which is indispensable from the person who extends it. An efficient or effective service is one which is extended appropriately by identifying and understanding the needs of the individual customer from time to time. Customer service is a dynamic interactive process which needs continuous improvement. With the advancement of information technology and communication system, the whole world has been reduced to a global village.

The customers at the present juncture are well exposed to unstoppable innovations in communication technology. He/she is aware of the kind of service level available around the world and thus expects the best from his/her bank. Customer service is not only a critical function but plays a vital role for the business. It is the next most important business strategy. The improved customer service will definitely increase profitability. A bank can be said as customer oriented if its various organizational activities like organizational restructuring, staffing, and coordination are geared up to fulfil the needs of customers.

During the past two decades or so, regulatory, structural and technological factors have significantly changed the banking environment in India. In a milieu which becomes increasingly competitive, service quality as a critical measure of organizational performance continues to compel the attention of banking institutions. The interest is largely driven by the realization that higher service quality results in customers' satisfaction and loyalty, greater willingness to recommend to someone else, reduction in complaints and improved customer retention rates

In the era of globalization and liberalization, economic reform has become an imperative to remain in the main stream of global economy. In this regard, banking sector being the backbone of the economy cannot maintain status quo. It is legitimately feared that the privileged status, which banks enjoyed for the last three decades, has already been changed with the entry of new players in the form of private and foreign banks. Under these circumstances, the banks will have to face

pronged challenges to retain the existing customers and to create new customers. However, success rate depends on the innovative strategies adopted by the banks including better customer services and adequate fulfilment of customer expectations. Thus, customer satisfaction is quite a complex issue and there is a lot of debate and confusion about what exactly is required and how to go about it.

### 1.3 Importance of Service Quality in Banks

Increased competition, highly educated consumers, and increase in standard of living are forcing many businesses to review their customer service strategy. Many business firms are channelling more efforts to retain existing customers rather than to acquire new ones since the cost of acquiring new customer is greater than cost of retaining existing customers.

There is enough evidence that demonstrates the strategic benefits of quality in contributing to market share and return on investment. Maximizing customer satisfaction through quality customer service has been described as 'the ultimate weapon' by Davidow and Vital (1989).

According to them, in all industries, when competitors are roughly matched, those with stress on customer's service will win. In view of the above mentioned facts, an analysis of service quality perceptions from customer's point of view may be sound and interesting at this juncture. Such an analysis will provide banks, a quantitative estimate of their services being perceived with intricate details such as whether banks are meeting the expectations of the customers or not.

### 1.4 Measuring Service Quality in Banking Sector

Customer is vital for the development of trade, industry and service sector particularly in financial services. Therefore, the significance of customer service in the banking sector came to force to compete in a market driven environment. Measuring service quality in the service sector particularly in the banking sector is more difficult than measuring the quality of manufactured goods. The service sector as a whole is very heterogeneous and what is heterogeneous may hold true for one service and may not hold for another service sector.

Each bank is having a variety of services. Due to this differentiation, services in this industry could not be standardized, moreover these services are intangible in nature which could not be compared or seen.



The concept of customer satisfaction and service quality is interrelated with each other. Moreover satisfaction of customer depends upon service quality and service quality is increasingly offered as a strategy by marketers to position themselves more effectively in the market place. Due to the advent of e-banking, quality of service has been improved a lot as compared to traditional banking services. Internet banking, Mobile banking, automated teller machine, electronic fund transfer has totally changed the way of providing services by the banks.

### 1.5 Service Focus Areas of Banking Industry

There are a variety of services like retail banking, corporate banking, investment banking, commercial banking, personnel banking, wholesale banking, internet banking etc.

#### Electronic Banking and Service Quality

As customers become more sophisticated, therefore, it becomes essential to consider the use of technology to respond to their continuous needs. Banking is an industry highly involved with the customers. Customers in developing economies seems to keep the “technological factors” of services as the yardstick in differentiating good & bad services and the human factor – the employees seem to play a lesser role in discriminating the quality of service for banks. The variations in services offered by the banks develop excellence for service quality. Banking is no longer regarded as business dealing with money transaction alone, but it also seem as a business related to information on financial transaction. Customers at the corporate level or at retail level have always been important for the banks. As electronic banking is becoming more prevalent, level of customer satisfaction is also changing the scenario of technological environment.

Informational technology in the form of e-banking plays a significant role in providing better services at lower cost. Several innovative IT based services such as Automated Teller Machine (ATM), Internet banking, Smart Cards, Credit Cards, Mobile banking, Phone banking, Anywhere-Anytime banking have provided number of convenient services to the customer.

So as the service quality improves, the probability of customer satisfaction increases. Increase satisfaction in turn increases the mutual understanding, customer retention and a bond of trust between customers and banks. The banks which are providing these services

on a wider scale to customers are more reputed in the eyes of customers. But at the same time technology based product is different in public and private sector banks. Bank automation and electronic banking is fast in private sector comparative to public sector.

E-banking is an improvement over traditional banking system because it has reduced the cost of transaction processing, improved the payment efficiency, financial services and also has improved the banker-customer relationship. The relationship between e-banking and service quality can be studied with the level of satisfaction. E-banking plays a pivotal role in giving satisfaction to the customers because e-banking fills the gap between the expected and perceived service quality. So in order to fill this gap, banks should find ways of making electronic services more accessible and by allowing the customer to verify the accuracy of the e-banking transactions.

There are number of reasons due to which customer satisfaction on account of e-banking has improved. The reasons are as follows;

1. Customer can withdraw funds, transfer funds anytime, anywhere they want.
2. Accessibility has been extended through technological development as it allows customers to do business from their home and office.
3. It makes the banking activities and transaction very simpler to understand
4. There is no requirement of direct control with bank, as services can be operated wherever customer wants.
5. It has reduced the waiting time of the customer;
6. Availability of employees at all times is not required as these services are provided 24 hours a day, seven days a week.
7. Internet based services has enabled the corporate and retail customers to transact from home, office and travelling.
8. Online fund transfer has enabled the customer to transfer funds from one bank to another or within the same bank at same time.
9. Communication, interaction between the bank and customer has been improved due to e-banking.

## CHAPTER-2

# Service Quality

'Service Quality' is a business administration term used to describe achievement in service. It reflects both objective and subjective aspects of service. The accurate measurement of an objective aspect of customer service requires the use of carefully predefined criteria. The measurement of subjective aspects of customer service depends on the conformity of the expected benefit with the perceived result. This in turn depends upon the customer's imagination of the service they might receive and the service provider's talent to present this imagined service.

### 2.1 Dimensions of Service Quality

A customer will have an expectation of service determined by factors such as recommendations, personal needs and past experiences. The expectation of service and the perceived service result may not be equal, thus leaving a gap. Ten determinants which may influence the appearance of a gap were described by Parasuraman, Zeithaml and Berry:

- ◆ 'Competence' is the possession of the required skills and knowledge to perform the service.
- ◆ 'Courtesy' refers to factors such as politeness, respect, consideration and friendliness of the contact personnel; consideration for the customer's property and a clean and neat appearance of contact personnel.
- ◆ 'Credibility' refers to factors such as trustworthiness, believability and honesty. It involves having the customer's best interest at heart. It may be influenced by company name, company reputation and the personal characteristics of the contact personnel.
- ◆ 'Security' represents the customer's freedom from danger, risk or doubt including physical safety, financial security and confidentiality.
- ◆ 'Access' refers to approachability and ease of contact.
- ◆ 'Communication' mean both informing customers in a language they are able to understand and also listening to customers. A company may need to adjust its language for the varying needs of its

customers. Information might include for example, explanation of the service and its cost, the relationship between services and costs and assurances as to the way problems are effectively managed. Knowing the customer means making an effort to understand the customer's individual needs, providing individual attention, recognizing the customer when they arrive and soon. 'Tangibles' are the physical evidence of the service, for instance, the appearance of the physical facilities, tools and equipment used to provide the service; the appearance of personnel and communication materials and the presence of other customers in the service facility.

- ◆ 'Reliability' is the ability to perform the promised service in a dependable and accurate manner.
- ◆ 'Responsiveness' refers to the willingness of employees to help customers and to provide prompt timely service.

### 2.2 Service Quality: Conceptualization and Operationalization

'Quality' is a concept which requires a concern both in products as well as in services.

Experts have defined it as, "fitness for use", "conformance to requirements", "freedom from variation" etc. To market a product, quality plays a pivotal role to sell a product. In fact, quality is considered as the most important factor that influence on the buying behavior of the customer. In tangible goods like products, quality can be measured by its durability and number of defects, usage of product, packaging, handling etc. However measuring the quality in intangible is a different one. As services are intangible so they are very difficult to measure. Services have a lot of intangible dimensions like communication, credibility, security, competence, reliability, responsiveness which are qualitative by nature and their value is subjective. Service quality is an abstract and elusive construct because of 4 unique features of services viz,:

1. Intangibility (Bateson, 1977)
2. Heterogeneity (Booms and Bitner, 1990)

3. Inseparability (Carman & Langeard, 1980)
4. Perishability (Stanton, J. William 2004)

Services are those economic activities that typically produce an intangible product such as education, entertainment, food & lodging, transportation, insurance, trade, government, finance, real estate, medical, repair & maintenance etc. Intensified competition and deregulation has led many services and retail businesses to seek profitable ways to differentiate them. One strategy that has been related to success in these businesses is the delivery of high service quality. So service quality has become a significant research topic in past decade due to high revenues, increased cross sell ratios, higher customer retention, purchasing behaviors and expanded market share.

An analysis of service quality literature suggests four underlying themes:

- (a) It is more difficult to evaluate than quality of tangible goods.
- (b) Evaluation of quality is not made solely on the outcome service; they also involve the evaluation of the process of service delivery (Parasuraman, Zeithamal & Berry, 1985).
- (c) Service cannot be separated from the creator of service. These are created, consumed and dispensed at the same time.
- (d) Although the services are intangible but through visualization, association, physical representation and documentation; intangibility of the services can be improved.

### 2.3 Literature Review

#### **1. Impact of Service Quality in Commercial Banks on the Customers Satisfaction: An Empirical Study, October 2011. By: Dr. S. Fatima Holy Ghost; Dr. M. Edwin Gnanadhas**

Service quality is important mainly in the service business enterprises. Growth and development of the enterprise majorly depends on the service quality. As service quality is the only way to satisfy majority customers, enterprises concentrate more on the service quality today. Quality in service is also interrelated to other behavioral outcomes of the customers. The study understands the various customer perceptions about the service quality factors like Assurance, Empathy, Responsiveness, Reliability and Tangibility in the banking industry and the satisfaction level towards the banks. It also analyses the impact of these service quality factors

on the satisfaction level based on the demographic differences.

The study collects the perceptions about the various service quality factors through purposive sampling method and analyses the impact of the service quality factors. The data were collected on the basis of the various demographics like, rural–urban area, education standards, income level, occupation difference, age groups etc. And finally, study concludes saying about the existence of a close bond between the service quality factors and the customer satisfaction level. And also it is found that the impact of the service quality factors on customer satisfaction was varying with the demography of the customers.

#### **2. Customer perception on Service Quality in Banking sector: with Special Reference to Indian Private Banks in Moradabad Region, February 2012. By: Vibhor Jain, Dr Sonia Gupta, Smrita Jain**

This study was conducted to understand the perception of service quality in the banking sector and also to evaluate how it helps in enhancing the reputation and attract customer loyalty. With the increased competition among the private sector banks, this study would help in defining a strategy to achieve the competitive edge and also satisfied customers. And hence service quality has been used to position the banks in the tough market. The study was administered through the private banks like ICICI, HDFC, KOTAK & INDUSIND BANKS.

The study has taken the SERVQUAL tool for measurement of the service quality offered by the private players in the banking industry. The main assumption is Service quality is multi dimensional concept and these dimensions help in measuring the service quality. The responses were collected based on the five dimensions namely, **assurance, reliability, responsiveness, tangibility and empathy.**

The study identifies that Reliability and Responsiveness are the most relevant factors for the service quality perception and they have compared the individual scores with the average mean value scored by the private banks under the study. The study found that among the four banks under the study, HDFC bank has the highest quality perception in terms of the various dimensions, though there is only one branch of this bank located in Moradabad. It is followed by ICICI, KOTAK & INDUSIND. The study concludes with suggestions for the private banks to be very competitive in the industry.

### **3. Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector In Malaysia, October 2010. By: Jayaraman Munusamy, Shankar Chelliah and HorWaiMun**

The study focuses on the measurement of the customer satisfaction through delivery of service quality in banking sector in Malaysia. And it highlights the parameters in banking industry for improvement in delivery of service quality. And also gives a snapshot of some appropriate methods that have been used for the measurement of customer satisfaction.

The methodology followed was data collection from random respondents of the general population. Considering the fact that different group of people from different backgrounds have different expectation level, a large respondent population was targeted for the research. The questionnaire was collected from 117 respondents from different backgrounds.

The study found that assurance has a positive relationship with customer satisfaction, but without significant effect. Reliability is the timeliness and accuracy in service provided, and says reliability does not have much impact on customer satisfaction. Tangibles include the appearance of the company, and the study found that it has high positive correlation with customer satisfaction. The study says that there is no much relation between empathy and satisfaction. Responsiveness is the timely response, which the customers get from their service providers. The study suggests that responsiveness factor is highly related to customer satisfaction.

### **4. Effect of Service Quality On customer Satisfaction with Bank Nagari Main Branch Padang, November 2011. By: Heryanto, Lecturer of the University of Putra Indonesia, West Sumatra**

The objective of the study was to understand the influence of service quality on customer satisfaction on the main branch of Bank Nagari. The study focuses on how the influence of service quality affects the satisfaction of the banking customers of the Bank Nagari, Padang.

The sample size taken for the study is 100 savings customers of the bank. Data was collected from the population by accidental random sampling technique. A simple Regression model is fitted to the data. The paper defines the various dimensions of the service quality like *Responsiveness, Reliability, Tangibility, Assurance*

and *Empathy*. And the Customer satisfaction factors like *Speed, Accuracy, Safe, Suave, and Comfort*.

The characteristics of the respondents were considered based on their demographic profiles like sex, age, income, occupation etc. And the profile perceptions about the service quality and the customer satisfaction were analyzed from the indicators of the same. Service quality has 17 indicators and Customer satisfaction has 12 indicators. The various indicators of both the service quality and customer satisfaction are measured using the scores from the questionnaire given to the sample population on a 5- Level Likert Scale. And then the regression model was estimated using SPSS tool.

From the analysis, the study concludes that there is a significant relation between the service quality and the customer satisfaction. And service quality is very important and consists of actions like quick response, commitment, staff availability, right service fat right time, complaint solution, competency and capability of the staff in the bank.

### **5. Measuring Service Quality in Retail Banking Sector in Context of Gujarat, January 2012. By: Parmita Mehta, Marwadi Education Foundation's Group of Institutions, Rajkot**

The main objective of the study is the measurement of the service quality in the banking sector. Segmentation of the customers based on their perception about the high and low service quality factors and identifying the relation between both, find the importance of various dimensions of service quality and its influence on customer satisfaction.

For the study, 1 public sector bank, 3 private banks & 2 co-operative banks were chosen. To understand the relationship between the two segments of the customers, chi square was used.

The study also defines the various dimensions of service quality and uses regression analysis to understand the relative importance between the dimensions. The sample population was counted to be total 293 respondents from 6 banks using purposive sampling and personal interview was conducted.

To perform segmentation analysis, the customers were classified based on their service quality scores. The report found that the *type of account* held by the customer has more influence on the service quality segments. Hence the study suggests that the type of

account is a significant demographic variable in measuring the service quality perception.

Multiple regression analysis was carried out to analyze the relative importance of the various dimensions influencing the

1. Overall service quality
2. Overall customer satisfaction
3. Loyalty intention
4. Likelihood of recommendation

The study concludes saying that *reliability* dimension has the highest shortfall and *assurance* shows the lowest, when compared with customer expectations. And also suggests that type of account is a significant variable in profiling the two segments.

**6. How do service quality perceptions contribute in satisfying Banking Customers?, December 2011. By: Prof. Dr. Muhammad Ehsan Malik, Dean IBA, University of Punjab, Lahore (Pakistan). Basharat Naeem, Lecturer at IBA, University of Punjab, Lahore (Pakistan). Zouna Arif, Student of MBA, University of Punjab, Lahore (Pakistan).**

The title of the study itself defines the objective, service quality perception's contribution in customer satisfaction. The research hypothesis is that clients using retail banking services with favorable perceptions of service quality dimensions will experience higher satisfaction. Data collection was done from the banking customers from government, international and privately held banks in Lahore, Pakistan. Service quality was assessed in both ways based on Wang et al's and Parasuraman et al. The overall satisfaction was measured using a 1-5 Likert Scale. Multiple regression analysis was carried out to assess the survey responses. Descriptive statistics like mean mediation was calculated for all dependent and independent variables.

From the findings, the study concludes that not all SERVQUAL dimensions have the role in boosting the satisfaction level of the banking customers in context with Pakistan. Also says *assurance* has higher contribution than *reliability*. The study has more implications on the banking practitioners in Pakistan. The study findings also support the positive relationship of service quality with satisfaction as found by Dagger et al. The study concludes that the relationship between service quality and satisfaction varies because of the variability of the service quality dimensions.

**7. Customer's perception of service quality of State Bank of India – A Factor Analysis By: Dr. Mrs. G. Santhiyavalli, Department of Commerce, Avinashilingam Deemed University of Women, Coimbatore, India, September 2011**

The objective of the study is to evaluate the service quality of the SBI in Coimbatore area. The study would also help in understanding of the customer perception of service quality in selected branches of SBI and also the major factors responsible for the customer satisfaction.

The study was performed for duration of 6 months covering five branches at R.S Puram, Saibaba Colony, Singanallur, Race Course Road and Ganapathy road. SERVQUAL technique was used in the study using 22 variables under the dimensions, *tangibility*, *reliability*, *responsiveness*, *assurance* & *empathy*.

Gap Analysis was used to find the shortfalls in the dimensions of service quality of the banking service. The variables for data collection, used in the study are the demographic variables like age, gender, educational qualification, marital status occupation and annual income.

Primary data was collected from the e-banking customers of the branch through a questionnaire with 22 statements under the five dimensions. Convenience sampling was used to select the sample respondents. 250 responses were received and the responses were captured on a 7 Likert scale. Results of the study shows that most of the customers fall in the range of "agree" and "partially agree" for the services offered by SBI. As the gap scores were less for *Assurance*, the customers are satisfied with security aspects and *Empathy* has the highest gap score, which implies the dissatisfaction of the customers. Factor analysis conducted clearly indicates that the five dimensions *Assurance*, *Empathy*, *Tangibility*, *Reliability* and *Responsiveness* are the major factors influencing the customer satisfaction.

**8. The Key Determinants of Internet Banking service quality: A content Analysis, July 2011. By: Minjoon Jun, Associate Professor, New Mexico State University, USA. Shaohan Cai, Doctoral Candidate, New Mexico State University, USA.**

The objective of the study is to understand the customer perceptions on the internet service quality, the various dimensions associated with the satisfaction. The study

focuses on the various issues associated with the internet banking service quality. The study identified 17 dimensions of service quality, which are classified as Customer service quality, banking service product quality, online systems quality. The various incidents happened with the customers were **content analyzed**. The study discusses about the main four dimensions for customer service quality as *Access, Courtesy, Responsiveness and Reliability*.

Critical Incident Technique (CIT) was used in the study to identify the key indicators of the Internet banking Service Quality. Incidents were collected from various organizations that access internet banking services for the day to day process.

The study identified the attributes for Customer service quality like *reliability, responsiveness, credibility, competence, courtesy, access, communication, understanding the customer, collaboration & continuous improvement* based on focus group discussions. The last two attributes *collaboration and continuous improvement* has been identified uniquely by the authors of this paper. It briefly discusses about the attributes collaboration and continuous improvement with case studies from the customer experiences.

The study concludes saying that; any initiative for quality should begin with defining the customers. Identification and measurement of the customer expectations will help banks in assessing their service quality.

## 2.4 Understanding the Literature Review

SI No.	Study	Year of Publishing	Objective	Methodology	Outcomes
1	<b>Impact of Service Quality in Commercial Banks on the Customers Satisfaction: An Empirical Study.</b>	October 2011	To Understand the various customers perception about the service quality factors and satisfaction level towards the banks.	Survey method, data collection from the customer based on various demographics like rural-urban area, education standards, income level, occupation deference, age group etc	1. The existence of close bond between the service quality factors and customer satisfaction level.2. The impact of service quality factors on customer's satisfaction varies with the demography of the customer.
2	<b>Customer perception on Service Quality in Banking sector: with Special Reference to Indian Private Banks in Moradabad Region.</b>	February 2012	To understand the perception of service quality in banking and to evaluate how it helps in enhancing the reputation and customer loyalty. Banks under the study are HDFC, Kotak, ICICI and IndusInd.	Survey method, data collection based on SERVQUAL tool for measurement of service quality.	1. <i>Reliability</i> and <i>Responsiveness</i> are the most relevant factors for service quality perception. 2. HDFC Bank has the highest quality perception in terms of all the dimensions followed by ICICI, Kotak and IndusInd.
3	<b>Service Quality Delivery and Its Impact on Customer Satisfaction in the Banking Sector in Malaysia.</b>	October 2010	Measurement of customer satisfaction through delivery of service quality in banking sector Malaysia.Highlights the parameters for measurement of service quality and customer satisfaction.	Survey method, data collection from random respondents of general population.	1. The study found that <i>assurance</i> factor has a positive relationship with customer satisfaction. 2. <i>Reliability</i> factor does not have much impact on customer satisfaction, as it is the timeliness and accuracy in service provided. 3. <i>Tangibility</i> factor has higher positive correlation with customer satisfaction. 4. There is no relation between <i>empathy</i> and satisfaction.

SI No.	Study	Year of Publishing	Objective	Methodology	Outcomes
					5. <i>Responsiveness</i> is highly related to customer satisfaction.
4	<b>Effect of Service Quality On customer Satisfaction with Bank Nagari Main Branch Padang.</b>	November 2011	To understand the influence of service quality on customer satisfaction on the main branch of Bank Nagari.	Survey method, data collection from population by <b>accidental random sampling</b> techniques. Simple regression model is fitted to the data. Various indicators are measured on a 5 level Likert scale and Regression model was estimated using SPSS Tool.	1. There is a significant relation between service quality and customer satisfaction. 2. And it consist of actions like quick response, commitment, staff availability, right service at right time, complain solutions, competency and capability of the staff in the bank.
5	<b>Measuring Service Quality in Retail Banking Sector in Context of Gujarat.</b>	January 2012.	Measurement of service quality in the banking sector. Segmentation of customers based on the perception about the high end and low service quality factors and identifies the relation between the both.	Survey method, data collection was done from 1 public sector bank, 3 Private Sector banks and 2 cooperative banks. Chi square was used to understand the relationship between the two segments of the customers.	1. <i>Reliability</i> dimension has the highest short fall and assurance factor has the lowest. 2. Type of account is significant variable in profiling the two segments.
6	<b>How do service quality perceptions contribute in satisfying Banking Customers?</b>	December 2011.	To understand how service quality perceptions contribute in satisfying the banking customers in Lahore-Pakistan.	Survey Method, data collection was done from the banking customers in Government, international and Privately held banks.	1. Not all SERVQUAL dimensions have the role in boosting the satisfaction level of the customers in Pakistan. 2. <i>Assurance</i> has higher contribution than <i>Reliability</i> . 3. The Study supports the positive relationship of service quality with satisfaction as found by Dagger et al. 4. The relationship between service quality and satisfaction varies because of variability of the service quality dimension.
7	<b>Customer's perception of service quality of State Bank of India – A Factor Analysis</b>	September 2011	To evaluate the service quality of SBI in Coimbatore area. And to understand the customer perception of service quality in selected branches of SBI and also the major factors responsible for customer satisfaction.	Survey method, data collection from 5 branches selected for the study, based on, various demographic like age, gender, educational qualification, marital status, occupations and annual income. 22 variables were taken under the dimensions, <i>tangibility</i> , <i>reliability</i> , <i>responsiveness</i> , <i>assurance</i> and <i>empathy</i> . Gap analysis was used to shortfalls in the dimensions of service quality. 7 point Likert scale was used.	1. The gap score were less for <i>assurance</i> , while highest for the empathy factors. 2. Factor analysis indicates that the five dimensions <i>assurance</i> , <i>empathy</i> , <i>tangibility</i> , <i>reliability</i> and <i>responsiveness</i> are the major factors influencing the customer satisfaction.

SI No.	Study	Year of Publishing	Objective	Methodology	Outcomes
8	<b>The Key Determinants of Internet Banking service quality: A content Analysis.</b>	July 2011.	To understand the customer perception on internet service quality, the various dimensions associated with the satisfaction.	The study focused on the various issues associated with the internet banking service quality. The study identified 17 dimensions classify as customer service quality, banking service product quality, online systems quality. <b>Content analysis</b> was the approach.	<ol style="list-style-type: none"> <li>1. Any initiative for quality should begin with defining the customers.</li> <li>2. Identification and measurement of the customer expectation will help banks in assessing their service quality.</li> </ol>

It has been observed, through above studies, that the quality of the banking sector is one of the most researched topics yet opening scope for researchers to further probe. These studies usually use Parasuraman's SERVQUAL scale to measure service quality or consumers' overall satisfaction. According to this scale, quality defines a gap between perceived expectations (E) and performance (P) and if the performance exceeds expectations the consumer will attain more satisfaction. (Lehman, 2001). These expectations are based on one's own and others' experiences. Most

service sector literature focus upon the static models (Parasuraman, Zeitham & Berry, 1985, 1988, 1993; Babakus & Mangold, 1992; Cronin & Taylor, 1992, 1994; Boulding, Kalra & Stealing 1993; Johnson & Ferstl, 1999). However, one needs to remember that there are also some researchers who work with a dynamic framework as well (Kopalle & Lehman 2001; Kara, Tarym & Zaim, 2003). Hence the study on the quality of the banking sector in Bangalore district was undertaken. It has been observed through these studies that several factors affect the quality of banks.



## Research Methodology

As service quality reflects the way the banks are performing, this study attempts to explore the perception of customers in respect to the services provided by the banks. The entry of private and foreign banks, the nature of functioning of these banks and the promotional attempts of these banks has changed the landscape of the Banking sector in India. In respect to customer services there are notable perceived differences. Hence this study on customer service quality of Indian banks looks for bringing out the differences between perceptions of customers of these banks. This study is descriptive and analytical in nature.

### 3.1 Objectives

The study has been undertaken with regard to the following objectives:

- (a) To identify degree of importance attached to various dimensions of service quality viz. *reliability, responsiveness, empathy, tangibles* and *assurance* by the customers.
- (b) To compare the public, private and foreign banks on the basis of customers' expectations and perceptions of quality of services.
- (c) To find the gap between customers' expectations and perceptions of quality of services for public, private and foreign banks.
- (d) To understand the perception of the employees of public, private and foreign banks and find out the challenges faced by them to deliver expected services
- (d) To evaluate the performance of public, private and foreign banks on the basis of quality of services.
- (e) To make suggestions for improvement of quality of services in public, private and foreign banks.

### 3.2 Hypotheses for the Study

**The main hypotheses that have been set for the study are:**

#### Hypothesis 1

H0: Service quality rating is independent of variables such as age, gender, employment, income, city, bank in

which account is held, type of bank, type of account and duration of account held

H1: Service quality rating is not independent of variables such as age, gender, employment, income, city, bank in which account is held, type of bank, type of account and duration of account held

#### Hypothesis 2

H0: The servqual gap is same in Delhi, Kolkata, Pune and Bangalore.

H1: The servqual gap is not same in any two places.

#### Hypothesis 3

H0: The servqual gap is same in private, public sector and foreign banks.

H1: The servqual gap is not same in any two types of banks.

### 3.3 Sources of Data

The study relies on both primary as well as secondary data. The source of the secondary data is drawn from Reserve Bank of India publications and the sites of the banks to which respondents are customers. Various journal articles have been referenced for understanding the background of the study.

For obtaining primary data, a structured questionnaire is designed to collect data from customers of Banks. The questionnaire consisted of four parts. Part A had 26 statements on 6 dimensions to measure the expectations of the customers. Part B consisted of the profile of the customers; Part C had 26 statements on 6 dimensions to measure the perception of the customers of the banks. Part D had open ended questions to avail insights into the perceptions of the customers. The responses for the statements in Part A and C were measured on a likert scale of servqual tool.

An interview schedule is prepared to collect data from Bankers. In depth interviews are conducted with the help of the interview schedule.

### 3.4 Sampling Method

The sampling method used is proportionate stratified Random Sampling. The total sample size is 600. This

sample comprises of 150 respondents of each of four cities namely Delhi, Bangalore, Kolkata and Pune. Again out of 150 customers of each city, 50 respondents are customers of each category of public, private and foreign bank respectively. Out of 50 customers of one city of each type of bank, not less five customers belong to each occupation. 30 bank employees across all the banks where the respondents have their account have been chosen as the sample to obtain bankers' perspective.

### 3.5 Data Analysis

The data is analyzed by finding the mean scores of the various servqual dimensions both for expectations and perceptions. Such mean scores are compared with each other to find the gaps between expectations and perceptions. The service quality gaps of customers of various types of banks across cities are compared. Further these gaps are cross tabulated with the profile of consumers. ANOVA has been used to test the hypotheses.

### 3.6 Scope of the Study

The study encompasses customer service quality of all three types of banks namely private, public and foreign banks of four cities in India each located at various regions in India. The study covers respondents both customers of banks and bankers. The customers belong to various professions, various places, of both genders, with varied income groups and varied age groups.

### 3.7 Limitations of the Study

1. The study is limited to the study of expectations and perceptions of customers having an account in private, public or foreign banks.
2. The perceptions and expectations of customers are limited to the time period of the study.
3. The perceptions of the bankers are limited only to the place of study.
4. The study is limited only to four cities of India namely, Delhi, Bangalore, Kolkata and Pune.

## Chapter Scheme

### Chapter 1: Introduction

This chapter discusses the role of banking industry in India and its contribution to the economic development of the country, the industry is facing rapid changes such as new technology, economic uncertainties, competition and demanding customers, to meet the above

challenges banks need to focus on improving the service quality, the importance of service quality in banks is discussed in this chapter.

### Chapter 2: Service Quality

This chapter discusses the dimensions of service quality viz. *reliability, responsiveness, empathy, tangibility* and *assurance*. An in-depth literature review on service quality and customer satisfaction has been presented.

### Chapter 3: Research Methodology

This chapter presents a well structured research methodology which acts as a blue print for the entire study.

### Chapter 4: Respondents Profile

This chapter depicts the profiles of 600 respondents, who are the customers of banks residing in four cities namely Bangalore, Delhi, Kolkata, Pune. The survey has captured data from customers of 23 different banks in India.

### Chapter 5: Customer Service Quality Compared with Respondents Profile

This chapter gives insights of customer service quality rating across categorical variables. The analysis is done using descriptive statistics like mean, number of respondents and the standard deviations. ANOVA has been used to test the hypothesis to establish relationship between the customer service quality rating and the categorical variables.

### Chapter 6: Customers Perception of Quality of Bank Services

This chapter presents the analysis of customers perception on five dimensions of service quality viz. *reliability, responsiveness, empathy, tangibility* and *assurance*.

### Chapter 7: Analysis of Service Quality Gaps

This chapter presents the analysis of service quality (SERVQUAL) gaps perceived by customers regarding the services provided by various banks in India, the gap between expectations and perception of consumers on 5 dimensions, Reliability, Assurance, Empathy, Responsiveness and Tangibility are measured.

### Chapter 8: Banker's Perception of Customers Service Quality

This chapter discusses the banker's perception of quality of service provided to the customers. Analysis is

based on the data collected from the Bank employees on various parameters.

### **Chapter 9: Findings, Conclusion and Suggestions**

This chapter presents the findings of the study and gives suggestion to improve the service quality of the

banks, which will enable them to cope with the challenges faced by banking industry.

## CHAPTER-4

# Respondents' Profile

The customers of Banks residing in four cities namely Bangalore, Delhi, Kolkata, Pune were respondents to the survey. The data has captured customers of 23 different banks. The profiles of the customers is described below:

### 4.1 Type of Bank :

Three categories of Bank namely Public sector, Private sector and Foreign Banks are studied: The following table shows the number of respondents from each category of Bank

**TABLE 1:**  
**Type of Bank**

Type of Bank	Percentage	Frequency
Public Sector	33.3%	200
Private Sector	33.3%	200
Foreign	33.3%	200
<b>Total</b>		<b>600</b>

Source: Field data

Out of 600 respondents, an equal number of 200 respondents (33.33%) from three types of Banks namely Public Sector Bank, Private Sector Bank and Foreign Banks were administered the questionnaire.

### 4.2 Location of the Customers:

As mentioned earlier customers had accounts in either of the four cities as below:

**TABLE 2:**  
**Location of the Customers**

City	Percentage	Frequency
Pune	25	150
Kolkata	25	150
Delhi	25	150
Bangalore	25	150

Source: Field data

Four cities were selected for the conduct of this survey, 150 Respondents were selected as sample from each of the cities. Each city constitutes 25% of the total sample respondents.

### 4.3 Gender of Customers:

The following table shows the composition of customers who have responded for the survey

**TABLE 3 :**  
**Gender of Customers**

Particulars	Frequency	Percentage
Male	388	65
Female	212	35
Total	600	100

Source: Field data

Out of 600 respondents 65 % are male and 35% are female.

**Age Group of Customers:** For the study, customers who are above the age group of 18 years were considered. The following table shows the distribution of customers across various age groups:

**TABLE 4 :**  
**Age Group of Customers**

Age Group	Percentage	Frequency
18- 25 years	22.50%	135
25-34	30.80%	185
35-44	21.20%	127
45-54	8.50%	51
55-64	9.00%	54
> 65 years	8.00%	48
Total	100	600

Source: Field Data

30.8% of Customers belonged to the age group 25 to 34 years. The second largest group of 22.5% belonged to the age group of 18- 25 years is 22.50%, 21.20% customers belonged to the age group of 35-44 years, 8.50% belonged to 45-54 years, only 9% were in the age group of 55 64, and about 8% belonged to the age group above 65 years.

#### 4.4 Annual Income of Customers:

The following table shows the annual income of the customers who responded for the survey

**TABLE 5 :**  
**Annual Income of Customers**

Particulars	Frequency	Percentage
less than 1 lakh	118	19.7
1-2.5 lakhs	229	38.2
2.5-4 lakhs	100	16.7
4-10 lakhs	58	9.7
10-15 lakhs	56	9.3
More than 15 lakhs	39	6.5
Total	600	100.0

Source: Field data

19.7% of the respondents have annual income less than Rs. 1 lakh, whereas a big No. of 38.2% of the respondents are in the bracket of Rs.1 lakh to 2.5 lakh, 16.7% of the respondents in the bracket of Rs.2.5-4 lakh, 9.7% of the respondents in the bracket of Rs.4-10 lakh, 9.3% of the respondents in the bracket Rs.10-15 lakh and 6.5% of the respondents have more than Rs.15 lakhs annual income.

#### 4.5 Occupation of Customers:

The following table shows the occupation of the customers who responded for the survey

**TABLE 6 :**  
**Occupation of Customers**

Particulars	Frequency	Percentage
Employed	229	38
Professional	154	27
Business	90	15
Student	53	8
Retired	42	7
Homemakers	32	5
Total	600	100.0

Source: Field data

38% respondents are employed, 27% respondents are professional, 15% respondents are Business, 8% respondents are student, 7% respondents are retired and 5% respondents are homemaker.

Out of 600 respondents, we found that majority of 229 (38%) are employed and least number of 32 respondents (5%) are homemakers.

#### 4.6 Customers' Bank :

The following table shows the composition of Banks included in the survey

**TABLE NO. 7 :**  
**Customers' Bank**

	Frequency	Percentage
SBI	90	15.0
HDFC	75	12.5
HSBC	56	9.3
Axis	55	9.2
ICICI	54	9.0
Citi	52	8.7
SC	42	7.0
Kotak Mahindra	33	5.5
IDBI	25	4.2
Bank of Baroda	14	2.3
Punjab Public Sector bank	14	2.3
Canara bank	14	2.3
Others	76	25.33
Total	600	100

Source: Field Data

15% respondents are from SBI, 12.5% respondents are from HDFC, 9.3% respondents are from HSBC, 9.2% respondents are from Axis, 9% respondents are from ICICI, 8.7 % respondents are from Citi, 7% respondents are from Standard Chartered, 5.5% respondents are from Kotak Mahindra, 4.2% respondents are from IDBI, 2.3% respondents are from Bank of Baroda, Punjab Public Sector Bank and Canara bank, 25.33% respondents are from other banks (2% respondents are from RBS, 1.8% respondents are from YES, 1.5 % respondents are from UCO, 1.3% respondents are from ABN and Syndicate Bank, 1.2% respondents are from Union Bank of India and OBC, 1% respondents are from Corporation Bank, 0.5% respondents are from Allahabad Bank, 0.3% respondents are from Karnataka Bank & Bank of India and 0.2 % respondents are from Central Bank of India).

Out of 600 respondents, a maximum of 90 respondents are holding an account in SBI and the least number of account holders is in central bank of India.

**4.7 Types of Account :**

The following table shows four types of accounts of the respondents

**TABLE NO. 8 :**  
**Account type of Respondents**

Particulars	Frequency	Percentage
Savings account	387	64.5
Current	106	17.7
Deposit account	64	10.7
Loan account	43	7.2
Total	600	100.0

64.5% respondents are having savings bank account, 17.7% respondents are Current account holders, 10.7% respondents have Deposit account and 7.2% respondents have Loan Account.

Out of 600 respondents, a maximum number of 387 respondents are having savings account and a least number of 43 respondents are having loan account.

**4.8 Duration of account :**

The below mentioned table shows the period for which the account was held by the respondents.

**TABLE NO. 9 :**  
**Duration of account**

Particulars	Frequency	Percentage
0-3 years	407	67.8
4-8 years	135	22.5
9-15 years	26	4.3
more than 15 years	32	5.3
Total	600	100.0

67.8% respondents have an account for less than 3 years, 22.5% respondents have their accounts between 4-8 years, 4.3% respondents have account for 9-15 years, 5.3% respondents have account for more than 15 years.

Out of 600 respondents, a majority of 407 respondents have an account from past 3 years and 32 respondents is the least number and are having an account from last 15 years.

**4.9 Summary Profile of Respondents:**

The total number of respondents to whom we contacted in the four cities i.e. Bangalore, Delhi, Kolkata and Pune across the three types of banks i.e. private sector, Public sector and Foreign banks, is 600.

Of the total respondents, 65% are male respondent and female respondents constitute 35%. The majority of the respondents (30.8%) belong to the age group of 25-34 and the least number of respondents (8.00%) belong to the age group of above 65 years. It is observed that 73% belong to an age group less than 44 years. Majority of them (38.2% ) are earning an annual income of Rs.1 lakhs to Rs.2.5 lakhs. Most of them are employed and the large group constituting 64.5% holds savings bank account.

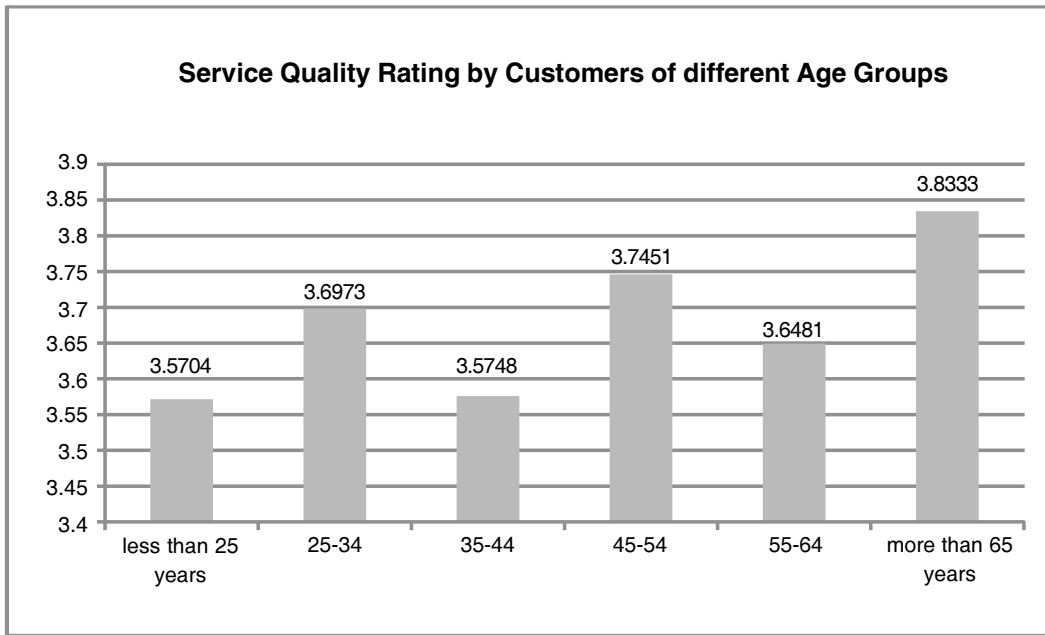
CHAPTER-5

## Customer Service Quality Compared with Respondents Profile

The following analysis explains the customer service quality rating across categorical variables such as age, gender, occupation, income, city, type of bank, bank in which account is held, duration of account held and the type of account held by customers. The tables given below gives the descriptive statistics like mean, number of respondents and the standard deviations. ANOVA has been used to test the hypothesis to establish relationship between the customer service quality rating and the categorical variables.

### 5.1 Customer Service Quality Rating distributed across age groups

Age	Mean	N	Std. Deviation
less than 25 years	3.5704	135	.89393
25-34	3.6973	185	.96416
35-44	3.5748	127	.90431
45-54	3.7451	51	.93473
55-64	3.6481	54	.89353
more than 65 years	3.8333	48	.88326
Total	3.6533	600	.92082

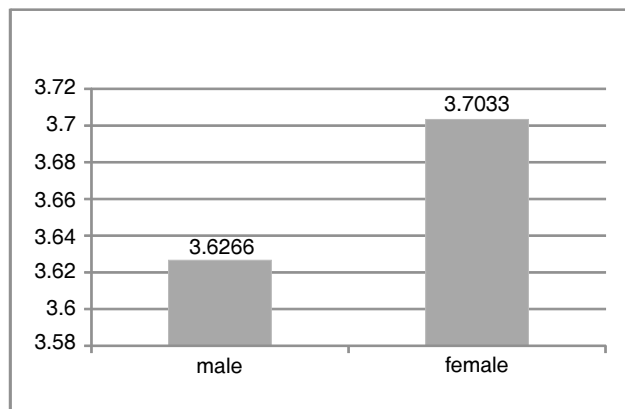


The mean scores of service quality rating by customers is more or less the same across all age groups. There is no much difference in the perception of customers of various age groups. However, the satisfaction level of customers in the age group of more than 65 years was the highest with the mean score of 3.83 and the lowest satisfaction was of those customers who belonged to the age group less than 25 years. Further the ANOVA test which was run on the data also shows that there is

no significant relationship between age and the service quality rating of customers.

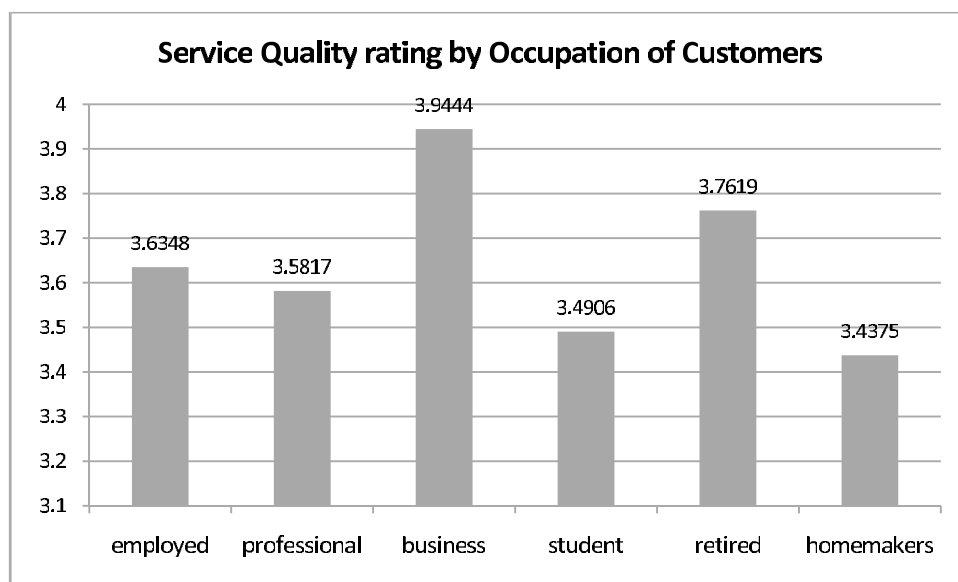
### 5.2 Customer Service Quality Rating distributed across Gender

Gender	Mean	N	Std. Deviation
Male	3.6266	391	.94663
Female	3.7033	209	.87048
Total	3.6533	600	.92082



There is considerable variation observed in the ratings given by customers belonging to various occupational groups. Homemakers who were the least number who responded expressed least satisfaction of the customer service quality of banks. Business class has given a high rating to the quality of banking services. This probably may reflect that banks are serving the Business classes better with premium services. The maximum number of respondents was employed and their mean score of satisfaction was 3.63.

The satisfaction level of customers in respect to service quality was rated higher by female customers as compared with male customers. This is also reflected in the standard deviation the No. of male respondents



were more in number and the data dispersion was greater than the data dispersion of the female customers.

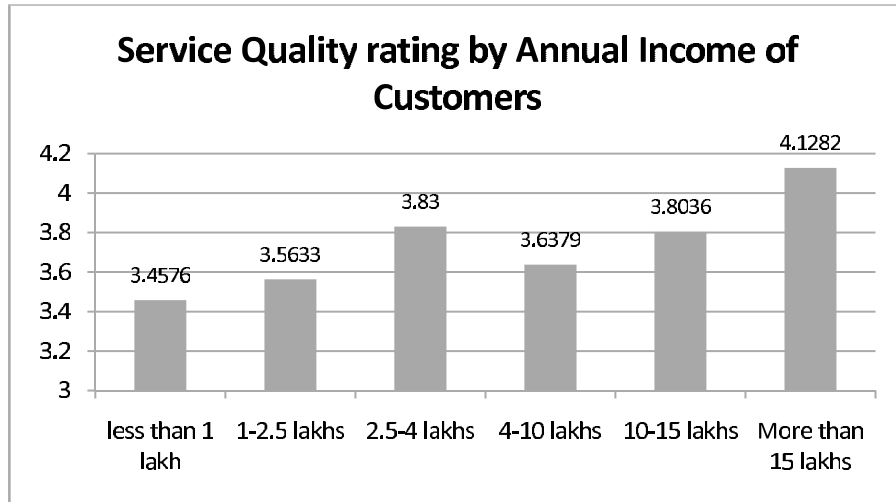
**5.3 Customer Service Quality Rating distributed across occupational groups**

Occupation	Mean	N	Std. Deviation
Employed	3.6348	230	.93762
Professional	3.5817	153	.93622
Business	3.9444	90	.87873
Student	3.4906	53	.84632
Retired	3.7619	42	.87818
Homemakers	3.4375	32	.87759
Total	3.6533	600	.92082

**5.4 Customer Service Quality Rating distributed across Income groups**

Annual Income (Rs.)	Mean	N	Std. Deviation
less than 1 lakh	3.4576	118	.88331
1-2.5 lakhs	3.5633	229	.99192
2.5-4 lakhs	3.8300	100	.77921
4-10 lakhs	3.6379	58	.91188
10-15 lakhs	3.8036	56	.84034
More than 15 lakhs	4.1282	39	.83286
Total	3.6533	600	.92082

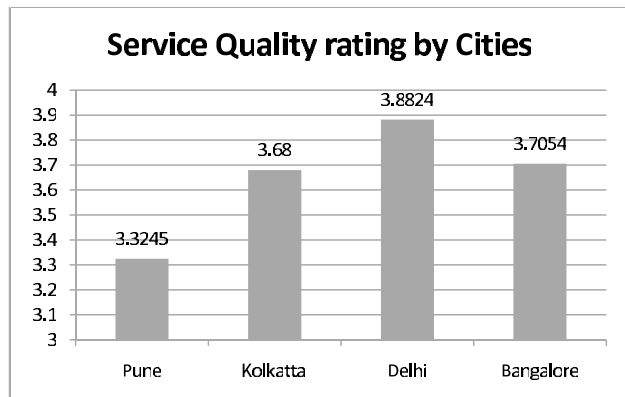




A significant observation is that customers with income of more than Rs.15 lakhs have expressed a very high level of satisfaction to the services of Bank. Banks probably focus more on the high networth individuals and business classes. Hence the rating is 4.12 on 5. Respondents with incomes of Rs.10 to 15 lakhs and Rs.2.5 to 4 lakhs have a satisfaction score higher than the average mean score. The lowest rating is given by the customers with income less than Rs.1 lakh income. These respondents are 118 in number. The ANOVA results also show that there is a significant relationship between the service rating and the income of the customers.

**5.5 Customer Service Quality Rating distributed across Cities**

City	Mean	N	Std. Deviation
Pune	3.3245	151	1.10484
Kolkatta	3.6800	150	.68854
Delhi	3.8824	170	.82723
Bangalore	3.7054	129	.93877
Total	3.6533	600	.92082



The mean satisfaction score in Delhi is highest. The three cities Delhi, Bangalore and Kolkatta have means above the average. Pune reveals a score which is less than the average. However, the contrast is that when the servqual gaps are studied, it is identified that the servqual gaps in Pune are lesser than that is other cities. The ANOVA computations have revealed that there is a significant relationship between the service quality rating and the cities.

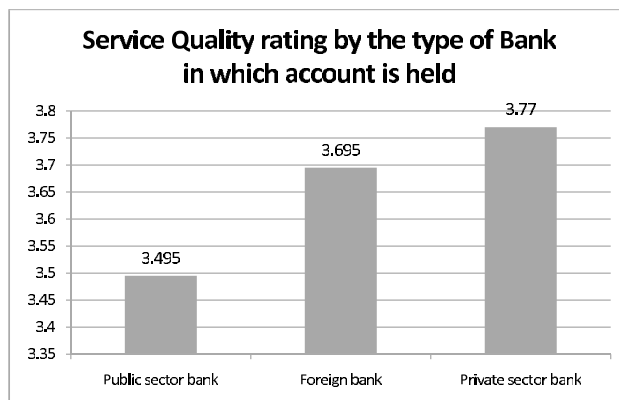
**5.6 Customer Service Quality Rating distributed across Banks**

Name of Bank	Mean	N	Std. Deviation
SBI	3.2556	90	1.11739
IDBI	3.8800	25	.92736
HSBC	3.6964	56	.91293
STANDARD CHARTERED	3.4286	42	1.01556
ICICI	3.8519	54	.95971
HDFC	3.7467	75	.85572
CENTRAL BANK	4.0000	1	.
KARNATAKA BANK	3.5000	2	.70711
UNITED BANK OF INDIA	3.0000	7	.57735
BANK OF INDIA	4.0000	2	.00000
BANK OF BARODA	3.7143	14	.82542
ALLAHABAD BANK	3.6667	3	.57735
PUNJAB NATIONAL BANK	3.3571	14	.49725
ABN	4.1250	8	.83452
AXIS	3.6182	55	.70687
KOTAK MAHINDRA	3.5152	33	.87039
SYNDICATE BANK	3.2500	8	.46291

Name of Bank	Mean	N	Std. Deviation
UCO BANK	3.6667	9	.50000
CORPORATION BANK	3.6667	6	.81650
CANARA BANK	4.2143	14	.97496
YES BANK	3.8182	11	.75076
CITI BANK	4.0769	52	.78830
OBC BANK	3.5714	7	.97590
RBS BANK	3.7500	12	.86603
Total	3.6533	600	.92082

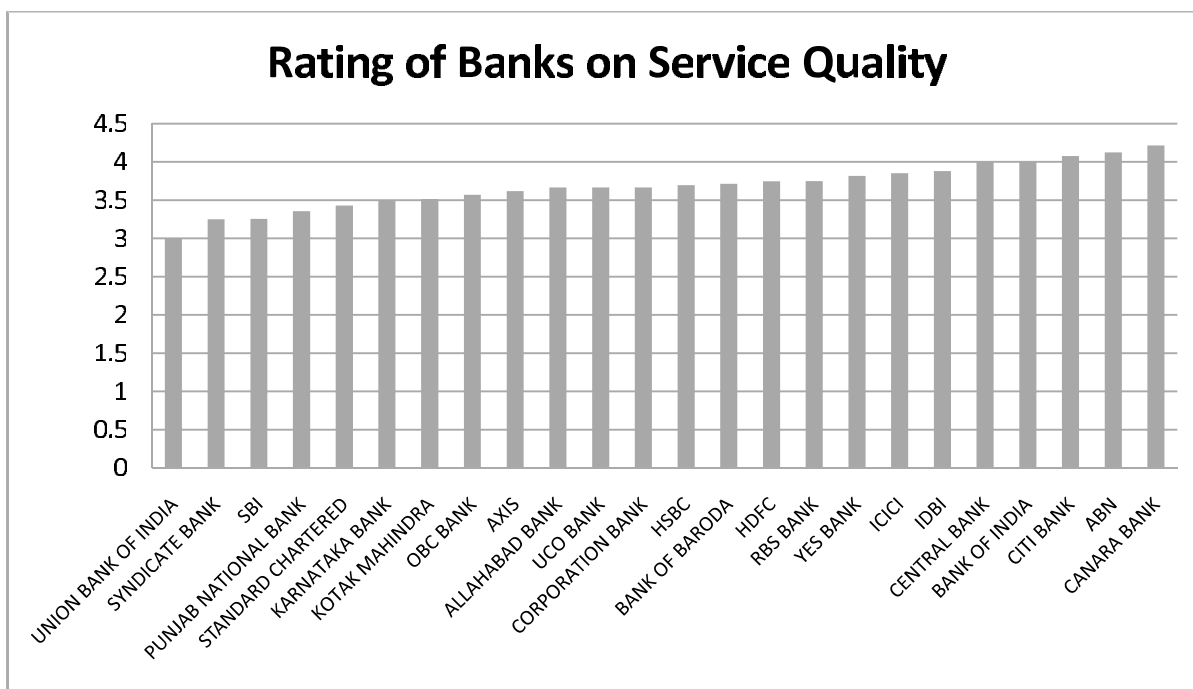
The above table clearly indicates the standardization of most of the services by Banks in India. All the banks have gained satisfaction score of above 3 from its customers. However, the average score is 3.65 and there are atleast 7 Banks which fall less than the average. Surprisingly, Canara Bank, a public sector bank is rated highest amongst all the banks under study. Foreign Banks like Citi Bank and ABN Amro have also gained good credit from its customers with mean satisfaction score like 4.12 and 4.07. However, it can also be attributed to respondents' size from each Bank.

The customer service quality rating has been very high in case of private banks and low in case of public sector banks. However, when we observe the servqual gaps there is no much difference between the three types of banks. ANOVA results on testing relationship between service quality rating and type of Bank has revealed that there is a significant relationship between the two.



**5.7 Customer Service Quality Rating based on type of bank in which account is held**

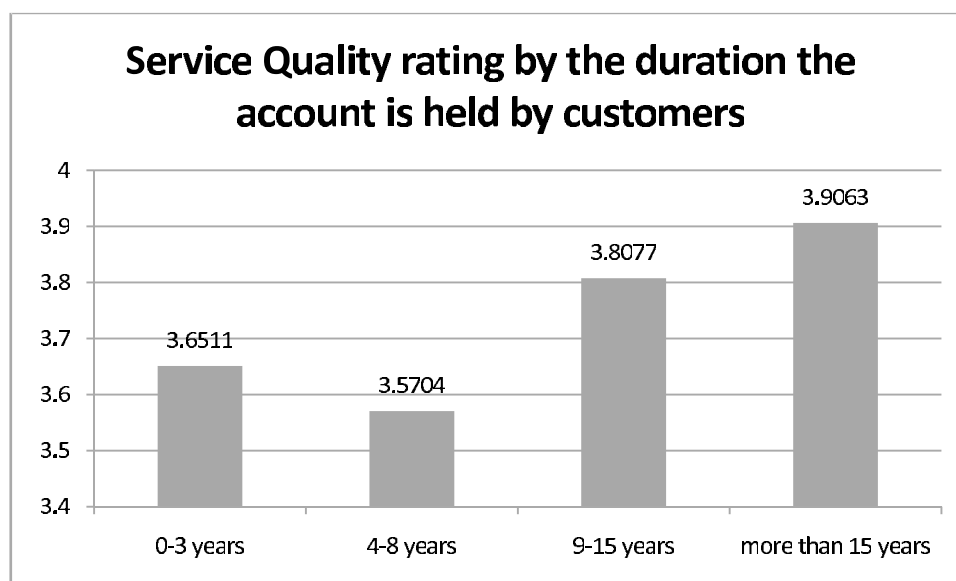
Type of a bank	Mean	N	Std. Deviation
Public sector bank	3.4950	200	.98224
Foreign bank	3.6950	200	.86934
Private sector bank	3.7700	200	.88941
Total	3.6533	600	.92082



### 5.8 Customer Service Quality Rating distributed across duration for which account is held

Duration of account	Mean	N	Std. Deviation
0-3 years	3.6511	407	.91034
4-8 years	3.5704	135	.97384
9-15 years	3.8077	26	.84943
more than 15 years	3.9063	32	.85607
Total	3.6533	600	.92082

The table reveals that higher the duration of the account held by customers, higher is the satisfaction. Customer service quality is rated high by those customers who have held the account for more than 15 years, whereas, those who have held for 4-8 years have given a score of 3.57. The ANOVA computation has not revealed any significant relationship between the period of account and customer service quality.



### 5.9 Customer Service Quality Rating distributed across type of account held by customers

Account type	Mean	N	Std. Deviation
Savings account	3.5633	387	.93465
Current	3.6887	106	.87683
Deposit account	3.8906	64	.85667
loan account	4.0233	43	.85880
Total	3.6533	600	.92082

### 5.10 Hypothesis to Test Independence of Service Quality Rating from Categorical Variables

H0: Service quality rating is independent of variables such as age, gender, employment, income, city, bank in which account is held, type of account and duration of account held.

H1: Service quality rating is not independent of variables such as age, gender, employment, income, city, bank in which account is held, type of account and duration of account held.

Results of the ANOVA Test used to establish Relationship of service quality rating with Categorical variables

Independent Variable	F Statistic	P Value	Significance At 5%	Acceptance of Hypothesis
Age	0.956	0.444	Not significant	H0 is accepted
Gender	0.946	0.331	Not significant	H0 is accepted
Employment	2.846	0.015	Significant	H1 is accepted
Income	4.761	0.000	Significant	H1 is accepted
City	10.589	0.000	Significant	H1 is accepted
Name of the Bank	2.327	0.000	Significant	H1 is accepted

<i>Independent Variable</i>	<i>F Statistic</i>	<i>P Value</i>	<i>Significance At 5%</i>	<i>Acceptance of Hypothesis</i>
Type of Bank	4.828	0.008	Significant	H1 is accepted
Duration of Account	1.417	0.237	Not significant	H0 is accepted
Account type	5.119	0.002	Significant	H1 is accepted

From the above table, it is brought out that customer service quality rating varies with categorical variables like employment, income, city, name of the bank, type of bank and the type of account. However, customer service quality rating does not vary with age, gender and duration of account.

## Customer Perception of Quality of Bank Services

### 6.1 Analysis of Perception Customer Service Quality

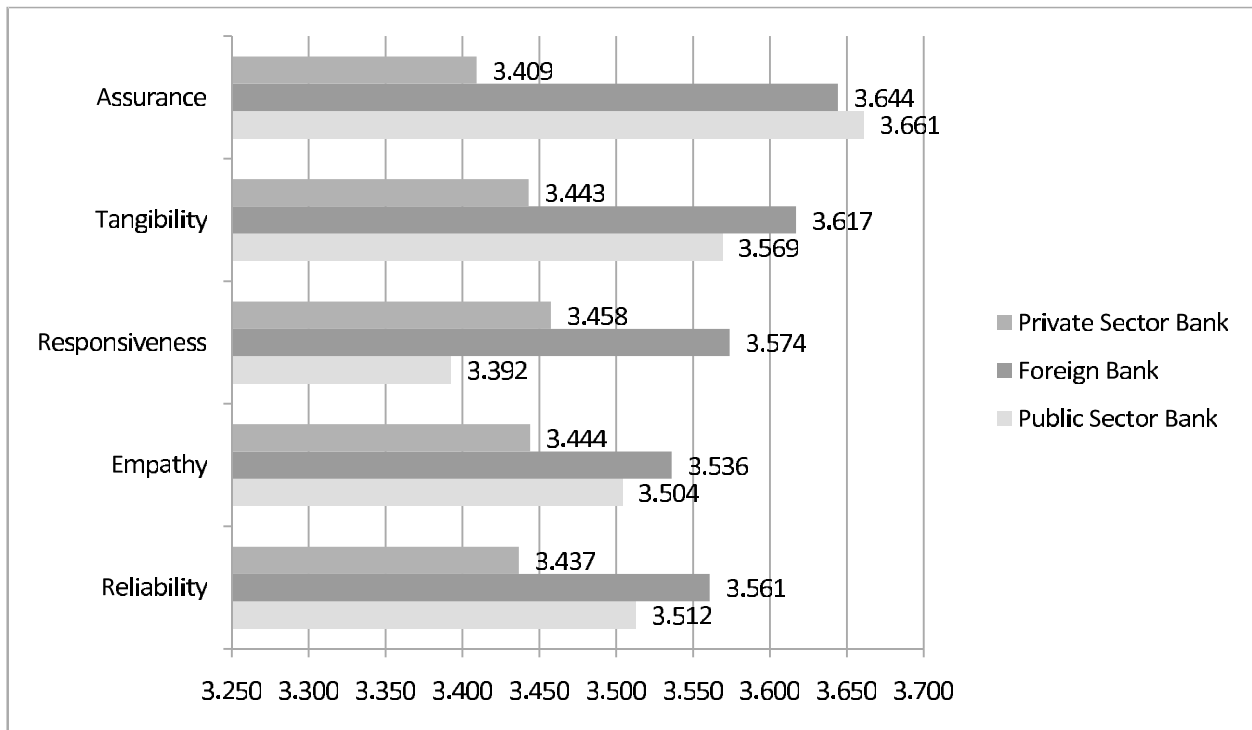
To assess the customer service quality, customer perceptions on five dimensions were captured. The following chart presents the overall perception of the three different kinds of banks and the analysis of customer perception based on each dimension

Though the customer perception of the services on five dimensions namely reliability, empathy, responsiveness, tangibility and assurance have an average ranging from 3.3 to 3.6, there are differences in the perception of the

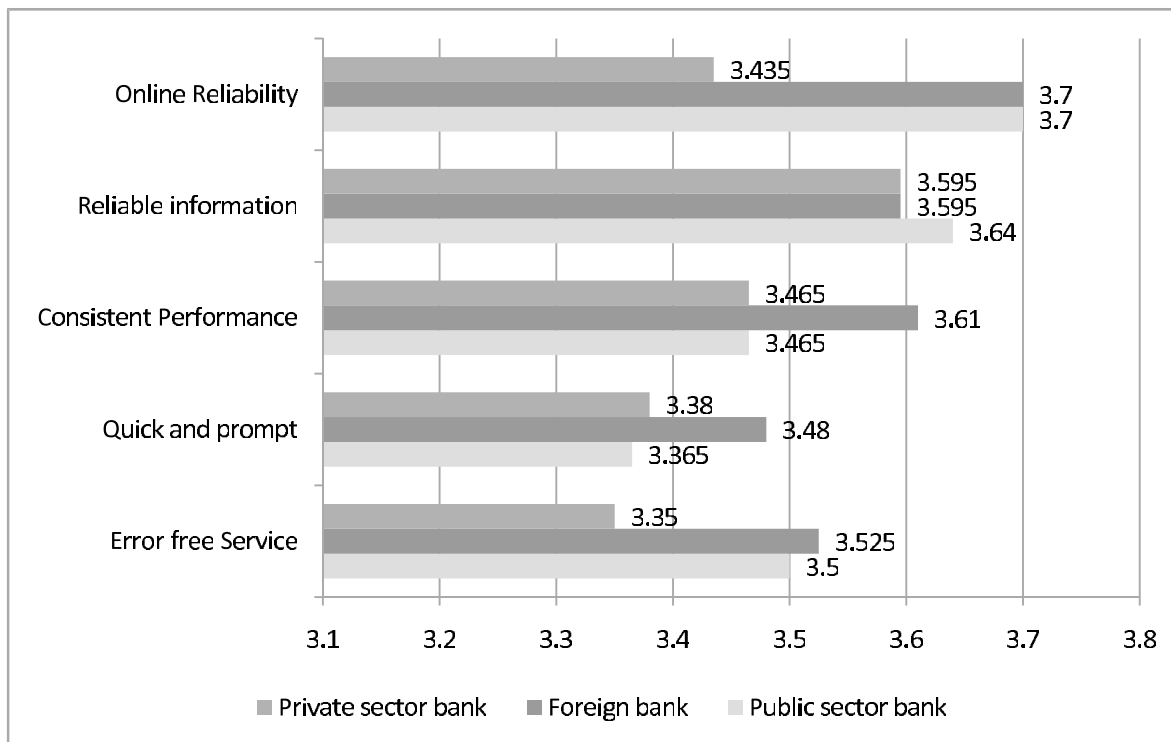
Banks. Foreign Banks gain attention here, that they are rated high by the customers in all the service quality parameters. Public sector banks have been rated second in all parameters except that of Responsiveness and private banks stands the last in all the parameters.

### 6.2 Reliability

The following graph shows the mean scores of perception of customers on Service Reliability



Consumer Perception of Service Reliability



The mean scores range from 3.35 to 3.64. This shows that there is reasonably a fair perception of service reliability of the Banks. However following observations are made

- ◆ In case of Public sector Banks, online reliability is higher (3.7), followed by reliable information (3.64), error free service (3.5), consistent performance (3.465) and quick and prompt services (3.365).
- ◆ In case of Foreign Banks, online reliability is higher (3.7) followed by consistent performance (3.61). Bank provides reliable information (3.59), error free service (3.525) and quick and prompt services (3.48).
- ◆ In case of Private sector banks, reliable information is higher (3.595) followed by consistent performance (3.465), online reliability (3.435),

quick and prompt (3.38) and error free service (3.35).

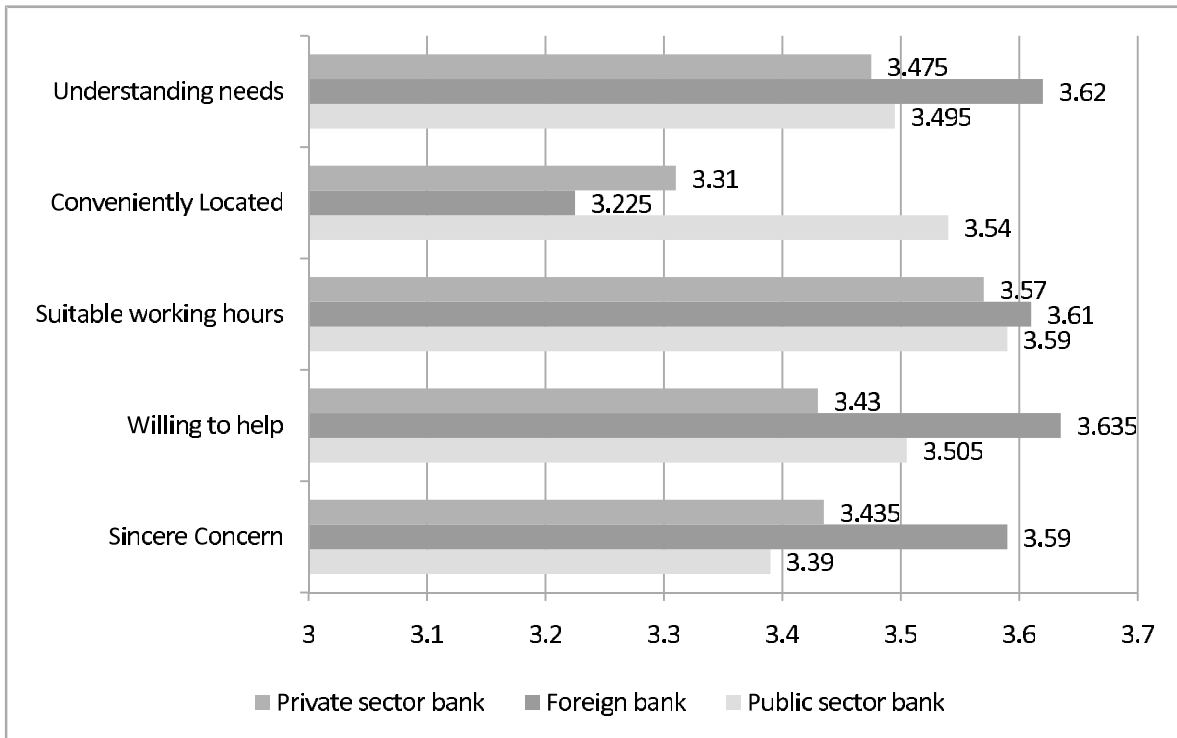
**Interpretation:**

Among all the parameters under reliability it is found that the perception towards online reliability has been highly rated by the customers irrespective of the type of bank. The least rated parameter is quickness and promptness in handling the services, this rating holds good for all the types of banks. Another observation is that private sector banks are rated low for all the parameters and foreign banks are rated high for all the parameters in reliability.

**6.3 Empathy**

The following graph shows the perception towards customers on Empathy

## Consumer Perception of Empathy while providing Bank Services



**The Mean scores on empathy ranges from 3.225 to 3.635 showing average to good performance by Banks in being empathetic to customers while providing Bank services**

#### Consumer perception on Empathy Parameters

- ◆ In case of Public Sector Banks, Banks are empathetic by keeping working hours most suitable to customers which has a mean score of 3.59, followed by located in a place convenient to customers (3.54), employees are willing to help (3.505), understanding needs of customers and responding accordingly (3.459) and employees show sincere concern towards customers (3.39).
- ◆ In case of foreign banks, willing to help is higher (3.505), followed by understanding needs (3.62), suitable working hours (3.61), sincere concern (3.59) and conveniently located (3.225).

- ◆ In case of Private Sector Banks, banks are considered to be more empathetic by keeping working hours most suitable to customers and, therefore, it is higher with a mean score of 3.57 followed by employees understand needs of customers (3.475), sincere concern (3.435), Willing to help (3.43) and conveniently located (3.31).

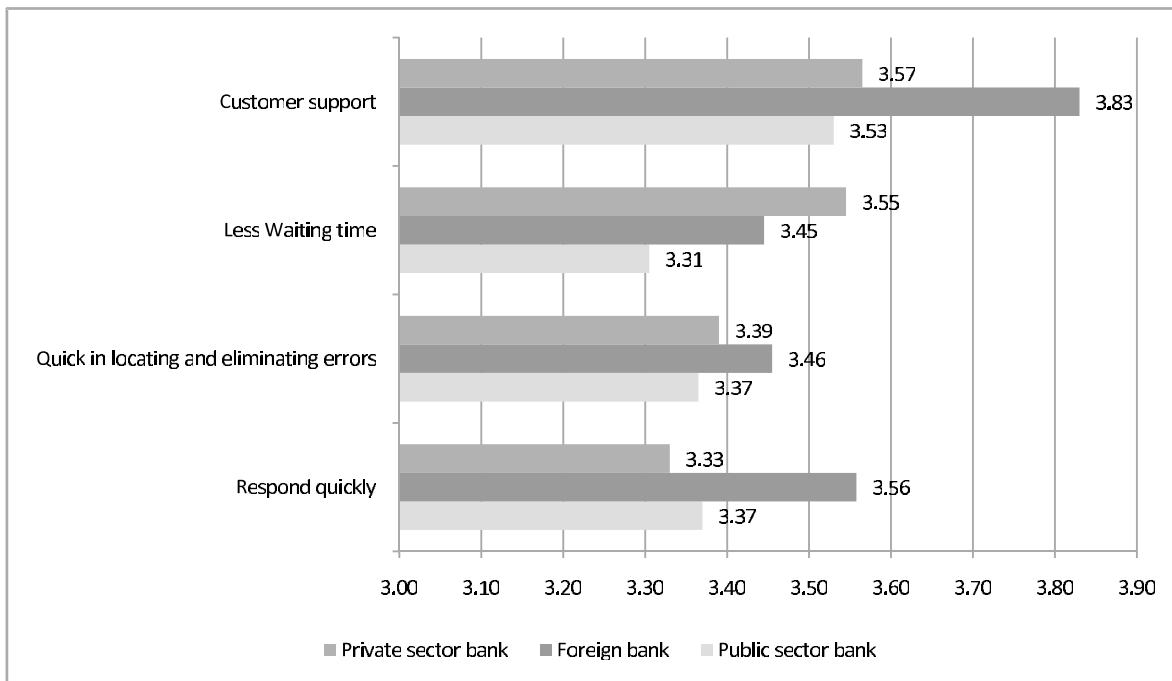
#### Interpretation

From the above graph, we could see that the bank employee's nature of willing to help customers is rated high in case of foreign banks, while showing sincere concern in solving customer problems related to bank operations remains the least in case of public sector banks. On the other hand private sector banks hold a least score on both the above parameters compared to foreign banks.

### 6.4 Responsiveness

The following graph shows the profiles of the Responsive parameters:

Consumer Perception of Responsive Parameters



**The Mean scores on responsiveness ranges from 3.31 to 3.83 showing good performance by Banks in being responsive towards customers queries while providing services.**

#### Consumer perception on Responsive Parameters

- ◆ For Public Sector Banks, out of 5 variables tested, Customer support services provided by the banks is higher with a mean score of 3.53, followed by easy location of the bank and elimination of errors with a score 3.37. While responding quickly and making the customers wait for a lesser time comes next with a mean score of 3.37 and 3.31 respectively.
- ◆ For Foreign Banks, customer support services provided by the bank is rated high with mean score of 3.83, followed by quick response by the employees with a score of 3.56, and ease of locating the bank and less waiting time for availing the services holds mean score of 3.46 and 3.45 respectively.

- ◆ For Private Sector Banks too, customer support services are highly rated with the mean score of 3.57, followed by Less waiting time for getting the services with the mean score of 3.55, convenient location with the mean score of 3.39 and quick response on the customer queries with the mean score of 3.33.

**Interpretation:** Considering all three types of banks, it is clearly understood that the customer support services provided by the banks remain the highest responsiveness parameter.

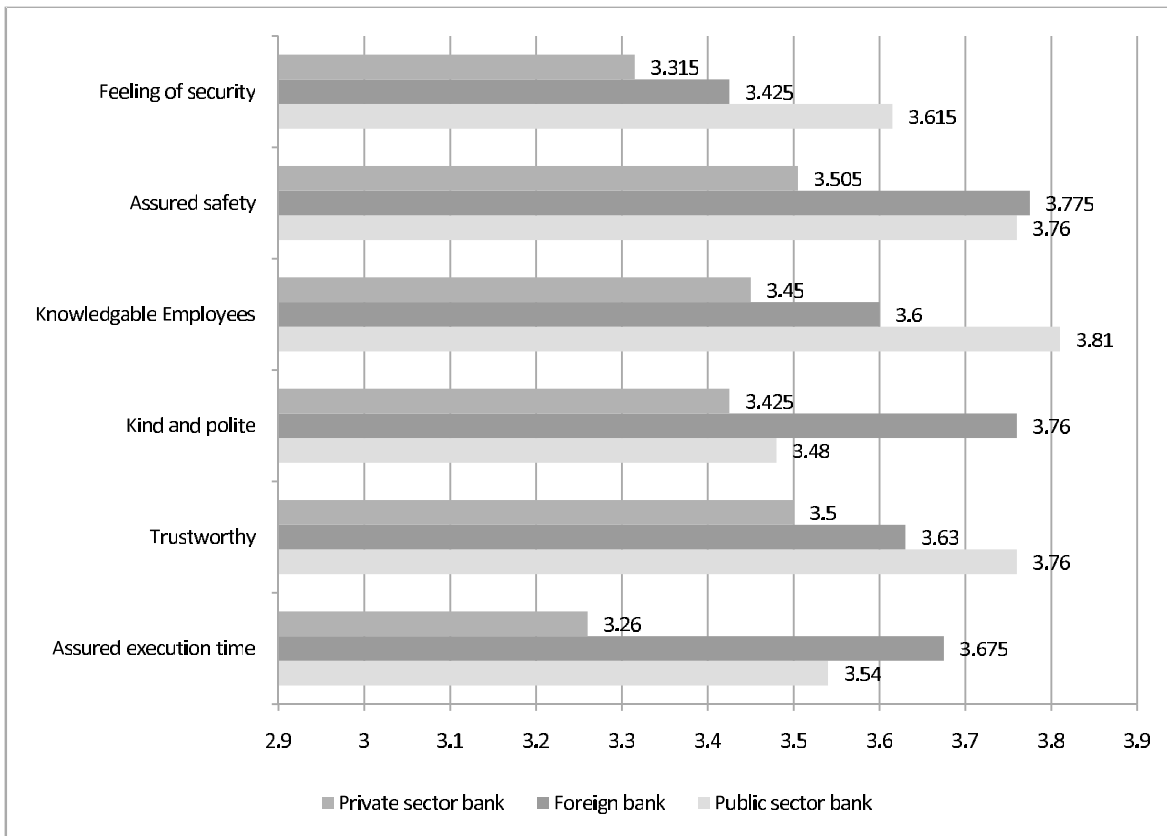
When we talk about the waiting time for the services, private banks holds the first place followed by foreign and public sector banks. But in terms of quick response to the customers, the observation is quite different. Foreign bank comes first in hand, followed by the public sector banks providing quick response than the private sector banks.

### 6.5 Assurance

The following graph shows the perception of the Assurance provided in giving services by banks:



## Consumer Perception of Assurance Parameters



The mean score for assurance in providing the service to the customers is 3.26 to 3.81, which is a good score showing the assurance provided by the banks to the customers.

#### Consumer perception on Assurance Parameters

- ◆ For Public Sector Banks out of 5 variables tested, Knowledge of the employees in the operations is high with a score of 3.81, followed by trustworthiness & safety assurance on various services with a score 3.76, feeling secured with online banking service with a score of 3.615, process execution time and kindness & politeness of the employees comes with a least score of 3.54 and 3.48 respectively.
- ◆ For Foreign Banks safety assurance on services is higher with a mean score of 3.775, followed by kindness and politeness of the employees with a mean score of 3.76, process execution time with a score of 3.675, Trustworthiness with a score of 3.63, knowledge of the employees in the operations and feeling secured with online banking

service is low scored with mean score of 3.6 and 3.425.

- ◆ For Private Sector Banks safety assurance is rated high with a mean score of 3.505, followed by trust worthiness with a mean score of 3.5, knowledge of the employees in the operation is of 3.45, kindness and politeness of the employees with a mean score of 3.425, and feeling secured with online banking services and process execution time is rated low with a score of 3.315,3.26 respectively.

#### Interpretation

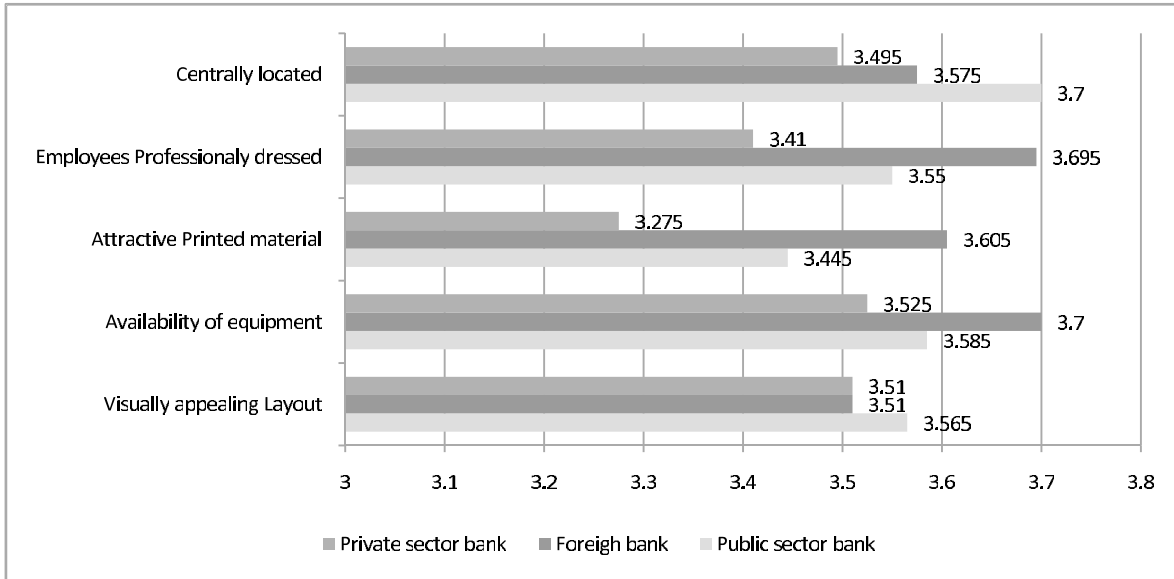
It is very interesting to know that out of all parameters on assurance, public sector banks are rated high for the knowledgeable employees held within. While the assurance for the process execution time is least rated in case of private sector banks.

Overall, Public sector banks show more credits towards the assurance factor compared to the foreign and private banks.

### 6.6 Tangibility

The following graph shows the profiles of Tangibility parameters:

Consumer Perception of Tangibility Parameters



**The mean score for the tangibility factor ranges from 3.27 to 3.7, which is a moderately agreeable score for the banks.**

#### Consumer perception on Tangibility Parameters

- ◆ For Public Sector Banks, out of 5 variables tested, favorable location of the bank is the highest with a mean score of 3.7, which is followed by the availability of equipment visually appealing layout of the banks with mean score 3.565, then comes the professionally dressed employees with a score of 3.55 and lastly comes the attractive printed material with a least mean score of 3.445.
- ◆ For Foreign Banks, availability of equipments and the professional dressing of the employees scores high with 3.7 and 3.695 scores respectively. Whereas, attractive printed material provided by the banks scores 3.605. Lastly comes the central

location and the visual appealing layout of the banks scores the least with 3.575 and 3.51 respectively.

- ◆ For Private Sector Banks availability of equipment is higher with mean score of 3.525, followed by visually appealing layout with mean score of 3.51, central location of the banks with score of 3.495, and professional dressing of the employees and attractive printed material scores least score of 3.41 and 3.275.

#### Interpretation

Central location of the banks and employees professional way of dressing is considered to be the top scorer in terms of tangibility parameters.

Visual appearances of public sector banks rank highest, while both the private and foreign banks are considered at the next same level.

## Analysis of Service - Quality Gaps

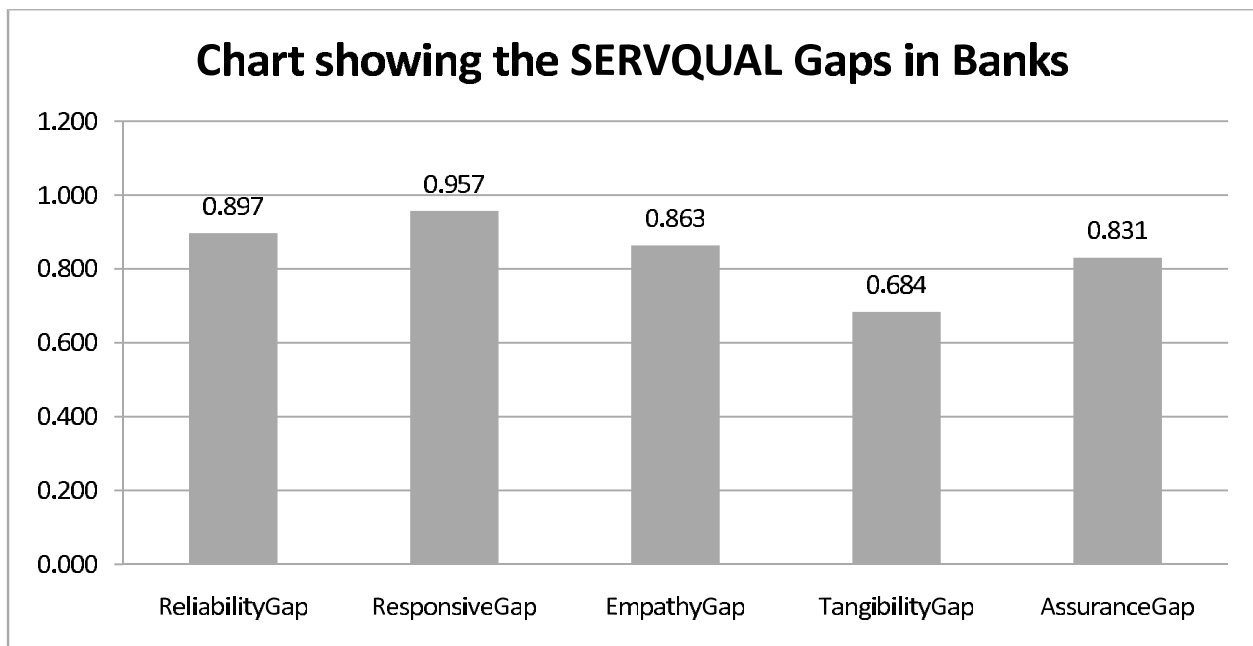
This study aimed at bringing out the service quality gaps perceived by customers regarding the services provided by various Banks in India. These gaps were captured on various dimensions of service quality as given in the servqual tool developed by Parasuraman et.al. Parasuraman, Zeithaml and Berry (1985, 1988) posited and operationalized service quality as a difference between consumer expectations of 'what they want' and their perceptions of 'what they get.' Based on this conceptualization and operationalization, a service quality measurement scale called 'SERVQUAL' was proposed. According to the servqual tool, service quality be measured based on the gap

between expectations and perception of consumers on 5 dimensions, Reliability, Assurance, Empathy, Responsiveness and Tangibility.

In this study, customer service quality gaps on five dimensions of quality of three types of Banks namely public sector Banks, private sector banks and foreign banks located in four different cities is analyzed.

### 7.1 Servqual Gaps

Identification of Gaps (Expectation Vs. Perception) in customer service quality (parameter-wise gaps) Reliability, Assurance, Empathy, Responsiveness and Tangibility



The above graph captures the servqual gap score of customer service quality on overall gap dimensions. The gap score is the difference between the mean score of perceptions and the mean score of expectation. We observed that responsive gap is higher (0.957), followed by reliability gap (0.897), empathy gap (0.863), assurance gap (0.831) and tangibility gap (0.684).

The reliability test for the five dimensions was carried out by computing the chronbach alpha value. The

chronbach alpha value is 0.865 shows a very high degree of reliability.

### Interpretation

The tangibility dimension (Location, Employees dressing, Printed materials, Availability of equipment & visually appealing layout) holds a least servqual gap between the customers' expectations and perceptions.

It is very obvious that irrespective of the type of bank, the gap between the customers' expectations and

perceptions on the responsiveness dimension (Customer support, less waiting time, ease of location and quick response) is the highest. This show, of all the dimensions of service quality, banks are lagging behind in being responsive to customer requirements. However, the gap scores on reliability, assurance and empathy dimensions seems to be more or less the same.

It is advisable that the banks should focus more on "Responsiveness" dimension to win the customers. Banks also have to look into aspects like reliability, assurance and empathy in delivering their services. Banks have created enough tangible cues to impress upon the customers.

### 7.2 Servqual Gaps for each Dimension

#### Reliability Gap

Various statements which measures perceptions and expectations of customers in respect to reliability of Bank services were captured and the gap pertaining to each statement was analyzed. The following graph shows the gaps in each of the statement concerning reliability.

#### Gaps on various statements pertaining to Reliability of banking services

The below graph captures the servqual gap score of customer service quality on reliability dimension. We observe the quality gap in respect to providing quick

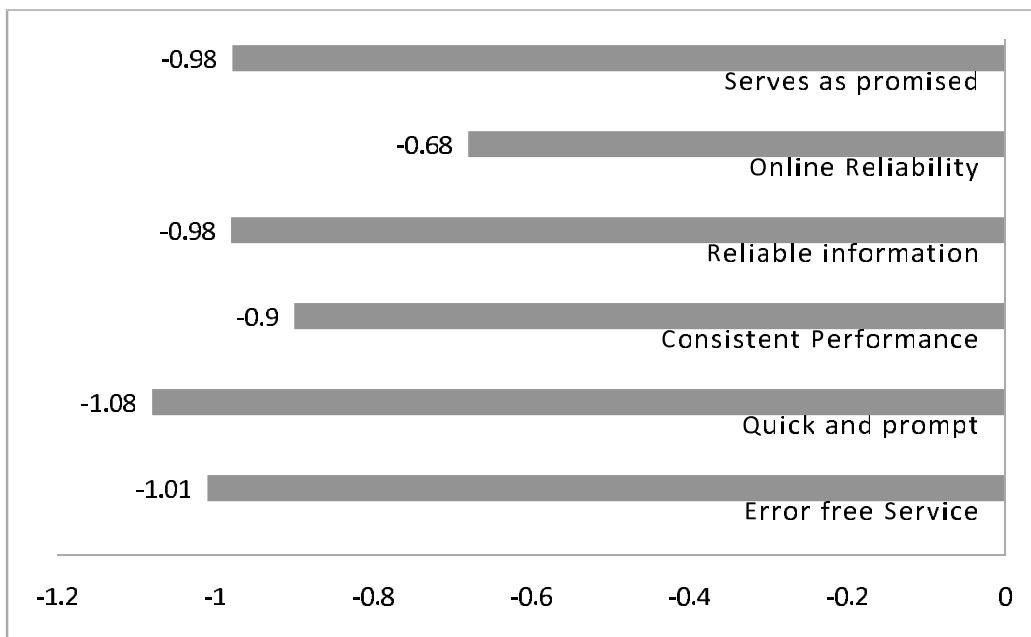
and prompt services is highest with a servqual gap score of -1.08, followed by providing error free service (-1.01), reliable information on the operations (-0.98), consistency in performance (-0.9) and online reliability (-0.68).

#### Interpretation

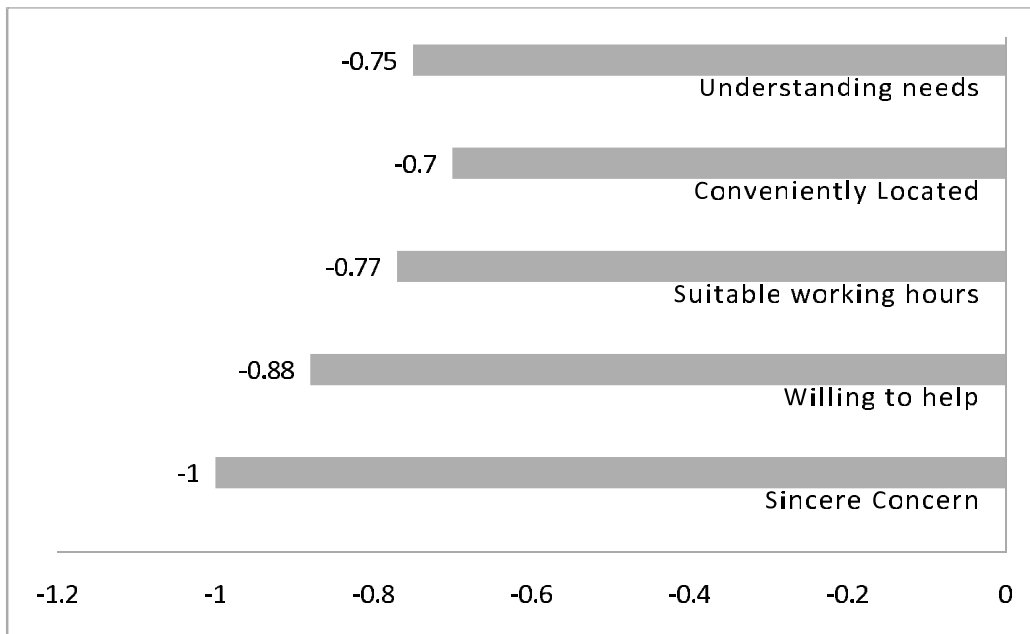
The average servqual gap score of reliability was found to be -0.897, which is a moderately high. While considering the various parameters under the dimension "reliability", like reliable online services, consistency in performances, providing reliable information and providing services as promised, quick & prompt and error free services, it is very obvious that the banks have high servqual gap score in providing quick and prompt services and providing error free services to the customers. Hence, the banks in India, are lagging behind in providing a reliable quick and error free services. The service quality could be improved when the reliability on the bank services are enhanced with more customer expectations.

#### Empathy Gap

Five Statements which reflect empathy in banking services were asked to customers to give their expectations and perceptions. The differences in the expectations and perceptions of customers have been reflected in the following graph:



### Gaps on various statements pertaining to Empathy in Banking services



The above graph captures the gap score of customer service quality on empathy dimension. It is observed that sincere concern of the employees is higher (-1.08), followed by their willingness to help customers (-0.88), their suitable working hours (-0.77), understanding customer needs (-0.75) and convenient location of the bank (-0.7).

#### Interpretation

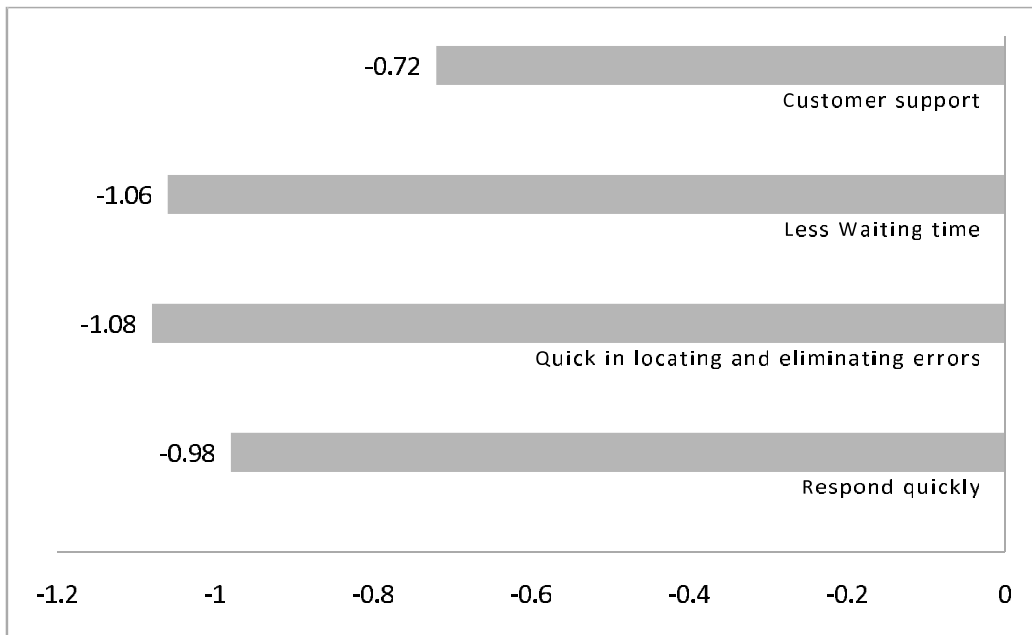
The average mean gap score for the dimension “empathy” was found to be -0.863. The empathy parameters like the employee’s sincere concern towards the customers, their willingness to help and their understanding of the customer needs has great impact on the dimension, which lies within the interest of the employee. While the other two parameters like the

convenient location of the banks and suitable working hours have a comparatively less effect on the dimension. Because these are areas where the management takes the control. Hence, it is necessary that those employees who interface the customers irrespective of the banks, should be able to understand the customer’s needs from their point of view, so that they can fulfil the customer expectations.

#### Responsiveness

Various statements which measures perceptions and expectations of customers in respect to banks responsiveness of services were captured and the gap pertaining to each statement was analyzed. The following graph shows the gaps in each of the statement concerning responsiveness.

### Gaps on various statements pertaining to Responsiveness of Banking services



The above graph captures the servqual gap score of customer service quality on responsiveness dimension. It is observed that quickness in locating and eliminating errors is high (-1.08), followed by lesser waiting time for services (-1.06), quick response for customer queries (-0.98) and necessary customer support (-0.72).

#### Interpretation

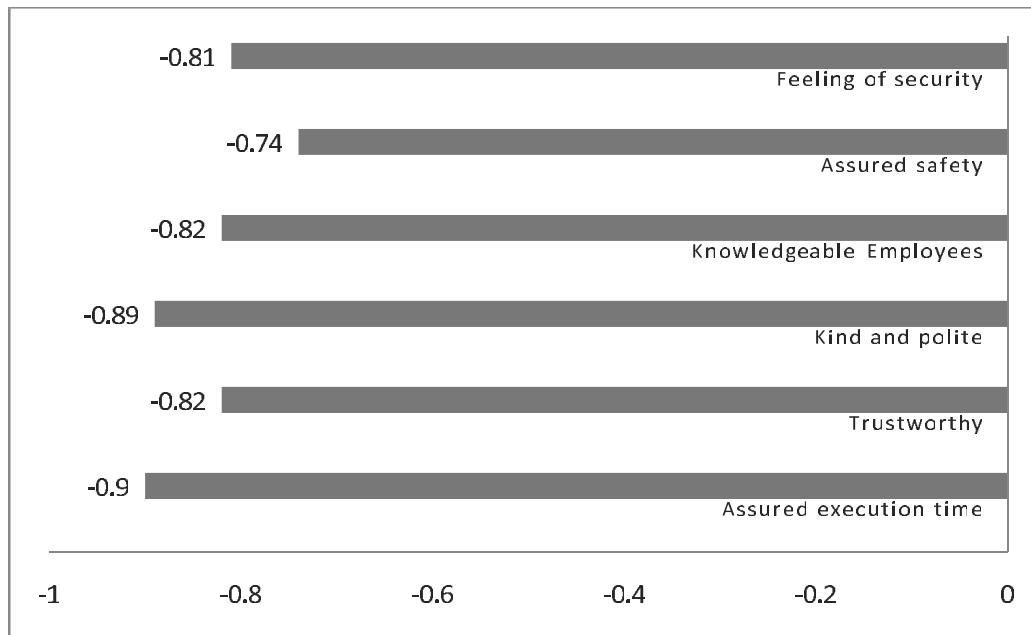
The average mean gap score for “Responsiveness” was found to be -0.957. The parameters like finding errors & eliminating them and the process waiting time in the banks take a major part in defining the dimension “responsiveness”. And customer support services and their quick response to customer queries also had to be taken care of to improve the service quality, irrespective

of the banks. Hence, it is very conditional that the banks take continuous efforts in “quickly locating and eliminating the errors”, however, customers’ “waiting time for availing the services” remains to be in the hands of the employees, provided all processes are carried out systematically.

#### Assurance

Various statements which measures perceptions and expectations of customers in respect to banks’ assurance of services were captured and the gap pertaining to each statement was analyzed. The following graph shows the gaps in each of the statement concerning assurance.

### Gaps on various statements pertaining to Assurance in Banking services



The above graph captures the servqual gap score of customer service quality on Assurance dimension. It is observed that assured execution time is high (-0.9), followed by kind and politeness of the employees (-0.89), trustworthiness (-0.82), knowledge of the employees (-0.82), feeling secured (-0.81) and safety assurance (-0.74).

#### Interpretation

The average mean gap score for the dimension "Assurance" was found to be -0.831. It can be observed that the process execution time and kind & politeness of the employees are noticeable factors contributing to the average "Assurance" gap. The other parameters like "knowledge of the employees in the operations",

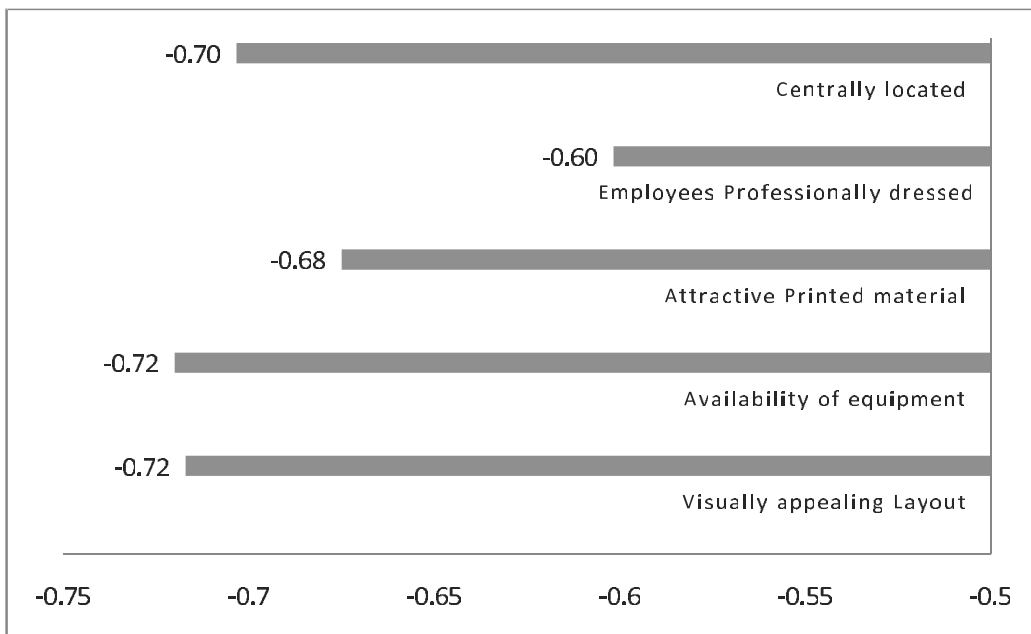
"trustworthiness of the employees", "feeling of security on the bank" and "safety assured by the banks" have comparatively lesser gaps than the above mentioned.

Hence, it advisable that all the banks concentrate on working within the promised process execution time and also improves the employee's soft skills.

#### Tangibility

Various statements which measures perceptions and expectations of customers in respect to banks tangibility of services were captured and the gap pertaining to each statement was analyzed. The following graph shows the gaps in each of the statement concerning tangibility.

**Gaps on various statements pertaining to Tangibility of Banking services**



The above graph captures the gap score of customer service quality on tangibility parameter. It is observed that visually appealing layout of the bank and the availability of necessary equipment has a high gap score of (-0.72), followed by central location of the bank (-0.70), the availability of attractive printed materials (-0.67) and the employees professional dressing manner (-0.60).

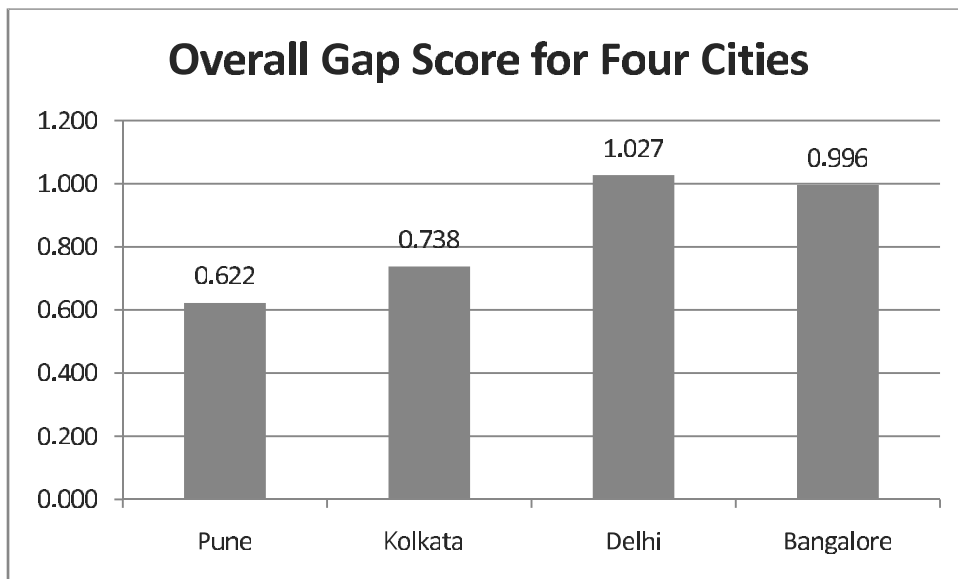
**Interpretation**

The average servqual gap score for the dimension

“Tangibility” was found to be -0.684, which shows very obvious that the “availability of the necessary equipments” and “the visual appealing layout of the banks” needs to be considered for further improvements, so that Banks will be more appraised by the customers.

**7.2A Comparison of Servqual Gaps in Four Cities in India**

The service quality gaps were compared across the following four cities Delhi, Kolkata, Pune and Bangalore.





The above graph captures the servqual gap score of cities on overall gap dimensions. We observed that gap is higher in Delhi (1.027), followed by Bangalore (0.996), Kolkata (0.738) and Pune (0.622).

Interpretation:

It could be clearly interpreted that smaller city like Pune has the lesser gap compare to other cities like Bangalore, Delhi and Kolkata. The observation infers that the metro cities have much service quality gap than the tier 1 & 2 cities. It's quite shocking that the metros lag behind in delivering quality service to the customers than the smaller cities. The banks in metros need to improve on the quality of the services.

**Hypothesis Testing for Equality of Mean Servqual Gap in Pune, Kolkata, Delhi and Bangalore**

H0: The mean servqual gap is same in Delhi, Kolkata, Pune and Bangalore.

H1: The mean servqual gap is not same in any two places.

**ANOVA**  
**Overall Servqual Gap between four cities**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.789	3	5.930	13.490	.000
Within Groups	261.972	596	.440		
Total	279.761	599			

The hypothesis H0 is rejected since p value is 0.000

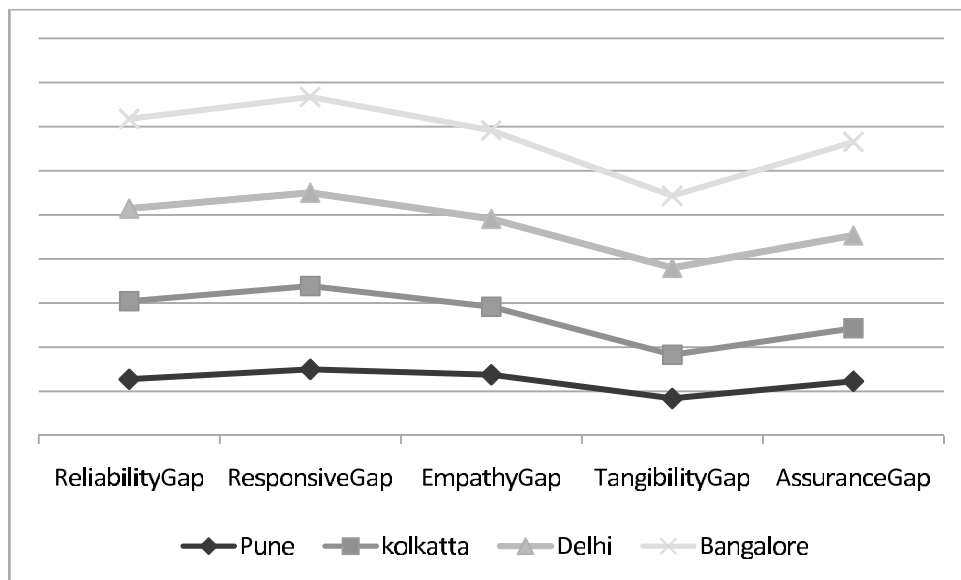
The mean servqual gap is not same in any two cities. There is significant difference in the mean servqual gap across the cities Pune, Kolkata, Delhi and Bangalore. Further, the equality in mean overall gap in two cities taken together is tested and the following table gives the p values for the test.

**MULTIPLE COMPARISONS**  
**Servqual Gaps against Cities**

		Sig.
<b>Pune</b>	Kolkata	.429
	Delhi	.000
	Bangalore	.000
<b>Kolkata</b>	Pune	.429
	Delhi	.001
	Bangalore	.007
<b>Delhi</b>	Pune	.000
	Kolkata	.001
	Bangalore	.997
<b>Bangalore</b>	Pune	.000
	Kolkata	.007
	Delhi	.977

There is no significant difference in mean servqual gap between Pune and Kolkata, between Bangalore and Delhi. The servqual gap score varies significantly between Pune and Delhi, between Pune and Bangalore, between Kolkata and Delhi, between Kolkata and Bangalore.

**Servqual Gaps in Four Cities for Various Servqual Dimensions**



The above graph captures the servqual gap score of cities on different dimensions. It can be observed that in Pune, responsive gap is highest followed by empathy gap, reliability, assurance and tangibility. In Kolkata responsive gap is highest followed by reliability gap, empathy gap, assurance gap and tangibility gap. In Delhi responsive gap is highest followed by assurance gap, reliability gap, empathy gap and tangibility gap. In Bangalore responsive gap is highest followed by assurance gap, reliability gap, empathy gap and tangibility gap.

**Interpretation:**

It is very implicit from the graph that the gap in the various dimensions does not vary much with the cities. The curve is more alike for all the cities under consideration for the study. We can also interpret that all banks, irrespective of the cities have to be more responsive in servicing the customers. The other actions like being empathetic, reliable and providing service assurance to the customers do have a same line of variance with the cities.

**Table showing the Servqual gaps dimension wise for four cities in India**

City name	Pune	Kolkata	Delhi	Bangalore
Reliability Gap	0.638	0.884	1.048	1.016
Responsive Gap	0.750	0.943	1.056	1.085
Empathy Gap	0.689	0.770	0.995	1.003
Tangibility Gap	0.420	0.494	0.985	0.816
Assurance Gap	0.615	0.599	1.053	1.059
Gap score	0.622	0.738	1.027	0.996

Reliability gap is highest Delhi and lowest in Pune.

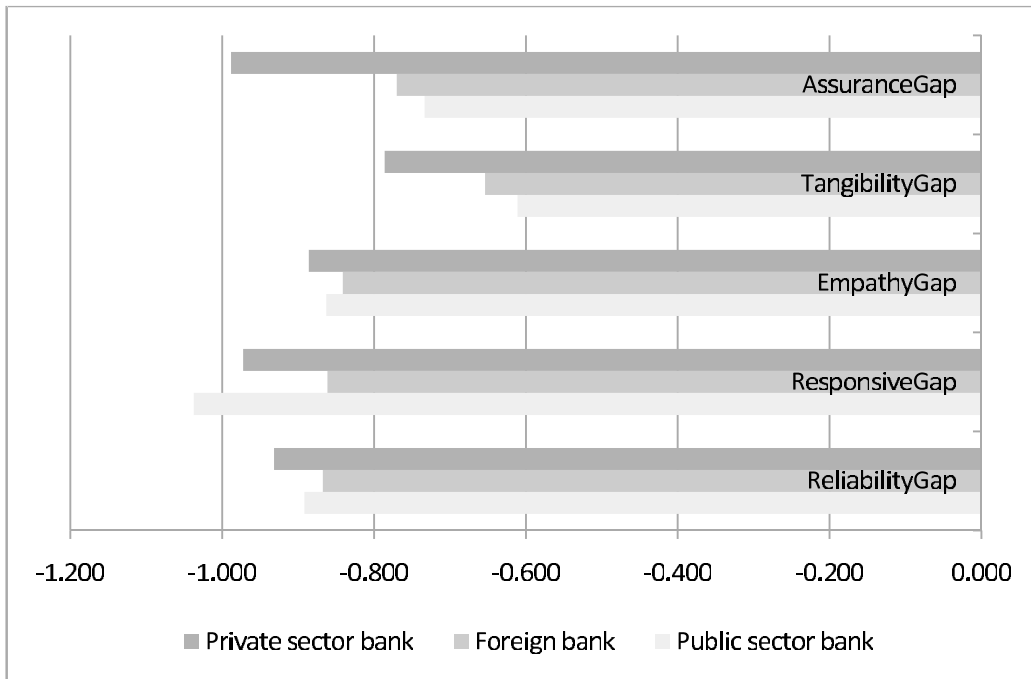
Responsive gap and Empathy gap is more in Bangalore and lowest in Pune.

Tangibility gap is highest in Delhi and lowest in Pune.

Assurance gap is highest in Bangalore and lowest in Pune.

So it is very obvious that service quality gap exist the highest with a metro like Delhi and lowest in a small city like Pune. Hence, it is very crucial that the banks in metro cities concentrate on the gap and enhance their service quality to meet the customer expectations.

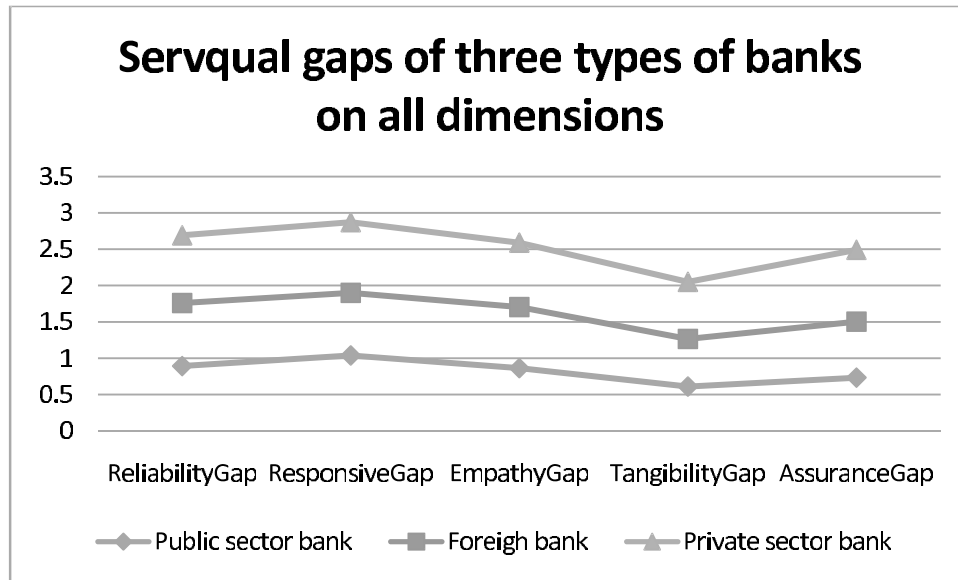
**7.3 Comparison of Servqual Gaps based on different Types of Banks**



The above graph captures the servqual gap score of Banks on different gap parameters. We observed that in Private sector banks, assurance gap is highest followed by responsive gap, reliability, empathy and tangibility gap. In foreign banks, reliability gap is highest

followed by responsive gap, empathy gap, assurance gap and tangibility gap. In Public sector banks, assurance gap is highest followed by responsive gap, reliability gap, empathy gap and tangibility gap.

Comparison of servqual gaps of three types of banks



The above graph shows the comparison of the servqual gaps of the three types of bank.

We can find that the graph is almost similar for all three types of banks. Tangibility gap is lowest and responsiveness gap is highest in all the type of banks. And also we find that the curve is much favorable for the public sector banks having not much difference in the servqual gap scores on different dimensions.

**Hypothesis Testing to conclude if there is Significant difference between the Servqual Gaps of Public Sector, Private Sector and Foreign Banks**

H0: The servqual gap is same in private, public sector and foreign banks.

H1: The servqual gap is not same in any two types of banks.

**ANOVA**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.412	2	.706	1.514	.221
Within Groups	278.350	597	.406		
Total	279.761	599			

The hypothesis H0 is not rejected since p value is 0.221

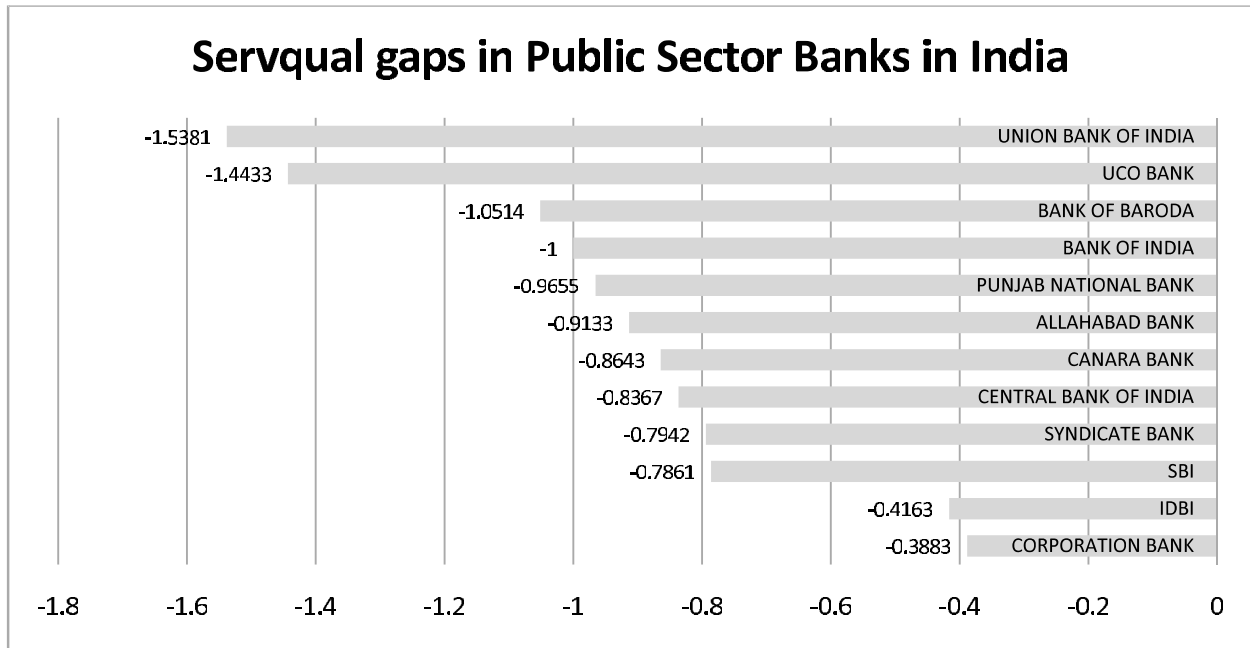
From above table we can conclude that the servqual overall gap is same in private, public sector and foreign banks, which means there is no significant difference in the gap across three types of banks.

Similarly using ANOVA, hypothesis was tested if the gap scores of individual dimensions varied from one another. The following table shows the F Statistic and the P Value for all the dimensions.

	F statistic	P Value
Reliability	0.343	0.710
Responsiveness	2.132	0.119
Empathy	0.156	0.856
Tangibility	2.453	0.087
Assurance	2.132	0.119

The above table shows that at significance level of 5% there is no difference between the gap values of the parameters across the three types of banks. At 10% significance level tangibility differs between the three types of banks.

7.4 Servqual Gaps in Various Banks Compared



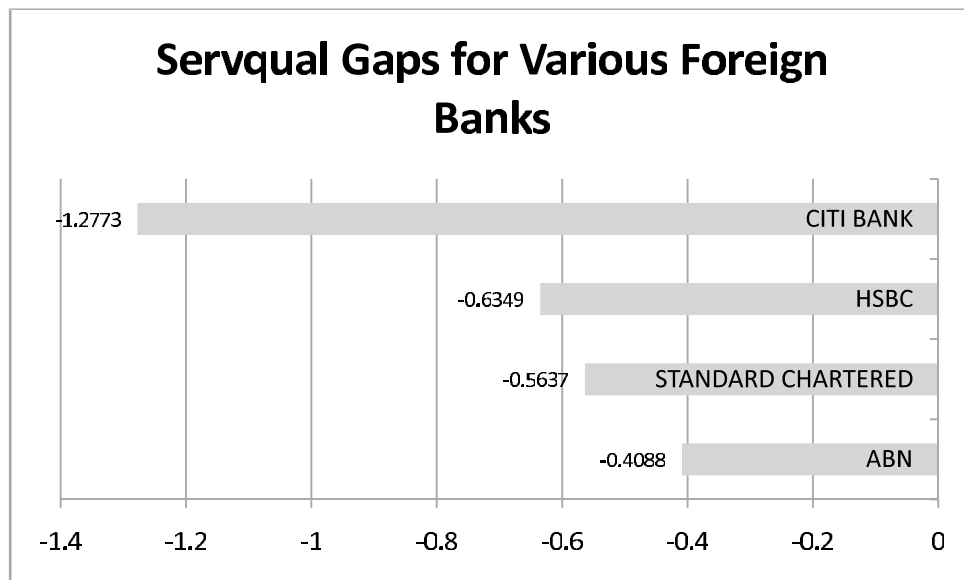
The above graph shows the servqual gap scores obtained by each bank under the study in the category of Public Sector Banks.

**Interpretation**

Among 12 public sector banks under study Union Bank of India has the highest servqual gap score of -1.5381,

and Corporation Bank has the least servqual gap score of -0.3883.

It's very apparent that the public sector banks, has a lot many areas for improvement in the near future. It should be taken as a serious concern and worked upon, so that they could match the other sector banks service quality, especially win back the trust factor associated with the customers.

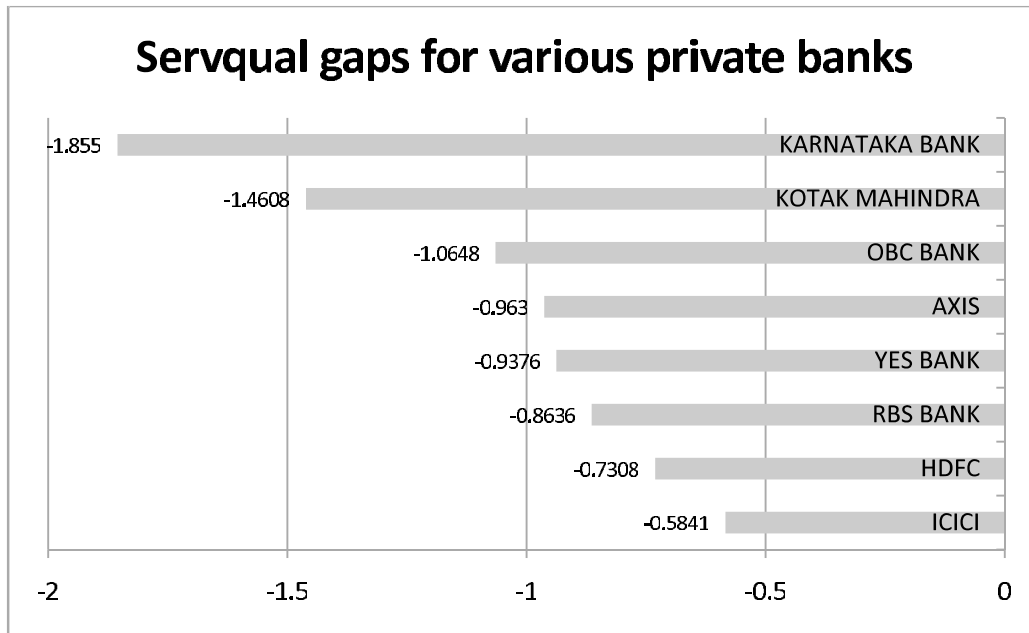


The above graph shows the servqual gap scores obtained by each bank under the study in the category of Foreign Banks.

**Interpretation:**

Among the four foreign banks under the study, Citibank has the highest gap score of -1.2773, and ABN has the least score of -0.4088, with Standard Chartered and

HSBC scoring in between with -0.5637 and -0.6349 respectively. Though foreign banks are known for their premium service quality, there are banks with greater gaps as same as the banks under other categories in India. It's very necessary that the foreign banks concentrate on the service quality as there will always be greater expectations from the customers.



The above graph shows the gap scores obtained by each bank under the study in the category of Private Banks.

**Interpretation**

Among the eight private banks under study, Karnataka Bank has the highest Servqual gap score of -1.855, and ICICI has the least score of -0.5841, with OBC Bank, AXIS Bank, YES Bank, RBS Bank & HDFC Bank scoring in between.

The servqual gap scores of the banks under private sector is comparatively higher than the gap scores of the Banks under the Foreign bank sector in India. It's advisable that the private banks should focus more on the service quality in order to keep up with the foreign banks and also to retain their existing customers.

# Bankers' Perception of Customer Service Quality

The expectations and perceptions of the customers were brought out in the previous chapter. There is likeliness that the Bankers' perception about the quality of services delivered to the customers would be different from that of the customers.

Data collected from the Bank employees of 30 different banks and their perceptions on various parameters have been summarized and presented in the following paragraphs:

## 8.1 Rendering services as promised to its customers

### Public Sector Banks

Bankers perceive that services are highly credible, customers prefer to open new accounts, Customers have a confidence in the bank, the promises made by the Banks have been met to a larger extent. Most bankers feel that the Public Sector banks provide world class services to its customers. They offer better product & service portfolio to their customers in order to create a big credibility. They also feel that the Public Sector banks perform to a higher degree compared with other

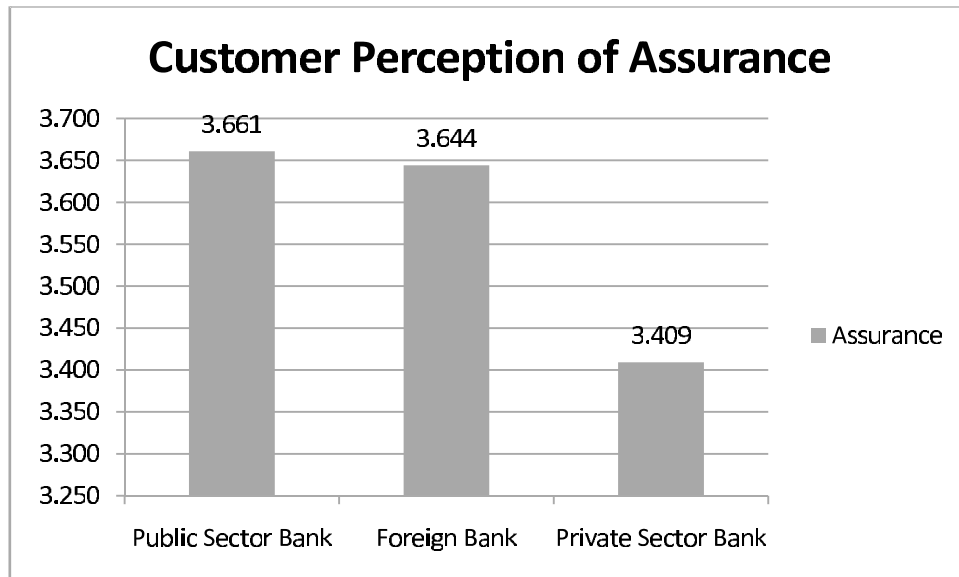
banks. Bankers also say that they have incorporated information technology in their day-to-day operations to provide services. A few say that the time management is efficiently practiced in their banks

### Foreign Banks

Majority of the bankers feel that foreign banks are delivering services to the customers as promised. Foreign banks also believe that they work in a disciplined and prompt way. It is also to be noted that foreign banks serve HNI customers to a large extent in a very prompt way.

### Private Banks

Private Bankers revealed that they also provide services as promised in a well-disciplined manner. Interestingly, it can also be found that the bank employees are better equipped & trained for service delivery. Also it has been seen that no. of customer complaints have decreased gradually & banks are adding new customers on regular basis. Private banks perceive that they have good credibility factor similar to that of Public Sector banks.



The same parameter measured with customers reveal that private sector banks are rated low for all the parameters and foreign banks are rated high for all the parameters in reliability.

## 8.2 Providing reliable services

Provision of reliable service quality is necessary in meeting several requirements such as customer satisfaction and its consequent loyalty, attracting new

customers and to increase the market share and profitability. Hence, it is necessary to identify and prioritize the customers' expectations for reliable service and incorporate these expectations into a service process for improving quality.

### Public Sector Bank

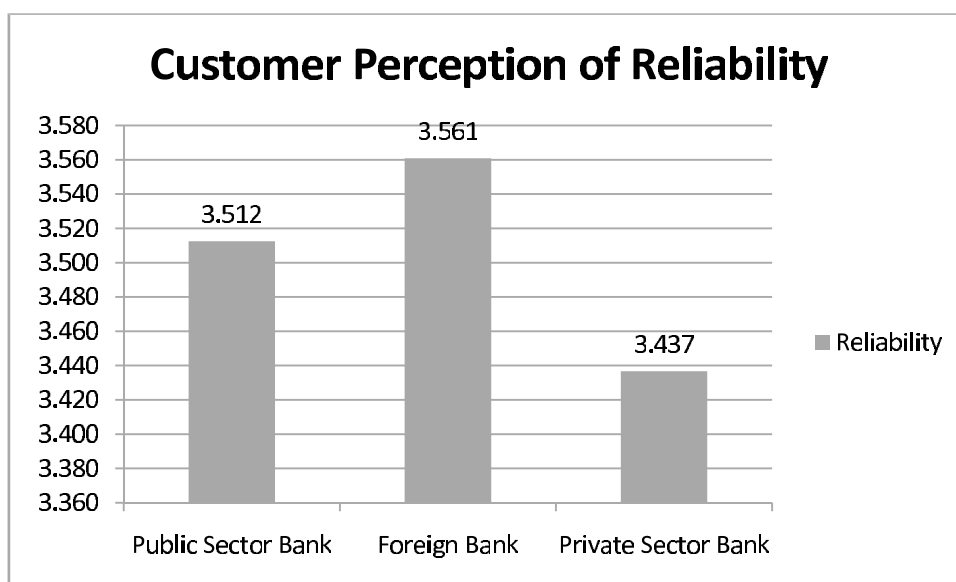
Bankers strongly feel that public sector banks are the most reliable in rendering banking services to its customers. They say, that customers are dependent on their services, void various demographics. A few bankers also feel that customers have shown greater confidence in Public Sector banks as more & more deposits are kept in the form of FDs & also usage of bank lockers. They also revealed that more pension transactions, simple interest funds, fixed deposits, money for jewel transactions happen consistently.

### Foreign Banks

Foreign bankers are very strong in saying that they were able to offer consistent, reliable services to its customers. A few bankers also said that they work punctually and regularly, which makes their services completely dependable for the customers. Foreign bankers also say that they provide customized services depending on the customers.

### Private Banks

Most Private bankers feel that they provide the most consistent services to their customers. They very strongly feel that customers are happy with services offered by their bank & have shown full confidence. A few private bankers also feel that their customers have a good opinion about their banks as they provide flexible education, home loans etc.



### 8.3 Employees willingness to help customers

The employee behavior towards the customers represents a big challenge till today. The employee interfacing the customers delivers the organization's products and services to customer and transmits customer feedback back to the organization. These relationships influence the employee and the banks in providing quality service to the customers.

#### Public Sector Banks

Majority of the interfacing employees very strongly feel that they try to understand and express their willingness to help the customers. They also revealed that the employees are eager to help the customers by

communicating in local languages. A few accepted that at times the employees lose control and they yell at the customers, depending on the situation.

#### Foreign Banks

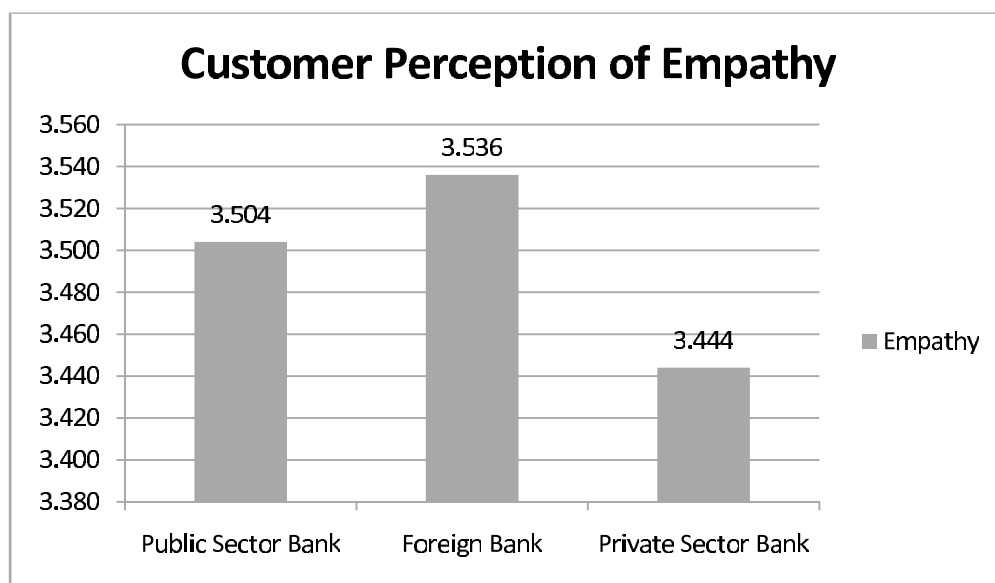
All the employees of the foreign banks are very sure in delivering a professional service to their customers. Majority of them say that they willingly help the customers and understand the customer requirements. A very few employees felt that there might be some problem in serving the customers in some tier 2 cities.

#### Private Banks

The survey data reveals that majority of the private banks identify customer needs and help them with

special interest. A few also say that they help customers in filling forms, giving information and other guidelines. Some banks say that they work under a very calm

environment without any pressure and hence, they easily understand the customer needs and help them accordingly.



#### 8.4 Employees being caring and providing individual attention to the customers

All the banks feel that their employees are very caring and give special attention to each customer. Some bankers feel that they are having very less number of employees, so they are not able to take care of individual customer. Some of Public Sector Banks feels that their employees provide individual attention to old age peoples, when they visit to collect their pensions or any other services. Some of Foreign Banks feels that their employees are very co-operating and caring towards all customers. Most of the Private Banks feels that they give special attention to every customer by basic services like filling up the application.

##### Public Sector Banks

Most of the Public Sector Banks feel that their employees are very caring in terms of any services towards the customers; they specially give more attention to the old age employees, but few banks reveal that in order to keep the reputation of the banks, they always take care of the customers, and some of the banks feel that they should have more employees to give individual attention to each customer.

##### Foreign Banks

Some of Foreign Banks feel that they are caring, co-operative and give individual attention to all customers.

Few banks reveal that they take customer as a burden and fulfil their requirement without any interest; in fact they do it as their daily duty. On the other hand, few other banks say that they concentrate only on premium account holder customers, and not on all customers.

##### Private Banks

Almost all the Private Banks feel very proud that they give individual attention and care to their customers. Most of the banks say that their employees give individual attention to every customer like opening an account, filling application forms etc.

#### 8.5 Employees knowledge about bank operations

Employee's expertise and knowledge on the bank operations holds a big hand in satisfying the customers in terms of service quality. All the banks say that their employees are well qualified and suitably chosen to serve the customers.

##### Public Sector Banks

Most of the Public Sector Banks reveal that they recruit only those candidates with a minimum degree qualification, which is a better way to understand the service quality. Few other banks also say that they give compulsory training to their employees, so that they treat the customers as their friend and convey them trust and confidence. A very few banks say that the



senior most persons in the role are not tech savvy, i.e. they are outdated and do not have much knowledge about customer relations.

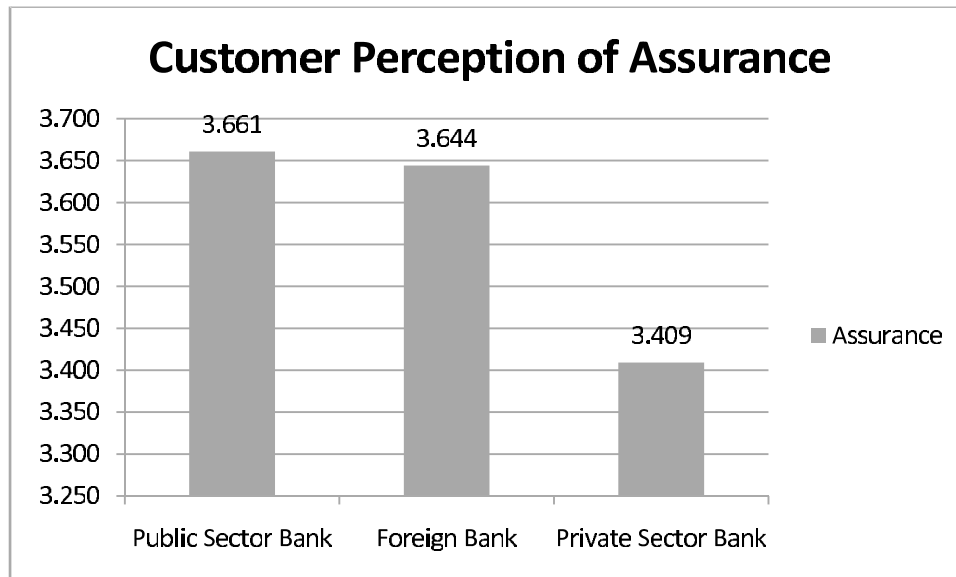
### Foreign Banks

Almost all the foreign banks say that their employees with master's degree have good inter-personal skills in order to deliver services to the end customers. Most of the banks have a structured orientation & training programme even for the experienced employees, so that they can handle the varied needs of customers. A few banks also say that their employees are knowledgeable on the basic operations of the banks,

which make them easy to convey trust and confidence to their customers.

### Private Banks

All the Private Banks under consideration reflect the same information as shared by the other Public Sector & foreign banks. Almost all the banks say that they have knowledgeable and qualified employees that would convey trust and confidence. Most banks say that they recruit candidates with master degrees from premium schools, in order to maintain a good pool of trained personnel. Private Banks also feel that their employees grasp things quickly and convey confidence and trust to their customers through the services.



### 8.6 Physical facilities of the bank and ambience

Most of the banks feel that they are having excellent physical facility and attractive ambience in their banks. In these two attributes, survey becomes very interesting, i.e, though all the public sector and private sector banks say that they have good ambience and facilities, they always compare themselves with foreign banks, because, they feel that the foreign banks always have excellent ambience and physical facilities and perceive that the standard of the foreign banks are always high.

#### Public Sector Banks

Majority of the public banks claimed that their appearance and ambience is attractive to the customers. They also say that customers like their cleaner environment and parking facilities. A very few public sector banks said that they do not have much attractive

ambience in their setup and they look less attractive compare to the foreign banks and need to improve on the infrastructure.

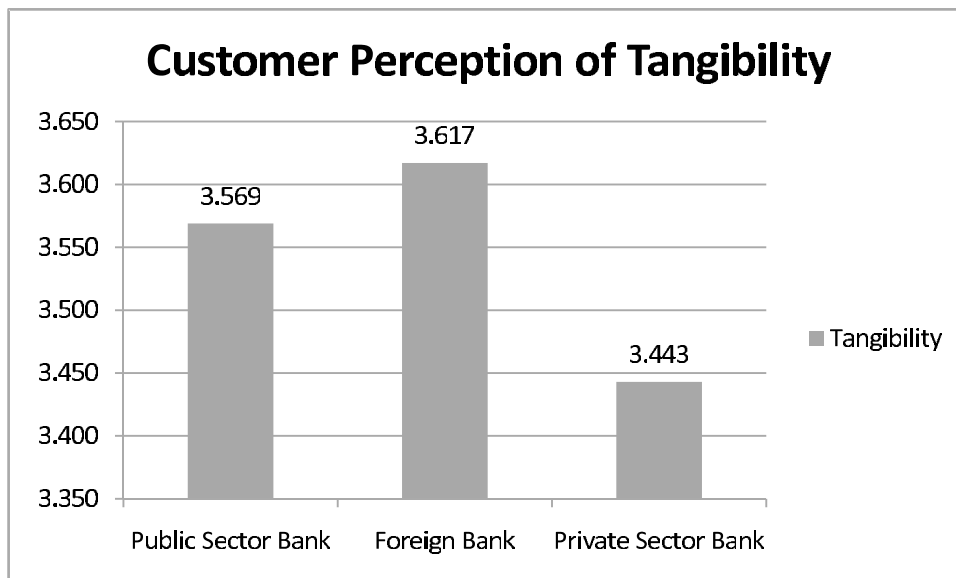
#### Foreign Banks

Majority of the foreign banks are very confident that they have an attractive aesthetics in their banks. They feel that their physical outlook is more exciting and inviting to the customers. Majority of the banks are much implicit about their interiors and other facilities.

#### Private Banks

To talk about the private banks, most of them are very sure about their physical appearance and ambience. Majority of them feel that their outlook is as good as foreign banks. The bankers also said that they have a very attractive and welcoming environment for their customers. A few also revealed that their banks were

built with proper planning for the purpose of serving customers.



**8.7 Dress and appearance of bank employees**

All the bankers feel that their employees are neatly dressed, well groomed to look professional.

Employees of the bank always wear formal dresses, which looks more professional in the Bank.

Most of the public sector bank employees dressed traditionally to look professional. In Foreign bank employees have dress code or uniform to maintain professionalism. In private sector bank, they feel that it is a basic requirement to wear formal dresses to look professionals.

**Public Sector Banks**

In public sector banks, they feel that they are very professional in terms of dresses and appearance.

They are always well dress and formal dresses to maintain professionalism. Some of the public sector banks feel that their employees wear traditional dresses and they have to get upgraded themselves with modern fashion.

**Foreign Banks**

In Foreign Banks, for professional look employees always wear suitable dresses. Some of the foreign

banks feel that they should have dress code or uniform for entire banking industry to maintain standard of the bank.

**Private Banks**

Most of Private Banks maintains formal dresses to look professional. Some private Bank are very strict about the employees dressing. They feel that it is the basic necessity for banking profession.

**8.8 Three things that customers should appreciate in bank**

Most of the banks feel that customers should appreciate about their employees, they are having skills to understand customers' problem and helping them with proper solutions. Banks feel that employees are very well organized and very knowledgeable about the services. Private Banks feel that customer should appreciate about their online facility, customized services and security about customers account details, which is very trust worthy. On the other hand Foreign Banks feel that their interest rates, procedures of loans, responses given by our employees are appreciable as compared to other Banks.

### What customers should appreciate in the bank (Bankers version)?

Public Sector Banks	Foreign Banks	Private Sector Banks
Honest, disciplined and trust worthy employees	Trained employees	Friendly employees
Reasonable Interest rates	Bank performance	Reasonable Interest rates
Employee patience and understanding levels	Simple Bank procedures	Simplified loan procedures

#### Public Sector Bank

In Public Sector Banks, employees are honest, disciplined and trust worthy. They feel that their interest rate on loan is reasonable; there is no hidden cost involved, employee's patience level and employees understanding level towards customers are very high.

#### Foreign Banks

In Foreign Banks, they feel that they are having trained employees, their banks' performance and bank procedure is very simple and hence, deserves appreciation. They are having variety and choice in services, accessibility and accountability.

#### Private Sector Banks

Private Banks feel that their employees are friendly and they are ready to help to the customers any point of time, which is very appreciable. They feel that their interest rates are reasonable, loan procedure is simple and banks rules are not very stringent.

### 8.9 Top three challenges faced to deliver services as expected by customers

Be it Public Sector, Foreign or Private Banks, "Quick service" comes first and remains as a major challenge. "Customer's attitude" towards the bankers is another considerable deal for the banks. Banking customers expect the services to be fast and prompt, which many a time does not happen with the banks and the "customer's patience" level goes down. "Customer's attitude" towards the bankers revamps at this point of time. Bankers also have a feel like; there is a lack of time while providing a particular service to the customers. Another main issue is the "language of communication" between the customers and the bankers. Most of them have sensed that they need "customer's co-operation" for effective service in any bank.

### What are the challenges faced by Banks (Bankers version)?

Public Sector Banks	Foreign Banks	Private Banks
Quick service	High expectations of customers	Quick service
Handling customers' attitude	Non-recovery of loans	Making customers understand rules and regulations
Communication with customers	Maintaining rapport and communication with customers	Convincing customers in loan sanctioning and loan recovery

#### Public Sector Banks

Most of the Public Sector Banks feel that they face a big challenge in providing "quick service" to the customers. And the customer's attitude changes and is very difficult to handle. Customers get irritated when there is no quality response and quick service. Banks find hardships while communicating with the customers, as there is a language gap. These banks need to be efficiently trained on a common platform for effective communication.

#### Foreign Banks

When we talk about the Foreign Banks, it's very prominent that the customers have a very high expectation from the bankers. Most bankers feel that recovering loans from the customers is a big challenge. And the bankers need to maintain good rapport with the consumers and have effective communication. Also they say, when it comes to quick service and customer friendliness, foreign banks have a less pressure comparatively, because they are well based on providing quick service and customer friendly environment.

#### Private Banks

Private Banks find difficulties in delivering Quick Service. They also say that it is very difficult to make customers understand the rules and regulations about the bank without any confusion. Customers lose their patience when they are not given quick response and service. A few other bankers also feel that convincing customers for loan sanctioning and loan collecting is another big deal.

### 8.10 Bankers' suggestions to improve the Bank services

Most bankers from different banks suggested that there should be more recruitment of staff. They require more

employees, especially young energetic staff to work. Most of the Public Sector Banks and a few Private Banks also suggested having more technical advancements in the infrastructure. Employees should be trained on technical aspects and behavioral aspects, so that they can provide quick and efficient services to the customers. Bankers also felt that they should have more presence across the nation, to deliver uniform quality service to the customers. Along with the national level presence, they also felt that the banks need employees with local language skills. Most of the foreign banks and a few private banks have no suggestions to improve, as they feel that they have a very well defined quality service.

**What needs to be done to improve Bank Services (Bankers Version)?**

Public Sector Banks	Foreign Banks	Private Banks
Increase staff	Training in customer relations	Recruit local employees
Technological improvements	Focus on all segments of customers	Set up branches in rural areas
Young and skilled staff	Increase number of Branches	Improve technology and infrastructure

**Public Sector Banks**

In Public sector banks there is shortage of staffs. So recruitment should be done. Technically they need more improvement and also required younger skilled staffs to work.

**Foreign Banks**

Foreign Banks employees should be trained on maintaining cordial relation with every customer. Some Foreign banks are focusing only on higher class customers; they should also concentrate on upper middle class. Increase in number of branches is suggested by some bankers.

**Private Banks**

Some Private Banks feel that they need employees who know local language in that region. They should have branches all over India (including urban and rural area). Some Private Banks need to improve on technology and infrastructure.

## Findings, Suggestions and Conclusion

### 9.1 Findings on Service quality Rating compared with Respondents' profile

- ◆ The satisfaction level of customers in the age group of more than 65 years is highest with the mean score of 3.83 and the lowest satisfaction is of those customers who belonged to the age group less than 25 years.
- ◆ The satisfaction level of customers in respect to service quality was rated higher by female customers as compared with male customers.
- ◆ There is considerable variation observed in the ratings given by customers belonging to various occupational groups.
- ◆ Homemakers respondents who were the least number, expressed least satisfaction of the customer service quality of Banks. Business class has given a high rating to the quality of Banking services.
- ◆ Banks focus more on the high net-worth individuals and business classes Hence satisfaction of high income group and business class have expressed high levels of satisfaction.
- ◆ A significant observation is that customers with income of more than Rs. 15 lakhs have expressed a very high level of satisfaction in respect to the services of Bank.
- ◆ Respondents with incomes of Rs. 10 to 15 lakhs and Rs. 2.5 to 4 lakhs have a satisfaction score higher than the average mean score. The lowest rating is given by the customers with income less than Rs. 1 lakh income.
- ◆ The mean satisfaction score in Delhi is highest. The three cities Delhi, Bangalore and Kolkata have means above the average. Pune reveals a score which is less than the average.
- ◆ High degree of standardization of services by Banks in India are found as the service quality rating has very less variation from one bank to another.
- ◆ Canara Bank, a public sector bank is rated highest amongst all the banks under study. Foreign Banks

like Citi Bank and ABN AMRO have also gained good credit from its customers with mean satisfaction score like 4.12 and 4.07. The least score is of Union Bank of India.

- ◆ The customer service quality rating has been very high in case of private banks and low in case of public sector banks.
- ◆ Higher the duration of the account held by customers, higher is the satisfaction. Customer service quality is rated high by those customers who have held the account for more than 15 years, whereas, those who have held for 4-8 years have given a score of 3.57.
- ◆ Customer service quality rating varies with categorical variables like employment, income, city, name of the bank, type of bank and the type of account. However, customer service quality rating doesn't vary with age, gender and duration of account.

### 9.2 Findings from customer perception of various dimensions

Foreign Banks are rated high by the customers in all the service quality dimensions. Public sector banks have been rated second in all parameters except that of Responsiveness and private banks stands the last in all the parameters.

#### Reliability

Online reliability has been highly rated by the customers irrespective of the type of bank. The least rated parameter is quickness and promptness in handling the services, this rating holds good for all the types of banks. Another observation is that private sector banks are rated low for all the parameters and foreign banks are rated high for all the parameters in reliability.

#### Empathy

Bank employees' nature of willing to help customers is rated high in case of foreign banks, while showing sincere concern in solving customer problems related to bank operations remains the least in the case of public sector banks.

### Responsiveness

Customer support services provided by the banks remain the highest responsiveness dimension. With respect to waiting time for the services, private banks holds the first place followed by foreign and public sector banks.

### Assurance

Public sector banks are rated high for the knowledgeable employees held within, while the assurance for the process execution time is least rated in case of private sector banks. Public sector banks show more credits towards the assurance factor compared to the foreign and private banks.

### Tangibility

Central location of the banks and employees professional way of dressing is considered to be the top scorer in terms of Tangibility parameters.

Visual appearances of public sector banks rank highest, while both the private and foreign banks are considered at the next with same level scores.

### Findings from Servqual gaps

- ◆ Responsive gap is highest followed by reliability gap, empathy gap, assurance gap and tangibility gap respectively.
- ◆ Irrespective of the type of banks, the gap between the customers' expectations and perceptions on the responsiveness dimension (Customer support, less waiting time, Ease of location and quick response) is the highest.
- ◆ There is significant difference in the mean servqual gap across the cities Pune, Kolkata, Delhi and Bangalore.
- ◆ The dimensional servqual gaps exhibits a similar pattern for all the cities under study.
- ◆ Service quality gap exist the highest with a metro like Delhi and lowest in a small city like Pune.
- ◆ In Private sector and public sector banks assurance gap is highest, In foreign banks reliability gap is highest.
- ◆ There is no significant difference in the gap across three types of banks.
- ◆ At 10% significance level Tangibility differs between the three types of Banks.
- ◆ Among the foreign banks under study, Citi Bank has the highest servqual gap, and ABN has the least servqual gap score.

- ◆ Among the private banks under study, Kotak Mahindra has the highest servqual gap and ICICI has the least servqual gap score.
- ◆ Among public sector banks Union Bank of India has the highest servqual gap score and Corporation Bank has the least servqual gap score.

### 9.3 Findings from Banker's Perception on Service Quality

- ◆ All the three types of banks public, private and foreign banks perceive that they are good in all the five dimensions of service quality namely reliability, empathy, responsiveness, tangibility and assurance

#### ◆ Three things customers should appreciate in bank

In Public sector banks, honest, disciplined and trustworthy employees, reasonable interest rates, high employee understanding levels are the three things that was highlighted.

In Foreign banks, trained employees, better bank performance and simplified procedure are the three things that needs appreciation according to bankers

In Private Banks, friendly employees, reasonable interest rates and simple loan procedure are the three top things that need appreciation by customers.

#### ◆ Top three challenges faced to deliver services as expected by customers

Public sector banks face big challenge in providing Quick Service, handling customer attitude and difficulty in communicating with customers.

- ◆ Foreign banks face challenges with regards to high expectations of customers, Non-Recovery of loans and maintaining rapport and communication with customers.

- ◆ Private sector banks face challenges in Quick Service, making customers understand rules and regulations, and convincing customers in loan sanctioning and Recovery of loans.

#### ◆ Suggestions to improve the Bank services according to Bankers

Public sector banks suggest: increase human resources, hire skilled and young staff, and bringing technological improvements

- ◆ Foreign bank employees suggest: train employees on interpersonal relationships, focus on other classes of society than focusing only on HNI customers and increase the number of Branches
- ◆ Private sector bank employees suggest: Recruit employees who are well versed in local language, Increase number of branch nation-wide including rural areas, Improvement in technology and infrastructure.

#### 9.4 Suggestions

1. The expectations of the customers are on the increase, especially those customers who belong to generation Y. Hence banks have to revisit their traditional practices and adapt themselves to satisfy the needs of the young customers.

2. Banks are focusing more on High net worth individuals, and business classes, the other customer segments have been ignored to a very great extent, reflecting low satisfaction scores from the latter. A conscious effort is needed to work on all the segments and, make every segment profitable.

3. Metro cities satisfaction scores were high but when we look at individual servqual gaps, the gaps are also high and significant. This shows that there is a need for the bank branches in metros to work on details rather than focusing on the big picture.

4. Whereas in an upcoming city like Pune, though the satisfaction levels are not so high, the gaps are minimal, branches in such cities will have to work on bigger things which can impress the customers apart from the personal relationship that they establish.

5. Public sector banks, reliability is high whereas, low on tangibility. Foreign banks reliability is high. Private banks assurance gap is high. Hence, Private and Public sector banks have to focus on assurance, whereas Foreign banks have to work on reliability.

6. Professionalism not only speaks about the way of doing things, but also takes into account , the way you present yourself as a part of the organization. To maintain a standard, it is very essential that the bank follows a dress code with its employees.

#### 9.5 Conclusion

Banking sector today has a compelling demand for improvement, to survive the substantial competition in today's scenario.

1. Public sector banks are always known for the trust, they have developed with the customers and for their existence in the society for a very long period of time. Hence, it is suggested that the public sector banks keep the trust factor and improve on the other aspects of service quality.
2. Also it is advisable that the public sector banks associate more with the technology and good infrastructure facilities to provide timely and efficient service to the customers.
3. The customer needs grow with no limits, and it is very much evident from the various service offerings by the other banks day to day. Not just to rebel the competition with the private and the foreign banks, but also to retain the existing customers, it is very necessary that the public sector banks take a charge on this.
4. Foreign Banks try to concentrate on high net worth individuals in the society. It is eloquent that they concentrate on all levels of customers, which would give them larger customer pool.
5. Foreign banks are well known in the society for their well of infrastructure and the updated technology they use. And it apparently reflects a high level of expectation from the customers. Hence it is imperative that the foreign banks keep themselves ahead in all the aspects, concentrating on service quality.
6. Irrespective of the banks, employees who interface the customers directly, are ought to be very empathetic and should be able to understand the customer needs and requirements. Training the human resource in this regards would help the banks retain their customers and also attract more.
7. Customer relationship is one another aspect the banks need to be given par importance. Managing customer relation efficiently is an advantage that the banks should concentrate to win the situation.
8. The banks should focus on pooling and retention of customers. Large database would create a trust and reliability culture which would bring in more and more customers.
9. Addressing to the individual customer needs is one crucial aspect to be considered, as the customer would find himself as a part of the

organization. This would build a good relationship between the bank and the customer.

10. Publicizing the bank in the right area adds value to the brand. Foreign banks utilize the proper media resource for promoting their services. It's very important that both the public and the private sector banks come forward and use the same to a greater extent.

11. Efficient and knowledgeable employees are always a big boon for any organization. Employees should be trained on technical and behavioral aspects, so that banks can deliver quick and prompt services.

12. Establishing branches in every possible area would be a better way to progress. This would really help banks to create more accounts and give more reach to the banks.



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