INTRODUCTION

The study aims to establish the importance of service quality and the factors contributing to this. The study will find out the difference between different types of banks with regard to service quality. It will study the quality as a whole and understands where the banks are with respect to adhering to the quality standards and how this will translate to retaining customers in the long run. The outcome of the study will help the management to understand the needs of customers better, to redesign the service and to train the employees to improve the efficiency. The study will also attempt to suggest the use of tools like service blueprinting.

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it. There are a number of different "definitions" as to what is meant by service quality. One that is commonly used defines service quality as the extent to which a service meets customers’ needs or expectations. Service quality can thus be defined as the difference between customer expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs. The common model used is GAP model of service quality. This model offers an integrated view of the consumer-company relationship. It is based on substantial research amongst a number of service providers. In this case expected service is a function of word of mouth communication, personal need and past experience, and perceived service is a product of service delivery and external communications to consumers.

The Indian banking has seen momentous changes in the post independence era. Various reform measures, both qualitative and quantitative, were introduced with to give necessary impetus to this industry. Every aspect of the functioning of the Indian banking industry like customer service, resource mobilization,
credit management, asset-liability management, investments etc. Several innovative IT-based services such as Automated Teller Machines (ATMs), electronic fund transfer (EFT), anywhere-anytime banking, smart cards, internet banking etc. are no longer alien concepts to Indian banking customers (Rawani and Gupta, 2000). The customer, in future, will continue to demand new and better products, will switch to new providers quickly and will find information easily. The key to success in the changed environment will be one's ability to reach the client at his doorsteps, and providing products and services in a customized manner. Thus, with these changes customers' expectations and perceptions of service quality are bound to change. To compete, successfully, with each other, banks are using different marketing strategies to live up to the customers expectations and stay ahead in the league. Banks have focused to develop strategies to differentiate themselves from their competitors and providing their customers with high quality banking services and highly technology innovative products. It is within this rapidly changing environment that service quality and customer satisfaction is compelling the attention of all banking institutions (Angur et al., 1991). Banking institutions are acknowledging that unless customer needs are taken into account in designing and delivering services, technical superiority will not bring success (Zeithaml and Bitner, 1996). As argued in literature (Lewis et al., 1994; Gronroos, 1990; Zeithaml et al., 1990; Brown and Swartz, 1989), it is probably the effective measurement, management and improvement of service quality which will enable banking institutions to achieve a differential advantage over their competitors (Lewis, 1991). Service quality, therefore, has become a critical prerequisite for satisfying and retaining valued customers in banks (Taylor and Baker, 1994; Cronin and Taylor, 1992). Further, a satisfied customer is likely to be a loyal customer who will give repeating business to the bank (Heskett et al., 1997). More importantly, the cost of retaining existing customers by improving product and services is perceived to be significantly lower than the cost of winning new customers. Because of the importance of the service quality and customer satisfaction as a route to competitive advantage and corporate
profitability in banking, it has become difficult to identify a single bank which has not initiated some kind of service quality improvement drive (Newmann, 2001; Soteriou and Stavrinides, 2000). Also, a clear and detailed understanding of the demands of the various market segments is essential to successfully target new markets and to maintain a repeat customer base (Yoon and Yuksel, 2003).

Due to severe competition banks nowadays have to excel in their service and that demands commitment from all. In today's highly competitive environment, banks are increasingly realizing the need to focus on service quality as a measure to improve their competitive position. Customer based determinants and perceptions of service quality, therefore, play an important role when choosing a bank.

There have been a number of studies of retail bank service quality. Most of these studies have measured service quality by replicating or adapting the SERVQUAL model (Aldlaigan and Buttle, 2002). Moreover, there are number of studies that have provided critical analysis and assessment of SERVQUAL (e.g. Newman, 2001; Buttle, 1996; and Cronin, and Taylor 1994). However, in the service quality literature, the most prominent studies that have attempted to measure the quality of service are the studies reported by Parasuraman et al. (1988), Cronin, and Taylor (1992).

**SERVICE QUALITY AND SATISFACTION**

Service quality is both directly and indirectly related to bank loyalty via satisfaction (Ting, 2006; Jamal and Naser, 2003. It has also been described as a process and the most widely adopted of process theories is that of expectancy disconfirmation in which satisfaction is viewed as largely based on meeting or exceeding expectations. Researchers, such as Cronin and Taylor (1992) recognised that customer service satisfaction occurs at various levels in an organisation, including satisfaction with a contact person or front
office staff (service encounter), satisfaction with the core service and overall satisfaction with an organisation.

While there is little direct evidence as to the link between service quality and better company performance, company-level data suggests a link between higher quality, higher market share and improved profitability (Greenland et al., 2005).

**SERVQUAL (gap model)**

Parasuraman, Ziemhml and Berry revealed that the model uses a set of five dimensions (reliability, responsiveness, assurance, empathy, and tangibles. Parasuraman et al. (1985, 1988, 1990, 1991, 1993, and 1994) identified each dimension as follows: Reliability is the ability to perform the promised service, with dependability and accuracy. Responsiveness is the willingness to help customers and provide prompt service. Competence, access, courtesy, and communication is the knowledge and courtesy of employees and their ability to convey trust and confidence. It also includes verbal and written communication between bank staff and customers. Credibility, security, understanding and knowing customers are all called empathy. Empathy is customer care and giving individualized attention to the customers. Tangibles refer to mean the appearance of physical facilities, equipment, personnel, and communication materials.

The SERVQUAL model identifies opportunities for quality failure, called “gaps”, namely the inconsistency between the external customer’s perceptions and expectation

The 6 major gaps are presented below:

- **Gap 1: Customers’ expectations versus management perceptions:** as a result of the lack of a marketing research orientation, inadequate upward communication and too many layers of management.

- **Gap 2: Management perceptions versus service specifications:** as a result of inadequate commitment to service quality, a perception of unfeasibility, inadequate task standardization and an absence of goal setting.
· **Gap 3: Service specifications versus service delivery:** as a result of role ambiguity and conflict, poor employee-job fit and poor technology-job fit, inappropriate supervisory control systems, lack of perceived control and lack of teamwork.

· **Gap 4: Service delivery versus external communication:** as a result of inadequate horizontal communications and propensity to over-promise.

· **Gap 5: The discrepancy between customer expectations and their perceptions of the service delivered:** as a result of the influences exerted from the customer side and the shortfalls (gaps) on the part of the service provider. In this case, customer expectations are influenced by the extent of personal needs, word of mouth recommendation and past service experiences.

· **Gap 6: The discrepancy between customer expectations and employees’ perceptions:** as a result of the differences in the understanding of customer expectations by front-line service providers. Service quality measurement scales are used for assessing the quality gaps. Cronin and Taylor (1992) designed another model called SERVPERF to measure service quality. SERVPERF is a one-scale measurement for measuring service quality performance. It eliminates the expectation on the twenty-two items and measures only performance on the original version of SERVQUAL. SERVPERF which directly captures customers’ performance perceptions in comparison to their expectations of the service encounter

Banking Service Quality is developed which deals exclusively with the perceived service quality with respect to banks. BSQ (Banking service quality) model takes into account the following factors like Effectiveness and assurance, Access of service, Price, Tangibles, Services portfolio and Reliability

For the study BSQ model is taken