1. INTRODUCTION TO THE TOPIC

“Quality is the lifeblood that brings increased patronage, competitive advantage and long term profitability”

Service quality is: Customers thinking they're getting better service than expected.

There are a number of models which try to capture and define "Service Quality". They each have their strengths, and weaknesses. This is often referred to as the perception gap, i.e. the gap between what the customers expects and what they think they got. It's worth noting that both sides of the gap are in the customers mind. You may actually deliver better service then your competitors, but if the customer thinks that your service is worse then that's all that matters. Because the perception gap is based on the difference between what a customer expects to receive from a service and what they think they received both sides of the gap are "soft" – they are based on customer impressions rather than a "hard" definable quality. This means the perception gap is difficult to measure, difficult to manage and is likely to change with time and experience. Nevertheless it's vital to business success.

A service can be broken down into two quality dimensions:

1. Technical quality: Technical quality refers to the relatively quantifiable aspects of the service, i.e. what is being done.

2. Functional quality: Functional quality refers to how the technical quality is being delivered to customers.

Before considering quick wins and strategic improvements there are a number of key questions which contribute to our understanding of the perception gap. These models are the result of significant research:

Servqual: How can an organization measure service quality?

The SERVQUAL service quality model was developed by a group of American authors, Parsu' Parasuraman, Valerie Zeithaml and Len Berry, in 1985. It highlights the main
components of high quality service. The SERVQUAL authors originally identified ten elements of service quality, but in later work, these were collapsed into five factors - reliability, assurance, tangibles, empathy and responsiveness - that create the acronym RATER.

Businesses using SERVQUAL to measure and manage service quality deploy a questionnaire that measures both the customer expectations of service quality in terms of these five dimensions, and their perceptions of the service they receive. When customer expectations are greater than their perceptions of received delivery, service quality is deemed low.

In addition to being a measurement model, SERVQUAL is also a management model. The SERVQUAL authors identified five Gaps that may cause customers to experience poor service quality.

**Gap 1: between consumer expectation and management perception.**

This gap arises when the management does not correctly perceive what the customers want. For instance, hospital administrators may think patients want better food, but patients may be more concerned with the responsiveness of the nurse. Key factors leading to this gap are:

- Insufficient marketing research
- Poorly interpreted information about the audience's expectations
- Research not focused on demand quality
- Too many layers between the front line personnel and the top level management

**Gap 2: between management perception and service quality specification.**

Although the management might correctly perceive what the customer wants, they may not set an appropriate performance standard. An example would be when hospital
administrators instruct nurses to respond to a request ‘fast’, but may not specify ‘how fast’. Gap 2 may occur due to the following reasons:

- Insufficient planning procedures
- Lack of management commitment
- Unclear or ambiguous service design
- Unsystematic new service development process

**Gap 3: between service quality specification and service delivery**

This gap may arise through service personnel being poorly trained, incapable or unwilling to meet the set service standard. The possible major reasons for this gap are:

- Deficiencies in human resource policies such as ineffective recruitment, role ambiguity, role conflict, improper evaluation and compensation system
- Ineffective internal marketing
- Failure to match demand and supply
- Lack of proper customer education and training

**Gap 4: between service delivery and external communication.**

Consumer expectations are highly influenced by statements made by company representatives and advertisements. The gap arises when these assumed expectations are not fulfilled at the time of delivery of the service. For example, the hospital printed on the brochure may have clean and furnished rooms, but in reality it may be poorly maintained, in which case the patients' expectations are not met. The discrepancy between actual service and the promised one may occur due to the following reasons:

- Over-promising in external communication campaign
• Failure to manage customer expectations

• Failure to perform according to specifications

**Gap 5: between expected service and experienced service.**

This gap arises when the consumer misinterprets the service quality. For example, a physician may keep visiting the patient to show and ensure care, but the patient may interpret this as an indication that something is really wrong.

**Determinants**

*The ten determinants that may influence the appearance of a gap are:*

By the early 1990s, the authors had refined the model to five factors that enable the acronym RATER:

1. **Reliability**: the ability to perform the promised service dependably and accurately

2. **Assurance**: the knowledge and courtesy of employees and their ability to convey trust and confidence

3. **Tangibles**: the appearance of physical facilities, equipment, personnel and communication materials

4. **Empathy**: the provision of caring, individualized attention to customers

5. **Responsiveness**: the willingness to help customers and to provide prompt service
INDUSTRY PROFILE

A sound and effective banking system is the backbone of an Economy. The economy of a country can function smoothly and without many hassles if the banking system is not only flexible but also capable of meeting the new challenges posed by the technology and other external as well as internal factors. The importance and role of information technology for achieving this objective cannot be undermined. Technology advances have accelerated changes resulting in higher production of goods & services. The information technology has transformed the functioning of business across the world.

It bridged the gap in terms of both reach and the coverage of system and in the process enabling better decision making based on latest and accurate information and improvement in efficiency through various new processes, products and Services offered by both state owned banks, private sector banks and foreign banks and financial institutions. The adoption of new technology has become a necessity for survival, particularly in the aftermath of liberalization, privatization, and globalization. Computers are not new to our country. In fact the first computer was installed as early as the 60’s. The initial growth was however slow. Since 1980’s there has been virtual explosion in the use of computers in both manufacturing & service sectors. The Indian Banks have been lagging behind their foreign counter-parts due to a variety reasons. In order to face global competition they had to take-up computerization on a massive scale within a short span of time. This obviously resulted in a number of changes. This study is a modest attempt in understanding how technology has impacted the banking sector.

In the present set up, Competition and Profitability have become key words for banks in India. Though these are mutually contradictory, banks have to balance the severity of the competition and continue to be in the reckoning by improving their profits. Technology has become very important for banks to carve a plane for themselves and become leaders in their respective fields; to achieve this; banks have to improve their margins and profits by conducting transactions at low costs besides being lean in size. Indian Banking, influenced by the financial sector reforms and globalization is witnessing a shift away from meeting social priorities to the confronting market forces. The dire competition in the banking industry between the public sector banks, old private
sector banks, new generation private sector banks and the foreign banks is mainly through technology innovation, upgradation and modernization. Technology holds the key to the future success of Indian Banks. IT has a lot of influence on banking sector. The new methods of banking practices on account of IT ensure which service besides reducing cost in baking sector.

Computerization in banking is taking place all over the world. The purpose of computerization is to bring technology to counter and enable to employees to have information as their fingertips. This enabled the banks to offer better quality of services to customers besides ensuring accurate information at a faster rate on banking transaction. Thus, the adoption of IT in banking has undergone several changes with the passage of time. Today, IT has become an inseparable segment of banking organization.

Trends in Banking Technology:

Reserve Bank of India has played an important role in implementation of information technology in banking sector. Over the years, a number of committees have been constituted for development of information technology infrastructure and significant developments have taken place in the banking sector. Taking into consideration the recommendations by various committees appointed by RBI and guidelines of RBI, banks have started using IT to automate banking transactions and processes. The trends in the technology have brought about a significant change in many aspects in the form of computerization of transactions and new delivery channels such as internet banking, phone banking ATMs, EFT, ECS and EDI etc. With migration of traditional paper-based funds movements to quicker and more efficient electronic mode, funds transfers have become easy and efficient to perform. The major trends in the area of technological developments in Indian banking are as follows.

- Computerization Banking
- E-Banking
- Internet banking or Online Banking
• Mobile Banking

• Phone Banking

• SWIFT (The Society for Worldwide Inter-bank Financial Tele-communication)

• Indian Financial Network – INFINET

• Electronic Funds Transfer (EFT)

• National Electronic Fund Transfer (NEFT)

• Real Time Gross Settlement System (RTGS)

• Electronic Clearings/Settlement (ECS)

• Magnetic Ink Character Recognition (MICR)

• Debit Card 4

• Credit card

• Automated Teller Machines (ATM)

• Cheque Truncation System

• SPNS (Shared Payment Network System)

• BANKNET