MANAGEMENT THESIS II

ON

A comparative analysis of cost versus effectiveness of "Service Quality Model" applied by Banks of different sector – SBI, HDFC, ICICI and Citibank

By

(Name)

Enroll No.

MBA 20 -20

(Institute name)

TABLE OF CONTENTS

Acknowledgement

I take this opportunity to thank "______________________" for giving me the approval to do this project in Banking Sector. I am grateful to Center Head "(Professor Name)" for moral support, encouragement and for providing necessary infrastructure facilities during the period of working on this project.

I express my thanks to my Faculty Guide "(Professor Name)" for his personal involvement, counsel and constructive criticism which has been provided beyond technical guidance for the project conducted during semester IV.

Last but not least I would like to convey my special thanks to all faculty members of my College and all my friends for giving the support in carrying out this work.

List of Tables

ABBREVIATIONS

- ICICI: Industrial credit and Investment Corporation of India
- HDFC: Housing Development Finance Corporation.
- HSBC :Honkong Shanghai Bank Corporation
- SBI:-State Bank of India
- CAR: Capital Adequacy Ratio.
- EPS: Earning Per Share

SUMMARY

The purpose of this study is to understand the importance of services and their quality with the respect of cost incurred for that. This is very interesting study which gives the comparative analysis between the different sectors Bank. I am comparing here the Banks from four sectors that is Public Sector, Private Sector, Investment Banking Sector, and Foreign Banking Sector. These are the major banking sector where the Banks perform with the objectives to satisfy customer by providing Quality Services. I have taken 4 banks from above four sectors that are SBI – Public Sector Bank, HDFC – Private Sector Bank, ICICI – Investment Bank, and Citibank – Foreign Bank.

My analysis is regarding to compare the cost incurred by the above Banks and their Effectiveness. This study is to understand which Bank is really giving Quality in their Services to satisfy their customer.

The dominant question that bothers the bank managements today is how to improve customer service and gain competitive advantage. "The products are almost the same; however, it is the service that distinguishes one bank from the other". In a service industry like banking, the distinct competitive advantage for a bank always lies in its service quality. A customer mostly expects ability to provide what was promised dependably and accurately. A customer wants to be assured of the knowledge and courtesy of employees and their ability to convey confidence. A customer also expects caring and individual concern.

The methodology I had used for this analysis is through the **Questionnaire** direct interaction with the customers of the banks. The main objective for this is to get customers view and understand their discrimination and perception for the particular bank from the above four. With the help of Questionnaire I have collected data which helped me for final analysis.

Introduction

A competitive environment and a deregulated market have made it imperative for banks to harness the best customer oriented practices and perceptions and to internalize them for providing added value to the customers through the employees. Managers should become more aware of their role and provide the staff with adequate training in order to offer a consistently high standard of customer service. The dominant question bothering the bank managements today is how to improve customer service and gain competitive advantage. "The products are almost the same; however, it is the service that distinguishes one bank from the other". The real experiences of customers with banks in receiving various services vary greatly, because of the widening gap between what is supposed to be and what actually is. A customer mostly expects ability to provide what was promised dependably and accurately. A customer wants to be assured of the knowledge and courtesy of employees and their ability to convey confidence. A customer also expects caring and individual concern. This Report seeks to provide a detailed coverage of the imperatives of customer service as well as the various tools and approaches to customer service.

Banking is no more a monopoly of the banks in a particular sector and has been proved that only the most deserving would survive in the situation. Banks are required to cope with stiff competition from Domestic as well as Foreign Players in the Banking field in a globalised market. Reforms process has thus been instrumental to perceptible and positive changes in the approach and the attitude of Bank Personnel towards customers. It is a welcome feature that in many branches of the public sector banks, operations have been computerized and they are offering a majority of services which the private sector banks are claiming to offer.

Banking being a services business, the best strategy can only be to identify with the customers and offer them what they actually need. This objective can only be achieved through best customer service. Quality of customer service, therefore, plays a pivotal role in the prosperity of a Bank. A competitive an environment and a deregulated market have made it imperative for banks to harness the best customer oriented practices and perceptions and to internalize them for providing added value to customers through their employees.

Objectives

Primary Objective:

To understand how the cost and effectiveness of Service Quality Model is different from one to another sector Bank.

Secondary Objective:

To use this analysis at the time of working with SBI or ICICI or HDFC or Citibank to give my potential to their respective customers

Limitations

Though the present study aims to achieve the above-mentioned objectives in full earnest and accuracy, it may be hampered due to certain limitations, some of which are summarized as follows:

- Entry barrier to approach potential customers.
- Ambiguous answers from the people.
- Lack of technical awareness.
- After sorting only limited data was available to study.
- Limited time to collect large number of data; therefore limited data becomes difficult to analyze.
- Different sector banks having different policies to serve for their customer

Research Design / Methodology

Descriptive (Cross- sectional)

It is the deliberate manner to collect the information and it describes the phenomena without establishing the association between the factors. This is most commonly used when we want to know about the preferences of the customer.

- Primary Data collection: -

Through the structured questionnaire and the personal interview data has been collected in this study. Structured form of questionnaire has been used in which both open- ended and close-ended types of questions have been asked.

- Sample of customers of ICICI or SBI or HDFC or Citibank
- Sample size: - 100 investors
- Sample area: Pune

- Secondary Data collection: -

With the help of web sites, reference books, and articles from the magazines was collected to make the study more accurate.

Review of Literature

Some of the researchers had studied about service quality of different banks and customers satisfaction with reference to those banks. They had added some points to the service quality concept from the point of customers.

Parasuraman (2001) has studied quality in four service businesses, including credit card services, and developed a model of service quality.

"A variety of factors, including resource constraints, management perceptions of consumer expectations and the firm's service quality specifications will affect service quality from the consumer's viewpoint."

Reichheld and Kenny (2002) Has specified six factors as imperative to improving retention: senior management commitment; a customer-focused culture in which all employees and managers focused their full attention on customer satisfaction; retention information systems that tracked and analyzed the root causes of defections; empowerment of front line employees to take actions that provided immediate customer satisfaction; continuous training and development; and incentive systems based on customer retention.

Zeithaml (2003) has Built on their earlier research (Parasuraman, et. al.1984) to identify five dimensions of service quality, as perceived by customers: tangibles, reliability, responsiveness, assurance and empathy. These dimensions, which they incorporated into their "SERVQUAL" model.

Parasuraman (2004) Had positioned consumers' perceptions of service quality along a continuum ranging from ideal quality to totally unacceptable quality, depending on whether the customers perceived the service they receive as meeting, falling short of, or exceeding their expectations

Zeithaml (2005) concluded that:

"The most important thing a service company can do is be reliable that is, perform the service dependably and accurately ... do it right the first time. When a service problem does crop up, however, all is not lost unless the company ignores it. In other words, by resolving the problem to the customer's satisfaction, -- by performing the service *very* right the second time -- the company can significantly improve customer retention rates."

Empirical Analysis

Table.1 Table showing the group of customers' has response

Gender	Investors with the a/c in banks				Total No. of Customers
	ICICI	HDFC	SBI	Citibank	
Male	45	20	17	3	85
Female	13	2	-	-	15
Total	58	22	17	3	100

From the survey data which has been sorted with relevant data of 100 customers who have the a/c with above specified banks. From the table given above it is seen that 58 customers from ICICI, 22 from HDFC, 17 from SBI and 3 from Citibank had responded efficiently and whose data was reliable for the study.

Table.2 Table showing the income level of the customers

Gender	Customers having Annual Income in lakh.					Total No. of Customers
	2-3	3-4	4-5	5-6	6 and above	
Male	2	13	35	31	4	85
Female	1	5	6	3	-	15
Total	3	18	41	34	4	100

The above table shows income level of respondent customers. It is necessary to understand the investment level of investors with different income level. From the above table we can understand that maximum no. of customers having annual income in between 4-6 lakh.

Table.3 <u>Occupation</u>

Gender	Investors Occupation					Total No. of Investors
	salaried	Professional	Business	Homemaker	Others	
Male	52	18	15	-	-	85
Female	6	7	-	2	-	15
Total	58	25	15	2	-	100

The above table shows the occupation of the customers. This helps to understand the source of funds and knowledge level of customers. From this table we can understand that 58 investors are salaried and for salary a/c they have open their a/c with respective bank.

Findings

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 with no overall consensus emerging on either (Wisniewski, 2001). 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 (Lewis and Mitchell, 1990; Dotchin and Oakland, 1994a; Asubonteng, 1996; Wisniewski and Donnelly, 1996). 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 (Parasuraman., 1985; Lewis and Mitchell, 1990). Always there exists an important question: why should service quality be measured? Measurement allows for comparison before and after changes, for the location of quality related problems and for the establishment of clear standards for service delivery. Edvardsen . (1994) state that, in their experience, the starting point in developing quality in services is analysis and measurement. The SERVQUAL approach, which is studied in this paper is the most common method for measuring
Service quality.

Model of Service Quality Gaps

There are seven major gaps in the service quality concept, which are shown in Figure 1. The model is an extension of Parasuraman *et al.* (1985). According to the following explanation (ASI Quality Systems, 1992; Curry, 1999; Luck and Layton, 2002), the three important gaps, which are more associated with the external customers, are Gap1, Gap5 and Gap6; since they have a direct relationship with customers.

· **Gap1: 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.

· **Gap2: 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.

· **Gap3: 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.

· **Gap4: Service delivery versus external communication:** as a result of inadequate horizontal Communications and propensity to over-promise.

· **Gap5: 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.

· **Gap6: 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.

· **Gap7: The discrepancy between employee's perceptions and management perceptions:** as a result of the differences in the understanding of customer expectations between managers and service providers.

According to Brown and Bond (1995), "the gap model is one of the best received and most heuristically valuable contributions to the services literature". The model identifies seven key discrepancies or gaps relating to managerial perceptions of service quality, and tasks associated with service delivery to customers. The first six gaps (Gap 1, Gap 2, Gap 3, Gap 4, Gap 6 and Gap 7) are identified as functions of the way in which service is delivered, whereas Gap 5 pertains to the customer and as such is considered to be the true measure of service quality.

Although the financial system comprises financial institutions, financial markets, and infrastructure arrangements such as the clearing and settlement systems, this paper focuses on financial institutions, specifically banks.1 To understand how the banking system can contribute to social welfare, consider the function of banks. They provide financial services necessary for enterprises and consumers to undertake their business: among other things, they provide a means to hold and exchange financial assets, they intermediate savings to productive investment through the supply of credit to businesses and consumers, and they enable risk-sharing. Efficient functioning of these activities contributes to economic growth.

When a banking system does not work well, there is potential for financial instability. Banks have traditionally been considered to be more vulnerable to instability than other industries, for various reasons:

- A bank's balance sheet consists of short-term deposits on the liability side and long-term assets that can be difficult to liquidate quickly. This leaves the bank vulnerable to runs in the absence of deposit insurance or maturity-matching technologies.
- Highly leveraged firms have an incentive to engage in risky behavior. If the gamble works, shareholders benefit; if it does not work, the lenders bear the cost.

This agency problem is particularly strong for banks: banks tend to be very highly leveraged; a large share of the debt-holders are depositors who have small claims, are widely dispersed, and may not be well-informed of a bank's activities and potential risks; and the existence of deposit insurance further lessens depositors' incentives to monitor the risk-taking behavior of the bank.

Traditionally, the perception has been that there is a trade-off between growth and stability: a competitive system is more efficient but market power (the ability to profitably price above marginal cost) is necessary for stability. Both competition and market power, however, can have positive implications for efficiency, and prudent regulation may mitigate the potentially negative aspects of competition on stability. It appears that neither competitive extreme is ideal nor that something in-between may be preferred. It may be optimal to facilitate an environment that promotes competitive behavior (contestability), thereby minimizing the potential costs of market power while realizing benefits associated with any residual market power.

What is the Optimal Competitive Structure of the Banking System?

There has been considerable concern about how ongoing consolidation in financial systems around the world will affect competition. Indeed, much of the recent public debate seems to assume that perfect competition in banking is ideal. This has not always been the case. For much of the last century, policy-makers focused on stability. The belief that some degree of market power was necessary to maintain stability in the banking sector led many countries to pursue policies that, implicitly or explicitly, restricted competition.

In this section, the validity of this perception is explored by examining the theoretical and empirical literature on the effects that competition and market power have on efficiency and stability

Data Analysais

Semple Size :

100 Customer of SBI, HDFC, ICICI and Citibank

Sampling Method:

Random sampling

Table Rating for banks performance.

Name Of the Bank	Excellent	Good	Average	Poor
SBI	30	50	15	5
HDFC	40	40	18	2
ICICI	50	40	9	1
Citi Bank	40	30	25	5

Fig: 1

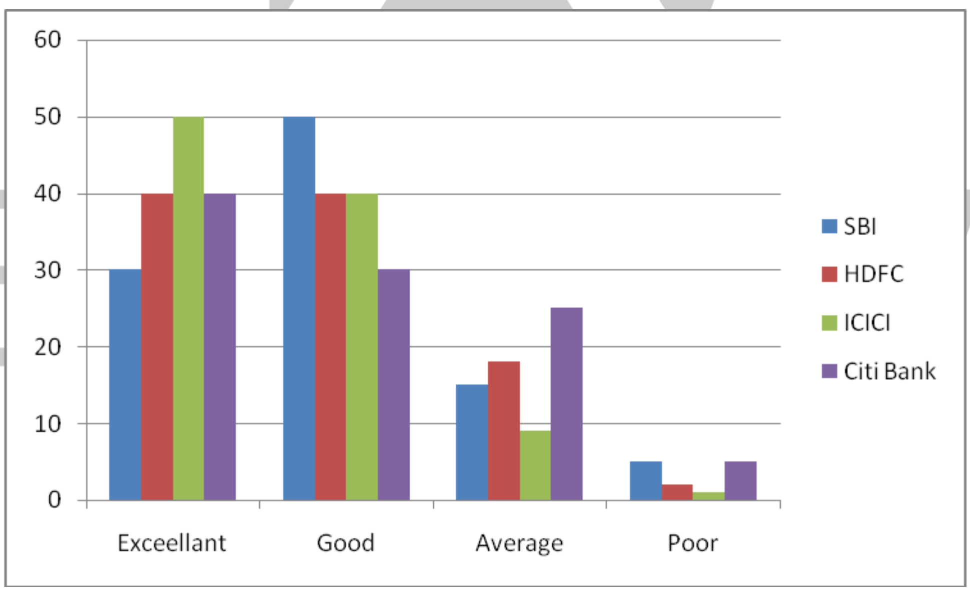
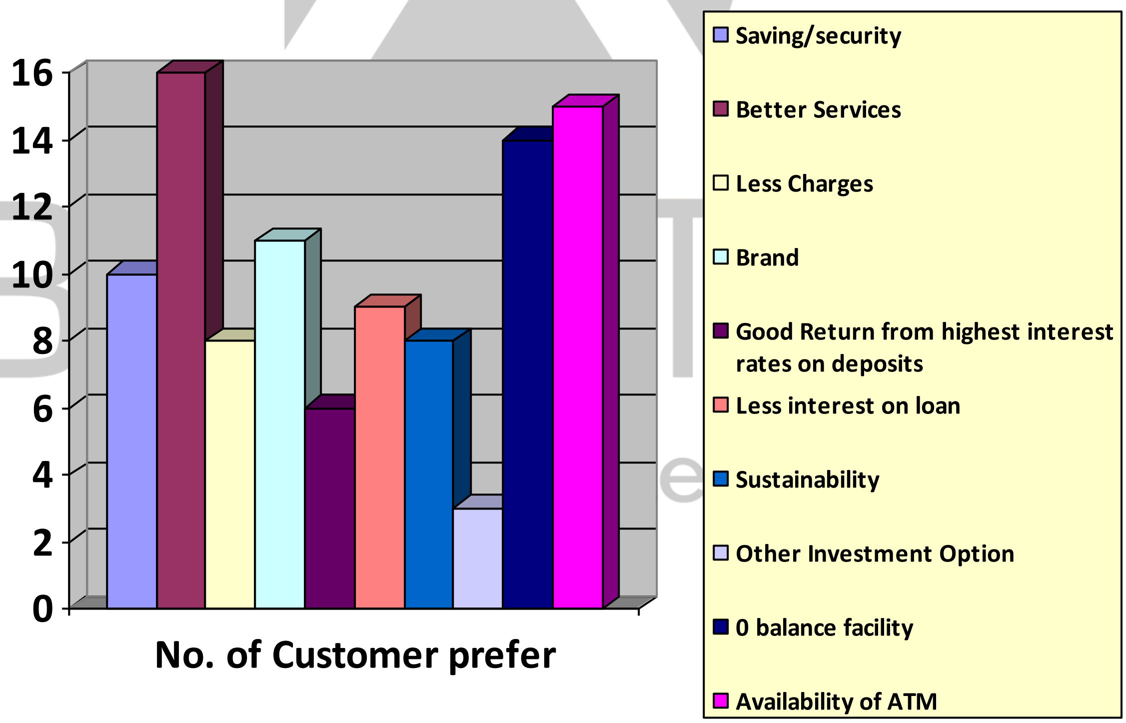


Table.5 Investors Preferences for No. of Banks

Sr. No	Customers perception	No. of Customer prefer
1	Saving/security	**10**
2	Better Services	**16**
3	Less Charges	**8**
4	Brand	**11**
5	Good Return from highest interest rates on deposits	**6**
6	Less interest on loan	**9**
7	Sustainability	**8**
8	Other Investment Option	**3**
9	0 balance facility	**14**
10	Availability of ATM	**15**
	Total No. of Investors	100

The above table has been represented below with the help of following Bar chart.

Fig.2



Suggestions

There are a number of ways to decide, but the most common way is to know about the bank not only from Past to present but also about future of that bank. Sometimes surviving with only one bank might be difficult and complicated, and nobody wants to lose at first. Therefore the investor needs help and advice to make better investing decisions, and to secure money.

Customer can also find tips for better investing by doing some research online. There are many sites devoted to better investing, and where to get the best quality in services and security for money.

Company should understand what will satisfy to his /her customers. It's all depends on the service provider and bank's R&D department to set lowest cost.

Public banks are trustworthy banks but they should proceed further for best service delivery to their existing customer to retain them forever.

Foreign banks should develop the trust from their customer because of that only they are lacking.

Private Banks are only known for their services but they should concentrate on cost cutting part.

Conclusion

The Survey has concluded by proving that ICICI Bank is performing better than others in termes of infrastructure facility and services.

HDFC is Known for their retentions level of Customer theirfore majority of customer prefer ICICI even it is a Private sector Bank.

SBI is the one of the best perorming bank in Public Sector Banks and now SBI is improving in terms of Service.

Citibank is forign Bank and having highest asset wortheyness. But less nomber of customer.

Recommendations

- There is lack of awareness among people about Citibank so there should be more advertisements and other promotional campaigns to make investors aware.

- People are more interested in Brand and service quality of the bank, so the bank should concentrate on service quality with respect to less cost. Also should concentrate on availability of maximum ATM center

- All Banks should give information to its customer about its computerized operations to save their time and to make the operations easier as ICICI does.

Appendices

Questionnaire format

Management Thesis II Title:

"A comparative analysis of cost vs. effectiveness of "Service Quality Model" applied by Banks of different sector – SBI, HDFC, ICICI and Citibank"

Personafsl Detail

1. Full Name

   ………………………………………………………………………………………………

2. Address for Communication (IN CAPITALS)

   ………………………………………………………………..………………………

3. Permanente Address (If different from above Address)

   a. Phone Office
   b. Phone Residence
   c. Mobile

4. E-mail ……………………………………………………………

5. Date of Birth (ddmmyyyy)

6. Gender ☐ Male ☐ Female

7. Annual Income (Rupees)

8. Occupation

a. Salaried ☐
b. Professional ☐
c. Student ☐
d. House Wife ☐
e. Business ☐
f. Retired ☐
g. Agriculture ☐
h. Others…….

9. Nature of duties / Job description
……………………………………………………………………………………….……………….

10. Sources of Funds
……………………………………………………………………..……………………………….

11. Having Bank a/c in

- SBI ☐
- HDFC ☐
- ICICI ☐
- Citibank ☐
- Other ……………………………………….

12. Services provided by your preferable Bank/ Banks

- SBI-
..…………………………………………………………………………………………………
- HDFC-
..…………………………………………………………………………………………………
- ICICI-
…………………………………………………………………………………………………
- Citibank-
…………………………………………………………………………………………………
- Other-
……….………………………………………………………………………………………

13. Why you prefer Banks?
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

14. What you feel about the services provided by your bank?
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

15. What you think about Cost and effectiveness of the services provided by your Bank?
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………

16. From Your point of view which Bank gives the best services quality with the respect of Cost and their effectiveness?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
………………………………………………………………………………………

Thanks for Sparing Your Precious Time.

Bibliography

- www.google.com
- www.wikepedia.com
- **associate@banknetindia.com**
- www.icicibank.com
- www.sbi.com
- www.citibank.com
- www.hdfc.com
- Reference books of Banking sector