

1 INTRODUCTION

1.1 Banking History

Financial position of any country can be known by the position of its banking system as it has bigger role to play in the growth of any society. Bank is not a new word but it has a history and as per the literature available it has been known by many names like "Banck" in German, "Banco" in Italian, "banque" in French and many more. In the olden times the people associated with the banking system used to operate their business as per their own convenience. The credibility of the banks was also known by their operations as well as their financial positions.

As per the Banking Regulation Act, 1949 India, all banks which are situated in India are regulated by the Reserve Bank of India. The general definition of a banking company is *“Bank is generally a financial entity dealing with finance for the purpose of giving credit to the people who need it”*. Thus the bank acts as a medium to handle the money of people whether in the form of deposits or credits. Bank not only trade in money but it is also considered a money maker for the investors through its various schemes. Bank can also be known as an institution that manages withdrawal and deposit and provides short term loans to individual and businesses.

There are various definitions of bank and banking given by different people. Some of them are reproduced below:

According to **Crowther**, "Bank is an institution that collects money from its customers who has surplus to their use and lend the same to others who need it.

According to **Dr. L. Hart**, "One who in the ordinary make course of business honour cheque drawn to him by persons from and for whom he receives money from current accounts".

According to **Sir Jhon Paget**, "No person, body corporate, otherwise can be a banker who does not take deposit accounts, issue and pay cheques, collect cheques, for his customers."

According to **Sir Kinley**, "A bank is the establishment which makes to individuals such advances money as may be needed and to which individual's money when not needed by them for use."

According to **Prof. Sayers**, "Banks are not merely purveyors of money but also in an important sense, manufacturers of money".

Section 5(1) (b) defined the bank as "Money accepting for the purpose of lending and borrowing investment, of deposits of money from the public, repayable on demand and withdrawal by cheques, draft, and order or otherwise".

In the old times, the agency which were housed for financial transactions that that can be traced during the period of the East India Company. The new banking system started working in India in 1786 by establishing a bank known as General Bank of India. With the help of this bank, three other banks known as Presidency Banks were also incorporated and they were; Bengal, Bombay and Madras banks. These three presidency banks started functioning independently and were merged together in 1921. This combination of banks

is called Imperial Bank of India after their integration. The new name given to Imperial Bank was SBI. The Swadeshi Movement gave birth to other banks such as PNB, Canara Bank and BoB.

The RBI started its functioning in 1935 under the Reserve Bank of India Act. RBI is also known as Central bank of India. During independence India was developing with weak banking and financial system. Failure of these small and unstable private banks stole middle class depositor's savings. Customers of these banks suffered a lot during this period because they lost their money. In 1949, RBI was nationalized and the power was given to banks with banking companies act. This power helped banks to run business smoothly. The all India rural credit survey committee also recommended the acquisition of Imperial Bank by State Bank of India.

In 1955, Act was passed by the Parliament of India for the established of SBI and since then it became more powerful. In 1959, another Act was passed to establish subsidiary banks of SBI. These Acts helped to improve operations of banks in India. When the East India Company started their new agency known as 'English Agency House' that gave a new direction to the banking in India. These banks were used to cover two areas i.e. trading firms and banking business. Because of this dual character they faced lot of problems such as shortage of funds to operate effectively. Due to this problem this agency got failed and that gave rise to the establishment of modern banking in nineteenth century. Due to failure of these agency houses, East India Company laid foundation for modern banking in 19th century and established new banks as follows:

- Bank of Bengal was established in 1809
- Bank of Bombay in 1840
- Bank of Madras was incepted in 1843

All the above named banks were known as presidency banks at that time and functioned independently. Swadeshi movement started in 19th century and a number of banks were also established with the Indian management. The name of the banks were Punjab National Bank Ltd (1895), The Canara Bank Limited and the Bank of India Limited in 1906, The Indian Bank Ltd in 1907. In addition to all these banks the Bank of Baroda Limited and the Central Bank of India were also established in 1908 and 1911 respectively. With the establishment of these kinds of banks many other banks were also established during that period. During that period many banks did wrong policy decisions and because of these polices the banks became bankrupt.

World war also started during 1913-18, it played very important role in banking crisis. However, very few banks that were financially strong could survive in this crunch. In 1920, another act was passed to merge the three Presidency Banks with sanctioned power to control funds of government. The branches of such banks were used to act as the agency to clear the funds and not authorized to issue any type of currency. That was the reason that a need was felt to have a bank which can act centrally and this dream could be achieved only in twentieth century.

When the country got its independence in 1947, a general voice was raised to nationalize the banks. To meet this demand an act was passed in 1948 to have RBI for the purpose of controlling the public money. On the same lines SBI was nationalized to meet the objective

of helping the rural as well as semi-rural people for their economic growth. In 1959, the public sector banks were extended with the passage of SBI Act by the parliament and the extended list of such banks is given below:

- The State Bank of Jaipur
- The State Bank of Indore
- The State Bank of Bikaner
- The State Bank of Mysore
- The State Bank of Patiala
- The State Bank of Hyderabad
- The State Bank of Saurashtra
- The State Bank of Travancore

In 1963, the first two banks were merged under the name of The State Bank of Jaipur and Bikaner. In 1969, fourteen major Indian commercial banks were nationalized. Some of these banks are BoB, PNB, Indian Overseas Bank and others. In 1980, six more banks were nationalized. These banks created the public sector banks while the other scheduled banks and nonscheduled banks are in the private sector.

1.1.1 Banking Reforms

In 1991, when the country in financial crisis the Government of India took a decision for introducing economic reforms in the country. In this process the banking industry was also got reformed in one or other way with an intention of promoting and improving financial system. To achieve this process may new rules and regulation to govern the banking system

were formulated for both commercial as well as other banks. In August 1991, the GOI appointed a committee under the chairmanship of M. Narasimham which worked towards liberalization of various banking practices. The major objective of this committee was to increase the flexibility in operational activities of the banks with better productivity.

Service are generally considered as intangible that can be experienced but can't take any shape or size. It is evident that banking is one of the prominent service sector and the people who are associated with this sector in any form need efficient and effective service in all their transaction. So it becomes mandatory to define the service in their context.

Some definitions of service can be defined as under:

“Services are economic activities that create value and provide benefits for customers in a specific way as per the expectation of the customers.”

By Christopher Lovelock

“Service is an act or benefit being given to one person by another person fundamentally in intangible form without transferring any ownership.”

By Kotler, Armstrong, Saunders and Wong

“Service quality is a way of delivery to conform the customer expectations of the customers.”

Lewis and Booms

Perceived service quality as *“a global judgement, relating to the superiority of the service”*

Parasuraman

“Service quality is the opinion of the user to judge its superiority over others.”

Zeithaml and Bitner

“Service quality is a function of customers’ perception about services” Cunningham

Persuraman & Zeithamal in their study said that the expectation and perception of the users can never be same and a gap is always found between them. If the gap (E-P) is more that can be considered a condition of dissatisfaction and vice-versa.

Expectation of customers from any product of service can never be same and it is always judged on the basis of their opinion or standard of oneself. Once the expectation are met to their satisfaction they can say the service is better and otherwise. Generally service quality involves a comparison of expectations with performance.

For this study, the banks are selected on the basis of net worth, deposits, total share capital and profit. On the basis of these criteria public sector banks includes SBI, PNB, BOI and BoB. Top four banks of Private sector were HDFC, ICICI, Axis bank and Yes bank. Foreign sector banks includes City bank, Standard chartered bank, HSBC, Deutsche bank

1.2 PUBLIC SECTOR BANK

Public sector banks are the financial institution where the government holds more than fifty percent stake. The shares of these banks are listed with the stock exchange. Four public sector banks are being considered in this study. These are; State Bank of India, Bank of India, Bank of Baroda and Punjab National Bank.

1.2.1 State Bank of India

In 1986, The Bank of Calcutta was founded, later on it was redesigned as the Bank of Bengal in 1809. This merger was done by the Government of Bengal in the British Era. After some time the Bank of Bombay and the Bank of Madras also followed the same procedure. All these banks were dominating until they formed Imperial Bank of India through merger.

During the first five year plan, SBI took the responsibility of rural sector in terms of giving new shape to rural economy. During this plan other banks restricted their services to urban areas including the Imperial Bank of India. The broadening of the public bank continued and in 1959 another Act was passed and under this act all the state-associated banks were merged with SBI. This made the State Bank of India to emerge as an innovator in all its operations carried out all over the country in its nearly 480 branches. The bank served the whole community without any bias for the better development of the egalitarian society.

Major services provided by SBI are mentioned includes term deposits, housing loan, rural banking, loan for farmers, services to Non-Resident Indians, internet banking, mobile banking, brokerage services, gift cheques and many more.

1.2.2 Punjab National Bank

This bank was established at Lahore (that time in Pakistan) in 1895. Founders of this bank included several leaders like Lala Har Kishen Lal, Lala Lalchand, EC Jessawala, Prabhu Dayal, and others who were actively associated in the establishment of this bank. It is the only bank of the country who started with the capital from India only. It got a place in the list of nationalized banks in 1969 with other 13 banks.

The bank has taken many initiatives to serve the rural society like; adopted 169 villages under **VIKAS-Village Adoption Scheme**, providing education to the rural girls under **PNB Ladli** scheme, construction of toilets in schools of adopted villages under **Swachhh Vidyalaya Campaign** and also provides financial help to the children of farmers.

PNB is equally active of social sites like; **Twitter** and **LinkedIn** and is engaged with customers. This has been very cost effective measure to network with its users and has helped in increasing the level of satisfaction. In the time of demonetization the transactions got enhanced and was considered a better experience for customers. To increase its brand image they have roped in the most expensive ambassador (**Virat Kohli**) who is a youth icon in the present times. It has separate cell for loans to cater to the need of the corporates. The banks is trying to utilize a mixed approach so that it can cater to the need of both retailers as well as corporates. They may be having bad loans but they are trying their best to recover such type of loans. In the major services provided by Punjab National Bank includes; saving as well as current accounts, prudent sweep, scheme for students, mitra saving scheme, FDR, anupam account, financing for cars, corporate banking, housing finance, investment and insurance services, and others.

1.2.3 Bank of India

Bank of India got established in 1906 by a group of capitalist in Mumbai but later on got nationalized in 1969. It started only with a capital of Rupees 50 lakhs and 50 employees only. But it grew tremendously in short time and got reputation along with other national banks. Currently it has 4828 branches in India controlled by 50 Zonal Offices spread offices. It computerized one of its branch in Mumbai in 1989 and also provided ATM facilities from the same branch. This initiative was of its own kind at that time. It also

opened its branches outside the country like; London, Europe, Paris, Tokyo, Hong-Kong, New York, London and Singapore. The Bank completed its first hundred years of operations in 2006.

Bank of India is providing different kind of services like; Mobile Banking and payments, E-File IT return, Gift Card Balance Enquiry, IMT- Instant Money Transfer, Failed Transaction Return Claim, Internet Banking, Tax Payment, Pay Bills View Demo, Account Opening, BOI Speed Remit – Track, Online Share Trading, BOI Star EazyPay, PMKVY Scheme and Apply/Track Loans under its Online Services. It also provides ancillary services like; Gold Coin, Depository, Insurance, PPF, Debenture Trustee, Safe Deposit Vault, Sovereign Gold Bonds, ASBA/Syndicate ASBA, Mutual Fund, Safe Custody Service, Sukanya Samriddhi Account and Credit Card Bill Pay.

1.2.4 Bank of Baroda

Bank of Baroda was established by Maharaja Gaekwad in 1908 with a capital of ten lakhs. This bank took initiative to include every citizen and with this objective it took various decision. In this direction they changed their logo also under the strategy of re-branding. While re-branding in 2015 this bank promoted its major strengths like; increasing presence internationally, advancement on technological fronts and focusing on better services to its users. Its constant endeavor to strengthen its base as well as quality of services, various linkages have been developed in the form of touch points to enable the customers in getting better services.

It has branches in other countries too and some of them are located in countries like; Hong Kong, Mauritius, Singapore, UK, USA and others. It has its representative offices in 3 countries; Australia, Malaysia and Thailand.

Some of the subsidiaries of Bank of Baroda are; BOBCARDS Ltd., BOB Capital Markets Ltd., Bank of Baroda, Guyana ltd., Bank of Baroda, New Zealand ltd., Bank of Baroda, Tanzania ltd., Bank of Baroda, Botswana ltd., Bank of Baroda, Kenya ltd., Bank of Baroda, Uganda ltd., Bank of Baroda, Trinidad & Tobago ltd., and Bank of Baroda, Ghana Limited.

1.3 PRIVATE SECTOR BANK

Four private sector banks are selected for the study namely HDFC, ICICI, AXIS and Yes Bank.

1.3.1 Housing Development Finance Corporation (HDFC)

It was established in 1994 and started working as a commercial bank in 1995. It was first to receive in principle the approval from the RBI (under its liberalized policy) for setting up private bank. Headquarter of HDFC is in Mumbai having nearly 1416 branches functioning in 550 cities across India with over 3382 ATMs with all modern facilities.

The quantity of its retail mortgage loans to different market is huge and also has the leadership position in financing the credits for housing facilities to its clients. This bank has developed expertise in this area that has given a huge reputation to its existence in the market and among its shareholders. With its reputation it has got place in BSE and NSE.

In 2008, RBI gave the approval of amalgamation of Centurion Bank of Punjab with it. The merged entity holds a strong deposit base of around one lakh twenty thousand crores and net advances of eighty thousand crores. The merger of two private banks created a history at that time. As per the norms of merger the shareholder of Times banks got one share of HDFC along with 5.75 shares of Times Bank.

Some of the services provided by this banks includes; Personal Banking, Banking for Insurance and Investments, Banking for NRIs, Remittances, Banking for Corporates, Banking for Small & Medium Enterprises, Financial Institutions & Trusts and other Government Sectors

1.3.2 Industrial Credit and Investment Corporation of India (ICICI)

This bank started its functioning in 1994 with a goal to make an improvement in money related establishment. For this they decided to give loans for medium as well as long term financing Indian institutions. In the year 1990, the bank changed its strategy of business to enhanced money administration from advancement budgetary. While giving thought to its various business options they came to a conclusion of merging the administration of ICICI with ICICI Bank assuming that this merger would be beneficial for shareholders as well as made the entry easy into business. The merger would also increase the incentives for its shareholders through its huge capital back up.

In 2001, allowed the merger of ICICI and its other two branches i.e. capital and financial services. This got a positive nod from its shareholders (2002) and other Hon'be High Courts. After the merger, its financial position got strengthened.

Services provided by this bank are; Mobile Banking, Internet Banking, Home Loan, Personal Loan, Gold Loan, Credit Card, Debit Card, Recurring Deposit, iWish Flexible RD, Agricultural Loan, Tractor Loan and Micro Banking.

1.3.3 Axis Bank

This bank was established in 1993 but started its operation only in 1994. It was promoted by one of the leading institution in the area of finance i.e. UTI with a capital of Hundred and fifteen crore. In this contribution of UTI was-100 crors, LIC-7.5 crore and other four partners contributing 1.5 crore each. It bought the investment banking and equity units of Enam Securities in 2010 for \$456 million. Presently the Axis bank is operating not only in urban areas rather it is increasing its presence in rural areas too. And it shall not be exaggerate to say that this bank is functioning better than other banks that were established well before it. It has won the faith of its customers in very short time of its existence. The future of it seems very bright for now but will definitely depend on the quality of service given to its customers.

The services offered by this banks are; Personal and Corporate Banking, Priority Banking, Online Banking, Online purchases using Debit Card, etc.

1.3.4 Yes Bank

Yes Bank was incepted in 2003 as a public limited company with a participation of three private equities i.e. Citi Fincorp, ChrysCapital, LLC & AIF Capital with the permission of RBI. They contributed 10%, 7.5% and 7.5%, respectively in the establishment of this banks on the advice of RBI to invest a sum of minimum rupees two thousand million as the paid up capital. RBI also asked to fill up the application on the fulfilment of all the required

formalities so that it can be incorporated as a banking company. RBI approved their existence in 2003 and further instructed them to arrange all the finances for the incorporation of the bank.

It got the certification from RBI in 2004 to start the banking operations. In 2004 itself the bank achieved the target of mobilizing rupees two thousand million and after that the board of directors were appointed for smooth functioning of this bank. After completing all the formalities it was included in the second schedule of RBI Act, 1934. Later on it issued IPOs and was included in NSE and BSE. Yes bank is providing different kind of services like: Fixed Deposit, Recurring Deposit, Fixed Deposit, Online Banking, Debit Card, Credit Card, Home Loan, Personal Loan, Gold Loan, Bike and Car Loan, Corporate Loan, Business Loan, etc.

1.4 FOREIGN SECTOR BANK

Four banks from the list of foreign banks are selected for the study namely; Citi Bank, Standard Chartered Bank, HSBC and Deutsche BANK.

1.4.1 Citi Bank

Citi bank started functioning in 1902 from Kolkata and today it is one of the prominent bank in India. It has contributed in establishing various markets institutions and clearing houses. Citi bank is having its operation in 28 cities with 44 banks. Citi bank is having 45000 small and medium size companies. Citibank also helped in the development of software industry in India. With the help of Citigroup global services limited ITES industry was originated. Tata consultancy services was acquired by Citigroup services limited in

2008 and Oracle acquired Iflex in 2005. It has 11000 employees working all over the world with its main office at FIFC, with all eco-friendly buildings.

The services offered by this banks are; Loans, Gold Coin, Depository, Insurance, PPF, Corporate Banking, Gold Card scheme for exporters, Business Sector, Internet Banking, Mobile Banking and Safe Deposit Locker.

1.4.2 Standard Chartered Bank

Standard chartered bank started its operation in 1858. It is having 99 branches in 42 cities in India. Standard chartered bank is providing different kind of services to its individual and business customer. The bank is committed to provide best services to its valuable customer.

Sponsors

Standard chartered bank is getting sponsorship from different kind of sponsors. The standard charter Mumbai marathon has sponsored for the last ten years. The economic times awards for corporate excellence has been also sponsoring from 2012 to 2016. Liverpool football club has been sponsored from June 2010 to June 2016.

Awards

It was awarded as the Best Foreign Bank in 2012 by Asian private banker society for its financial services.

It has some other subsidiaries in India like;

- Standard Chartered Bank is having following subsidiaries in India.
- Standard chartered private equity advisory (India) private Limited.
- Standard Chartered Investment and Loans (India) limited.
- Standard Chartered Finance limited and Scope International.

Following are the services provided by Standard Chartered Bank:

Standard chartered bank is providing SMS facility to its customers. If a customer call on the bank mobile number, the bank calls back within 24 hours and if bank is not able to call within 24 hours it will compensate with INR 100/-. It also provides facility to open an account within 30 minutes. If it is not able to open an account within 30 minutes, it will compensate to its valuable customer with an amount of INR 201/-. The bank also provides loan facility to its customer. It guarantees the business installment loan application within 5 business days. If it has not been able to provide this facility within 5 days it will compensate with INR 500/- per day to a maximum amount of INR 5000/-. Bank has been providing a loan against property facility to small and medium enterprises within 5 business days. If it doesn't fulfill its promise within 5 business days it is ready to compensate with INR 500/- per day to maximum amount of INR 5000/-.

1.4.3 HSBC (Hong Kong and Shanghai Banking Corporation)

HSBC started its business in India 1853 from Mumbai. It's headquarter is in London, United Kingdom. HSBC has 9500 offices with 120 million customers. It started its business with an authorized capital of Rs 5 million. In 1959, The HSBC Limited acquired the Mercantile Bank of India and is now known as HSBC group. It also provided first ATM facility to India in 1987.

This bank provides various products and services and some of them are depicted below:

Personal Banking: - HSBC provides personal banking services for the advantage of its customers. This includes banking for retailers, banking for managing wealth, personal loan, etc. It has various functionaries in India located in the main cities like; Ahmadabad, Bangalore, Gurgaon, Hyderabad, Mumbai, New Delhi, etc.

Non Resident Indian Banking: - Its Non Resident Indian banking is located in Asia, Middle East, Europe and America. It includes investment, deposit products and also providing private banking products in India and overseas.

Financial Planning Services: HSBC provides financial planning services to residents and nonresidents. The services have been included like investment, custodian management, stock broking and insurance services.

Corporate Banking: It has good relations with corporates not only in India but all over the world on the basis of services being offered to its customers. The services includes; trade facilities, deposits for corporates, syndications, etc.

Business Banking: Banks has dual strategy to deal with small as well as medium business houses. Under this category it provides two type of accounts i.e. business account & the Business vantage account.

Payments & Cash Management: It offers cash management solution along with payment services to its customers. It had ISO 9001 certificate. HSBC allow users to perform financial transaction through electronic banking services. Financial market operation, domestic and international account details could be found easily in the world, 24 hours a day.

1.4.4 Deutsche Bank

Deutsche bank was established in the year 1980, in India under the category of foreign bank. It started retail banking services in India in 2005. Deutsche bank launched credit card facility in July 2006. Presently it has 4000 employees working in different cities of India.

It generally offers services like; Savings and Current Accounts, FDR, Loans to corporate houses, etc. It provides different kind of services to individuals, business houses, and other institutional clients in India. This bank is having multiple touch points for the convenience of the customers in availing its services.

Some services offered by the Deutche Bank in India includes: Loan, Credit Card, Private Banking, Personal Banking, Business Banking, NRI Banking, Online Banking, ATM Banking, Phone Banking, Mobile Banking, etc.

The bank make all efforts to attract the attention of customers by providing 24X7 services so that they don't face any type of difficulty in availing the services being offered by them.

With their various on line services the clients feel comfortable and can transact from the place of their will and wish at ease. It issues various cards to its clients like; Classic Credit Card, Corporate Credit Card, Platinum Credit Card, etc. base on the credential of the customers.