Short Communication

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Managing Service Quality in Rural Banking Sector in India

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INTRODUCTION

Global banking is an emerging market – led and financing-focused business that provides tailored financial solutions to major government, corporate and Institutional clients worldwide. Global banking has offices in more than 60 countries and territories. Managed as a global business, they offer clients geographic reach and deep local knowledge. The clients/customers are served by teams that bring together relationship managers and product specialists to develop financial solutions that meet individual client's needs.

The global reach of private banking has two major dimensions:-Cross Border Lending and Direct Investment in the financial services sector of other nations. Cross Border Lending occurs when a U.S. institution like Bank of America lends dollars to the Mexican government or to the company in Mexico. Direct Investment occurs when a U.S. bank like Citibank establishes a subsidiary in a foreign country. Banks that have subsidiaries in other countries are called Multinational Banks (MNB). The largest U.S. banks do both : lend internationally and have an array of subsidiaries active in the financial services sector of many foreign countries. In the last two decades, both types of global banking have expanded, although the rise in Multinational banking has been more dramatic. The rise in international bank lending and the worldwide expansion of MNB have given some borrowers better access to credit. But the spread of global banking has contributed to the financial instability of many nations and led to the disruption of domestic credit markets.

The banking system occupies an important place in a nation's economy.

The Indian banking industry has come away from being passive business institution to a highly proactive and dynamic entity. Before liberalization, the Indian banking structure was largely controlled by parameters like branch size and location. On the recommendations of M. Narasimhan Committee, the reforms in the banking sector in India were initiated in 1991 and new private sector banks were allowed to be started. This move, along with the rapid growth in the economy kickstarted the banking sector in the country, which has witnessed a speedy growth with strong contribution from all two categories of banks, namely, government and private. The new economic policy of liberalization, privatization and globalization has made a significant effect on the working of banks. The Indian banks have been able to absorb the shocks of global meltdown in the financial sector. The new private sector banks are targeted to achieve higher levels of productivity and profitability and improve the service quality.

The freedom of choice, which bank customers did not enjoy earlier because of standardized products and regimented interest rates, has been now given to the customers as a result of the changes that are taking place.

At the beginning of the 20^{th} century, the banking in India was controlled and dominated by the presidency banks, namely, the Bank of Bombay, the Bank of Bengal and Bank of Madras - which later on merged to form the Imperial Bank of India, and Imperial Bank of India, upon India's Independence, was renamed the "State Bank of India". There were also some exchange banks, as also a number of Indian Joint Stock Banks. All these banks operated in different segment of economy. The presidency banks were like the central banks and discharged most of the functions of central banks. They were established under charters from the British East India Company. The exchange banks, mostly owned by the Europeans, concentrated on financing of foreign trade. Indian Joint stock banks were generally undercapitalized and lacked the experience and maturity to compete with the presidency banks and the exchange banks. There was potential for many new banks as the economy was growing. Under these circumstances, many Indians came forward to set up banks and many banks were set up at that time, a number of which have survived to the present such as Bank of India, Corporation Bank, Indian Bank, Bank of Baroda, and Canara Bank.

With the development of information technology, the world has become a global village and it has brought a revolution in the banking industry. Deregulation and liberalization in the financial sector have stimulated financial innovations. The banking sector reforms were initiated to bring about a paradigm shift in the banking sector. With the introduction of new private sector banks and foreign banks, today, the Indian banking is operating in an increasingly deregulated and market driven, competitive environment. Alongside introduction of new players and instruments, there has been strengthening of prudential regulation and supervision. With greatly improved strength and financials, Indian banks are now well-placed to capitalize on increasing global opportunities for further growth through diversification.

In spite of the rapid growth and internalization of banking services in particular, manager's first need to correctly identify the antecedents of what the local consumer perceives as service quality and its link to service climate, thus the strengths of this relationship would be beneficial as a global competitive tool.

In March 2006, the RBI allowed Warburg Pincus to increase its stake in Kotak Mahindra Bank (a Private Sector Bank) to 10%. This is the first time an investor has been allowed to hold more than 5% in a private sector bank since the RBI announced norms in 2005 that any stake exceeding 5% in the private sector banks would need to be vetted by them. Currently India has 88 scheduled commercial banks - 28 Public Sector Banks (that is with the Government of India holding a stake), 29 Private Banks (these do not have Government stake; they may be publicly-listed and traded on stock exchanges) and 31 Foreign Banks. They have a combined network of over 53,000 branches and 17,000 ATMs. According to a report by ICRA Limited, a rating agency, the Public sector holds over 75% of total assets of the banking industry, with the Private and Foreign Banks holding 18.2% and 6.5% respectively.

When it comes to measuring the quality of services, it helps to understand the concepts of product and service dimensions Users may want a keyboard that is durable and flexible for using on the wireless carts. Customers may want a service desk assistant who is empathetic and resourceful when reporting issues.

Product Quality has Two Dimensions :

- **Physical Dimension :-** A product's physical dimension measures the tangible product itself and includes such things as length, weight and temperature.
- **Performance Dimension :-** A product's performance dimension measures how well a product works and includes such things as speed and capacity. While performance dimensions are more different to measure and obtain when compared to physical dimensions, but the efforts will provide more insight into how the product satisfies the customer.

Like Product Quality, Service Quality has Several Dimensions :

- **Responsiveness :-** It refers to the reaction time of the service or willingness to help customers and provide prompt service.
- **Assurance :-** Knowledge and courtesy of employees and their ability to

convey trust and confidence.

- **Tangibles :-** It refers to a service's look or feel appearance of physical facilities, equipment, personnel and communication materials.
- **Empathy :-** The firm provides care and individualized attention to its customers. The greater the level of this understanding, the better. Some situations require more empathy than others.
- **Reliability :-** It refers to the dependability of the service providers and their ability to keep their promises accurately.
- **Competence :-** Possession of required skill and knowledge to perform service.
- **Courtesy :-** Politeness, respect, consideration and friendliness of contact personnel
- **Credibility :-** Trustworthiness, believability, honesty of the service provider.
- **Feel secure :-** Freedom from danger, risk or doubt.
- **Access :-** Approachable and easy to contact.
- **Communication :-** Listens to its customers and acknowledges their comments. Keeps customers informed in a language which they can understand.
- **Understanding the Customer :-** Making effort to know customers and their needs.

To conclude, currently banking in India is generally fairly mature in terms of supply, product range and reach even though reach in rural India still remains a challenge for the private sector and foreign banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance-sheets relative to other banks in comparable economies in its region. The Reserve Bank of India is an autonomous body, with minimal pressure from the government. The stated policy of the bank on Indian Rupee is to manage volatility but without any fixed exchange rate- and this has mostly been true. With the growth in the Indian economy expected to be strong for quite some time especially in its services sector- the demand for banking services, especially retail banking, mortgages and investment services are expected to be strong. One May also expect M&A's takeovers and asset sales.