"Performance Association of Private Sector Banks with the Public Sector Banks in Odisha, India"

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Abstract – The service quality has become a extremely instrumental co-efficient in the aggressive competitive marketing. For success and survival in today's competitive environment, delivering quality service is of paramount significance for any economic enterprise. Life Insurance Corporation of India, the leading insurance company has set up 'benchmarks' in enervating the whole concept of service quality.

Recently the Indian economy has witnessed the appearance of many banks in the private sector. There are several reasons at the back the increasing number of commercialization of banks in Odisha. The growth of such banks is not possible unless they witness some success in the context of customer satisfaction or may it be the net assets held by these banks, efficiency of their management or the networks of each bank both in private as well as the public sector bank. The paper covers the performance comparison of private sector banks and the public sector banks and to give the reasons and suggestions for the same.

Keywords: Service quality, Life insurance, Perception, Critical factors, Performance.

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INTRODUCTION

Though the founding of the commercial banks started with the appearance of the Bank of Calcutta later renamed the Bank of Bengal in the year 1806, thus making it the oldest commercial bank in the Indian subcontinent, but with its merger with the Bank of Madras, Imperial Bank of India which in turn became State Bank of India emerged. Pursuant to the provisions of the State Bank of India Act, 1955, the Reserve Bank of India, acquired a controlling interest in the Imperial Bank of India thus on 1 July 1955, the Imperial Bank of India became the State Bank of India.

The liberalization of Indian economy ushered in an era of competitive marketing leading to the radical changes in the entire gamut of products and services. The service sector in Odisha, hitherto limited in nature and scope, changed into an aggressive mode appropriating the front stage touching almost every sphere of human activity, viz., banking, insurance, information technology, welfare etc. and accounted for approximately two-thirds of worldwide GNP right from the beginning of the twenty first century (Kara *et al.,* 2005). Delivering quality service is considered an essential strategy for success and survival in today's competitive environment (Dawkins and Reichheld, 1990; Parasuraman *et al.,* 1985; Reichheld and Sasser 1990; Zeithaml *et al.,* 1990). In the literature, the construct of quality is conceptualized based on perceived service quality (Hishamuddin *et al.,* 2008). Perceived service quality is defined as „global judgment, or attitude, relating to the superiority of the service" (Parasuraman *et al.,* 1988).

In the huge service sector, insurance sector is one of the most important entities which has been growing relatively fast in India. At present there are twenty three players in the Indian life insurance industry out of which Life Insurance Corporation is one of the leading public companies, holds largest number of policies in the world to suit different financial requirement of an individual. With a greater choice and an increasing awareness, there is a continuous increase in the customers" expectations and they demand better quality service. Therefore, to sustain in the market, service quality becomes a most critical component of competitiveness for Life Insurance Corporation of India.

SERVICE EXCELLENCE CONCEPTUALIZATION AND DIMENSION

In spite of the growing importance of service quality, it remains an abstract and indefinable construct that is difficult to define and measure; Parasuraman *et al.,* 1985, 1988. In the empirical literature, there are many alternative service quality models and instruments developed for measuring service quality. Sasser *et al.* (1978) suggested three different attributes (levels of material, facilities, and personnel) all apparently dealing with the process of service delivery. Gronroos (1984) argued that overhaul quality can be divided into two generic dimensions: technical quality (what is provided) and functional quality (how the service is provided), with image quality (the organization‟s reputation for quality) mediating the impact of these two dimensions on overall perceived quality. Subsequently, Gronroos (1990) identified six specific dimensions viz., professionalism and skills, reliability and trustworthiness, attitudes and behavior, accessibility and flexibility, recovery, and standing and credibility, on which service quality could be measured. However, these dimensions have not been subject to any rigorous empirical testing, although a number of studies have used scales based on such principles (e.g., Lehtinen and Lehtinen, 1991). Lehtinen and Lehtinen (1982) discussed three dimensions viz., physical quality, involving physical aspects; corporate quality, involving a service firm‟s image and reputation; and interactive quality, involving interactions between service personnel and customers.

In the mid-1980s, one of the most systematic research programmes in service quality was conducted by Parasuraman *et al.* (1985). They revealed ten dimensions viz., tangibles, reliability, responsiveness, competence, courtesy, credibility, security, communication, understanding, and access in the original model of service quality. But in the subsequent study of Parasuraman *et al.* (1988), these ten dimensions were condensed into five viz., tangibles, reliability, responsiveness, assurance, and empathy. This led to the development of a 22-item SERVQUAL scale for measuring service quality. According to the SERVQUAL scale, service quality can be measured by identifying the gaps between customers‟ expectations of the service to be rendered and their perceptions of the actual performance of the service.

In an effort to conceptualize all inclusive service quality, Sureshchandar *et al.* (2001) identified five factors viz., core service or service product; systematization/standardization of service delivery: non-human element; human element of service delivery and social liability of service quality as critical from customers‟ point of view to measure service quality. These factors resulted after modifying the original SERVQUAL instrument, by adding and/or reducing other relevant factors. The above discussion reveals that SERVQUAL, designed to be a generic instrument applicable across a broad spectrum of services, has been at length used, replicated, and found inadequate in many cases. Empirical research till date is primarily built on the Parasuraman *et al.* (1988) SERVQUAL instrument, a 22-item scale that measures service quality across five dimensions. Therefore, in this paper, an attempt has been made to use the critical factors as proposed by Sureshchandar *et al.* (2001) which so far, have not been considered in the empirical literature to measure the customer‟s perception towards life insurance service quality in Odisha from the Indian context.

BASIS OF COMPARISON

SBI has five associate banks:

- State Bank of Bikaner & Jaipur
- State Bank of Hyderabad
- State Bank of Mysore
- State Bank of Patiala
- State Bank of Travancore

Apart from its five associate banks, SBI also has the following non-banking subsidiaries:

- SBI Capital Markets Ltd
- SBI Funds Management Pvt Ltd
- SBI Factors & Commercial Services Pvt Ltd
- SBI Cards & Payments Services Pvt. Ltd. (SBICPSL)
- SBI DFHI Ltd
- SBI Life Insurance Company Limited
- SBI General Insurance

COMPARISON-

I. Network of banks

Today banks follow a strategy of building a system of branches and ATMs with effective penetration so that they can continue to enlarge their environmental coverage with a greater prospective for growth. The banks try to deeply entrench across the country with significant density in areas conducive to the expansion of their businesses.

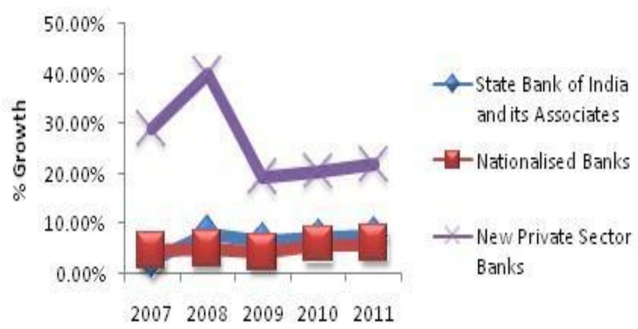

Fig.1 : Percentage growth in Banks network (Source: RBI)

The private sector banks in Odisha have expanded themselves at a much faster rate than public sector banks. The customer base of these banks has grown manifold since they are able to provide innovative services to the customers at a much faster pace. This is helping them to capture a higher market share and depleting some of the share of the public sector counterparts.

II. Productivity

Productivity is the ratio of what is produced to what is necessary to produce. In the banking scenario output can be measured by profit per employee, business per employee. Productivity is a very important measure of competence of banks because it means that the firm can meet its obligations to employees, shareholders, and governments (taxes and regulation), and still remain ready for action in the market place.

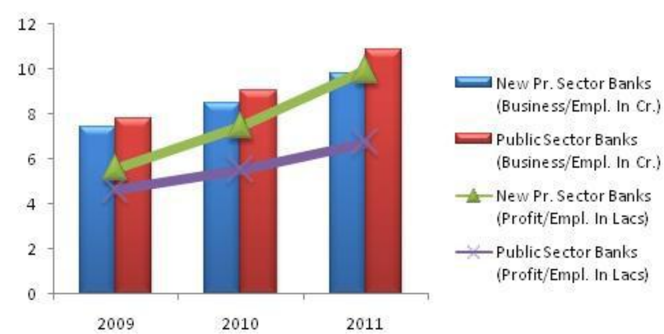

Fig.2 Productivity (Source: RBI).

CONCLUSION:

In this paper we found that most of the new private sector banks have shown better performance than their public sector counterparts. In the post liberalization period, the life insurance industry of India witnessed a remarkable growth and it is being forced to face a lot of healthy competition from many domestic as well as international private insurance players. Life Insurance is critical for the development of Indian economy.

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