Neapolis University

HEPHAESTUS Repository **http://hephaestus.nup.ac.cy**

Department of Accounting and Finance BSc in Accounting, Banking and Finance

2015

Competition, efficiency and productivity in Cyprus banking system

Pasiou, Dido

Barchelor in Accounting Banking and Finance, Shcool of Business, Neapolis University Pafos

http://hdl.handle.net/11728/6942

Downloaded from HEPHAESTUS Repository, Neapolis University institutional repository

Chapter One

1.0 Introduction

The first chapter of the Study is the introduction of the study and presents the statement of the goals and aims of the study, as well as a first approach to the theoretical basis of the study.

The financial market is more than a set of institutions and procedures through which the process of transformation of savings to loan capital is implemented. Financial markets are composed of two different markets, capital markets and financial markets. The capital market is based on the direct form of financing where there are no intermediaries, and the second in the process of financing that involves an intermediary (Alexakis, 1999: p.34).

The driving force of these markets is the banking sector, which pulls the strings of the world economy. The development of an economy is heavily dependent on the existence of a robust and dynamic banking system. Because of the money multiplier and all other banking processes, banking institutions fuel the growth of the economy. The structure of the banking system is a result of the forces exerted on the market and greatly affects the degree of competition, efficiency, productivity, price, quality and finally the amount of banking products and services (Kiochos and Papanikolaou, 2000: 153).

The range of banking products and services and the multiple and specialized service networks provided by banks facilitate the creation of a competitive environment in which they can move at an advantage of the consumers. The fact is that bank customers have many choices, so they can ensure favorable borrowing terms for their needs, but also to compare the services at all levels.

The constant modernization of technological equipment of banks, the extensive network of the stores, alternative distribution channels, the voluntary adoption of a code of conduct on advertising of financial products and services and institutional actors certainly form the basis for the development of healthy competition. But the driving

force for efficient operation is the informed consumer, who knows exactly what his needs are, has assessed the potential for recourse to bank loans, knows to exploit their institution and mainly has the time to research and choose the best for this offer.

In modern economies the financial system is the main link that connects all the different parts as the development of an economy requires an effective and competitive financial system. The banks and the real economy are in constant contact and interaction between them. A country cannot have a developed economy without a developed banking system and a successful banking system cannot exist if the country's economy is not based on solid foundations. The international financial crisis and the debt crisis could not and should not affect the country's banking system.

The current financial crisis, which was essentially caused by the operation of the banking sector, has affected negatively the course of all banking institutions. Typically, the recession and negative growth rates diminished trade and hence commission income, reduced savings and hence the cost of collateral and hit investment. Furthermore, in the context of the adoption of an increasingly conservative policy, a sustained increase in the rate of provisioning has been observed as part of the turnover.

The recent financial crisis has highlighted the financial institutions as perpetrators - victims of the global economic scene. Uncontrolled leverage applied in conjunction with insufficient institutional, regulatory and audit framework created a bubble that popped in 2008 dragging in the dyne of the crisis of economy. Indeed, the crisis soon reached Cyprus, with the rating agencies and markets to become particularly sensitive to imbalances of the EU market and the architectural problems in the euro area (Hardouvelis, 2011: 6).

One of the key points that characterize the efforts of business and determine their path in the new millennium is quality. Thus, the issues related to achieving and improving it, increasing customer satisfaction and with the consolidation of a new type of relationship are placed in the business priorities. The client's role has been upgraded and is continuously expanding as the competition, the demands and expectations are rising. This

focus on the customer has preoccupied many academics, particularly on service businesses. This is because such undertakings the customer contact is particularly large and its presence is strong in the service. Moreover, the measurement of service quality is difficult to determine with technical criteria, so that the customer is the only one who can objectively evaluate the outcome.

A service area of particular interest could be left unaffected by these new developments and the banking. For many years, the sector operated under a tight regime of bureaucratic rules and regulations, which significantly limited the freedom, the work and the development of credit institutions. Over the past two decades rapid changes have taken place in the direction of modernization and liberalization of the financial sector. The globalization of markets, the revolution of information technology and telecommunications, the international trend towards privatization, limitation of the state's role, but also the liberalization of capital movements contributed to shaping a new environment, more modern and more competitive.

1.1 Rationale of the Study

The main reasons for the selection and analysis of this issue and the level of customer service in the banking sector are:

- ✓ The limited research on this subject, as banks do not investigate enough the perception by customers of the quality of their services, except some sporadic surveys, mainly abroad.
- ✓ The importance of the achievement of quality for businesses operating in today's competitive environment and particularly the banking sector, which constitutes a large part of the economic system.
- ✓ The best analysis and conclusions regarding the image showing the banking sector internationally and comparison of quality practices in each country.

1.2 Aims of the Study

The objective of this study is to explore the direction of the changes involved with the integration of the Cyprus Bank system on the single banking market and mainly the degree of response of banks in this adjustment, the level of efficiency and productivity adopted to cope with the emerging situation, marketing policies and fierce competition. In order to do so, this research paper will associate the operations, quality, and profitability as a basis for exploring efficiency and effectiveness.

Hence, the research questions can be summarized as follows:

- What is the relationship between quality and customer service
- How is the quality of employees associated with the performance of the banks
- How does the global financial crisis has affected both the financial environment and products in Cyprus
- What is the opinion of the employees and customers on the services and products provided in Cyprus

1.3 Method and Outline of the Study

In the first part of the study the problem will be presented as shown in the literature to describe the banking system in Cyprus, aiming to define quality and competition in the banking sector.

To investigate effectiveness and productivity of the Cypriot banking system and the effectiveness of the response of the individual banks to the challenges and necessities of the European Union and globalization, the largest and most important banks of the country were selected for the review of the literature. Their developed and corresponding actions, policies, strategies and alliances will be presented.

In the second part of the study there is an empirical approach, with the use of quantitative methodology. The researcher has contacted three types of Banks in Cyprus, and asked the employees and customers to participate in the research, so as to evaluate the products, services and the overall efficacy of the banking sector.

Chapter Two

Literature Review

This chapter will be a detailed review of the relevant literature in order to approach the issue from different perspectives, using the international and Cypriot literature. An attempt was made in this review to take into account the latest research on the subject of the banking sector but also used previous studies - before 2005 - because of their interest in this matter.

2.0 Definition of Quality of Services

According to studies and research done we can define services as activities offered by an individual to someone else in order to fully satisfy the requests and needs. Basically services are considered non tangible but essential elements that adhere to some gnomes to customer service. Between certain services we have the engagement of the products, and the separation between these two is increasingly difficult. According to studies carried out by Sesser, Olsen and Wyckoff (1978) there is a combination of services and products which lead to a continuous diagram as shown below:

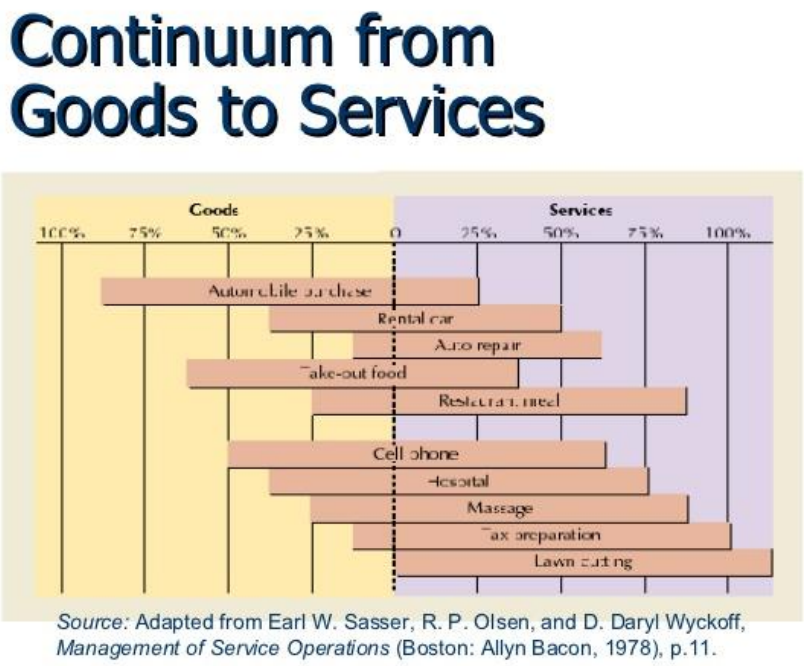

Image 1: Continuum from Goods to Services (1978)

Gringos (1988) refer to the service as a process, especially a process corresponding to the four most important aspects of a business. The other three main points is the generation, transmission and suppliers. Therefore we can easily understand that the services take place throughout the production process. Another theory by Silvestr and Johnson (1990, pp 958-974) emphasizes that the word service is "... what makes things like, not what creates something".

2.1 The Concept of Quality

The concept of quality is undoubtedly one of the most important concepts when referring to products or services. The concept of quality is closely tied to the success of a product and service. When we refer to certain success we mean that banks maintain and develop

the customer base and increase their financial results. It is now proven that the longer the customers stay happy with the quality of services or goods which are offered to, the greater will be the dissemination of positive messages through word of mouth to other consumers. In 1987 Buzzell and Gale took evidence from the PIMS database (Prorif Impact of Market Strategy) and concluded that "quality is what defines the customer of the service and quality of a service is the basis of how the customer perceives".

2.2 Competitive Advantage And its role

Assuming that a bank is starting its operation, naturally it has to face several problems whether they are technical or are functional. But competition is the main problem that it will face. Competition can lead a bank to complete failure and consequently the collapse of, or on the contrary, to ensure a good market position of the banks. For this reason therefore the banks in order to manage to achieve success are invited to increase further to compete with the other banks. Through competition a comparison of the forces is discerned, which aims to the common good of both the customers and the bank (Schiniotakis, 2012).

Thereby is also avoided the creation of monopolies or oligopolies that all they do is to impose higher prices on products in which the consumer can not intervene. Nowadays the competitive advantage is the success of a bank based not only on security provided to its customers but also the quality of products and services based on the needs and requirements of customers (Kolter, 1997). In order to be able to decide which bank is that they choose, consumers take as a means of comparison the prices of products, the willingness and the immediate service of the staff of the bank and the continual production of new products which are sophisticated and specialized. Another key element that can help customers to select the proper bank is advertising.

Nowadays advertising is a powerful means through which each bank sends messages to promote its products that may affect the view of consumers. According to theory of Earl Naumann (1994, p 87) every business should incorporate five steps especially when in a sector that is affected by rapid market developments (Siriopoulos, Tziogkidis, 2010).

The steps are the following:

1. A bank should be aware that the customer and his needs are the ones that affect the prices of goods and services. Therefore if the bank wants to work effectively it should run projects and programs that will map the needs of customers and what they need and at the lowest possible price.

2. In addition to the research on customer expectations there must be a research on what proposals there are in the case of other competing banks. So the bank should conduct a research which will focus both on the client and customers of competing banks in order to manage to prevail. Apart from that this can lead to an increase in the numbers of bank customers that will be able to have a comprehensive view of the products offered.

3. A research though is never enough. Consumer expectations change frequently. So banks in order to remain in a constant development to offer high quality services and to continue to adjust competitive prices they should use a continuous research program on consumer expectations.

Even Naumann (1994) writes "every contact with a customer is an opportunity for learning and improvement". Essentially he wants to make us understand the role of competitive advantage and show us the right balance between the Monitor and the creation of expectations in the solutions which will lead to customer satisfaction. The most important factor in business success is the persistence to the client. In the competitive environment, businesses operate today, the economic growth is achieved by those companies that recognize that:

- The customer is the greatest asset the item.
- The client is the one who provides the wages and dividends.
- The customer chooses to be served by who will do it better.
- The successful company is among the first options of the customer

The research illustrates how important is the maintenance of customers, which is achieved through quality service. Increase of customer conservation at 5% can increase the company's profits by 25-35%. Accordingly, reducing the degree of leakage of customer at 5% can lead to an increase of net profit for each customer up to 75% (Lifeskills International Ltd, 2002).

In particular, research of Buzzell and Gale (2007), showed that companies that provide quality service:

- Have higher customer retention rate.
- Benefit from good market reputation.
- Earn higher market shares.
- The good reputation attracts the ablest and most dedicated staff.
- They have fund performance twice compared to those of competitors who offer lower service levels.

In a survey by NOP Solutions among customers who had changed the bank they worked with very significant results emerged. Specifically:

- 97% of the surveyed clients claimed that the main reason for their withdrawal from the bank was that they were served in a bad way.
- 35% say that a report on the part of the bank for the poor service it provided would be enough to prevent them to leave, but almost 75% of banks did not pay any effort to convince the disgruntled customers.
- Moreover, it proved that customers who fled for competitors were the most profitable for the business.

2.3 Factors That Increase Competitiveness

However, in order to achieve increased competitiveness there must be some factors that are considered strong cards and contribute to increased competition.

First, it should be mentioned that the organization of a bank should be based on senior information systems. It provides instant response to any problem that arises either in the internal operations of the bank or in the external ones. The bank should have sufficient number of employees to cater directly and rapidly to customers without forcing them to wait in line. In short there should be an expertise and quality control of the products and services they offer.

Finally the bank must have the ability to immediately export the products and services that the market creates, and to inform consumers directly but also to avoid eavesdropping products from other competing banks. As regards the role of the staff contribution to competitiveness, it should be well trained regarding the information systems available to the bank, and should also be updated correctly for all services and products offered by the bank and be informed timely of any changes in the market globally.

2.4 Quality Dimensions

The most known and acceptable quality dimensions in service provision are those made by Gronroos (1990). and his team Parasyraman et al. (1996). Gronroos 1990) proposes the following three dimensions of quality:

1. Technical quality: This dimension relates to the result of the service, which is what ultimately with the customer and can be measured objectively the criteria.

2. Functional quality: This dimension relates to the way in which the service is provided. It examines mainly the psychological interaction between the provider and customer and includes issues related to employee behavior, the type of relationship between customers and staff, the relationships between employees, the external

appearance and personality of the staff of the company, the customers' ability to communicate with staff and service availability when requested.

3. Image of business: This dimension concerns the perception of customers of the company and is the result of these two dimensions. More specifically it refers to the image that customers have for the company and affects their perception about the quality of services provided.

Parasuraman et al (1988) propose a specific model that includes five dimensions of quality of service taken into account in developing the attitudes and expectations of customers. These dimensions are:

1. Tangible elements: They concern data relating to the physical space of the business, the technological equipment and the contact of the personnel. These elements affect the quality of service even though they give information about the nature of the service and predispose the customer about the service to be received.

2. Reliability: It concerns the ability of the company to provide the customer directly what is promised. Reliability is a factor that is particularly sensitive, since the shock can lead to a lack of customer confidence in the company.

3. The responsiveness: It relates to the willingness of the company to provide its clients with the direct service requested. The response rate is a little part of the quality of service, but not insignificant, as is necessary to achieve the expected result.

4. The sense of security and confidence: this refers to the staff's ability to inspire trust and safety to customers. Within this variable are encompassed courtesy, friendliness, respect and sensitivity that the staff shows on issues of concern to customers. The skills of staff to exempt customers from the risk and doubt combined with sophisticated behavior can have very positive results. Of course, along with all of the above staff should have the necessary knowledge for the service, since the feeling of security is a

result of customer confidence in fully qualified people. Therefore the company must pay great attention to the selection and personnel training.

5. The Understanding and empathy of personnel concerns the efforts of business to understand and meet the unique customer needs. This dimension exceeds the formal and professional attitude and approach of customers in a more personal level. Particularly important is the application of modern companies that make intensive use of technology and automated processes and lack the authentic and human relations (Zeithaml and Parasuraman, 1996).

2.5 Application of the quality dimensions in the Banking Sector

Banks are a separate category because firms have certain peculiarities. These characteristics identify the way banks should address their customers and underline the need to apply quality programs in the provision of their services. In accordance with Mosad (1995):

- The funds managed by the bank do not belong to it but to its depositors.
- Banks have the right to re-use the money their customers trust them to make a profit. The whole operation and strategy of banks is based on this logic.
- The banks are required to minimize risk before maximize profits. This is because the main source of lending and must respond to the demand for money when required, providing of course the necessary collateral.
- The banks have no right to deny depositing funds from customers or borrowings on request. Therefore, they should always be able to meet the requirements of their customers.

It is, thus, perceived from the aforementioned, the necessity of adoption of quality in the highly sensitive area of banking services. To make this possible it is necessary to study the quality dimensions (Sureshchandar, Chandrasekharan, and Anantharaman, 2002).

1. **Practical Dimension**

This dimension represents the interior of the actual banks, which must be aesthetically beautiful, comfortable and ergonomic, with the technological equipment needed to be modern and user friendly. This dimension also includes the leaflets of banks, which must deliver accurate and clear pieces of information and the branch network of banks, which must be able to serve the needs of all stakeholders.

2. **Reliability**

The reliability of banking services has essentially three main aspects. In principle, customers wish to limit errors in daily transactions, and if possible eliminate them, which is particularly difficult, as the nature and complexity of the transactions often leads to errors. Second, customers require an effective way to address these errors either due to their fault or failure in the business. An effective way to address errors means immediate admission of error, settlement with a phone call and information of the customer of the result of corrective actions.

Thirdly, consistency in the provision of a service is considered an essential component for establishing a reliable relationship between the bank and customer. The result does not depend on the degree of importance of a service. There must be in the case of a simple deposit. For this reason, the entire staff of the Bank shall be updated for all accounts that customers maintain and on the terms of cooperation agreed with the bank. (Kangis And Voukelatos 1997).

3. **Responsiveness**

The response rate is related to the desire of banks to directly settle their customers' demands. Customers want banks to promote their interests, even if they have to take initiatives aimed at their convenience.

4. **Safety**

The security and safety that the client feels is the result of two factors, the existence of technical knowledge on the part of staff and the confidence that the bank inspires. The technical knowledge concerning good staff training on the banking issues, the ability to give direct answers to questions posed by operators and the ability to request at any time with the help of specialized colleagues, if deemed appropriate . On the other hand, the sense of security is associated with the trust gained among counterparties. With confidence significant collaborations and settled specific issues are achieved whose resolution becomes sometimes difficult within the narrow limits of the banking rules.

5. **Understanding and empathy**

This dimension represents the desire of bank customers to systematically explore and understand their specific needs. Particularly if customers are business owners, there are high requirements for examination of their needs, finding their specificities and the study of their business object. The bank staff must know the history of the cooperation with this company, studying the banking needs and the timeframes for addressing them and the general obligations of the bank to the company and vice versa (Sureshchandar, Chandrasekharan, Anantharaman, and Kamalanabhan, 2002).

2.6 Problems in Promoting Services

Michael Porter developed the model of five competitive forces, based on which the preference of the consumer for what is being offered is determined. The stronger the competition among banks or businesses, the more attractive are those who actually work for the interests of clients and vice versa. A company has to face these threats indicating competition.

- Substitutes
- products entry

- Bargaining power of customers
- Bargaining power of suppliers
- Installation and rivalry among existing competitors. (DeYoung, 2001).

Based on these five threats it can be decided how hard competition can be, how strong or weak.

1. Substitute products: they play an important role in the market especially when customers are attracted to products that are either for economic reasons or cannot be obtained. So they are given the opportunity to acquire some substitutes which are definitely of lowest price but of equal or even better quality. Substitutes have the advantage always to be readily available at very competitive prices.

2. New entrants: whether a new entrant is a serious threat depends on the entry barriers that will be faced by the reactions of the existing businesses to them.

3. Bargaining power of customers: customers are a competitive force. They are the ones who create market trends and those who are pushing for price reductions but at the same time of increasing quality. The competition has been created for them for their total satisfaction and customers use it in the best way.

4. Bargaining power of suppliers: Suppliers have the ability to affect prices and quality according to the offers and demand in the market. A price increase or a reduction in quality that suppliers can create all that can cause is problems on profitability.

5. Positioning and rivalry among existing competitors: It is considered as the main strength because it is a continuous game between companies about which one will be the overly dominant. They use means to reduce prices, enhance the brand, and to obtain effective distribution and better customer service.

2.7 Reasons for failure of providing quality services

Surveys have shown that one in four customers experience problems with the service received. Indeed customers that are given the opportunity to express their grievances are more likely to return in the bank even if their demands are not met. If their problem is solved, they will communicate their satisfaction to more people than if taking a service right the first time. These studies show the value of solving customer problems and of satisfying their claims.

Certainly, the majority of customers do not express their complaints, when the product /service received do not meet the expectations. This is primarily because customers:

- Want to avoid any trouble and conflicts.
- Believe that their complaints will not receive the necessary attention.
- They believe that even if they express their grievances, there will be no results.
- They do not know where to turn when the problem is created (Sivadas, and Prewitt-Baker, 2000).

Despite the efforts of companies to provide quality services, often mistakes are avoided and there is a need to process the rectification of the errors. In this the relative importance and attention process should be given as there will always be customers who will not be completely satisfied.

What businesses need to pay attention to is the fact that existing customers have more expectations to redress the error from new customers (Ruyter , 2000).

In cases of an improper supply customers expect from the company (Dale, 1999):

- To hear a detailed justification for the reasons for the inadequate supply.
- To immediately resolve their problem.
- The business should show the necessary interest and willingness to provide solutions.

- Where required, compensation should be given for the damage that this error or omission likely caused to the customer.

Especially in the banking sector, surveys have shown that failures in the provision of quality services are due to five factors (Spyrakopoulos , 2001):

1. Improper procedures of the service. This may be a result of the high bureaucracy, unnecessary delays and lack of information of customers about the status of their accounts.
2. Errors in the service caused by both staff and the wrong process design.
3. Lack of education and misconduct of contact personnel. Employees can ignore basic procedures of the bank and not to show the necessary willingness to customer service
4. Existence of functional and technical failures. This problem includes long queues, the hypo-function of cash dispensers or their limited number, and the weakness of the public service because of the lack of sufficient number of branches.
5. Failures of the bank. This problem mainly involves the discriminatory treatment of consumer problems from the side of the bank (Hondroyiannis, Lolos and Papapetrou 1999).

2.8 The Banking System of Cyprus

The banking system consists of the Central Bank of Cyprus, which is the Supervisory Authority for banking institutions, domestic banks, international banking units. It also includes co-operative credit institutions supervised by the Supervision and Development of Cooperative Societies. On the basis of the powers conferred by the Law, the Central Bank of Cyprus is granted permission to conduct banking operations and supervises banks. In the exercise of its supervisory role, the Central Bank of Cyprus guided by the recommendations of the Basel Committee and the legal framework applying in the European Union, closely monitors new developments having its regulatory functions under constant review. In July 2003 in the House of Representatives the Banking (Amendment) Law of 2003 passed for full compliance purposes and harmonization of

the regulatory and supervisory framework for banking operations with the acquis communautaire (Philips, 2013).

Currently fourteen domestic banks operate in Cyprus, of which eleven are commercial banks and three are specialized credit institutions. All banks are registered in Cyprus with the exception of Arab Bank plc and National Bank of Greece SA, operating as branches of foreign banks. Commercial banks, which are registered in Cyprus, are the Bank of Cyprus Ltd, Cyprus Popular Bank Ltd, the Hellenic Bank Ltd, the Cooperative Central Bank Ltd, the Universal Bank Ltd, the Alpha Bank Ltd, National Bank of Greece (Cyprus) Ltd, Emporiki Bank - Cyprus Ltd and Societe Generale Cyprus Ltd. The last four are subsidiaries of foreign banks.

Cooperative credit and savings companies although are not part of the central axis of the banking system, however, represent a considerable financial entity, representing approximately 30% of domestic deposits in Cyprus pounds and the third of funding again in euros. It should be clarified at this point that the competent authority for the cooperative credit and savings is the curator collaborative development which comes under the Ministry of Trade, Industry and Tourism.

Commercial banks today offer a wide range of financial products in the Cypriot market and several alternative distribution networks for the public. The Cypriot banking sector has been fully harmonized with the European acquis, applying through the directives of the Central Bank of Cyprus, the relevant recommendations of the European central bank. Any foreign bank wishing to operate in Cyprus offering domestic banking activities shall be entitled to do so after receiving an authorization by the Central Bank of Cyprus. Since May 1, 2004 it is no longer required such authorization for the banking institutions which are mandated by the EU and wishing to open branches in Cyprus.

Cyprus can be characterized in terms of banks as an international banking center which features a robust banking system, low taxes, excellent professional services and also offering the advantages of the EU, thus attracting a large number of international companies.

2.9 Bank Products

Today, there is a significant reduction of interest rates in the international environment, the result of both the modulation of favorable macroeconomic conditions in most economies of the world and the high growth rates, and also increased competition. Due to a removal of restrictions concerning both the credit institutions themselves and the products and services, a significant development of markets for consumer and mortgage loans, until recently, was very low.

Credit and debit cards are now at most consumers' wallets as they help them in their daily transactions. The credit card offers the possibility of the holder to purchase a commodity / service, the value of the transaction to be charged to the card and to repay the amount after a period of 30-40 days. At the same time, it would enable the amount to be repaid in installments and bear an interest rate and annual fee. The debit card is linked to the deposit account and does not bear interest or subscription. The amount of purchases or cash withdrawals is automatically deducted from the deposit consumer account. Today the use of credit cards has expanded in many areas such as health and travel insurance (Karageorgou, 2006).

Consumer loans through credit cards became affordable to the general public in the last decade. The customer can choose the time of repayment of the loans and the formation of interest rate (fixed or variable). Mortgages are a class of banking products designed to finance the purchase or construction of housing, while as the subcategory of these products repair the loans offered. The attractiveness of these products especially in the countries has observed significant declines in interest rates and in countries rents that were high enough. For instance, in Great Britain sometimes the installment of the loan does not differ significantly from the rent that the borrower has to pay for the use of such property. Additionally, the number of alternative mortgage has increased significantly; while banks offer with mortgages, insurance coverage and the possibility of theft or fire and to repay the loan where the borrower can no longer work.

In contrast to previous years when savings deposits were the only savings product, the banks today offer dozens of savings products, covering the entire spectrum of financial services. Repurchase agreements (repos), term deposits, guaranteed capital deposits, mutual funds, various banc assurance products are just some examples of the bank savings products.

These products offer alternative versions of combinations and risk-taking and provide flexibility based on the characteristics and requirements of each customer. The capital guaranteed products and banc assurance products are the latest additions to the products of banks. The guaranteed capital products have been introduced to ensure the saver's initial investment, at a time due to the negative stock market conditions public confidence in high-risk products has been shaken significantly. Additional performance beyond the initial capital depends on the course of exchange or stock index, in which the product is connected. Bank assurance products combine the characteristics of a long-term deposit product with those of an insurance product especially suited to those who wish to have an additional source of income in the future. The depositor at the end of a period takes the original amount deposited plus interest either in the form of a single payment or in the form of monthly payments.

Internet banking covers a wide range of services such as:

- Information balances and movements on accounts, checks, cards and rates.
- Commands for checkbook
- Transfer of funds to accounts of third parties in any domestic or foreign bank with immediate or future execution date (remittances).
- Commands for opening automatic utility bill payment order (electricity, water, IKA k.l).
- Payments of other bills (utilities, cable TV, mobile)
- Payments of cards and loans
- Cancellation and card reissue.
- Revocation of checks for payment or checkbook

- Change or cancellation of consumer orders not executed
- Change of personal secret number (PIN)

The use of electronic banking has reduced transaction costs over the customer service counter of the bank and online services are available 24 hours a day and 365 days a year. Moreover, consumers are offered effective and qualitative response to their needs. They monitor the movements of accounts and transfer of money anytime they wish. Furthermore, all transactions are made with the security, reliability and confidentiality guaranteed by the bank, if instructions are for the use of secret passwords. Similarly, companies associated with the services of internet banking can significantly reduce operating costs by reducing supply and minimizing the risk of losing money (Benston, 2004).

Chapter Three

Methodology

3.0 Design of the study

In this chapter the theoretical existence of the methodology is analyzed through the three basic methods used in a study: Positivism, phenomenology Action research (Easterby-Smith, 1993).

The concept of the methodology relates to how we can get closer and acquire knowledge on concepts and things through practical research. This method focuses on some specific instruments - ways through which we can better understand the concepts that we consider from a theoretical aspect, and we want to look at and practical substance. (Trochim, 2002).

The positivism and phenomenology are philosophical concepts. All philosophical concepts are distinct and are governed by their own structures and principles. In each survey the researcher is obliged to follow some of the philosophical principles. It is obvious that during the study may lead to new information and data compel him to refute certain philosophical principles originally selected. Generally, there is a misconception to researchers and general research. As Trochim (2002) states «Many times when people in a society think for science and research, have the image of a man in a lab. This is a boring image and gives the impression that researchers are people who are introverted. "This is thanks to the image given by the philosophy of positivism. The researcher can perform the research without being influenced by their own beliefs and values. Generally, the position of positivism is that the goal of the research and the knowledge derived from it is based on the description of some phenomena without the influence of personal experiences. The purpose of positivism is to remain on the data observed and analyze them based on the cold logic of science isolating the human factor (Denzin, and Lincoln, 2003).

Unlike positivism, phenomenological investigations the investigator should observe and study the phenomena occurring around him. These phenomena may be on a personal level and involve even him. Research in phenomenology is not superficial as in positivism but thoroughly investigating, considering even secondary factors. Phenomenology is a branch of philosophy and sociology, based on the work of Husserl in 1982. The aim of phenomenology as defined by Husserl is to observe and investigate human phenomena based on some human activities, having regard to the human perception. The social environment of the researcher plays a key role in the observation of phenomena , which defines the secondary factors of the survey that the researcher should examine and take into consideration the researcher (Wilson, 2005). Based on this approach, the current study follows the quantitative methodology, with the use of questionnaire, whose questions aim to study the quality of service, the competition and credibility of the banking system in Cyprus, based on the opinions and experiences of the customers and staff of two major banks in Cyprus.

3.1 The Sample

The survey is the most widespread form of empirical research to highlight general trends. The results of the investigation and analysis of social reality are objective, ie the empirical evidence independent of the personal values and beliefs of the researcher.

The population surveyed for the conduct of this research consists of employees and clients of banks operating in Cyprus. The sample size was 200 persons [200 customers and 200 employees] to whom questionnaires were distributed. Only 10 were returned, and 180 for each group of the questionnaires were used in the actual study, since some of them were not completed in total, or were full of mistakes that made their use impossible. The method of sample selection was based on purpose sampling, as the banks that were selected for the research were chosen on the basis of the approachability and the increased chance for participation (Blaikie, 2000).

All the participants were informed on the subject of the study, and that the anonymity would be ensured at all stages of the research. They were also informed that they could withdraw their participation prior to the publication of the study.

3.2 The Questionnaire

The questionnaire used in the quantitative method, which uses objective criteria and for this reasons is real. The questionnaires allow the researcher to get several opinions from several people so as to provide some statistical results and important information on which the research will be based. Important for a questionnaire is also what questions will be included – whether they are more general or if they are more specific. Certainly the more specific questions the more accurate the results. With this questionnaire we tried to study the efforts of banks to provide quality services to satisfy their customers' needs and earn their loyalty to the services they provide.

The questions of the questionnaires that are presented in the Appendix are of closed type, as this type is considered to be more understandable to the vast majority of the population and allows the more efficient completion of the questionnaire. The creation of the questionnaire was influenced by other existing questionnaires that were identified through the research of secondary data, namely previous studies on the same topic. However, since there is limited bibliography on the issue in Cyprus, the questions of the questionnaire were altered and adjusted to the Cypriot reality and conditions of the banking system.

The questionnaire was divided in three major categories of questions. First was the part of the questions on demographic issues, which aimed at identifying the characteristics of the participants.

The second part of the questionnaire of the customers includes questions that have to do with the frequency of visit to the bank, the feelings created when visiting the bank, the purpose of visit. These questions are important in order to understand how loyal a customer is, and if he/she has a frequent collaboration with the bank, thus being able to

express a valuable point of view. The next few questions refer to the actual interaction with the employees, their level of commitment, their behavior, their knowledge on the products and services; these questions are asked in order to assess the level and quality of service offered, so as to be able to assess the level of satisfaction of the customers. The third part of the questionnaires asks the customers to evaluate the position of the employees and provide their point of view on the employees' role in the improvement of the bank and the market overall.

The questionnaire of the employees also starts with the questions on demographics. The second part includes a number of questions that ask the employees to evaluate the products and services offered by their bank, but most importantly to evaluate the quality of management, the strategic goals of the bank and the overall functions of the bank. This part is important because it allows the researcher to assess the level of satisfaction of the employees on the services and the management of the bank, and also to evaluate their commitment, motivation and engagement to the bank.

The third part of the questionnaire includes questions on the role of employees in the bank, similar to the ones included in the questionnaire of the customers, from a different point of view.

Chapter Four

This chapter presents the results of the study and a discussion of the main findings. Results are presented in the form of tables and figures in percentages.

4.0 Results

Participants who responded to the survey, 50% are men and 50% are women. In the case of the participants, 180 were staff of the Banks, and 180 were customers of the two banks.

The family status of the respondents – customers is demonstrated in the figure below:

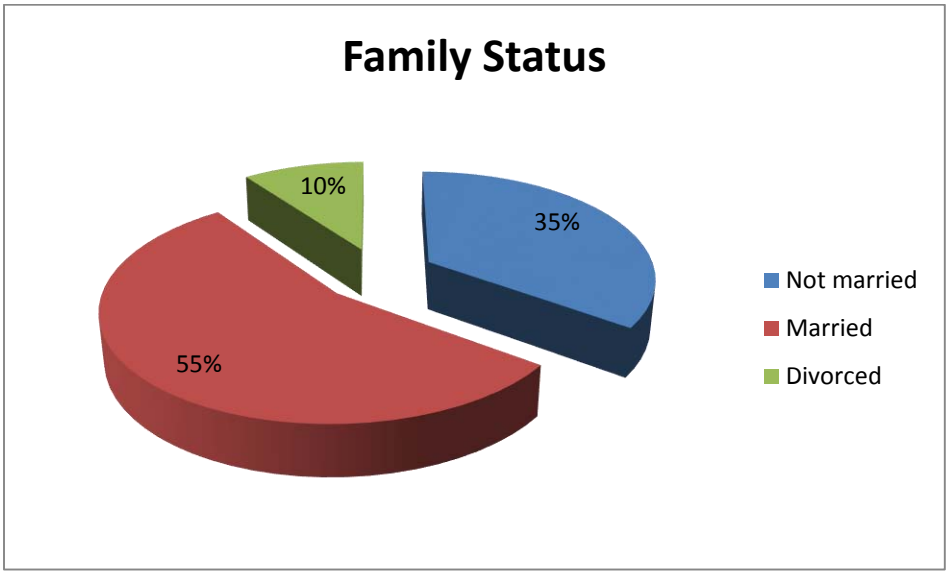

Figure 1: Family Status of the Customers

The age of the respondents [customers] is mostly in the 36-43 group.

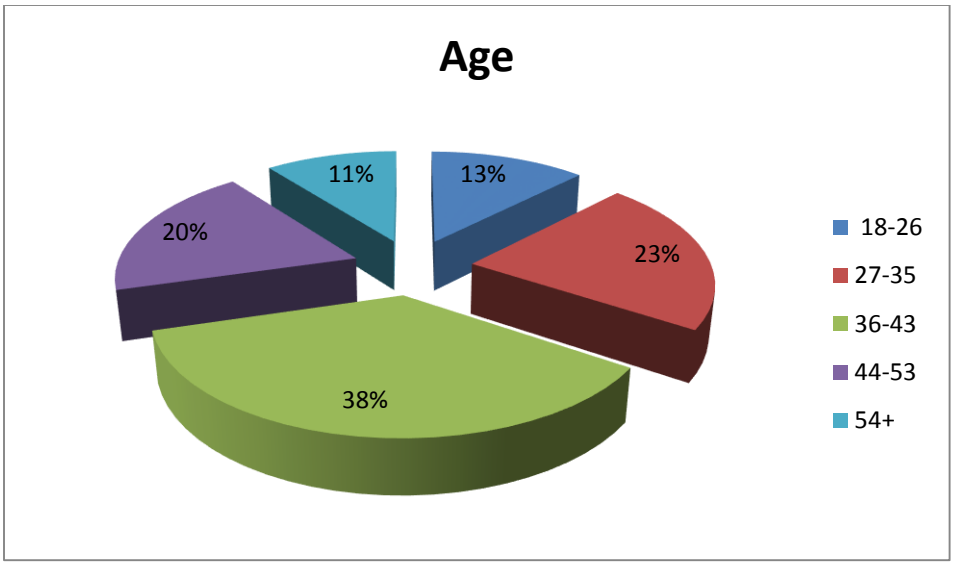

Figure 2: Age of the respondents

The Educational level of respondents is in the majority of the medium as well as 54% are university graduates, 15% are graduates of Technological Educational Institutions, 18% hold Master or Ph.D. diploma. The high school graduates make up 13% of the sample.

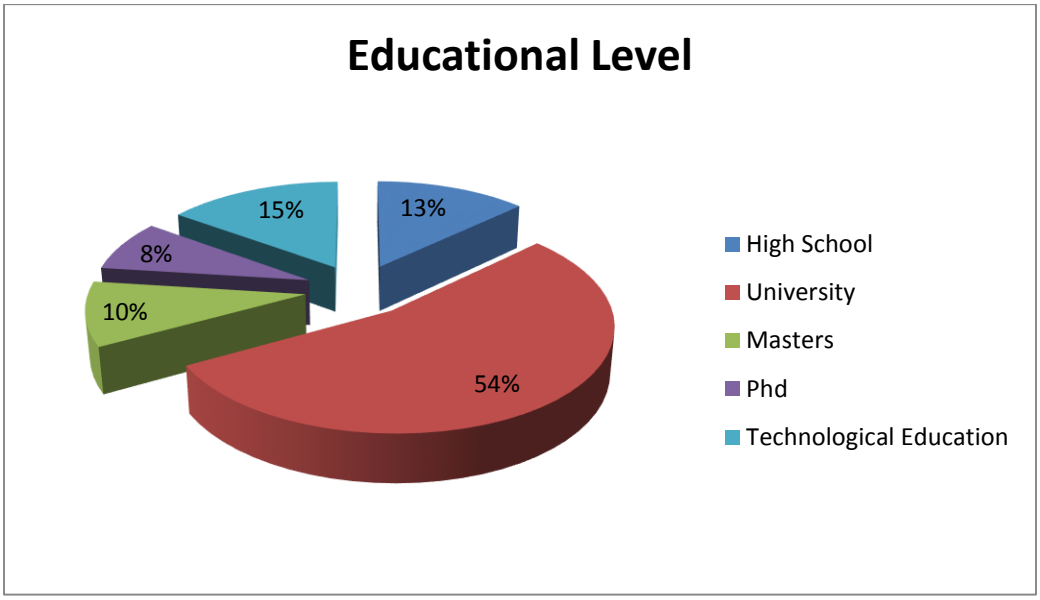

Figure 3: Educational level of the respondents

In terms of the Taxable Income, the majority of the participants belong to the middle class, with a range of 28,001 – 36,300 euros per year.

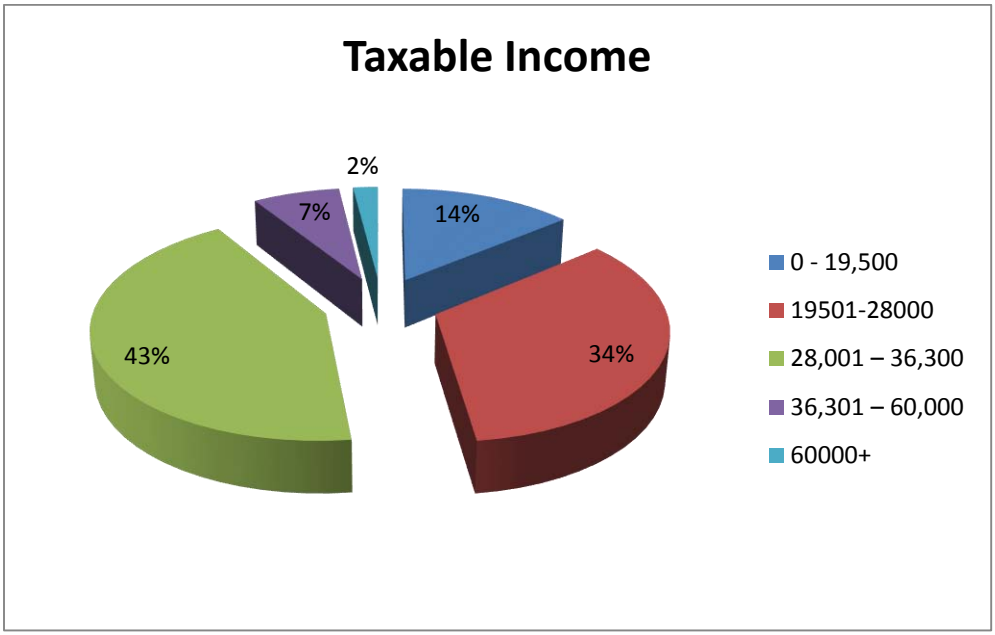

Figure 4: Taxable Income of participants

The next results come from the questionnaire given to the bank staff. The results are presented in percentages, analysed with the use of MS Excel. The results are presented in percentages

The first question referred to the level of competition in the business environment.

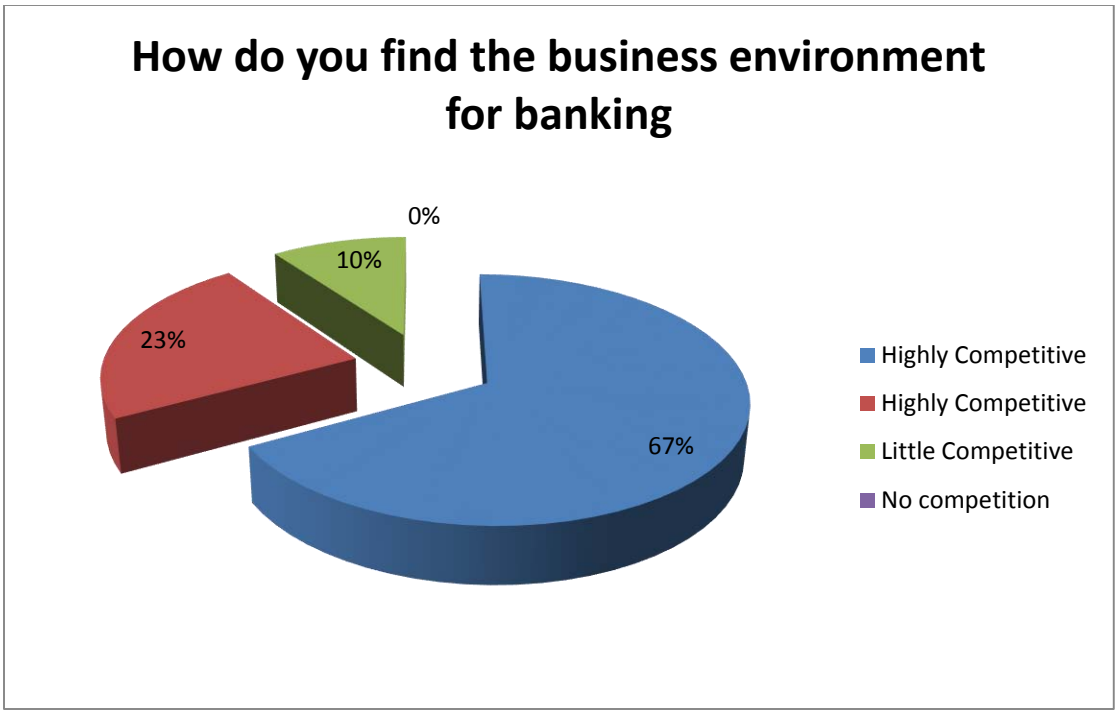

Figure 5 The competition in the banking environment

As expected, the results of the study demonstrate that the staff considers the environment in which they work highly competitive (67%). The second question, asked the participants to define the competitors in the banking sector.

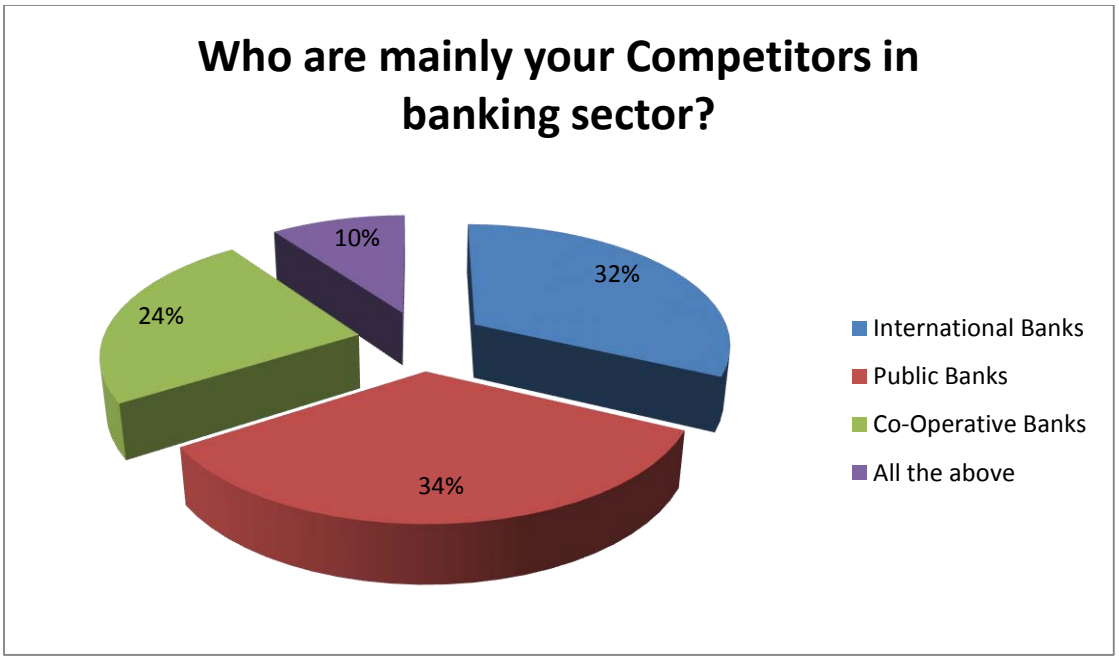

Figure 6: Main Competitors

The main competitors in the banking sector, as suggested by the banking staff are the public banks and the international banks, a fact which is consistent with the literature, as in Cyprus there is a number of international banks that have a strong position in the market, and that they are quite influential, considering the large amount of foreign residents in the island, and the international companies that operate in the country.

The next question referred to the survival of the banks.

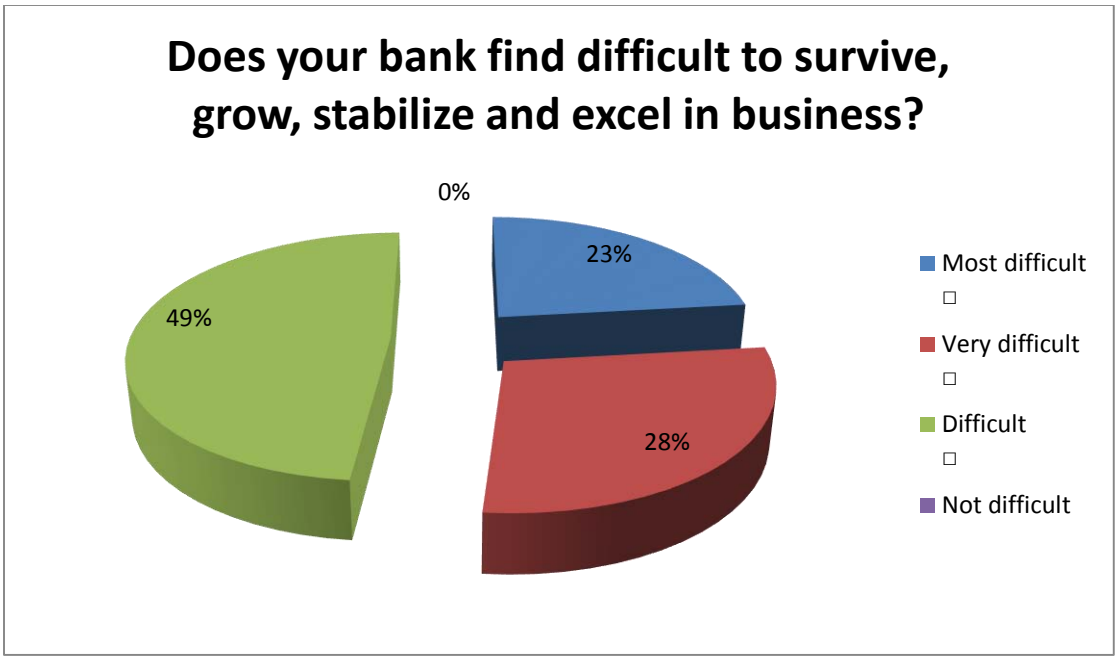

Figure 7: Difficulty of Survival of the Banks

The question asked the staff to state the difficulty of the bank to survive, grow and stabilize in the business. The majority of the respondents consider it difficult, which is an expected answer since the current environment in the country but also in the Eurozone in general is quite difficult and challenging in many ways.

The next question refers to the strategy of the bank to do banking business more effective in competition.

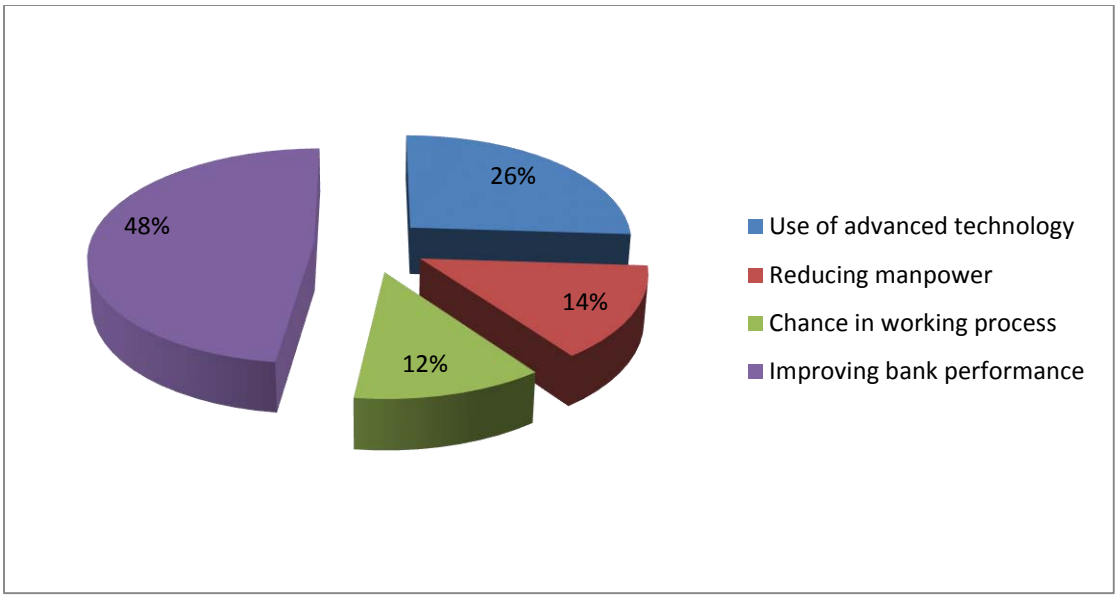

Figure 8: What strategy your bank has adopted to do banking business effective in competition

The bank staff considers the improvement of bank performance as the most important strategic factor adopted in order to become more effective in competition. The use of advanced technology is considered also an important strategic factor, while the change in working process gathers the lower number of responses.

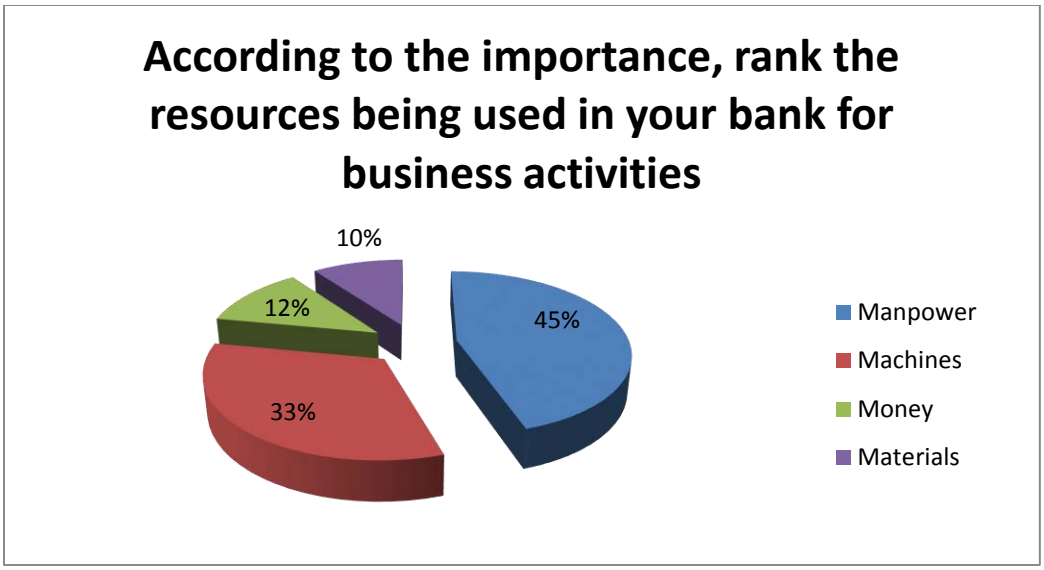

Figure 9: According to the importance, rank the resources being used in your bank for business activities.

The responses to this question demonstrate that the staff of the banks recognizes the increased role of the manpower, as the most important resource in the bank for business activities. As demonstrated in the literature, there is indeed a positive correlation between the quality of service and the manpower of the banks. Although with a lower percentage, the use of machines is also considered of high importance, probably due to the technological advances that make the use of machines absolutely necessary for the operation of the bank.

The next set of questions referred to the performance management in the banking sector.

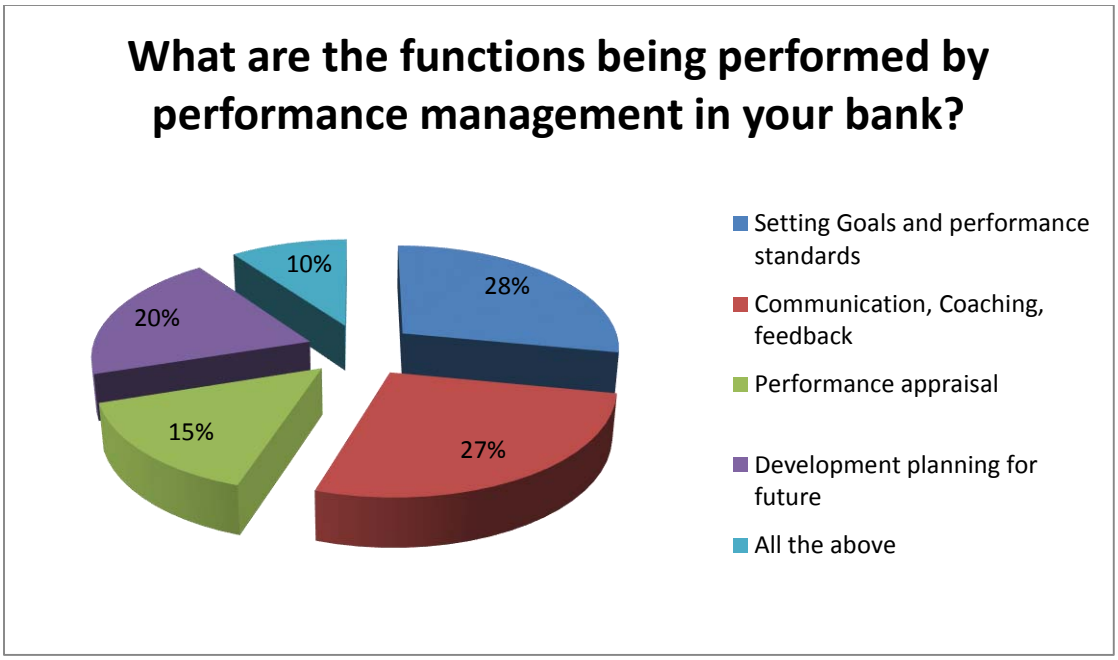

Figure 10: What are the functions being performed by performance management in your bank?

The next question referred to performance management and who is mostly important for that.

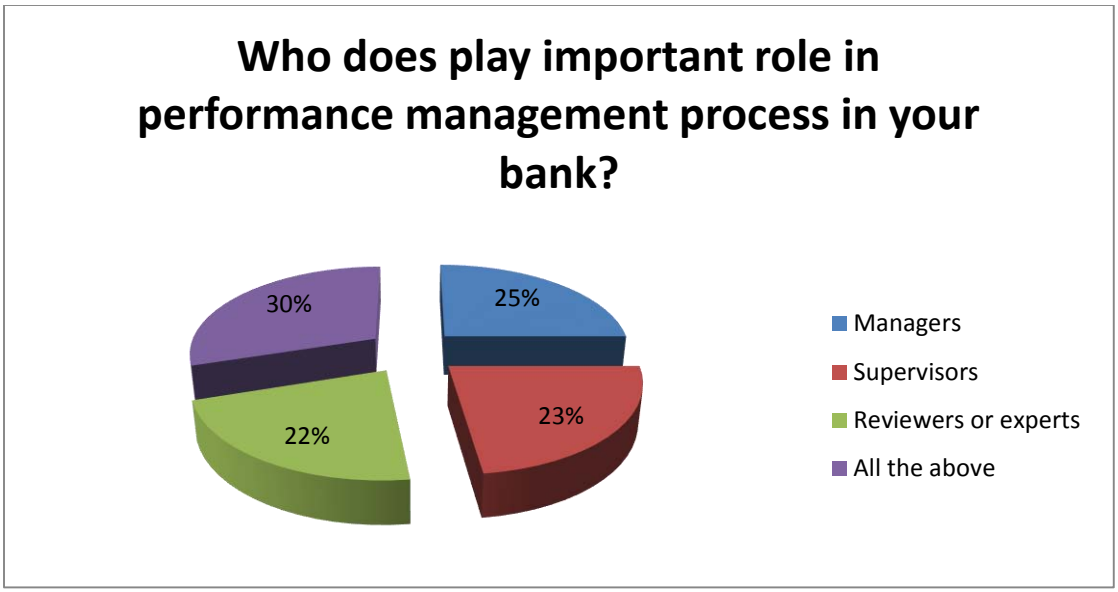

Figure 11: Who does play important role in performance management process in your bank?

What is interesting in these two questions is that the answers given do not have a significant difference in terms of the number of responses given. Especially in the second question, the response percentages are quite close to each other. The question referred to who plays an important role in performance management processes in the bank, and the higher percentage was given to the "all the above" answer, referring to the combination of managers, supervisors and reviewers or experts.

The first question referred to the functions performed by performance management in the bank. The greater number of answers was given to the setting of goals and performance standards (28%) and the communication, feedback, and coaching (27%), while the development planning for the future is also considered important.

The next four questions referred to the productivity and performance appraisal within the bank.

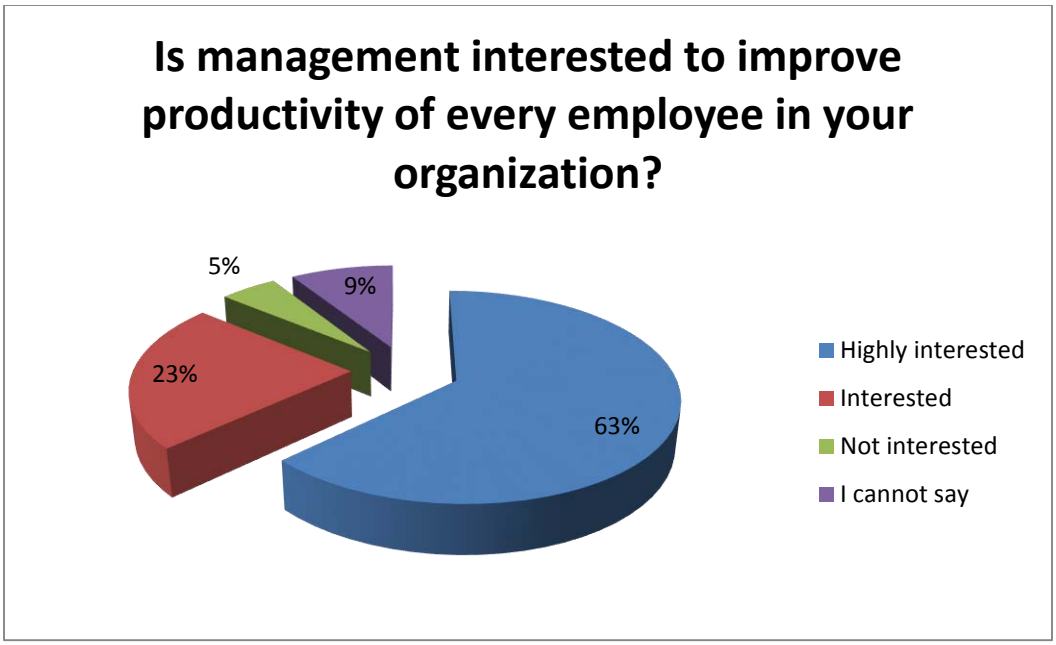

Figure 12: Is management interested to improve productivity of every employee in your organization

The next question referred to the regularity of performance appraisal

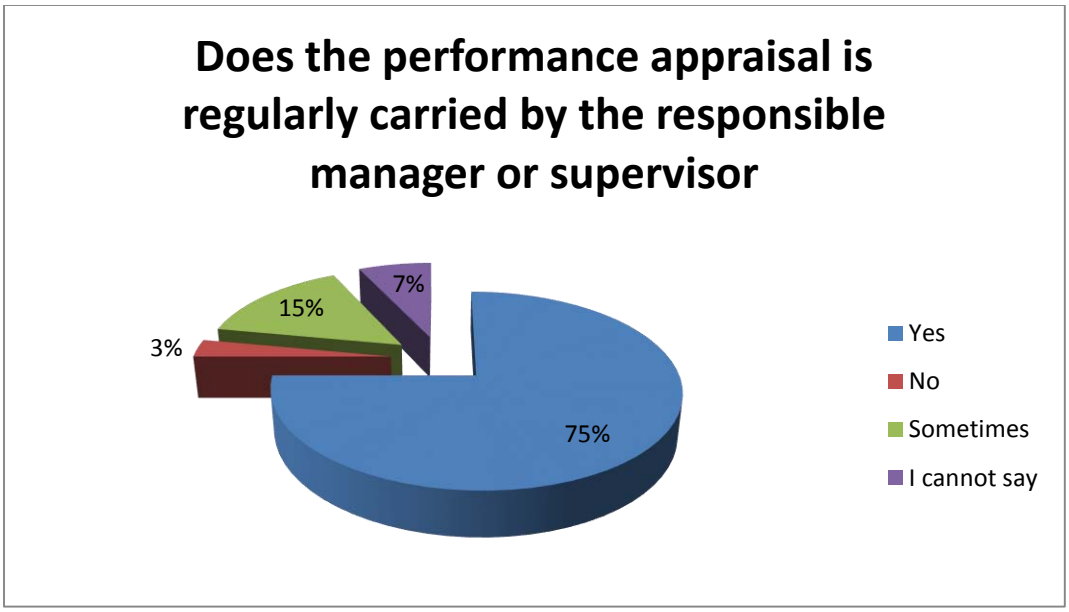

Figure 13: Does the performance appraisal is regularly carried by the responsible manager or supervisor?

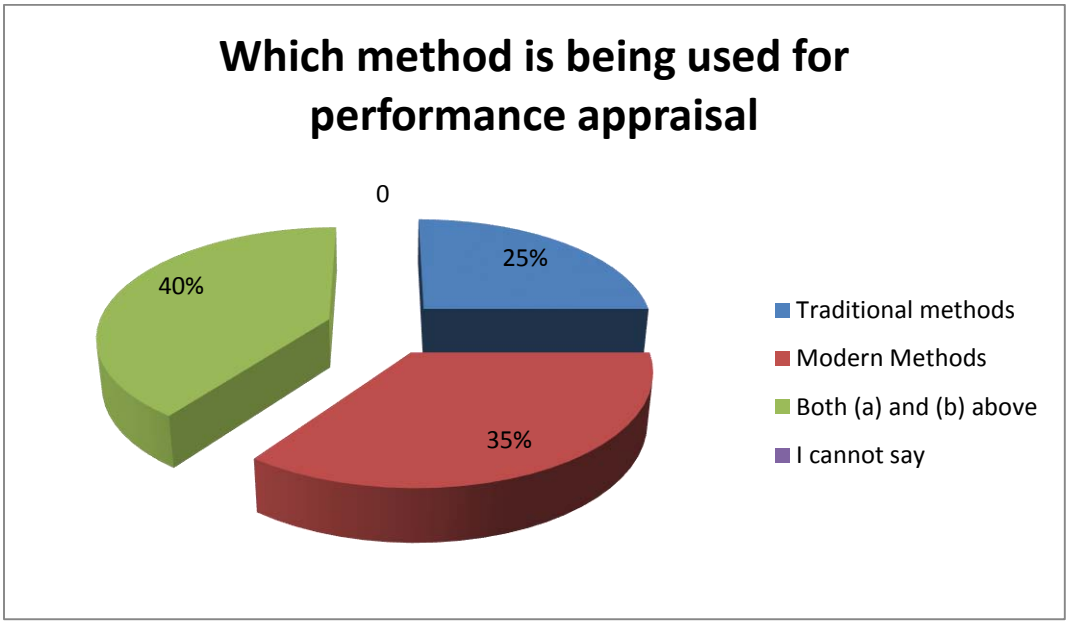

Figure 14: Which method is being used for performance appraisal?

The next question had to do with the importance of the appraisal for the entire organization.

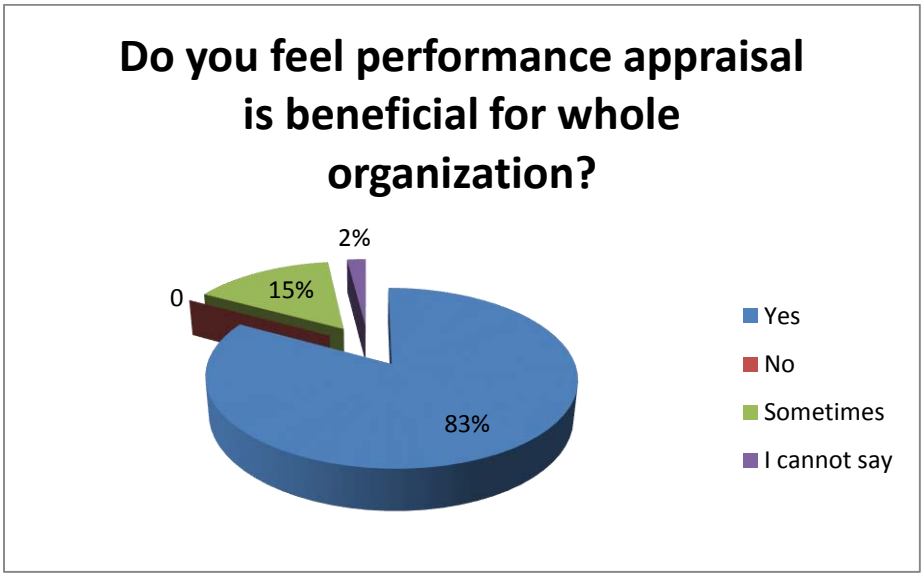

Figure 15: Do you feel performance appraisal is beneficial for whole organization?

According to the responses given in the previous questions, it is evident that the staff believes that performance appraisal is considered of high importance, and quite beneficial to the banking organization, which is consistent with the pertinent literature. The performance appraisal is mostly performed by the manager of the bank, and the methods followed are both traditional and modern in their majority.

The next set of questions refers to the productivity level in the banking system. The first question refers to the factors that affect the productivity of the employees in the bank.

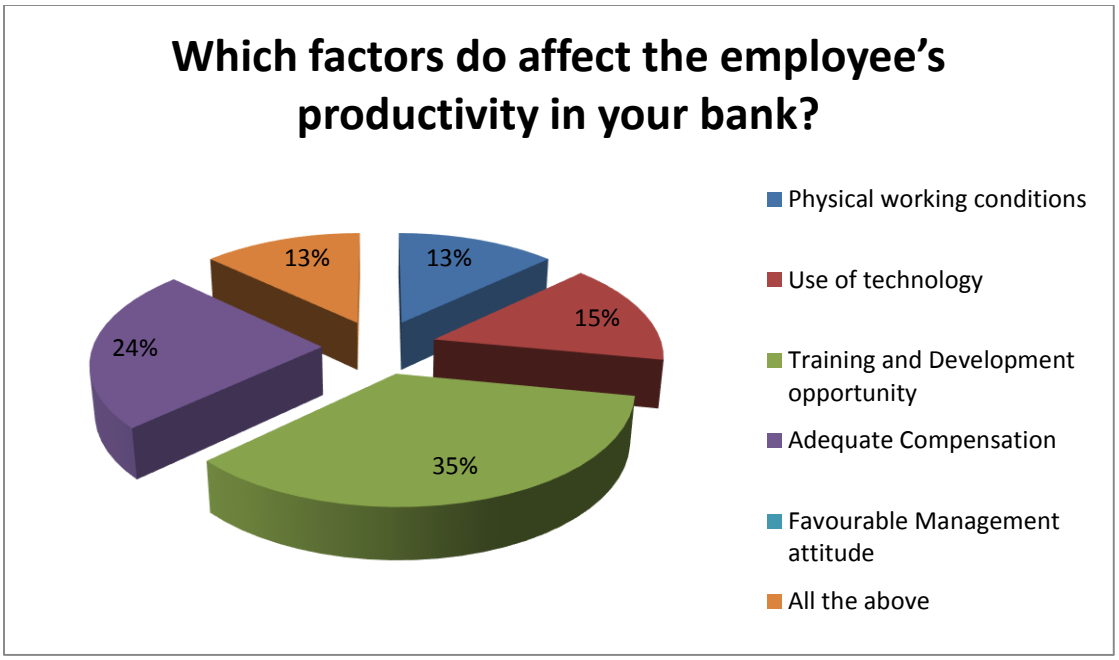

Figure 16: The factors that affect employees' productivity

According to the responses given, the training and development opportunities are considered the most important factors for the productivity of the employees. This is consistent with the literature, as it demonstrated that the training of the employees and the motivation urge the employees to work harder and more efficiently. The working conditions and the use of technology are also considered important, while the adequate compensation gathers the second higher number of responses (24%).

How is productivity improved in your bank?

(a)	**Setting missions, goals and performance standards**	
	14%	
(b)	**Motivating Employees**	**23%**
(c)	**Training and development**	**33%**
(d)	**Performance appraisal**	**12%**
(e)	**Future performance development plan**	**12%**
(f)	**All the above**	**6%**

15. The future of bank with higher productivity and performance of employees would be bright in highly competitive situation in future.

(a)	**Very bright**	**43%**
(b)	**Bright**	**32%**
(c)	**Average**	**12%**
(d)	**Poor**	**-**
(e)	**Cannot say**	**13%**

Table1: Productivity Questions

The first question referred to the ways productivity is improved in the bank; the responses given to this question are consistent with the responses given to the previous question, and again the training and development of the employees is considered the most important factor. It is however surprising that the responses given to the second question are not as unanimous as one would expect. Although it would be expected that the respondents would consider the future of the bank with higher productivity and performance brighter, the actual responses are 43% in very bright and 32 % bright, but there is also a 12% that considers it average, and 13% that cannot actually say.

Second Part – Questionnaire of the Customers

The first two questions of the questionnaire, after the part of the demographics that was presented initially, referred to the operations performed in the banks.

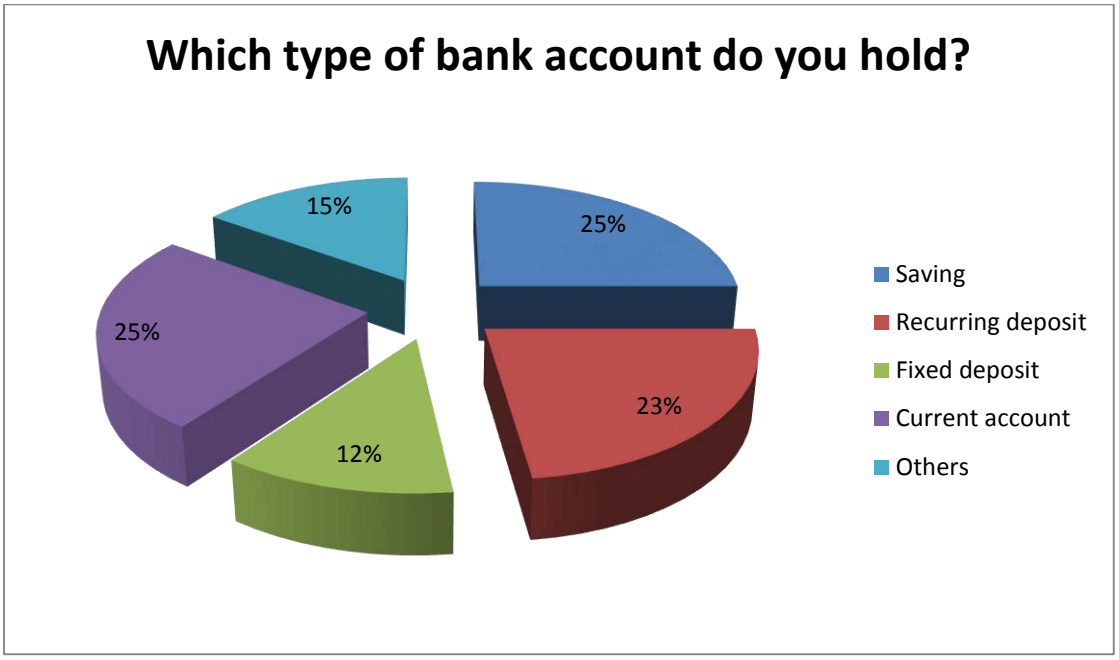

Figure 17: Type of Bank Account

The first question referred to the type of account held in the bank; all types of bank accounts are held in the Cypriot banks, with the savings account and the current accounts being the most popular.

The second question referred to the frequency in which customers visit the banks in Cyprus.

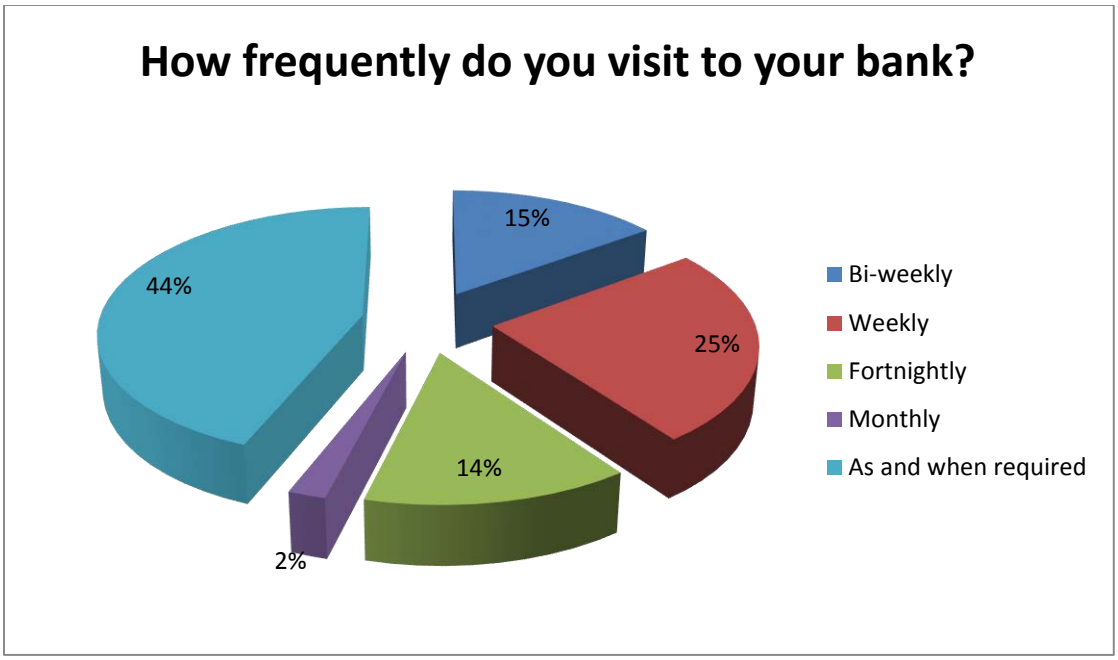

Figure 18: Frequency of visits to the bank→ How frequently do you visit your bank?

The majority of the respondents have answered that they visit the bank as and when required (44%), while the 25% states that visits the bank's weekly.

The next question asks the customers of the banks to state how they feel when visiting the banks. As shown in the following figure, the vast majority of the customers state that it feels normal at a percentage of 68%, while the 12% does not feel happy. It would be fair to state that their feelings do not refer to the actual bank, but to the overall feeling against banks and the operations, especially amidst the economic crisis.

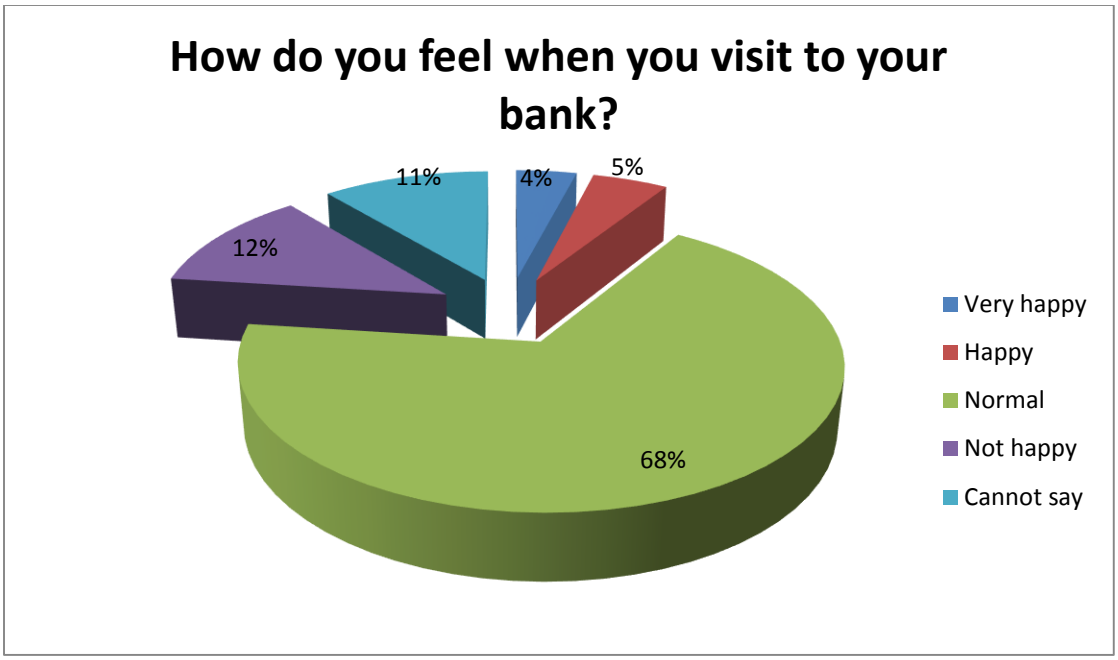

Figure 19: Feelings when visiting the bank - How do you feel when you visit your bank?

The next questions refer to the employees and their behavior during the operations.

Do the employees pay proper attention towards customers?

(a)	**Utmost attention**	**14%**
(b)	**High attention**	**33%**
(d)	**Average**	**32%**
(d)	**Less attention**	**18%**
(e)	**No attention**	**3%**

6. Do you find the employees have the required level of competencies for performing jobs?

(a)	**Highest level**	**25%**
(b)	**Higher level**	**26%**
(c)	**High level**	**23%**
(d)	**Average level**	**12%**
(e)	**Low level**	**14%**

7. Did employees get involved in arguments with you while servicing?

(a)	**Always**	**4%**
(b)	**Often**	**7%**
(c)	**Sometimes**	**15%**
(d)	**Rarely**	**35%**
(e)	**Never**	**39%**

8. Did you find the employees motivated while performing their jobs?

(a)	**Always**	**35%**
(b)	**Often**	**15%**
(c)	**Sometimes**	**34%**
(d)	**Rarely**	**12%**
(e)	**Never**	**4%**

9. How did you find the employees' behavior while attending customers?

a)	**Most cooperative**	**25%**
(b)	**Very cooperative**	**35%**
(c)	**Cooperative**	**24%**
(d)	**Non cooperative**	**11%**
(e)	**Highly non cooperative**	**5%**

10. Did employees try to convince the customers whenever they faced difficulties in servicing?

(a)	**Always**	**28%**
(b)	**Often**	**38%**
(c)	**Sometimes**	**18%**
(d)	**Rarely**	**10%**
(e)	**Never**	**6%**

Table 2: Employees' performance and attitude

These questions give some quite interesting results. The overall feeling from these questions is that the vast majority of the customers consider the performance of the staff satisfying, and their behavior most cooperative and motivated. There are few occasions of arguments between customers and staff, and the abilities of the staff are considered satisfying and efficient for the performance of the job required. It could be said that there is an overall satisfaction on the skills and efficiency of the staff working in the banks.

The next set of questions is associated with the impact of the performance of the employees on the banking system and its effectiveness in the long term.

Do employees contribute in achieving the following?

(a)	**Higher performance and productivity**	**35%**
(b)	**Higher profits and business**	**12%**
(c)	**Competitive advantage over competitors**	**35%**
(d)	**Goodwill of the bank**	**4%**
(e)	**All the above**	**14%**

How do you evaluate the role of employees in banking service in present competitive scenario?

(a)	**Most Crucial**	**28%**
(b)	**Very Crucial**	**17%**
(c)	**Crucial**	**23%**
(d)	**Average**	**10%**
(e)	**Poor**	**12%**

What is the level of impact of employees' productivity on performance of bank, its profitability, progress and good will in the market?

(a)	**Highest**	**25%**
(b)	**Higher**	**35%**
(c)	**High**	**14%**
(d)	**Average**	**13%**
(e)	**Poor**	**13%**

Table 3: Productivity of employees

These questions demonstrate that the role of employees in the banking system and the specific banking organizations is of significant importance. There is a majority that considers the role of employees most crucial in this competitive environment, and the level of the productivity impact of higher importance. These responses are consistent with the responses given to the previous set of questions, and demonstrate that there is a high level of trust between the employees and the customers, and that there is a good level of relationship and communication between them, which is beneficial both to the customers, but also the employees of the bank as well.

Overall, from the responses given there are interesting conclusions. The satisfaction of customer needs and requirements are the main objective of the bank. The quality of services and products satisfy the purpose for which they are intended, namely to customer requirements (Hill and Wilkinson 1995) .Only the customer can give us clear evidence of the needs and the degree of satisfaction in relation to competition (Butz and Goodstein 1996). The first contact with the customer is crucial for the future relationship with and the approach and the acquisition of new customers is considered to be more costly compared to maintaining the existing ones (Clinton et el 1994).

The international banking environment in recent years has been characterized by significant developments, which shaped the new parameters in the structure and mode of operation. Before the industrial revolution the main function of banking was mediatory and offered specific products, depending on the type of bank. The trend towards mass production and consumption from the 16 century to today, strengthened and formed the role of the banking system as found in the center of developments and facilitated the business, the efficient allocation of resources and thus the economic growth.

The developments in technology, the open markets with globalization, coupled with the financial deregulation substantially from January 2008, have contributed to a more competitive environment in which banks respond well, with the introduction of new products and services and the modernization of their technological equipment. Today, the

devotion to the banks is significantly reduced due to the intensity of competition and at the same time the consumer behavior has changed as customers are more demanding than before, while the requirements are constantly changing.

The new concept for the acquisition of competitive advantage is to maintain fidelity which is achieved by offering quality products that meet the specialized needs. Applying the principles of marketing and adopting strategies to attract customers are the basic aspirations of banks. Increasing the size of banking institutions at international level has been implemented through acquisitions and mergers, and in most cases the banks are active in the entire range of financial products.

The competition that domestic banks saw and the strong competitive threat from foreign banking groups led local banks to proceed to the necessary consolidation of scattered activities, and expand throughout the entire financial market. This was necessary as the domestic market was of small size and few possibilities of using the same banking networks to offer a wide range of financial products. At this time, banks have tried first to claim their participation on an equal competitive conditions in the single market and secondly to fund major investments in new technological applications which cannot be justified economically without a minimum transaction size. This process has brought significant changes in the banking market while increasing the size of Cypriot banks and the concentration.

In order for domestic banks to meet the increased requirements of the modern competitive banking environment, they focused their attention on satisfying the growing and demanding consumer needs, offering quality and specialized services. The mindset of Cypriot consumers has changed and requires the services offered to possess a high level of quality. For this reason the quality of service is very important for gaining a competitive advantage.

Chapter Five

The fifth chapter of the study presents the results and implications of the study, as well as the recommendations for further studies on the issue.

5.0 Conclusion and Implications of Study

The main result and conclusion of this study is that the main factor determining the development of services and public banking is the quality that characterizes them, since there is fierce competition in the banking sector. This makes it important to provide quality services. From the above survey it is shown that the use of banking services is associated with

(a) their quality
(b) the quality of the logistical infrastructure
(c) transfer of banking customers in the bank cooperation
(d) overall satisfaction of the banking services

Hence, this study finds that each bank that wants to excel in the field of services should embrace how important are the customers of the bank concerned. Employees and executives of each bank are those who come into first contact with clients and are essentially those who pull the strings between the client relationships. Therefore they must have the right attitude and knowledge to meet the specifications customer services assigned to them. Each bank should not be complacent and regularly search for and study new procedures and policies that bring immediate improvement to the existing services offered, always driven by the service strategy the bank is trying to implement.

On the other hand, however, beyond the predefined procedures a bank must follow and customers who need and they go hand in hand with what the bank calls on them and dictates. If the two sides are in harmonious relations then there will be an interaction between them and thus have the desired outcome that satisfies both sides.

At the same time, banks have introduced automated services that offer better customer service and provide products and services by electronic means or electronic access, using alternative channels such as the Internet and call centers, in line with international trends. As far as the banking internet services (internet banking) are concerned, the results of various surveys show that banks in most countries have been prepared about their offer, but penetration rates are different in each country. In Cyprus, the development of electronic banking has not yet followed the pace of penetration of other European countries due to the limited use of computers in the Cypriot society and the high cost of access to the internet until a few years ago.

It is now clear that the evolution of technology strongly influences the bank activity. The convergence of IT and telecommunications technologies, especially mobile telephony, create a new landscape where applications and providers of financial services change radically. Banks then adapt to changes of a rapidly evolving environment and face a growing competition in many existent but potential adversaries. The capital and money markets are globalized and the definition of traditional banks is redefined. Today bank has little in common with the bank in the past and less with the bank of the future, which will offer a wide range of products to create new means of distribution and support of advanced technologies.

The research carried out in this study found that the banking institutions selection criteria are based on the quality of services and the performance level of the staff. The behavior thus of all the customers and the importance of each factor varies from country to country so that it is necessary to further study the needs and expectations of each class of clients, and the criteria against which selects a banking institution and a marked as service quality. Thus, banks should aim to quality service, and continuously enhance the value of the relationship with customers, not only to be satisfied and remain loyal to the bank, but also to spread the word to friends and acquaintances without additional cost for banks

The relationship between the bank and its customers must be a trusting relationship and not a relationship based on false promises. It must be said that the banks should not promise things to its customers which basically cannot offer them.

The importance of banking education (Kyrtsis, 2003) emerges from the existing conditions in the banking sector, as it is one of the ways of ensuring the quality of service. Particularly in recent years, acquisitions and mergers of banks and the reorganization of the procedures to respond to the new environment, increase the flow of qualified human resources between banks. Banks, therefore, are led to attempts of development of their staff, and are needed to enable them to adapt to changing circumstances and to new market requirements.

Within this climate, employee education is the main factor for achieving organizational change and reorganization of banks. This is because through this the staff acquires the skills that are necessary for processing of complex information, received by the market and can satisfy the specific needs of customers.

The requirements for expanded education are increasingly growing with the use of technology in financial services. New uses of information and communications technologies have created the need for specialized services from the contact personnel. The redefinition of the tasks and work of the staff and therefore the required knowledge and skills related to new ways of using technology and the transformation of products and services. The automation of work enables the reduction of the personnel handling the standard procedures while increasing the need for creative use of information on the basis of cooperation and communication and not simply on the basis of aid of simple technical.

Furthermore, to make it more understandable, the importance of quality for banking services should consider factors such as the reputation of the bank, its size, the force of habit, and trade, but also the distribution of branches network. In this context it would be useful to relate the demographic characteristics of clients with their behavior concerning their selection criteria. Even it seems relevant and binding agents, such as quality,

satisfaction, productivity and profitability of each bank in order to determine the degree of interdependence and to map out appropriate quality policies to achieve the best result.

Additional issues to be considered are the extent that a quality initiative, as is the effort to redesign and reorganize the business processes, which is the most popular quality practice that can be viable for a bank. Therefore, before taking any initiative, the organization has to consider adaptability to new practices and requirements of quality and the impact that the adoption of such a strategy can have on the staff morale. Finally, the question that arises is whether a differentiation strategy based on quality, is sufficient to help banking institutions to cope with the highly complex, competitive and turbulent operating environment.

Finally, conclusions about the degree of customer satisfaction and quality of service could be drawn from the research of Cypriot and foreign banks on a purely practical basis with the help of questionnaires. Data could be collected from the databases of banks but also from the statements of the complaint handling department.

5.1 Limitations of the Study

This study has certain limitations. First of all the convenience sampling is a method that allows most of the time an effective approach in research. However it does not allow representative results. It could be said that the sample is relatively small and does not cover the entire spectrum of the Cypriot banks, therefore the results should not be overgeneralized. Due to the lack of adequate time and resources, the overall study was of small scale, however, the results could be the basis for a more generalized and well-focused type of research in the future.

References

Anderson, Eugene W. and Mittal, Vikas. (2000), “Strengthening the SatisfactionProfit Chain”, Journal of Service Research, Nov, 2000, Vol. 3, No. 2, 107-120.

Arthur, W. Brian. (1996), "Increasing Returns and the New World of Business", Harvard Business Review, Jul-Aug, 1996, Vol. 74, No. 4, 100-109

Athanassopoulos A., Gounaris S., Stathakopoulos V., (2001) : “Behavioural responsesto customer satisfaction: an empirical study”, European Journal of Marketing, Volume 35

Benston, G. J. (2004). What’s special about banks?. The Financial Review, No. 39,pp. 13-33

Easterby-Smith, M., Thorpe, R. and Jackson, P. (2008), Management Research, 3rd ed,SAGE Publications Ltd., London

Blaikie, N. (2000), Designing Social Research, 1st ed, Polity Press, Cambridge

Customer Relationship Management: Emerging Concepts, Tools and Applications. Tata McGraw-Hill, New Delhi , pp. 3 – 25

Denzin, N. and Lincoln, Y. (2003), "The Discipline and Practice of Qualitative Research", inDenzin, N. and Lincoln, Y. (eds.) Collecting and Interpreting Qualitative Materials, 2nded, SAGE Publications, Inc., California, pp. 1-45

DeYoung, R. 2001). “The Financial Performance of Pure Play Internet Banks.” Federal Reserve Bank of Chicago, Economic Perspectives 25(1): 60-75.

Gronroos C. (1990), “Service Management and Marketing – Managing the Moments of Truth in Service Competition”, Lexington Books, Lexington, MA.

Hondroyiannis, G., S. Lolos and E. Papapetrou (1999),“Assessing competitive conditions in the Greek banking system”, Journal of International Financial Markets, vol. 9, 377-91 in retail banking: importance and effect”, International Journal of Bank

JOHNSTON R. (1997), “Identifying the critical determinants of service quality

Kangis P. And Voukelatos V. (1997), “Private and public banks: A comparison of customer expectations and perceptions”, International Journal of Bank Marketing, vol. 15, No. 7, pp. 279-287.

Kotler P. (2000), Marketing Management, 10th ed., Prentice-Hall International, Englewood Cliffs, NJ.

Marketing, April, pp. 111-112.

Naumann, E. (1994) “Creating Customer Value: The path” Lon-don:Hallsmark ch. 8 p 97

Price, L. L. and Arnould, E. J., Commercial friendships: service provider — client relationships in context, (1998), Journal of Marketing, Vol. 63, No. 4 pp. 38 – 56

Sandoe , K., Corbitt, G. and Boykin, R., Enterprise Integration, (2001). John Wiley & Sons, New York, NY

Schiniotakis, N. I. 2012. Profitability factors and efficiency of Greek banks. EuroMed Journal of Business. 2, 2012, Vol. 7, pp. 185 - 200.

Siriopoulos, C. Tziogkidis, P. 2010. How do Greek banking institutions react after significant events? - A DEA approach. Omega. 2010, Vol. 38, pp. 294 - 308.

Sivadas, E. and Prewitt-Baker, J. L. (2000) An examination of the relationship between service quality, customer satisfaction and store loyalty. International Journal of Retail and Distribution Management, 28 (2), pp. 73-82

Sureshchandar, G. S., Chandrasekharan, R. and Anantharaman, R. N. (2002) Determinants of customer-perceived service quality: a confirmatory factor analysis approach. Journal of Services Marketing, 16 (1), pp. 9-34

Sureshchandar, G. S., Chandrasekharan, R., Anantharaman, R. N. and Kamalanabhan, T. J. (2002) Management's perception of total quality service in the banking sector of a developing economy- a critical analysis. International Journal of Bank Marketing, 20 (4), pp. 181-196

Zeithaml, V. A. and Parasuraman, A. (2004)Service Quality. Cambridge MA, Marketing ScienceInstitute

Zeithaml, V. A., Berry, L. L. and Parasuraman, A. (1988), Communication and ControlProcesses in the Delivery of Service Quality. Journal of Marketing, 52(2), pp. 35-48

Zeithaml, V. A., Berry, L. L. and Parasuraman, A. (1996) The Behavioral Consequences ofService Quality. Journal of Marketing, 60 (April), pp. 31-46

Zeithaml, V. A., Parasuraman, A. and Berry, L. L. (1990) Delivering Quality Service. New York, The Free Press

Appendix 1

Questionnaire of Employees

Objective:

Data are collected for research work and other than this has no other purpose. The information collected from respondents would be kept confidential.

Part I – For Bankers

Personal Particulars

Nationality: ……

Place of Birth: ……

Place of Residence: ……

Work Position: ……....

Sex:

Male: □

Female: □

Age:

(a) 18 – 26 years □

(b) 27 – 35 years □

(c) 36 – 43 years □

(d) 44 – 52 years □

(e) Over 53 years □

Marital Status

Single: □

Married: □

Divorced: □

Education:

(a) Primary ◻

(b) Secondary ◻

(c) Higher ◻

(d) Master Degree ◻

(e) Ph.D. ◻

Name of the Bank working at:

International Bank ◻

Public Bank ◻

Co-operative Saving Bank ◻

Taxable Income (in EURO):

(a) 0 - 19,500 ◻

(b) 19,501 – 28,000 ◻

(c) 28,001 – 36,300 ◻

(d) 36,301 – 60,000 ◻

(e) Over 60,000 ◻

Note: Tick (√) the option of your choice.

1. How do you find the business environment in the banking sector?

(a) Highly Competitive ◻

(b) Competitive ◻

(c) Low Competitive ◻

(d) No Competition ◻

2. Who are your main Competitors in the banking sector?

(a) International Banks ◻

(b) Public Banks ◻

(c) Co-Operative Banks ◻

(d) All the above ◻

3. Does your bank find it difficult to survive, grow, stabilize and excel in business?

(a) Most difficult ☐

(b) Very difficult ☐

(c) Difficult ☐

(c) Not difficult ☐

4. What strategy your bank has adopted to do banking business effectively in competitive?

(a) Use of advanced technology ☐

(b) Reducing manpower ☐

(c) Chance in working process ☐

(d) Improving bank performance ☐

5. Based on their importance, rank the resources being used in your bank for business activities.

(a) Manpower ☐

(b) Machines ☐

(c) Money ☐

(d) Materials ☐

6. What are the functions being performed by performance management in your bank?

(a) Setting Goals and performance standards ☐

(b) Communication, Coaching, feedback ☐

(c) Performance appraisal ☐

(d) Development planning for future ☐

(e) All the above ☐

7. Who plays an important role in the performance management process in your bank?

(a) Managers ☐

(b) Supervisors ☐

(c) Reviewers or experts ☐

(d) All the above ☐

8. Is management interested to improve productivity of every employee in your organization?

(a) Highly interested ☐

(b) Interested ☐

(c) Not interested ☐

(d) I cannot say ☐

9. Is the performance appraisal regularly carried by the responsible manager or supervisor?

(a) Yes ☐

(b) No ☐

(c) Sometimes ☐

(d) I cannot say ☐

10. Which method is being used for performance appraisal?

(a) Traditional methods ☐

(b) Modern methods ☐

(c) Bothe (a) and (b) above ☐

(d) I cannot say ☐

11. Do you feel performance appraisal is beneficial for the whole organization?

(a) Yes ☐
(b) No ☐
(c) Sometimes ☐
(d) I cannot say ☐

12. Which factors affect the employee's productivity in your bank?

(a) Physical working conditions ☐
(b) Use of technology ☐
(c) Training and Development opportunity ☐
(d) Adequate Compensation ☐
(e) Favourable Management attitude ☐
(f) All the above ☐

13. How is productivity improved in your bank?

(a) Setting missions, goals and performance standards ☐
(b) Motivating Employees ☐
(c) Training and development ☐
(d) Performance appraisal ☐
(e) Future performance development plan ☐
(f) All the above ☐

14. The future of bank with higher productivity and performance of employees would be bright in highly competitive situation in future.

(a) Very bright ☐
(b) Bright ☐
(c) Average ☐
(d) Poor ☐
(e) Cannot say ☐

Appendix 2

Questionnaire of Customers

Objective:

Data is collected for research work and other than this has no other purpose. The information collected from responders would be kept confidential

---

Part II – For Customers

Personal Particulars

Nationality: ……

Place of Birht: ……

Place of Residence: ……

Work Position: ……

Sex:

Male: ◻

Female: ◻

Age:

(a) 18 – 26 years ◻

(b) 27 – 35 years ◻

(c) 36 – 43 years ◻

(d) 44 – 52 years ◻

(e) Over 53 years ◻

Marital Status

Single: ◻

Married: ◻

Divorced: ◻

Education:

(a) Primary ◻

(b) Secondary ◻

(c) Higher ◻

(d) Master Degree ◻

(e) Ph.D. ◻

Name of Bank holding account:

International Bank ◻

Public Bank ◻

Co-operative Saving Bank ◻

Taxable Income (in EURO):

(a) 0 - 19,500 ◻

(b) 19,501 – 28,000 ◻

(c) 28,001 – 36,300 ◻

(d) 36,301 – 60,000 ◻

(e) Over 60,000 ◻

Note: Tick (√) the option of your choice.

1. Which type of bank account do you hold?

(a) Saving ◻

(b) Recurring deposit ◻

(c) Fixed deposit ◻

(d) Current account ◻

(e) Others ◻

2. How frequently do you visit your bank?

(a) Bi-weekly ◻

(b) Weekly ◻

(c) Fortnightly ◻

(d) Monthly ◻

(e) As and when required ◻

3. How do you feel when you visit your bank?

(a) Very happy ◻

(b) Happy ◻

(c) Normal ◻

(d) Not happy ◻

(e) Cannot say ◻

4. Do the employees pay proper attention towards customers?

(a) Utmost attention ◻

(b) High attention ◻

(d) Average ◻

(d) Less attention ◻

(e) No attention ◻

5. Do you think that the employees have the required level of abilities to perform their duties?

(a) Highest level ◻

(b) Higher level ◻

(c) High level ◻

(d) Average level ◻

(e) Low level ◻

6. Did employees get involved in arguments with you while servicing?

(a) Always ☐
(b) Often ☐
(c) Sometimes ☐
(d) Rarely ☐
(e) Never ☐

7. Did you find the employees motivated while performing their jobs?

(a) Always ☐
(b) Often ☐
(c) Sometimes ☐
(d) Rarely ☐
(e) Never ☐

8. How did you find the employees' behavior while attending customers?

(a) Most cooperative ☐
(b) Very cooperative ☐
(c) Cooperative ☐
(d) Non cooperative ☐
(e) Highly non cooperative ☐

9. Did employees try to convince the customers whenever they faced difficulties in servicing?

(a) Always ☐
(b) Often ☐
(c) Sometimes ☐
(d) Rarely ☐
(e) Never ☐

10. Do employees contribute in achieving the following?

(a) Higher performance and productivity □

(b) Higher profits and business □

(c) Competitive advantage over competitors' □

(d) Goodwill of the bank □

(e) All the above □

11. How do you evaluate the role of employees in banking service in the present competitive scenario?

(a) Most Crucial □

(b) Very Crucial □

(c) Crucial □

(d) Average □

(e) Poor □

12. What is the level of impact of employees' productivity on performance of bank, its profitability, progress and good will in the market?

(a) Highest □

(b) Higher □

(c) High □

(d) Average □

(e) Poor □