CHAPTER - 4
CHAPTER 4

CONCEPT OF CUSTOMER SERVICE AND IT’S RELEVANCE

4.1 INTRODUCTION

As markets shrink, companies are scrambling to boost customer satisfaction and keep their current customers rather than allocating additional resources to chase potential customers. The claim that it costs five to eight times more to get new customers than to hold on to old ones is the key to understand the effort toward tracking the existing customer and ensuring their satisfaction.

Measuring customer satisfaction is relatively a new idea for many corporations that have been focusing exclusively on balance sheets and income statements. Companies now recognize that the globalized economy has changed things forever. Increased competition, offering products with little differentiation and years of continual sales growth followed by two decades of flattened sales curves have indicated today's sharp competitors that their focus must change.

Competitors that are prospering in the new global economy recognize that measuring customer satisfaction is the key to success. As it is only by doing can they hold on to their existing customers. A regular analysis of their customer service will help organizations to improve themselves and thus help both in retaining existing and in attracting new customers.

In future only those companies will be successful which recognize that customer satisfaction is a critical strategic weapon capable of increasing market share and profits.

4.2 MEANING OF CUSTOMER
A company’s most vital asset is its customers. They are the most integral part of any company and should not be viewed as an extension of work. Without them, a company would not and could not exist in business. When a company satisfies its customers, they not only help the company grow by continuing to do business with it, but also recommend the company to friends and associates.

One of the best definition of which explains both the meaning and importance of a customer was given in 1890 by Mahatma Gandhi in a speech in South Africa; “A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider to our business. He is part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to do so.”

The future and wellbeing of a business is directly proportional to the happiness and satisfaction of the customers. These thoughts are effectively explained in the definition given below.

“Customers are the purpose of what we do and rather than them depending on us, we very much depend on them. The customer is not the source of a problem, we shouldn’t perhaps make a wish that customers ‘should go away’ because our future and our security will be put in jeopardy”

Henry Ford said “It is not the employer who pays the wages. Employers only handle the money. It is the customer who pays the wages”. There is no profit, no growth, no jobs without the customer hence an organization must always strive to be their customers’ best choice. A typical dissatisfied customer tells 8-10 people about his/her problem however seven out of these ten complaining customers do business with an organization again if the organization resolves the problem on time.

Donald Porter (2002) says “Customers don’t expect a bank to be perfect but they do expect them to fix things when they go wrong”.

To be successful, organizations must look into the needs and wants of their customers. That is the reason why many researchers and academicians have continuously emphasized on the importance of good customer service which in turn leads to customer satisfaction, loyalty and retention.

### 4.3 CUSTOMER SERVICE

Customer service refers to serving the customers by not only addressing their needs, rather giving them the happiness and satisfaction of being able to meet their need as well as the ‘want’. Thus it refers to ‘a little extra ‘at each stage. This little extra makes them

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not only the satisfied customers but also converts them into enthusiast customers. There are some time tested and well researched techniques to achieve the desired levels of customer-service. At the basic level there exist three fundamental aspects about customer service say\(^4\).

i. Any or all interactions which the customer has with an organization while conducting business, must be recorded and analyzed.
ii. Treating customers with personal attention, individuality, reverence and courtesy.
iii. The ability to provide a service or product in the way it has been promised.

1.3.1 The Ten Commandments\(^5\) of Good Customer Service

Large or small every business has customers without which a they cannot survive. Serving these customers and keeping them happy is the main objective of all companies. In order to best serve the customers ‘The Ten Commandments of Great Customer Service’ offer some guidance:

1. **Know your customer:** When an organization will truly listen to its customers, then only will it know what do customers want and how can it provide good customer service. “The more an organization engages itself with customers the clearer things become and easier it is to determine as to what it should be doing”\(^6\).

2. **Be a good listener:** The organization should take time to identify customer needs by asking questions and concentrating on what the customer is really saying. Listen not only to their words but even to the tone of voice and body language. An organization should beware of making assumptions and thinking that they intuitively know what the customers want.

3. **Identify and anticipate needs:** Customers don't always buy products and services. They many times also buy good feelings and solutions to problems. Most of the needs of the customers are emotional rather than logical. The more an organization knows their customers, the better they become at anticipating their needs and serving them accordingly.

4. **Make customers feel important and appreciated:** Customers should be treated as individuals. Employees should use their individuality and find ways to compliment them, but sincerely. People value sincerity. It creates good feeling and trust.

5. **Help customers understand systems:** An organization may have the world's best systems for getting things done, but if the customers don't understand them, they can get confused, annoyed and irritated.

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\(^6\) John Russell, President, Harley Davidson.
6. **Appreciate the power of "Yes"**: An organization should always look for ways to help their customers. An organization should always do what they promise to their customers, and it must learn to say ‘yes’ to its customers.

7. **Apologize when at Fault**: When something goes wrong, say sorry. It's easy and customers like it. The customer may not always be right, but the customer is the king and must always win. All the problems of the customers should be dealt with immediately and the solutions or the steps to solve it should be simultaneously told to the customers. The method for customer complaint should be simple. The complaints should be valued as it gives an opportunity to improve the organization.

8. **Give more than expected**: Since the future of all companies lies in keeping customers happy, an organization should think of ways to elevate themselves above the competition.

9. **Get regular feedback**: An organization should always encourage and welcome suggestions about how they could improve.

10. **Treat employees well**: Employees are organizations internal customers and need a regular dose of appreciation. Studies show that employee satisfaction is directly related to customer satisfaction.

### 4.4 CUSTOMER SATISFACTION

Kotler (2000) defined satisfaction as: “a person’s feeling of pleasure or disappointment resulting from comparing a product’s perceived performance (or outcome) in relation to his or her expectations”. If the product or service matches expectation the consumer is satisfied; if it exceeds the customer is highly satisfied; if it falls short, the customer is dissatisfied.

Organizations are increasingly interested in retaining existing customers while targeting non-customers; measuring customer satisfaction provides an indication of how successful the organization is at retaining customers.

According to Hoyer and MacInnis (2001), customer retention is “the practice of working to satisfy customers with the intention of developing long-term relationships with them”. Zineldin (2000) said that retention can be defined as “a commitment to continue to do business or exchange with a particular company on an on-going basis”.

### 4.5 IMPORTANCE OF CUSTOMER SATISFACTION AND RETENTION
If one goes a little deeper into these basic attributes, one finds that there are a number of reasons making customer satisfaction, and finally the customer retention important for a firm;

- To begin with, in order to acquire a customer, a company incurs promotional costs like advertising, sales promotion and so on. It costs five times more to attract a new customer than retaining the old one.

- Hoyer and MacInnes (2001) believe, as the customers remain satisfied with a service provider, they spread a positive word of mouth, which is very effective in case of services for attracting new customers.

- If a customer stays longer with an organization, the organization knows better about the customer and it enables the organization to offer customized services which make it difficult for the customer to defect. This may even provide opportunities for the organization to charge a price premium by offering individualized services which may be difficult for the competitors to offer.
4.6 IMPACT OF EMPLOYEES SATISFACTION ON CUSTOMER SERVICE

Figure: 4.1
Advantages of Customer Satisfaction

Source: Ankit Shah (Jan-April-2012). Market Research On Factors Affecting Customer Satisfaction In Retail Banking In Vadodara, Gujarat, Western India, Bauddhik2, 1.
Employees better known as the internal customer of a company are the second most vital asset for any business. Thus a company should always ensure that their employees are aware of how valuable they are to the company, and should always thank them for their efforts by giving regular rewards and incentives. The more respectfully a company treats their employees, the more likely employees are to pass this respect on to the customers. Thus the more happy and satisfied are the employees of a company the more likely are they, to give a good service and keep the customers happy and satisfied.

Listed below are some of the techniques of employee satisfaction and thereby ensuring customer happiness:

1. *People are not trained-* poor service is often the consequence of insufficient training by the organization.

2. *People don’t care-* Selecting the correct personality is crucial for any business success. Apathetic or self-centred personality types have no place in a business that requires customer contact.

3. *Sabotage-* Angry or frustrated employees can actively work to sabotage and try to destroy the company.

4. *Employees don’t believe in the company, product or service-* If the marketing, promotion and image of the company are quite different from the reality, workers will not be able to endure a optimistic attitude in the face of problems they know exist.

5. *Personal problems reflected in work-* When an employee’s personal life is in crisis, they may exercise resistance, aggression and negativity towards customers so as to reduce their personal life frustration.

6. *Burn out-* Too much negative, too many complaints can lower a person’s level of commitment and move their positive and helpful attitude to an apathetic one.

7. *Lack of employee empowerment-* There is nothing worse for a customer than to deal with an employee who can listen to their problem but has no authority to provide a solution.

8. *Don’t see the benefit* – It is important for the organization to attach a positive reinforcement with good customer service given by the employee.

9. *Apathetic from hearing the same problems over and over-* A fundamental role of the customer service division is to provide constant feedback on how customers view the company’s products and services. If, however, this feedback is not analysed and acted upon by upper management a feeling of indifference and frustration is created in the employees.

10. *Incentives/salary not tied to customer service*

**4.7 THE ISO GUIDELINE ON CUSTOMER SATISFACTION**
Measurement of Customer Satisfaction is a new and significant addition to the new ISO\textsuperscript{7} 9000: 2000 standard. Organizations certified to this standard are now required to identify parameters that cause customer satisfaction or dissatisfaction and consciously measure them. “We cannot create customer satisfaction just by meeting customer’s requirements fully because these have to be met in any case. However falling short is certain to create dissatisfaction”.\textsuperscript{8}

Clause 8.2.1 in ISO 9000: 2000 states: "As one of the measurements of the performance of the Quality Management System, the organizations shall monitor information relating to customer perception as to whether the organization has met customer requirements. The methods for obtaining and using this information shall be determined".

The QS9000 standard clause 4.1.6 further adds "... Trends in customer satisfaction and key indicators of customer dissatisfaction shall be documented and supported by objective information. These trends shall be compared to those of competitors, or appropriate benchmarks, and reviewed by senior management."

Increased competition, awareness and statutory guidelines have made customer service and satisfaction the most important ingredient for the success of all kinds of organizations. However, in service industry especially in banking customer service is the key to success.

4.8 RELEVANCE OF CUSTOMER SERVICE IN BANKING SECTOR

Customers today are taking greater control of their banking relationships. The customers know what they desire from the bank and expect the banks to meet these wants otherwise they are ready to switch to the competitor. The banks on the other hand need to continuously revaluate their assumptions about their customers’ expectations and fundamentally change how they interact with their customers. In their global banking survey (Ernest and Young, 2009) suggest that the banks need to embrace change by giving their customers greater flexibility, choice and control, and by reconfiguring their services around customer needs\textsuperscript{9}.

\textsuperscript{7} ISO (International Organization for Standardization) is the world's largest developer and publisher of International Standards.

\textsuperscript{8} ISO 9000-2000

\textsuperscript{9} Earnst and Young. (2012). Global Consumer Banking Survey 2012.
A competitive environment and a deregulated market have made it imperative for banks to harness the best customer oriented practices and to adopt them for providing their customers a delightful service experience.

The products offered by various banks are almost identical; thus, it is the service that differentiates one bank from the other. The real experiences of customers with banks in receiving various services vary greatly, because of the gap between what is supposed to be ‘customer expectation’ and what actually ‘customer perception’ is. A customer typically expects a bank to provide what was assured dependably and accurately. (Murthy, 2011).10

4.9 CUSTOMER SERVICE IN INDIAN BANKING SYSTEM-INITIATIVES BY RBI

Banking in India had made a remarkable progress in its growth and expansion, as well as business. But the quality of customer service was deteriorating day-by-day. To meet the new challenges in the changing environment of liberalised financial system, Indian banks had to be modernised, had to be made more efficient and competitive. The banking sector had to face stiff competition from mutual funds started by various financial institutions and schemes launched by the Unit Trust of India in the year 1963. The saving instruments of non-banking financial institutions and various small saving schemes of government were more attractive as they gave a much higher rate of interest than the interest in the savings account. As a result the annual growth rate of deposits remained almost stagnant. Improving customer services was, thus, seen as one of the major steps that banks were required to take for greater deposit mobilisation. The Reserve Bank of India, therefore, appointed various committees from time to time to make necessary recommendations for improvement in customer service. The Reserve Bank also introduced the Banking Ombudsman Scheme in 1995 to provide expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services.

I. Talwar Committee (1975)

In 1975, the Government of India had appointed the Talwar Committee. The committee suggested that customer service is a dynamic concept and the bank should assess and reassess on continues bases the customers perception about the bank service and formulate strategies to improve customer service on a continuous bases.

The committee further suggested that as many of the bank customers are still unaware about the services and schemes offered by banks every bank should provide a booklet to customers with details about its various services.

II. The Goiporia Committee Report (1991)

In September, 1990, the Reserve Bank of India set up another committee under the chairmanship of Sri M.N. Goiporia to examine the problem of customer service in banks and suggest measures to improve the situation. Some of the major recommendations of the committee were as follows:

(a) Extension of banking hours for all transactions, except cash.
(b) ‘MAY I HELP YOU’ or enquiry counters near the doors in all branches except very small ones.
(c) Change in the commencement of working hour for bank staff to facilitate timely opening of bank counters- ‘counters to open dot on time, staff to come 15 minutes before time’.
(d) Compulsory to dispose of customers if they are in queue before closing of business hour.
(e) ATM to have ramps for wheel chairs and height of ATM suitable for wheelchair users.
(f) Nomination column compulsory in forms for lockers, savings and current accounts.
(g) Full address and telephone number of branch on passbook and account statement.
(h) Term deposit rates to be displayed in banks and due date to be informed in advance.
(i) Pamphlets and brochure in English and Hindi and regional languages giving detail of deposits and do and dont’s of banks.
(j) Introduction of tax benefits against bank deposits.
(k) Expeditious dispatch of documents lodged for collection.
(l) Modernization of banks.
(m) Opening of specialisation branches for different customer groups.
(n) Introduction of a new instrument in the form of bank order.
(o) Complaint and suggestion box must be kept in the bank premises at prominent places.
(p) Issuance of statements of accounts and updating of pass books with correct and legible particulars should attract banks constant attention.

III. Banking Codes and Standards Board of India (2006)

In 2006 the Banking Code and Standards Board of India came up with codes which have set a minimum standard of banking practices for banks to follow when they are dealing with individual customers. It provides protection to customers and explains as to how the banks are expected to deal with them in their day-to-day operations. Some of the major codes are as follows:

1. Giving customers information about all the banking products and services in any one or more of the following languages – Hindi, English or the appropriate local language.
2. Ensuring that the advertising and promotional literature is clear and not misleading.
3. Ensuring that customers are given clear information about the products and services, the terms and conditions and the interest rates/service charges, which apply to them.
4. Giving customer information on what are the benefits and how can they avail these benefits? What are their financial implications and whom can they contact for addressing their queries and its procedure.
5. Keeping the customers informed about changes in the interest rates, charges or terms and conditions.

6. Displaying in the bank branches information regarding-
   i. Services provided
   ii. Minimum balance requirement for savings bank accounts and no frills accounts and charges for non-maintenance thereof
   iii. Name of the official at the branch whom they (customer) may approach if they have a grievance.
       a. Name and address of the Zonal/ Regional Manager whom a customer can approach if their grievance is not redressed at the branch.
       b. Name and contact details of the Banking Ombudsman under whose jurisdiction the branch falls
   iv. Information to be made available in a booklet form.

7. Displaying on the banks’ website the policies about:
   i. Cheque collection
   ii. Grievance Redressal
   iii. Compensation

8. To deal quickly and sympathetically with things that goes wrong by the bank.

9. To treat customers’ personal information as private and confidential.

10. To publicize the Banking Standard and Codes:
    a) The bank has to provide the customers with a copy of the Code, on request, over the counter or by electronic communication or mail.
    b) The banks to provide all new customers with a copy of the Code when they open a new account.
    c) The bank to make available this Code at every branch and on their website
    d) The bank has to ensure that all staff are trained to provide relevant information about the Code and to put the Code into practice.

11. Banks to adopt and practice a non-discrimination policy
12. ‘Do Not Call’ Service- The names of all new customers will automatically be registered under the bank’s ‘Do Not Call’ service. The bank will not inform/extend to the customers through telephone calls/SMS/e-mails about any new product/service unless and until the customers inform the bank in writing that they consent to avail of this information/service.

13. Changes in Fees and Charges-If the bank increases any of these charges or introduces a new charge, it will be notified one month prior to the revised charges being levied/becoming effective.

14. Changes to Terms and Conditions:
   a. The bank will tell the customers about changes in terms and conditions through any one or more of the following channels:
      i. Account statements/Pass book
      ii. ATMs
      iii. Notice Board at each branch
      iv. Internet, including e-mail and website
      v. Newspaper
      vi. SMS.
   b. Normally, changes will be made with prospective effect giving notice of one month.
   c. If the bank has made any change without notice, it will notify the change within 30 days. If such change is to the customer's disadvantage, the customer may within 60 days and without notice, close his/her account or switch it without having to pay any extra charges or interest.
   d. To immediately update on the bank’s website, any changes in the terms and conditions. Bank will give the customers, on request, a copy of the new terms and conditions or a summary of the changes.

15. The banks will post details of the recovery agency firms/companies engaged by them on their website.

16. Complaints, Grievances and Feedback- Internal Procedures
   If the customer wants to make a complaint, the bank will guide the customers on:
   i. How to do it?
   ii. Where a complaint can be made?
   iii. How a complaint should be made?
   iv. When to expect a reply?
   v. Whom to approach for redressal?
   vi. What to do if customers are unhappy about the outcome?

17. The staff will help the customer with any questions they have:
a) Staff will tell the customers where to find details of the procedure for handling complaints fairly and quickly.

b) If the complaint has been received in writing, the bank will endeavour to send the customer an acknowledgement/ a response within a week. If the complaint is relayed over phone at the banks designated telephone helpdesk or customer service number, bank should provide the customer with a complaint reference number and keep the customer informed of the progress within a reasonable period of time.

c) After examining the matter, bank will send the customer its final response or explain why it needs more time to respond and it shall endeavour to do so within 30 days of receipt of the complaint and will guide the customers on how to take their complaint further if still not satisfied.

18. Banking Ombudsman Scheme:
Bank will display the Banking Ombudsman Scheme on its website, and its copy will be made available on request at a nominal charge. It will display, at the branches, the name and contact details of the Banking Ombudsman under whose jurisdiction the branch falls.

19. Changing customer account:
   a) If customers are not happy about their choice of current / savings account, within 14 days of making their first payment into the account, the bank will help them to switch to another bank’s account or they will be given them their money back with any interest it may have earned. Banks will ignore any notice period and any extra charges.
   b) If customers decide to close their current/savings account banks will close it within three working days of receiving the instructions.
   c) If customers want to transfer their account to another branch of the bank, the bank will do so. The account at the new branch will be operationalized within two weeks of receiving the request.

20. The minimum balance to be maintained in the Savings Bank account will be displayed in the branches.

21. To help manage customers account and check entries in it, banks will provide customer with a monthly statement of account unless customers have opted for a pass book.

IV. Damodaran Committee (2011)

   June 16, 2010 The Reserve Bank of India constituted a Committee on Customer Service in Banks under the chairmanship of Shri M. Damodaran, former Chairman, SEBI. The committee had to review:-
The existing system of attending to customer service in banks; approach, attitude and fair treatment to customers from retail, small and pensioners segment.

Evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints.

Examine the functioning of Banking Ombudsman Scheme - its structure, legal framework and recommend steps to make it more effective and responsive.

Examine the bank products and services and recommend measures to enhance consumer protection.

In order to make their work more purposeful and holistic, the committee took inputs, feedback, suggestions/views from the public, bank customers, academicians, social/consumer organizations other NGOs, banks and bankers.

Based on the inputs from all the stakeholders and their own observation the Committee came up with the following recommendations:

- **Major Recommendations**

  (i) **Bundling of Products** -
  
The Banks should be in a position to design products suiting customers’ requirements rather than forcing the bundled products on the customers.

  (ii) **Passbooks / Account Statements** -
  
  a. The Pass Book / Statement of Accounts should indicate the account number, name, address and ID of the customer, MICR Code, IFSC Code, Toll free Customer Care number and Ombudsman contact details etc.

  b. Digitally signed e-mail statements should be sent to the customers on demand.

  c. The Passbook should be a mirror of the summary of transactions as appearing in the bank’s books. It should be readable with appropriate font size (Arial, 12) and define all the acronyms used.

  d. The name of the payee as well as instrument number in case of debit entries and the name of payee bank / drawer of instrument as well as instrument number in case of credit entries should be provided by the banks in the Passbooks / Statement of accounts.

  (iii) **Inoperative Account** - Before marking the account as inoperative, the banks must intimate the account holder by SMS. If the account holder is not traceable, banks must make efforts to trace the whereabouts of the account holder or his legal-heirs in case the account holder is deceased.

  (iv) **Minimum Account Balance** - Banks should inform the customer immediately on the balance in the account breaching minimum balance and the applicable penal charges for not maintaining the balance by SMS/e-mail/letter. Further, the penal charges levied should be in proportion to the shortfall observed.

  (v) **Basic Savings Account** - Bank should offer a basic bank account with certain privileges like certain number of transactions (say three per month), cheque facility,
ATM Card, etc., without any prescription of minimum balance. This would be a regular account with full KYC and the bank should clearly indicate the transaction charge for each type of transaction above the permissible number of transactions. Banks may then prescribe Average Quarterly Balance of various slabs with offer of higher privileges and facilities.

(vi) **Standardise the Account Opening Form (AOF) common to all banks.**

(vii) **Account Number Portability** - Customer should also be allowed to maintain the same account number in a bank even when he/she moves to another city or shifts his account to another branch in the same city.

(viii) **Renewal Notices for Term Deposits** - The term deposit renewal notices should be sent to customers preferably in electronic form to enable them to decide the renewal terms. Statement of all deposit accounts in summary form giving details like principal amount, maturity value, maturity dates, rate of interest, annualised interest yield etc. should also be provided by banks. Further, the banks should not auto-renew the deposit accounts without customer consent in writing.

(ix) **Charges for Basic Service** - There has to be uniformity in the charges across the banks and the ‘Charges should be reasonable’.

(x) **No Charges on Non-Home Branch Transactions** - Such charges are not justified under CBS environment. Further, routine services like pass book updation which are of informative nature should be made available to the customers free of charge.

(xi) **Time Schedule for Disposing of Loan Application** - Banks should inform upfront the time schedule for disposal of loan applications to the borrower and take responsibility for not disposing of the loan application within that time limit.

(xii) **Loan Statement** - Banks must ensure that loan statements are issued to the borrowers periodically giving details of loan disbursed, demands and repayments effected along with interest and details of charges.

(xiii) **Loan Documents** - Borrower should be made aware upfront about various documents required to be produced for processing of loan application, instead of in piecemeal.

(xiv) **Small Loans** - The delay in getting small loans from banks was diverting poor people to private money lenders. Banks should provide timely, adequate and cost effective loans to the poor.

(xv) Banks to automatically provide annual account statement to home loan customers without request from them.

(xvi) The title deeds should be returned to the customers within a period of 15 days after the loan closure and the Boards of banks should put in place a suitable compensatory policy to compensate the customer for delayed return of title deeds or where there is a loss of title deeds in the custody of the banks.

(xvii) There should be prioritised service to senior citizens, physically handicapped persons by effective crowd / people management available at all branches.
(xviii) Banks should make arrangements to disburse pension to sick and disabled pensioners at their door steps.

(xix) *The awareness about the BCSBI Codes* even after five years of their incorporation has not penetrated to the desired level and banks need to make every effort in that direction. A full and proper implementation of the Codes is an important and urgent requirement to fulfill the commitment made to the bank customers.

(xx) In transactions involving frauds where banks allege negligence by the customer as a reason for the fraud, the onus of proving negligence should be with the bank.

Emphasis has been given on customer education and increasing customer awareness as an initiative towards financial Inclusion:

(xxi) Every bank (Public, Private, Foreign, Scheduled Urban Co-operative Banks, RRBs) should prepare a fresh “Bank Customers’ Charter” incorporating all the aspects of RBI Guidelines, Principles of Citizens’ Charter and Codes of BCSBI. This Charter should be displayed on the bank’s website/notice board of every branch.

(xxii) Short training programmes at the branch level to be arranged for the customers.

(xxiii) Banks to establish a proper Customer Grievance / Assistance Centre which works in an integrated manner across channels like – branches, call centres, internet and mobile. The personnel in the Call centres who receive the grievances should be empowered to make decisions.

(xxiv) Call Centre – Indian Bankers Association should consider a toll free Common Call Centre number (like Dial 100) for all banks. A customer would ring that number and thereafter get diverted to the bank concerned. Banks are also required to be a part of India’s inclusive growth objective. Economically weaker section to be brought into the banking system.

(xxv) Branch layout
- there should be proper sitting place for the customers in the branch.
- May I help you counters in all branches.
- Reference Manual which gives information about bank’s procedures to be easily available.

(xxvi) Locker Facilities – Transparent allocation of lockers to the customers.

(xxvii) Customer Service Departments of Banks (CSD)
It is imperative that a CSD is customer centric. The staff manning positions in CSD should receive specialized training so that customer complaints are professionally handled and there is no cause of customer dissatisfaction.

V. The Banking Ombudsman Scheme

The Reserve Bank had first introduced the Banking Ombudsman Scheme in 1995 to provide expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services.

The word Ombudsman is defined as a person who investigates complaints and mediates fair settlements, especially between aggrieved parties such as consumers or students and an institution or organization.

 Banking Ombudsman Scheme Amendment (2006)

The Reserve Bank of India on 26th December 2005 announced the revised Banking Ombudsman Scheme with enlarged scope to include customer complaints on certain new areas, such as, credit card complaints, deficiencies in providing the promised services even by banks' sales agents, levying service charges without prior notice to the customer and non-adherence to the fair practices code as adopted by individual banks. Applicable to all Commercial Banks, Regional Rural Banks and Scheduled Primary Cooperative Banks. The revised scheme came into effect from January 1, 2006.

In order to increase its effectiveness, the revised Banking Ombudsman Scheme was fully staffed and funded by the Reserve Bank instead of the banks. Under the revised Banking Ombudsman Scheme, the complainants file their complaints in any form, including online. The bank customers can also appeal to the Reserve Bank against the awards given by the Banking Ombudsmen.

The new scheme provides a forum to bank customers to seek redressal of their most common complaints against banks, including those relating to credit cards, service charges, promises given by the sales agents of banks, but not kept by banks, as also, delays in delivery of bank services. The bank customers can complain about non-payment or any inordinate delay in payments or collection of cheque towards bills or remittances by banks, as also non-acceptance of small denomination notes and coins or charging of commission for acceptance of small denomination notes and coins by banks.

 Banking Ombudsman Scheme Amendment (2009)
The Reserve Bank of India once again in 2009 further widened the scope of its Banking Ombudsman Scheme, to include deficiencies arising out of internet banking. Under the amended Scheme, a customer would also be able to lodge a complaint against the bank for its non-adherence to the provisions of the fair practices code for lenders or the Code of Bank’s Commitment to Customers issued by the Banking Codes and Standards Board of India (BCSBI).

As per the amended Scheme, the Banking Ombudsman can award compensation not exceeding rupees one lakh to the complainant in the case of complaints arising out of credit card operations, taking into account the loss of the complainant's time, expenses incurred by him as also, harassment and mental anguish suffered. Further, non-observance of the Reserve Bank's guidelines on engagement of recovery agents by banks has also been brought specifically under the purview of the Scheme. Any customer who has a grievance against a bank can complain to the Banking Ombudsman in whose jurisdiction the branch of the bank complained against is located. Some banks have centralized certain transactions, like housing loans, credit cards, etc. If there are complaints regarding such transactions, complaints would have to be made to the Banking Ombudsman in the State in which the bank customer receives the bill.

In addition, the Reserve Bank has simplified the format for lodging complaint to the Banking Ombudsman. Though the complainant need not lodge his complaint in a specific format, the Scheme now provides for an easy-to-fill format for lodging complaints, in case complainants prefer to use it.

➢ Procedure of Filing Complaint:

A complainant can file a complaint with the Banking Ombudsman simply by writing on a plain paper duly signed by the complainant or his authorized representative, stating clearly the name and address of the complainant, of the bank and the relief sought for and accompanied by necessary documents. Complaints can also be filed online or by sending an email to the Banking Ombudsman.

➢ Pre-Requisite for Complaints to be registered with Banking Ombudsman:

There are certain pre-requisites before approaching the Banking Ombudsman. If customers don’t fulfill these requirements the banking ombudsman may reject a complaint especially if it appears to him that the complaint made is frivolous, without any sufficient causes. The complaint is made before the expiry of the period of limitation prescribed under the Indian Limitation Act. The complainant had, before making a complaint to the banking ombudsman, made a written complaint to the bank and bank rejected or the complainant has not received any reply.

11 Limitation period - The law prescribes different periods within which a person who has a grievance should go to court. For example, if somebody has borrowed your money and not returned it, you should approach the court within three years from the date you lent the money. Note: If you don't go to the court within that time, the courts will not be of help to recover your money. This is called the limitation period. After the limitation period, you cannot enforce your rights in a court. The Limitation Act 1963 prescribes different limitation periods for different kinds of claims. Some other Acts such as the Consumer Protection Act also prescribe limitation periods
The Banking Ombudsman currently has 15 offices across India. The total number of complaints received by these offices in the year 2014-2015 was 85,131 complaints. (Table: 4.1). Out of which maximum complaints were from the customers of Nationalized Banks followed by SBI and its associates (Figure: 4.2). Maximum percentage of complaints 29.2 and 21.2 percent were due to non adherence to fair practice codes and Cards (which include ATMS, Debit and Credit cards) respectively. (Figure: 4.3). Almost 90 to 95 percent complaints are handled by the 15 OBO each year and not more than 5 to 7 percent complaints are bought forward to the next year (Table:4.2).

| Table : 4.1 |
| Number of Complaints Received by the OBOs |
| 2008-2015 |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No of OBO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complaints received during the year</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>69117</td>
<td>79266</td>
<td>71274</td>
<td>72889</td>
<td>70541</td>
<td>76573</td>
<td>85131</td>
<td></td>
</tr>
<tr>
<td>Increase/Decrease over previous year (%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44%</td>
<td>15%</td>
<td>(-)10%</td>
<td>2.3%</td>
<td>(-)3.2%</td>
<td>8.6%</td>
<td>11.2%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from Banking Ombudsman Report 2008-2015
Figure: 4.2

Source: Compiled from Ombudsman Report 2014-2015

Figure: 4.3
Category-Wise Distribution of Complaints

Source: Compiled from Ombudsman Report 2014-2015

Table: 4.2
Profile of customer complaints handled by OBOs
<table>
<thead>
<tr>
<th>2014-2015</th>
<th>(2012-13)</th>
<th>(2013-14)</th>
<th>(2014-15)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Particulars</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complaints brought forward from the previous year</td>
<td>4642</td>
<td>5479</td>
<td>3307</td>
</tr>
<tr>
<td>Complaints received</td>
<td>70541</td>
<td>76573</td>
<td>85131</td>
</tr>
<tr>
<td>Total No of complaints handled</td>
<td>75183</td>
<td>82052</td>
<td>88438</td>
</tr>
<tr>
<td>Complaints disposed</td>
<td>69704</td>
<td>78745</td>
<td>84660</td>
</tr>
<tr>
<td>Complaints pending at the end of the year</td>
<td>5479 (7%)</td>
<td>3307 (4%)</td>
<td>3778 (4%)</td>
</tr>
<tr>
<td>Complaints Pending for less than one month</td>
<td>3281 (4.36%)</td>
<td>2432 (3%)</td>
<td>2375 (2.55%)</td>
</tr>
<tr>
<td>Complaints Pending for one to two months</td>
<td>1675 (2%)</td>
<td>838 (1%)</td>
<td>1207 (1.23%)</td>
</tr>
<tr>
<td>Complaints Pending for two to three months</td>
<td>492 (0.6%)</td>
<td>36 (0.04%)</td>
<td>105 (0.12%)</td>
</tr>
<tr>
<td>Complaints Pending for more than three months</td>
<td>31 (0.04%)</td>
<td>1 (0.001%)</td>
<td>91 (0.1%)</td>
</tr>
<tr>
<td>Appeals pending at beginning of the year</td>
<td>13</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Appeals received</td>
<td>52</td>
<td>107</td>
<td>73</td>
</tr>
<tr>
<td>Total no. of Appeals handled</td>
<td>65</td>
<td>107</td>
<td>103</td>
</tr>
<tr>
<td>Appeals Disposed</td>
<td>65</td>
<td>77</td>
<td>88</td>
</tr>
<tr>
<td>Appeals pending at the end of the year</td>
<td>Nil</td>
<td>30</td>
<td>15</td>
</tr>
<tr>
<td>Representations to review the decision of BOs (Non-appealable)</td>
<td>308</td>
<td>531</td>
<td>810</td>
</tr>
</tbody>
</table>

*Source: Banking Ombudsman Report 2014-2015*

### 4.10 CONCLUSION

It is a customer which decided the fate of any business. A customer is a king and is always right. Pleasing the customer and making them satisfied with products and services is thus the ultimate objective of any organization these days. This objective becomes even more important in an industry which is highly competitive just like the Indian Banking industry. The importance of good customer service in banks is realised not only by the respective banks but also by the Government of India and Reserve Bank of India. Therefore right from 1975 RBI has formed various committees who in turn have given various
guidelines and codes to the banks to follow so as to ensure good customer service and satisfaction.

Various studies, reports of committees and existing literature on customer satisfaction prove that good customer service leads to customer retention, loyalty and ultimately profitability.