Chapter 1

INTRODUCTION

<table>
<thead>
<tr>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Statement of Problem</td>
</tr>
<tr>
<td>1.2 Objectives of the Study</td>
</tr>
<tr>
<td>1.3 Research Methodology</td>
</tr>
<tr>
<td>1.4 Variables Studied</td>
</tr>
<tr>
<td>1.5 Review of Literature</td>
</tr>
<tr>
<td>1.6 Operative Definitions and Explanations</td>
</tr>
<tr>
<td>1.7 Necessity and Relevance of the Study</td>
</tr>
<tr>
<td>1.8 Limitations of the Study</td>
</tr>
<tr>
<td>1.9 Scheme of the Study</td>
</tr>
</tbody>
</table>

Development is a process of growth in the direction of modernity specially targeted towards nation building and socio-economic problems. Development implies progressive improvement in the economic conditions and standard of living of the society enjoyed by and shared by its members. Economic development aims at improving the living condition of the people in a country. Economic development mainly rests on the banking system of a nation. The importance of banking in economic development can be understood by the recognition and emphasis given to all its economic theories and policies. The level of development in banking is considered to be an international indicator of the level of economic development. Banking is considered to be a sine qua non for countries appraising to march on to a faster economic growth. It plays a pivotal role in the economic development of a country and form the core of the money market in an advanced country.
Chapter -1

Amongst the banking institutions in the organized sector, the commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion’s share in the total banking operations.

With the nationalization of major banks in 1969, the Indian banking industry had assumed a new role of sub serving the socio-economic objectives. Now the banking industry, after four decades of expansion of branch network and clientele business volume, it has entered into a phase of reforms and restructuring. The new competitive environment in the financial sector implies that the quality of service, efficiency and productivity of the banking organisation would also be the corner stones for their existence. The process of liberalization that the country embarked on threw open the insulated Indian banking industry to fierce competition from numerous players including multinational organizations. The customers of Indian banks, who have been keeping low profile and remained content with their lot, got exposed to the benefits of a competitive environment. The liberalized economy also opened new avenues of wealth creation and this resulted in the emergence of a middle class with high level of disposable income. This class of customers had high expectations about the quality of service which was somewhat out of line with what the Indian commercial banking industry could offer. The new entrants in the banking industry came out with the diversified products and new concepts of customer care. They offered new choices to the Indian customers who had been destined to be served by indigenous commercial banking systems for decades. Thus the banking industry of the country is now undergoing revolutionary changes both in their internal as well as external outlook. With gradual deregulation and liberalization in the financial sector as part of structural reforms in the economy the position is set to change banking
industry well in the way of being market driven. It is increasingly being realized that the fittest alone can survive in the keen competition that reforms are likely to unleash in the country’s financial sector.

In the recent years, there is a concerted effort on the part of Indian banks to improve the quality of customer service. Banks now realize that the cost of replacing a customer is about five times the cost of retaining a customer. If a customer who has a complaint is brought back to the bank, he will be more loyal to the bank and spread a good image of the bank in the community\(^2\). Customers who complain and have their complaints satisfied are more likely to purchase additional products than the customers who have experienced no problems with the organisation or its products\(^3\). Banks give prime importance to customer loyalty and take all necessary steps to prevent customer’s defection. Banks have been commissioning large scale surveys on customer attitudes and level of customer satisfaction under the aegis of the Indian Banks Associations. An all India survey was conducted by national institute of bank management which covered as many as 90,000 households and 10,000 institutions. A survey of this magnitude has provided massive data and information about customers, their saving and investment habits and the areas where the banks have to devote attention to improve customer care. Some of the suggestions that emerged out of the survey showed that many customers experienced delays and difficulties in clearing and correspondence related services, especially over collection of cheques and other instruments. Another major finding of the above study was that banking sector has not effectively adopted any promotion strategy. With lack of advertising, communication and personal selling, customers have not become aware of various schemes and products offered by banks. It has been pointed out that several steps taken by
the banks in the recent past to simplify procedures and reduce delays in providing various services have been influenced by these kind of surveys.4

Customer service is the hallmark of the banking industry. It is the service of the people (user/customer) rendered by the people (bank employees at all level and the counter staff in particular). Being a service oriented industry; it is the primary duty of the Bank to create, maintain and satisfy the customer needed service. There has been severe criticism from public, press and in Parliament regarding the quality of services rendered by the banks. Relevant to customer service are the organizational arrangements at branches of different banks, policies and practices, use of technology, working conditions as well as socialisation experiences, motives, perceptions and beliefs of personnel employed by the banking industry and of customers. The customer’s needs, beliefs, perception and cognition reign supreme and influence the needs and goals of banks at the organizational level. The banks are under pressure to structure their programs around expectations of customers and monitor these in that direction on a continuous basis. One of the challenges of putting customer satisfaction into perspective is to measure these attributes in a scientific manner and this has been much art as well as a science. Undeniably banks have made significant progress in understanding their customers, what satisfies them and what keeps them coming back. It is also imperative for banks to understand how they provide value to the customers and why customers choose to disengage from their banking relationship and how to improve the quality of bank services offered to customers in finally getting the full attention it deserves. Banking customers have identified the quality issue as one of the primary concern Bankers are realizing that quality makes good business sense and is a way to differentiate effectively bank services from those of its competitors and to hold on vis-a-vis expand customer base.
Emergent facets of quality service can now be broadly be distinguished as corporate counter orientation, redefined social banking and integrated assistance to corporate borrowers. Customer service can no longer be perceived as fulfillment of elementary banking needs, catering to walk-in-business. Now customer service has to be understood as a product, carrying the individual bank’s corporate image in the market of modern banking. In a service industry like banking, the quality of customer service holds primal significance, particularly in the context of sustained business growth. Unlike other industries engaged in production of tangible goods, banks are unique in the sense that they are producing and delivering the service instantaneously at the service delivery points, i.e., at branches. This has an overwhelming impact on the customer psyche and makes them super sensitive towards the quality of service. Besides, the business relationship between a bank and its customers is not a one-time transitory relationship, but a relatively permanent and enduring one, which requires to be nurtured with good quality of service. In such a situation any bank, not having a mind towards bettering the quality of customer service is almost certain to lose its customer.

The structure of Kerala economy provides interesting insights into the understanding of structure and growth of banking industry in the state. Unlike other Indian states, the banking activities in Kerala are closely linked to the tertiary sector and not to the productive sectors of agriculture and industry. While the banks in the state have nearly Rs. 91,658 crore deposit as on March 2010, only 47% of it is given as advances to various sectors within the state. A sizable portion of the deposits is Non-Resident Indian (NRI) deposit. While political leaders and social scientists blame the banks for their negative attitude denying credit to the investors, banks hold that the state is lacking in credit absorption capacity. At the national level 43.9% of the total credit is...
accounted by the industrial sector in 2010 where as in Kerala it is only 25.2% 
Apart from the primary sector advances, the major sectors of credit 
deployment in the state are wholesale and retail trade, construction and 
consumer financing.

It is a known factor that the banking business is wholly dependent on the 
customers. The volume of banking business in Kerala can be developed if 
proper care is given to the customer services in banks. In banking, quality 
of customer service plays a crucial role in the context of sustained business 
growth. The relationship between a bank and its customers must be a 
permanent and enduring one, which needs to be maintained with good quality 
of services. In the present study, an attempt has been made to ascertain the 
level of satisfaction of customers as regards banking services in Kerala. It 
highlights the banks’ performance strategies. The level of the customer service 
has been measured and the varieties of new services which influence the 
customers have been analyzed. The most prominent banks in the public and 
private sectors in Kerala are selected as the typical representatives of banking 
sector for the study.

1.1 Statement of Problem

The problem under study is “Customer Service in State Bank of 
Travancore - A comparative study with that of Federal Bank Ltd.” Customer 
service in banks is the service rendered by a bank to its customers in order to 
satisfy their needs and requirements so that customer satisfaction, loyalty, and 
the bank's goals and objectives are realized. A customer is a person, who has a 
bank account in his name and whose dealings with the banker are in the nature 
of banking business. A customer may be a person, firm, Joint Stock Company, 
society or any separate legal entity. The study deals with the present level of
customer service in State Bank of Travancore and Federal Bank in Kerala. The purpose is to analyze the deficient areas indicating the level of customer service. In order to provide satisfactory services to its customers a bank requires both physical infrastructure and psychic infrastructure and also proper customer care ability. The study proposes to analyze the present level of performance of bank in these areas. The study also highlights the expectations of customers with regard to customer service and the mechanism of the banks to gauge them on a concurrent basis. Different segments of customers have different expectations on customer care and it changes with changing times. It is a challenging task before the banks to obtain the feedback from customers, consolidate them and initiate corrective actions in areas where services have been deficient on a continuous manner. The study focuses on how the bank managers view customer care services in their respective banks. It is very important to analyze the attitude of managers in respect of the various issues relating customer service in banks. An integral part of the study includes the constraints imposed on managers in providing valuable customer service.

State Bank of Travancore and Federal Bank represent two streams of bank development in Kerala. While the former was started as part of the initiative of the erstwhile State of Travancore to develop an industrial base, the Federal Bank grew out of the initiative of a few enterprising individuals. Over the years both these banks registered tremendous growth in terms of branch expansion, deposits and advances. Their growth however cannot be viewed independently of the overall evolution and growth of banking as an industry in Kerala. The state of Kerala has a rich tradition in banking.
1.2  Objectives of the Study

The important objectives of the study include the following:

1) To compare and analyze the present level of customer service in State Bank of Travancore and Federal Bank Ltd. in Kerala for identifying the deficient areas, if any.

2) To compare and analyze the customer expectations and grievances in State Bank of Travancore and Federal Bank Ltd.

3) To analyze the issues relating to customer service from the viewpoint of bank managers in these two banks.

4) To arrive at conclusions and make suitable recommendations for improving customer services in State Bank of Travancore and Federal Bank Ltd.

1.3  Research Methodology

The Study is a search into the present level of customer services in State Bank of Travancore and Federal Bank Ltd in Kerala. All the important aspects of customer services in these banks are included in the study. It is a descriptive study carried out with a view to bring out the present status of customer services.

1.3.1 Nature and Sources of Data

Primary and secondary data are used for the study. Primary data were collected from a sample of 28 branches of State Bank of Travancore and 16 branches of Federal Bank Ltd out of the total population of 556 branches and 301 branches respectively in the state of Kerala. A sample of 840 customers of State Bank of Travancore and 480 customers of Federal Bank Ltd were...
selected from the sample branches for the purpose of collecting primary data. Primary data were also collected from the managers of the sample branches of the two banks. The branches selected are from rural, semi urban and urban areas on the basis of a formal system of classifications of branches adopted by the banks under the study.

The collection of primary data covers a period of one year from 1st April 2010 to 31st March 2011.

Secondary data and other information were collected from relevant literature from historical source material, official publications, journals and periodicals, newspapers, internet including websites of related agencies.

1.3.2 Sampling Design

Multi-stage sampling technique is used in the study for collecting the requisite samples. For facilitating the application of this technique, the entire state of Kerala is divided into three regions since the attitude and other conditions of the respondents do not vary widely throughout the state. The regions are Southern, Central, and Northern regions from which primary data is collected. In the first stage of sampling, two districts from each of the three regions are selected to represent the rural, semi-urban and urban areas of population. Purposive sampling technique is used to select Thiruvananthapuram and Kollam districts from Southern region, Ernakulam and Kottayam districts from Central region and Kozhikode and Kannur districts from northern region. In the second stage of sampling, firstly 5% each of the total number of branches in the state of State Bank of Travancore and Federal Bank Ltd. is fixed as the sample size of bank branches selected for the study. Simple random sampling technique is used to select the sample branches from the
districts under study representing the rural, semi-urban and urban areas. In the final stage of the sampling process, 30 customers each from the selected sample branches of State Bank of Travancore and Federal Bank Ltd. are selected by adopting convenience sampling technique. Thus a total of 840 customers of State Bank of Travancore including 90, 630, and 120 customers respectively and 480 customers of Federal Bank Ltd. including 180, 240 and 60 customers respectively from rural, semi-urban and urban areas are selected to collect primary data for the study.

The details of the sampling procedure are presented in the following table.

T1. The Details of the Sampling Procedure

<table>
<thead>
<tr>
<th>Area</th>
<th>No. of Branches Selected</th>
<th>No of Customers Selected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SBT</td>
<td>FB</td>
</tr>
<tr>
<td>Rural</td>
<td>Total No. of Branches</td>
<td>No. of Sample Branches</td>
</tr>
<tr>
<td></td>
<td>63</td>
<td>3</td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>415</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>78</td>
<td>4</td>
</tr>
<tr>
<td>Urban</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>556</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1.3.3 Tools for Data Collection

Two separate and structured interview schedules were used for eliciting the required information from customers and managers of both SBT and FB. Of the 1500 filled in questionnaires related to customers 1320 were finally selected discarding 180 questionnaires which were not filled in satisfactory.
The other set of interview schedule was administered on 44 managers of the sample bank branches.

A pilot study was undertaken, among 50 customers of SBT and FB and also among 5 managers. On the basis of the pilot study the questionnaire were finally modified adding some more questions and deleting some of the irrelevant questions.

The information was collected through personal interviews and discussions with respondents.

1.3.4 Analysis of Data

The collected data are condensed into tables for detailed analysis and interpretation. The data thus generated have been subjected to statistical analysis with the help of statistical software packages. Simple statistical tools like percentages, mean, standard deviations, significant 't' test, and 'z' test are used for analyzing the collected data. The analysis of the two sets of data has led to several findings having serious policy implications. Finally specific recommendations to improve the quality of the customer service in banks are made on the basis of findings.

1.4 Variables Studied

The following variables are considered for the study;

1) Banking Habits
2) Physical Facilities at the Bank
3) Attitude of Staff
4) Customer Guidance
5) Customer Education
6) Savings Bank Account
7) Current Deposits
8) Term Deposits
9) N. R. E. Accounts
10) Remittances
11) Loans and Advances
12) Technology – based Services
13) Other Services
14) Customer Complaints
15) Customer Expectations

1.5 Review of Literature

The subject customer service in banks has gained greater significance over the past three decades. It may be largely due to the attention devoted to the subject over the past two centuries, especially since independence, through the appointment of a large number of commissions and committees to go deep into all facets of banking and finance. Customer service in bank has also been a perennial issue for discussion at various forums like meetings of Chief Executives of banks with the Finance Minister and Governor of Reserve Bank of India.

1) A number of survey and studies were also conducted by eminent persons. A first attempt, in this respect, is said to be made by the Haris Committee Report\(^7\) (1787). The committee was appointed to examine the hardship caused since the introduction of bimetallism in 1766 by varying rates of discounts on the gold mohair.

2) The Central Banking Enquiry Committee\(^8\), under Sir Bhupendra Nath, was the first Committee (1931) headed by an Indian with the main team of reference of the regulation of banking with a view to
protect the interest of public. The committee made important recommendation in many areas connected with Banking, Finance and Customer service.

3) The Rural Banking Enquiry Committee\(^9\) (1950) headed by Purushothamdas Thakurdas, was asked to consider the measures to extend better banking service to rural people. The committee recommended providing greater opportunities for rural people to come in to contact with banks and for banks, to serve a large number of rural population.

4) The All India Rural Credit Survey Committee\(^{10}\) (1954) recommended that condition should be created for effective functioning of cooperative institution and commercial banks to help, develop and provide better credit related services to rural population.

5) A study conducted by NIBM\(^{11}\) (1969) recommended that banks should device techniques essentially based on the principle of mobility, flexibility, convenience, automatic facilities and special inducements to attract depositor and to market the services to them.

6) The Talwar Committee\(^{12}\) (1969) has made several recommendations - introductions or the modifications of procedures to improve services in the bank nationally, the introduction of teller system at all important branches, mechanization at large branches in a phased programme and the setting up of credit information agency by legislation.
7) The Banking Commission\textsuperscript{13} (1972) headed by Saraiya R.G. have made some recommendations in the new economic context of nationalization. The study recommended for improving and modernizing the operating methods and procedures of commercial bank.

8) The working group on customer service in banks under the chairmanship of R.K.Talwar\textsuperscript{14} (1975) was appointed by Government of India to study the problems of customer service in banks. The committee made several recommendations on a variety of subjects and recommended the setting up of a customer service department at the head office to monitor problem in improving services at branches. Most of the recommendations were accepted by the Govt.

9) A working group headed by Varadachary T.R.\textsuperscript{15} (1977) was appointed by Government of India to study the problems of customer services with regard to deposits, lending and other services. The report of the working group paved the way for many reforms in the customer service of commercial bank.

10) Ghosh\textsuperscript{16} (1979) has made an attempt to study the role of banking system and change in its policies in the context of changing scenario after nationalization. The findings of the study show that considerable changes took place in respect of customer service, deposit mobilization, branch expansion and priority sector lending after nationalization.

11) Kammath\textsuperscript{17} conducted a study on the marketing of bank service and customer service with special reference to the customers of the
branches of the Syndicate Bank in Bombay city. It stated that quick and better services offered by a bank would be the most important variable in attracting and retaining a bank customer. Price and place mixes have less relevance in the marketing mix of banking products or services.

12) Punjab National Bank conducted a survey on its customer service in Delhi and Eastern UP\(^\text{18}\) (1986-88). The survey revealed that only 75% of the customers get immediate credit of outstation cheques.

13) Archana Mathur\(^\text{19}\) (1988) in the study on customer service in State Bank of India and State Bank of Bikaner and Jaipur opined that the effectiveness of customer service implies that the whole process should be in two ways. The bank management should draw appropriately a list of expectations from the customers and communicate it to them. It says that this will help the bank to serve their customers better. The customers will be happy only if their expectations match the services rendered by the bank.

14) A study conducted by Karur Vysya Bank\(^\text{20}\) (1989) discloses that the success of bank’s marketing depends on building a bank image in the minds of customers. In a market, where product competition does not exist, it is the bank image which will survive.

15) Reserve Bank of India has constituted another committee on computerization, headed by Rangarajan\(^\text{21}\) which has identified that computerization is inevitable to bring about improvement in customer service, housing keeping, decision-making and productivity.
16) Kalyana Sundaram\textsuperscript{22}, in his research work on customer service in public sector banks (1990), recommends that apart from the introduction of computerization and up to date technology, there must be a mental revolution on the part of the bank staff to improve the quality of customer service.

17) The Gioporia committee\textsuperscript{23} on customer service has made wide ranging recommendations for improving customer service by enlarging the scope of teller service, technology up-gradation and continuous review of system and procedure in tune with the changing needs of customers.

18) Purushotaman Nair\textsuperscript{24} (1991) has conducted a survey on the implementation of customer service in public sector banks in Kerala. The report reveals that the performance of the implementation of the customer service measures in the public sector bank in Kerala is average. The customer service rendered by urban branches are better than rural branches.

19) The committee on financial system headed by Narasimhan\textsuperscript{25}, recommended structural re-organisation of banking system and mechanization to improve customer service and to gain competitive advantage.

20) Jayakumar\textsuperscript{26} has conducted a study(1993) with the objective of making a comparative examination of the performance of public sector bank and private sector banks in Kerala. It reveals that the private sector banks are doing well in Kerala.

21) Chidambaram\textsuperscript{27} argues that recognition given to the customers when they visit the branch is a major factor influencing customer satisfaction. The field data collected by him show that only 21.66% of
the customers contacted are of the opinion that they are being recognized by the bankers whenever they visit the bank premises. His interactions with four south based finance companies to ascertain the reasons for their success revealed that the two dominant reasons were customer recognition and target orientation in business.

22) Shankar\textsuperscript{28} holds that customer service has emerged as a new parameter for evaluating the performance of banks and this is a major departure from the conventional parameters like deposit growth, recovery, profitability etc.

23) Sharma\textsuperscript{29} introduces the concept of bank marketing. According to him bank marketing is the creation and delivery of customer satisfying services which bring profit to the bank. The needs of the customers can be identified and a customer profile can be prepared. Applying the concept of 4Ps of marketing, i.e. the product, the price, the place, the promotion to banking industry, he adds two more Ps, i.e. the people and the procedure. From the point of the banking industry, the most important among all these is the people and the procedure. Here the most important thing is the attitude of the employees to customers. Courteousness, effectiveness, efficiency and positive outlook are the major attributes of the attitude of the employees. The procedures and formalities should be simplified to cause minimum inconvenience to the customers. In the era of liberalization, automation and modernization of bank branches is a major step towards simplifying procedures.
24) Raja Gopalan Nair\(^\text{30}\) in his doctoral thesis, (1993) has made an attempt to evaluate the service offered by the banks in rural areas and to examine the needs of rural customers in Kerala. The study recommends that rural branches should pay attention to popularize the ancillary banking services in the rural areas of the state.

25) Bandopadyay\(^\text{31}\) (1994) in study conducted in some of the branches of State Bank of India and its associates has concluded that customer service is one of the areas that need improvement. The banks have to sell their services with a view to maximize profit and this will be possible only if they can attract customers by providing better services. This calls for a change in the attitude of bankers at various levels.

26) Guruprasad Murthy\(^\text{32}\) (1995) recommended for the rationalization of operation, diversification, technology up gradation and innovation in the context of globalization.

27) Muniraj\(^\text{33}\) (1996) observed that for improving customer service, while emphasis on the job knowledge and skill development is imperative, the real important aspect is bringing about an attitudinal orientation in the employees at different level in general and in those coming into direct contact with the customer in particular. The quality of service is to an extent dependent on the attitude of the individual. The attitude towards service could be attributed to courteousness, effectiveness, efficiency and positive outlook. It is difficult to switch over to a new set of attitudes overnight howsoever urgent, but change is inevitable if their survival has to be sustained.
28) The committee for Proposing Legislation\textsuperscript{34} on Electronic Fund Transfer has recommended that Electronic Fund Transfer could be introduced immediately by framing regulations under Section 58 of the Reserve Bank of India Act. It also recommended the adoption of a model customer contract agreement to govern the banker customer relationship with regard to E.F.T.

29) The editorial column of "The Banker"\textsuperscript{35} in the edition dated July 1994, quoting references from various studies noted that banks are now judged by the public not by how much funds they lend, but are judged on the basis of customer friendly service to clients which should help the latter to progress and prosper alongside the banks. The column also suggests that banks should sit with the customers when they are in difficulties, sort out their problems and see that they are solved.

30) Ghai G.K\textsuperscript{36} (1997) in a study on customer defection states that the complete customer loyalty of the pre-nationalized era of banking industry gave way to half hearted customer loyalty during nationalization period. Now in the post liberalization stage, it is more or less conspicuous by its absence. It was the customer loyalty which, like in any other industry, that bank had always from its customer. The study reveals that majority of the customers quit due to the indifference of the bank staff towards them. Bankers are to be aware that the bringing in of new customers is much more expensive than serving the present clientele more satisfactorily.

31) Velayutham\textsuperscript{37} in a comparative performance analysis of banks* (1998) observes that private sector banks and foreign banks are no match to public sector banks in terms of infrastructure, size of
branch network and resources. The level of retail banking conducted by public sector banks is so immense that it cannot be challenged in the near future by private sector banks.

32) The Second Narsimhan Committee\(^{38}\) on banking sector performs (1999) points out that a significant factor determining the competitiveness in banks is the customer service and the banks that will emerge as the winners in the coming era will be truly customer centric banks.

33) Richard Koonce\(^{39}\) (2001) observes that banks can improve their customer service by taking advantage of technologies that can increase the speed of their service or improve communication. They should consider marketing to customers via the internet and extend their market reach through this technology. They should also offer sophisticated customer services by exploiting the most advanced information technology solutions. They should also offer new products and services and embrace new customer-service method.

34) Hemedu P. Mathur\(^{40}\) in his Research paper on implementation of TQM in Banking (Total Quality Management), underlines the need for public sector banks in India to pay attention to and implement TQM principles so that customer service levels are enhanced considerably, in spite of the problems faced by banks.

35) Aggarwal\(^{41}\) (2002) seeks to study the extent to which facilities provided by private sector banks have resulted in increased customer satisfaction level and to suggest improvement in the existing facilities or introduce new facilities that will increase the customer satisfaction level. The findings suggest that some of the
recently established banks like Indus Ind bank, ICICI bank and IDBI bank are far ahead of old banks like Bank of Punjab.

36) Bhaskaran, Narasimha Rao and Viswanath (2004) conducted a study to assess or evaluate the needs of the customers and their response among the public sector banks and private sector banks in Karnataka. It is found that there is either little or no variety in services provided to customers, leaving alone service quality.

37) Eapen Varghese (2005) assess the customer service rendered by banks in Kerala. It is found that there is no difference between the services rendered by public sector banks and private sector banks.

38) Pushpangathan (2006) in his doctoral thesis reveals that the perception of the public on the services rendered by public sector banks is not satisfactory. He suggested that periodical training to the staff of the bank in area of customer service should be provided and the bank should take some aggressive steps in the areas of customer service.

39) Gani and Mushtaq Bhat (2007) in their study on Service Quality in Commercial Banks tell that service quality of foreign banks is comparatively better than that of Indian banks. Two major reasons were identified for such high service quality variations. First, foreign banks operate in selected markets and offer selected services. Secondly, foreign banks are backed up by state of art banking technology which gives them differential/competitive edge in financial service markets. They suggested that Indian banks must make heavy investment on tangibles particularly computer based banking, internet and internet based services, tele-banking, anywhere and anytime banking etc. This will help in
delivering quick and accurate services to customers as well as reducing the workload of front line staff and thereby providing ways to employees to respond to customer requests.

40) Jiban Chakraborty\textsuperscript{46} (2008) tells that survival in a buyer's market depends on marketing-driven management. Since marketing is the creation and delivery of customer-satisfying products and services at a profit, a marketing-driven bank, like the seller of any other product must be customer-oriented. It must view its services not in terms of what there to the bank, but rather in terms of the satisfactions those services offer customers. Making customer-oriented banking decisions involves creating an appropriate set of marketing strategies, each for a clearly defined group of target customers. The components of the various marketing mixes must be blended together with consideration of both the target customer and the areas of restraint that are always present.

41) Ashvine Kumar Sharma and Param Bhushan\textsuperscript{47} (2009) are of the opinion that banking has a lot to offer to banks and its customers but it's success depends upon the range of services, security usability and a user friendly interface which make it easy, cheaper and simple to use. The mobile banking is not just a service reserved for international banks but for any financial institution wishing to take it up. There is a lucrative opportunity to exploit the combination of the fast growing consumer device the mobile phone with richness of internet protocols that will surpass a similar revolution initiated by PC-related banking.

42) S.Parameshwaran and W.Maria Josephine\textsuperscript{48} (2010) have conducted a study on "Service Quality Management in Commercial Banks in
Coimbatore City. The study has developed a three component service quality model based on Rust AND Oliver methods which focused on the three dimensions of service which includes technical quality, environmental quality and functional quality. The basis of the study circulates around the gap between expectations of the customer and their fulfillment is the root cause of the grievances which affect the business as well as the image of the bank. The study says that Bankers should make aware of the services offered to customers thereby assuring quality of service as well as customer satisfaction.

1.6 Operative Definitions and Explanations

The definitions and explanations of the important terms used for the study are given as follows:

**Bank:**

A bank is a company which transacts the business of banking in India. A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses.

**Customer:**

A Customer is a person who is using any or all of the services offered by the bank. A customer is a user or a potential user of bank services. A ‘Customer’ may include:
A person or entity that maintains an account and/or has a business relationship with the bank;

One on whose behalf the account is maintained (i.e. the beneficial owner);

beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and

any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

**Customer Service:**

Customer Service include all those banking services rendered by banks to the customers. The primary, secondary including agency and general utility functions of banks help them to render customer services.

**Banking Habits:**

The habit of people to enter into various types business transactions with the bank.

**State Bank of Travancore:**

State Bank of Travancore (Abbreviated as SBT in the study), is a subsidiary of the State Bank Group and also has private share-holders. It is the premier bank of Kerala, where it has a network of over 879 branches spread over 16 Indian states.

**Federal Bank Limited:**

Federal Bank Limited (Abbreviated as FB in the study) is a major Indian commercial bank in the private sector, headquartered at Aluva, Kochi, Kerala. It is
the fourth largest bank in India in terms of capital base., Federal Bank has 1020 branches spread across 24 states in India and 1058 ATMs around the country.

**Deposit Account:**

A deposit account is a savings account, current account, or other type of bank account, at a banking institution that allows money to be deposited and withdrawn by the account holder. These transactions are recorded on the bank's books, and the resulting balance is recorded as a liability for the bank and represents the amount owed by the bank to the customer. Some banks charge a fee for this service, while others may pay the customer interest on the funds deposited.

**Customer Guidance:**

Customer Guidance is the set of directions given by banks to its customers to help them to safeguard their interests while dealing with banks. These directions are necessary to strengthen the customer-banker relationship and to protect the customers from risk or loss.

**Customer Education:**

Customer Education is concerned with appraising of customers about the various aspects of banking operations with a view to provide them with information relating to all the latest changes and new policies affecting them. Banks must strive to design methods of educating the customers at appropriate times.

The customers expect certain level of services from banks. It is imperative to compare the perceived and the actual level of services from time to time to know where one bank stands in relation to other.
Loans and Advances:

Loans and Advances are the borrowings by customers from banks in the form of overdraft, cash credit and other various types of loans such as home loans, education loans, personal loans, vehicle loans, etc. The duration of loans may be short-term, medium term or long term depending on the type of loan.

1.7 Necessity and Relevance of the Study

Although the banks are committed to social banking, they are primarily working on the principle of maximum profitability. They want to have an adequate return for the funds employed. These objectives can be achieved only with a sizeable volume of business and adequate productivity by its staff. Good business growth is achievable only with good customer service and with a good image of the bank. Banks are not monopolistic organizations. Each bank is required to compete with others for its survival and business opportunities. Banking is a service oriented industry which is fast moving from a seller’s market into a buyer’s market. Thus banks are obliged to extend good customer service to withstand the competitive conditions.

Consumerism is also gathering momentum. Now the customers are demanding high quality at low cost. So the need of the hour for banking industry is to gear itself aggressively to the rising aspirations of customers. It means delivering new services and new instrument to meet the emerging needs of the customers on the side and rendering services in an efficient and effective manner on the other. It will bring in new sources of receipts and revenues to the bank.
To survive in a highly competitive and solely market driven environment, banks will have to come closer to the customers, proactively anticipate their emerging need / expectations and evolve effective means to meet those expectations. In an environment where customer is thinking, the new mantra for the organisation will be to upgrade itself from merely a system by which service is delivered after identifying the customer needs in order to satisfy them. The current banking scenario, being in the throes of rapid changes is marked by fierce competition, high level of customer expectation and most prominently a technology driven culture. There is a greater need, more than ever, for rethinking the basics, recognize the primacy of customer and rediscovering the lost routes between customer service and customer delight. Customers choose one product or service over another because they get better value. A satisfied and delighted customer group is the best insurance for growth and profitability, the best unpaid publicity agent which engineers creations of new customers and which means more business.

"Customer service is not merely the fulfillment of government's guidelines or mechanical adherence to the time frames of services. It is a philosophy, an attitude of professional commitment which believes in the ultimate satisfaction of a customer's want."

Customer service extends beyond spot transactions. It is more than effectively meeting the customer needs or handling of their grievances. Customer service would be better if employees develop the desired attitude and motivations and develop their capabilities in the direction of effective customer service. Customer service is in fact, the perception of a customer of the services he gets from his bank. The human perception changes from individual to individual and within an individual from time to time. This change in perception of a customer of the
services he gets makes the job satisfying him at all point of time more challenging. It is, therefore, necessary for banks to continuously assess and reassess how customers perceive the services, what are the new and emerging customer expectations and how they be satisfied on an ongoing basis.

1.8 Limitations of the Study

The main limitations of the Study are given below:

1) The sample size of the branches of the two banks and the customers selected for the study is limited to a manageable limit due to constraints of time, effort and money.

2) All the services rendered by the banks are not covered in the study. Only those services which are commonly enjoyed by the majority of the bank customers are studied and analysed in the study.

3) The study is limited to only two banks although it has relevance and applicability in other banks including new generation banks.

4) The study is geographically limited to the state of Kerala though the study has national importance and implication

1.9 Scheme of the Study

The results of the study are presented in the Research Report as follows:

Chapter 1 deals with introduction which include the statement of problem, objectives of the study, research methodology, review of relevant literature, and limitations of the study.

Chapter 2 describes the evolution, growth, development and performance of banks in general and State Bank of Travancore and Federal Bank Ltd. in particular.
Chapter 3 explains the concept, theory and practice of Customer Service in general and in Banks in particular.

Chapter 4 presents a comparative analysis of the variables of customer services in State Bank of Travancore and Federal Bank Ltd.

Chapter 5 analyses the views of bank managers with respect to customer services in their banks.

Chapter 6 summarises the Findings and Recommendations and concludes the Research Report with suggestions for future research.

Reference

[1] Dr. Sundaresan P.K. Thesis on Cost Accountancy and Cost Control in Hospitals, Cochin University of Science and Technology, Kochi, 1994 p1


[38] Report of the Narasimha Committee on Banking Sector Performs, Government of India,1998


[44] Pushpangathan. G. "A Study on the Quality of Customer Service in Public Sector Banks in Kerala," Department of Commerce, University of Kerala, Trivandrum,
Introduction


.....SOGR.....