CHAPTER V

CUSTOMER SERVICE

A LOOK FROM A DIFFERENT ANGLE
5.1 INTRODUCTION

Customer is the point of focus in each and every business. His / her satisfaction directly influences the future of a concern. A satisfied customer is an asset to the firm. It is the duty of every business organisation to convert a dissatisfied customer into a satisfied one. The first part of the chapter is designed to bring to the light the theme of the customer service in the form of some tips which a business organization / bank should adopt to create a satisfied customer.

The second part of the chapter covers some important aspects of customer service. It mainly includes discussions regarding customer service culture, expressing the customer service alphabetically, some tips to raise customer’s profile. Apart from that this part of the chapter also covers some practices of customer service and factors of satisfaction and dissatisfaction.

The third part of the chapter covers the service quality a bank has to adopt to satisfy its customer. The fourth part describes what customer satisfaction is and how to provide more satisfaction to the customers by providing better services. The fifth part of the chapter covers the need for assessing customer satisfaction.

In the sixth part of the chapter study of RBI on customer service has been discussed in which it has been shown that there were more complaints against public sector banks with regards to deviation in providing various banking services. In the next part of the chapter recent policy developments of RBI with regards to customer services have been described.

The 8th part of the chapter is devoted to the recent developments in banking with regards to various products and services broadly under two headings such as national & international. The next part of the chapter contains some of the verdicts passed in favour of the customers of various banks who were suffering due to the negligence, omission and improper care of the banks. The 10th and the last part of the chapter briefly describes the ‘Know Your Customer’ (KYC) Guide lines and the ‘business facilitators & correspondents’ schemes of RBI.
5.2 CUSTOMER SERVICE

5.2.1 Introduction: - Every company’s greatest assets are its customers, because without customers there is no company. Many businesses have seen declining revenues and declining budgets. Declining budgets often lead to reduced staff levels and diminished services. When price wars fail to drive revenues, businesses often look to service to give them a competitive advantage. Many big business marketers are returning to a “service sells” mentality, however, many sell great customer service and few deliver. The problem is that few marketers have ever truly served a customer. Therefore, there is a need to establish a customer service culture in the organisation.

5.2.2 Customer Service Culture: - Normally an employee of a business concern bothers a little about the fact that how to behave with a customer. Therefore it is the duty of a businessman to see the fact in a very dynamic and systematic manner. One may undertake the following eight steps to develop customer service culture in his organisation.

- Customers are the reason for work, not an interruption of work: - Never an idea should be created in the mind of the employee that customers are headaches, rather the ‘God’s stepping into the business premises. There is a need to develop the habit of recognizing the customer as a natural guest of the business.

- Continuous training: - Not a single warning or circular will serve the purpose, rather a continuous training will be necessary to grow a systematic and fruitful service culture. In order to offer continuous customer service training to the staff, role play situations may be utilized to assist the staff in recognizing and experiencing both easy and difficult service opportunities. If an employee has a level of comfort with a difficult situation, he can be able to better handle it.

- Empowering staff to serve: - There is a need to establish a system of resources for the staff to serve the customer. They should be allowed to take the necessary action to provide exceptional service and resolve any issues, when a customer becomes disgruntled. A structured system should be created to allow the staff to serve customers.

- A discretionary budget should be established so that an employee may access to recover a customer before the business loses him. It is recently learned that a major hotel chain has a monetary fund available per year and per employee enabling him to go above and beyond to ensure exceptional service. This
empowers the employee to do a right to create a "memorable" customer experience. A large sum of money may not be required, but with regards to customer service, a small gesture can go a long way.

Making the Service personal: - Giving a personal touch to the customer by calling him/her by name, if possible, offering a handshake and introducing oneself etc. certainly enhances the nearness and acts as a heart winner. Creating service that is personal will not only retain customers, but helps to diffuse difficult situations when they arise.

Be Always Positive: - The employee of the organisation should be allowed to act to meet a customer's need without caring for the repercussions. Such situation may be really difficult to face, but for the sake of the customer every thing should be forgotten.

Offering a Solution: - When there is a problem, in stead of concentrating on the problem, the businessman should give alternative solutions to the problem in open mind. The customer should be explained with the limits and should be asked to realize the practical situation.

Recognizing the staff members for outstanding services: - There is a need to recognize who are the persons who can provide outstanding services and accordingly all other related programmes should be planned.

Feedback: - Lastly, the customer should be asked what he feels about the services rendered to him. What are the difficulties he faced, what are the remedies that can be adopted to improve the situation.

5.23 ABC of Customer Service

In order to understand the customer service in a better way there is perhaps a need to discuss the meaning of these two terms in form of letters of English alphabet as follows:

A is for Attention to Detail. Because when customers know one care passionately about the little things, they'll know that one care a great deal more about the big things.

B is for Benefits which is all the customers want.

C is for Complaints against the services rendered.

D is for Dedicated staff, because when the team is fully engaged, customer loyalty goes up by two-thirds.
E is for Empowerment which means trusting and training the staff to do whatever it takes to thrill the customer.

F is for Feelings. As the Scottish Life advert says: “Make each customer feel like you’ve held the door open whilst laying your jacket across a puddle and then rescued their kitten from a tree.”

G is for Going out Of Your Way, just like the engineer who took a 50-mile detour on his way home from work just to deliver a phone to a customer who had been waiting all day for it.

H is for Hi-Tech, Hi-Touch, because when things get complicated, that’s when people want the personal touch.

I is for Ichiban, the Japanese word for “wanting to be the best”.

J is for the customer Journey, which one must know every inch of.

K is for Kaizen, another Japanese word which means “continuous improvement”.

L is for Loyalty, which one buy by engaging their minds and piercing their hearts.

M is for Moments of Truth, those hundreds of opportunities every day to turn their heads.

N is for Now For Something Extra, that ends every customer interaction on a high.

O is for Observing the customers’ needs before they know them themselves.

P is for the Pride that staff feels when they know they’re in a valued profession.

Q is for Quality: of product, of service, of manners, of courteousness.

R is for the golden Rule: the customer is always right, even when they’re wrong.

S is for Sincere Smiles, that aren’t false but melt the coldest hearts.

T is for Tact, the one thing the customers will notice but one must pretend not to.

U is for Under promise and Over deliver, the simplest way to make someone’s day.

V is for adding Value because there’s nothing so precious as one’s time, care and attention.

W is for the Wow Factor, when one stops them in their tracks.

X is for Extraordinary service that is out of this world.

Y is for Your Mum Was Right, because it’s all about respect.

Z is for a good night’s Zzzzz’s after a great day’s work.

5.2.4 Raising the Profile of Customer Care:

The strategy for maximising customer satisfaction and loyalty is to aim to deliver perfect products and services but supported by an effective customer contact process.
that kicks in when problems arise or customers have queries. This process should also provide a channel for customer feedback so that issues that undermine customer satisfaction and loyalty can be identified and resolved. The customer contact process must also be cost effective both in operational productivity and the ROI generated in terms of its effectiveness at improving customer retention and loyalty. Finding out about what matters to existing customers is often left to the Market Research department. Such research, probably valuable in terms of understanding future product requirements and profiling potential customers, is not necessarily geared to understand the issues influencing and the current needs of existing customers. It is also not uncommon for a positive spin to be put on such research in terms of customer satisfaction rather than identifying problems.

**Representing the voice of the customer:** - The customer care department can add significant value by listening to the experienced and committed customers. Such an act provides the concentrated feedback that traditional market research cannot reach. It alone has regular contact with customers who have experienced problems or have issues to rise. It knows the issues causing most concern and is best placed to represent the voice of the customer in future business decisions. But sadly, this voice is rarely heard. There can be a number of reasons for this:

- Service recovery teams are working flat out to resolve immediate problems and have no time to be proactive with reporting
- They do not have the data collection, analytical and reporting tools to deliver such feedback
- Any data collected may only represent a small percentage of the customers who have issues and therefore is not considered important
- Customer Care is positioned too low down the organisation for anyone to hear the messages it tries to send
- Management may not believe them even if a message gets through.

This lack of visibility is partly the responsibility of senior management - undervaluing the payback from customer care - but also that of the Customer Care Manager who is guilty of not promoting the potential value of effective service recovery and customer feedback. The following eight guidelines provide a framework for raising the profile of Customer Care and promoting the value of its dual objectives of service...
recovery and customer feedback. There are eight guidelines for raising the profile of Customer Care:

1) **Positioning Customer Care as a Profit Centre** Firstly, before even considering the payback from Customer Care there is a requirement to have accurate financial data in the first place. This may demand considerably more attention to gather financial information than previously. Although cost centres often have limited budgets they also do not experience the same financial planning and reporting requirements of larger departments. Therefore, the first condition for being treated as a profit centre is to act like one and take ownership and control of departmental finances. It is obviously important to maximise performance in terms of productivity and to justify a return on investment. Proving a positive ROI may not be as easy as it is for other departments (sales for example can compare costs with the value of new business). To identify the ROI of service recovery and customer feedback the calculation will have to include information such as the value of potential customers at risk retained, the impact of both negative and positive word-of-mouth and the financial return from product and process improvements attributable to customer feedback.

   The following benefits can be achieved from effective Customer Care:
   
   ⇒ Resolving issues likely to undermine future loyalty promptly and efficiently
   ⇒ Retaining customers at risk
   ⇒ Increasing corporate goodwill
   ⇒ Identifying and rectifying product and service deficiencies
   ⇒ Identifying customers' wants, needs and expectations
   ⇒ Contributing "Voice of the Customer" knowledge to future product and service development
   ⇒ Representing the "Voice of the Customer" in strategic business decisions

2) **Top Management must be committed:**

Unless Customer Care has the support of top management; it is hardly likely to obtain the buy-in from other departments. It is therefore vital to convince the CEO of the value Customer Care brings to the business and then to blatantly use that support to build internal commitment. Top management are always happier with numbers than with ideology. Take time to document a business case that justifies the investment in customer care resources in terms of future retention and loyalty and organisational improvement. Keep the CEO fully briefed with topical, concise and actionable Voice of
the Customer feedback that provides an insight into customer perceptions and their impact on future business performance.

3) It should be started at the front-line:
A centralised customer care department is no replacement for front-line service recovery. Indeed, it is often only the very determined customers who find their way there anyway. Resolving issues at the first point of contact will achieve higher levels of satisfaction and future loyalty. But the Customer Care department still has an important role in achieving this. It must provide the professional support to make this happen. Firstly, it needs to ensure that all front-line staff have the basic customer contact handling skills needed, that they are empowered to resolve most common issues and know the responses to common situations. They also need to have access to Customer Care for advice and guidance on specific issues and, ultimately, as an escalation route. The Customer Care team therefore provides support to the front-line and act as experts when needed.

4) Making it easy and pleasant for customers to contact
The objective is to ensure that as many customers as possible who have an issue contact the organisation about it - rather than take their business elsewhere and tell others about their negative experiences. And when they do contact, the experience must be a pleasant one. The following guidelines provide a framework for a customer contact charter that encourages such contacts:

- Customers should know how to contact - information should be widely promoted on product packaging and documentation, advertisements and marketing literature
- They should be able to choose whatever contact channel best suits them - letter, telephone, fax, e-mail via a website or face-to-face
- Contacting should be easy, at the customer's convenience and at negligible cost in both time and money - not necessarily a free-phone but definitely not a five minute wait for the call to be answered
- Their contact should be received by knowledgeable, polite and empowered individuals who are obviously interested in understanding and meeting customers' needs
- Any problem should be rectified with the minimum of fuss and delay
Issues raised should not keep reoccurring - the organisation learns from its mistakes

Information requested should be readily available, easily understood and free of jargon

Customers should leave feeling that their contact was valued and their comments appreciated, believing that the organisation wants to do business with them.

5) **There must be effective resolution process:**

Any investment in Customer Care will be wasted unless both Customer Care department and the front-line achieve high levels of contact satisfaction. Recent research by the Customer Care Alliance suggests that, in Great Britain - across all industries - only an average of 11% of complainants were completely satisfied with the action taken to resolve a problem. Contacts need to be monitored and performance evaluated to ensure that the majority of customers feel that their issue has been satisfactorily resolved. If this has not been possible they should, at least, be satisfied with the way the contact was handled. The achievement of this objective requires the provision of an effective contact management process. Although beyond the scope of this paper this would include sufficient trained and experienced staff backed up by effective business processes, technology and information systems.

6) **Contacts need to be adequately recorded and reported**

Voice of the Customer feedback relies on an effective process for logging, analysing and reporting on customers' contacts. This must include the cost effective capture of front-line contacts. Although there are a number of effective proprietary software solutions available, many organisations still lack the capability to effectively log, analyse and report on their contacts. The following recommendations may be considered for effective Voice of the Customer reporting:

- Timely reports – at least monthly reporting
- Actionable findings – identify solutions as well as issues
- Tailored to needs – adapt reporting to suit the audience, top-line for the board, specific detail to relevant departments
- Provide an economic imperative to act – identify the financial impact of issues
- Concentrate on what is important – hone in on key issues
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• Effective presentation – attractive reporting using charts and verbatim comments create interest and enhances quantitative data

♦ Participative reporting – regular face-to-face meetings with data users to deliver results allows findings to be questioned and discussed and encourages two way communication

♦ Dedicated Knowledge Manager – appoint an individual to take responsibility for data analysis and reporting and to liaise with data users

7) Developing a relationship and communication channel

Customer feedback should be understood and respected throughout the organisation. The views of customers and the issues undermining their satisfaction and loyalty have impact on most departments including marketing, sales, product development, quality, operations, finance and production. The role of Customer Care and the benefits it contributes to organisational performance should be understood and valued. It is therefore critical that other departments within the business are fully aware of and appreciate the value of Voice of the Customer feedback. This can be achieved by:

♦ The prompt identification and reporting of issues undermining customer satisfaction and future loyalty

♦ Provision of assistance in developing solutions that resolve such issues promptly and efficiently

♦ Consultation with other departments to identify exactly what customer information they want

♦ Regular reporting targeted to their specific needs

♦ Regular face-to-face meetings to review, question and discuss customer feedback

♦ Provision of an expert Voice of the Customer representative who can be consulted on all business decisions impacting on customers (most of them!)

8) Using the Customer Care channel for proactive feedback:

In addition to reporting reactive feedback from customers who contact, an additional opportunity is available to utilise such contacts for soliciting proactive feedback. When the reason for the customer’s initial contact has been resolved, he/she can be asked for their comments on any particular issue of concern to the organisation. Using basic on-line research tools, up-to-the-minute data on customers’ views, perceptions and suggestions can be recorded and reported almost immediately. This provides significant added value to the organisation at virtually no cost – only a slight extension to contact time.
What customers really want can be divided into two areas. Firstly - they want the core service of the business to meet their needs. If somebody says he is a plumber, then the customer expects him to fix his leaking pipe. If he is an accountant, then the customer expects him to resolve his tax details. Apart from that the customer expects that the products and services should represent value for money. It means that if somebody buys a long lasting item, naturally, he will expect after sales service and certain warranty arrangements.

What customers really - really - really want and what will make them loyal to the business and say wonderful things about the business to other people are:

- **Warm and friendly responses** - When customers make contact with the business face to face or over the telephone, they want a warm response. It can still be businesslike but the staff need to look and sound - friendly and likeable.

- **They want to feel important** - They know that the business have lots of other customers and clients but they just love it when the business make them feel special.

- **They want to be listened to** - Customers often get the impression that the person dealing with them is not really listening. One must keep working on one's listening skills. One must keep good eye contact with people and concentrate on what they're saying. One must keep an open mind and resist the temptation to jump in with an answer. It's also important to show that the businessman is listening.

- **Someone to know their name** - A persons name is one of the sweetest sounds he'll ever hear. If one uses a customer's name during conversation, it indicates that the customer has been recognised as an individual. However, practicing it too often may become irritating, but definitely it should be done at the start and the end of a conversation.

- **Flexibility** - Customers hate to hear the word "No" or "it can't be done." It's not always possible to say, "Yes" to a customer or do exactly what they want; however, it is important to be as flexible as one can. Customers be told what one can do - not what one can't.

- **Recovery** - When things go wrong, customers want that their problems should be solved quickly. They don't want to hear excuses or who's to blame or why it happened, they just want it fixed fast. Customers will often judge the quality of the
service by the way recovered. They will even forgive the mistakes in the way of recovery. One should not be afraid when something go wrong; it's often a great opportunity to show customers just how great the service really is. Overall, customers just want to feel good.

5.2.6 The Unbeatable practices of Customer Service

Introduction:-If one concern wants to become number one in customer service, it has to do a number of things that make it stand out from the crowd. Here there are seven ways that will put the organisation on the top.

1. Rolling Out The Red Carpet For Everyone: - If there's one thing people hate about poor service, it's getting treated differently from others. It makes them feel inferior and second-class. Gary Richter says one should roll out the red carpet for everyone, but particularly those who don't expect it. "I tell my employees, if we roll out the red carpet for a billionaire, they won't even notice. If we roll it out for millionaires, they expect it. If we roll it out for "thousandaires" they appreciate it. And, if we roll out the red carpet for "hundredaires" they'll tell everyone they know."

2. Taking Time To Know the Customers:- The fast pace of modern living together with advances in technology have together put a non-human face on much of our customer service. If one can find a way to re-connect with the customers one-on-one, he will strike a chord with his customers that will be like a streak of gold. Not only did they ask, but they really wanted to know the answer and they took the time to listen to what one had to say. That's customer service – taking the time to know the customers, really caring about how they feel, and wanting to go the extra mile to make sure they're happy.

3. Be Easy to Do Business With:- One of the problems with modern businesses is that the systems we use to save time and money are often devised for the company's benefit and not the customers. As a result, the customer experience is frustrating and difficult. Hence the situation demands a reversal. Customers expect single source service and don't want to be transferred to every unit of the business to have their problems solved. They want to be able to do business with the slightest amount of discomfort. One must feel easy to do business with in such a situation with open heart.

4. Going Out Of One's Own way To Make Sure they're Happy:- One of the most important things the customers want, is a guarantee that product or service offered to them will work. So the business should move heaven and earth to make sure that it happens. The customers shouldn't be asked to make payment until they are fully happy.
Instead of offering a money back guarantee, a service business can provide a guarantee to solve the customer's problem. For example, a plumber can guarantee to come back without charge as often as necessary to stop the leak. A landscaper can replace without charge any plants that don't survive for at least 6 months. A sales consultant can continue working without charge until the promised sales results are achieved.

5. Noticing What Customers See: - A big part of what customers think about the business comes from what they see and believe. Personal Selling Power noticed the following difference in two candy stores. "Although two competing candy stores had the same prices, neighbourhood kids preferred one store to the other. When asked why, they said, "Because the person in the good store always gives us more candy. The girl in the other store takes candy away." True? Not really. In the good store the owner would always make sure to put a small amount of candy on the scale and then keep adding to it. In the bad store, the owner would pile a heaping amount of candy on the scale, and then take it off until it hit the right weight. The same amount of candy was sold, but perception is everything."

6. Working On Everything the Customer Experiences:- The customer experience isn't just receiving the service or buying the goods. It's about all the other little bits and pieces in-between. Such as the manner of the receptionist, the state of the floors and tables, the attitude of other staff, the ease of parking, the tone of the notices, the smile or lack of it on the face of the checkout team. One should remember the famous slogan given by Mirage hotel in Las Vegas that says: "We spend 600 hours a week pampering the plants. Imagine what we'll do for our guests."

7. Believe in Customer Service From The Bottom Of the Soul:- To become a great service organization, one has to believe in customer service from the bottom of one's soul. It has to be part of the way the work. A business man, who runs a successful business, made money because he offers honest products and treats people decently, works hard, spends honestly, saves honestly, gives honest value for money, puts back more than they take out and tells no lies.

5.2.7 Customer Dissatisfaction & the S-E-R-V-I-C-E Recovery

What a banker will do, when he feels that there is a breakdown in service. Ultimately the answer is that he has to try to do things right. No business sets out to do wrong when servicing customers. But life is full of unexpected moments and inevitably, mistakes do happen. While many people in businesses focus on doing things right the first time, very few seem to take a powerful interest in setting things right when things do
go wrong. In those moments, a passion for "zero defects" often gives way to "Let's get this mess cleaned up fast, and get back to business as usual."

Because of this attitude, businesses miss an important opportunity to build customer loyalty and valuable goodwill. It is exactly when things go wrong that customers are most sensitive about how they are treated, most likely to share their experiences with friends and colleagues, and most likely to make lasting decisions about whether to bring their future business back to a company, or to its rivals.

"We know that mistakes will happen. What we do not know is how we will be treated when we go back to get the mistake corrected. Will they treat me as if it is my fault? Will they argue with me? Will they make it difficult for me to prove my purchase, fill out papers, or otherwise file my complaint?"

In these unpleasant moments, customers' sensitivities are heightened. If they were casual shoppers before, they become discerning now. If they were discerning shoppers before, they become hyper-sensitive when things go wrong. Make that sensitivity work in one's favor. If service errors are quickly and professionally handled, customer loyalty can actually "bounce back" to higher heights.

One can look at this example: A person buys a pair of expensive shoes at a small boutique and pays cash. Goes home and, eventually, throws away the receipt. Two weeks later as he is walking down the street, the heel pops off and falls beyond reach into the drain below. So he decides to return the expensive shoes back at the boutique. But of course he is a bit nervous since he has thrown away his cash receipt. But on his arrival in the shop the sales clerk welcomes him with a smile, and right away setting him at ease about not keeping his receipt. She promptly gives a new pair of shoes and then adds in a free pair of matching socks "to thank him for coming back, and to apologize for the inconvenience".

Would the customer return to that boutique again in the future? Would he recommend that boutique to his friends? Of course he would. His loyalty has actually gone up because he had a service problem and it was well handled. This is the key point: when things go wrong, business has a tremendous opportunity to build more customer loyalty just by quickly and generously setting things right.

The following seven simple steps can be used to gain customer loyalty by "Bouncing Back" with S-E-R-V-I-C-E recovery.
1. ‘S’ for saying sorry. There’s nothing like a sincere apology, delivered right away, to let people know that the business really care. There’s no need to grovel, nor apologize forever. One honest and heartfelt apology will suffice.

2. ‘E’ for expediting Solutions. The faster one can fix the problem, the better. This is not the time to calculate the cost of repairing the damage. One should do what it takes to set things right. Costs will be forgotten or absorbed over time, but benefits last forever.

3. ‘R’ for responding to the customer. One should remember, people are involved, not just products, dates and orders. One should take the time to empathize. One should keep one’s ears open and keep personal contact; use the phone, send a fax, stay in touch. And when it’s all over, they should be personally thanked with a note, small gift or other special gesture.

4. ‘V’ for victory to the customer. One should build higher levels of customer loyalty by giving more than what they expect. Refunds, discounts, special assistance, extra services; it doesn’t have to be money! But whatever it is, one should do it fast. No loyalty is gained from a refund or gesture that takes months to negotiate, authorize or discuss.

5. ‘I’ for implementing improvements. One should change one’s processes and improve training to avoid the problem next time and institutionalize improvements.

6. ‘C’ for communicating results. One should spread the word by providing full information about consequences and improvements so that everyone can learn from what happened.

7. ‘E’ for extending the outcome. One should not stop working when they stop complaining. Rather one should stay in touch until one feels that the customer comes back and their long-term loyalty is assured.

What else one can do to keep the customers coming back for more? First of all one should make it easy for the customers to complain and create new ways for customers to let one know what’s wrong.

Here are some ideas one should start:

- To set up a telephone hotline for immediate response to customer comments and complaints.
To give counter staff the power to take prompt and significant actions for the customers.

To conduct focus groups with a cross-section of customers to find out what they want one to improve.

To run surveys to keep track of the customers' changing expectations and to find out what customers are buying now, and what they want in the future.

To provide easy-to-use "comment cards" at all points of customer contact and to show the appreciation for responses, by replying fast.

To become a customer of the best competitors and to seek out what they do better or differently than this. Then to make appropriate improvements in the business operation.

Long-term, loyal customers lead to lower costs, repeat orders, frequent referrals and expanding profit margins. Losing one of these precious patrons is much more costly than the revenue from a single sale! Service recovery does cost money (although a sincere apology costs nothing and goes a long way towards appeasing upset customers). But perhaps service recovery shouldn't be seen as a cost at all?! "Bouncing Back!" through generous Service Recovery is a proven strategy for building repeat business and long-term sustainable profits. It's not a cost... it's an intelligent business investment.

5.3 SERVICE QUALITY

Being a critical component of customer perceptions it will be a dominant element in customers' evaluation. In cases where customer service or services are offered in combination with a physical product, service quality may also be very critical in determining customer satisfaction. The service may broadly be divided into two categories such as process quality and technical outcome quality.

Process Quality versus Technical outcome Quality: - Process quality includes such things like timeliness, responsiveness, empathy, courtesy, listening skills etc. and explains how the services have been delivered whereas technical outcome quality includes the things that have been delivered. For example a restaurant customer will judge the service on his perceptions of the meal (Technical Outcome Quality) and on
how the meal was served and how the staff of the restaurant interacted with him. (Process Quality). Many services are complex and a clear outcome is not always evident. In such situations, the technical quality of service and the actual competence of the provider or the effectiveness of the outcome can not be judged easily by the customer. The existence of both process and outcome quality can explain why an architect with superb technical skills and certifications can fail to compete effectively with architects who can deliver superior interpersonal quality as well.

**Service Quality Dimensions:** Most of the researchers consider five dimensions of the service quality as discussed below:

- **Reliability** - Ability to perform the promised service dependably and accurately.
- **Responsiveness** - Willingness to help customers and provide prompt service.
- **Assurance** - Employees' knowledge and courtesy and their ability to inspire trust and confidence.
- **Empathy** - Caring, Individualized attention given to customers.
- **Tangibles** - Appearance of physical facilities, equipment, personnel, and written materials.

The Figure 5.1 explains dimensions of service quality

Figure-5.1

![Service Quality Diagram](image-url)
Customer Satisfaction though sounds very simple in its approach; it is not so easy to give a well accepted definition to it. According to Richard L. Oliver "satisfaction is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption-related fulfillment."

In less technical terms, this definition can be translated to mean that satisfaction is the customer's evaluation of a product or service in terms of whether that product or service has met their needs and expectations is assumed to results in dissatisfaction with the product or service.

Customer satisfaction will be influenced by factors like product and service features, consumer emotions, attributes for service success or failure and perceptions of Equity or fairness.

Product and Service features: - The facilities attached to products and services are important considerations of customer satisfaction. A customer of a bank will have to see its nearness to his home, the normal rush during the business hour, smooth and quick transactions in the bank etc. For a service such as a D-Mat Account a customer has to check whether the fees charged for the same are minimum in comparison to the fees charged by other banks.

Consumer Emotions: - Customers' emotions can also affect their perceptions of satisfaction with products and services. These emotions can be stable, pre-existing emotions- for example, mood state or life satisfaction. It is natural that a person will have positive frame of mind when he is in happy mood and the vice-versa causes him to respond negatively to any little problem. Specific emotions may also be induced by the consumption experience itself, influencing a consumer satisfaction with the service.

Attributes for Service Success or Failure: - Attributes- the perceived causes of events- influence perceptions of satisfaction as well. When the outcome exceeds the expectations, customers become the honorary advertisers. A slight mistake in the delivery of the product or service may cause less dissatisfaction and thus may not have any influence in the long run in the customer satisfaction.

Perceptions of Equity or Fairness: - Customer satisfaction is also influenced by perceptions of equity or fairness. It means that each customer wants that he should be treated equally and fairly in the bank just like all other customers.
Assessing Customer Satisfaction: A Must for Bankers-

Just as people cannot live without eating, companies can't survive without having satisfied customers (Gould G, 1995). He made a distinction between "making more customers satisfied" and "making specific groups of customers more satisfied". He put more emphasis on the fact that some of the customers can be made much more than just satisfied. Service providers should exceed customers’ expectations by considering three selective dimensions, viz. value, service, and dealing with complaints.

Hallowell Roger (1996) measured customer satisfaction through two key elements, one is service and the other one is related to price. The regression results support the inference of a customer satisfaction and the loyalty relationship. However, this is ambiguous regarding the role of price satisfaction in predicting customer loyalty. Again the results indicated that it is wise for any bank to target and serve only those customers whose needs it can meet better than its competitors in a profitable manner. These types of customers will remain for longer periods, consume multiple products; recommend the bank to their friends and relations who may be the source of superior returns to the bank's shareholders.

Aurora and Malhotra (1997) tried to give some idea about factors determining customer satisfaction, the level of customer satisfaction and some marketing strategies in both private and public sector banks in India. They have found six factors of customer satisfaction in public sector banks, viz., routine operations, price, situational, environmental, technology, and interactive. But in private sector banks, there exists seven factors in total, having staff factor as the first ranked and situational factor as the lowest ranked items. Instead of price factor, promotional factor has been explored by researchers in private sector banks. As compared to public sector, private sector bank customers' level of satisfaction is comparatively more. Proper training and development of bank staff, regular market survey, personalizing the service, efforts to avoid long queues in bank, and attractive environment are key suggested strategies in public sector bank.

A financial firm needs to focus on satisfaction with its offered product line in order to reap maximum gains in overall satisfaction (Krishnan et al, 1999). In order to improve overall customer satisfaction, the bank should prioritise the allocation of resources to increase the perceived quality of their product offerings. The researchers identified four quality attributes as being critical to determining satisfaction with product offerings, viz.
product variety which creates customers to consolidate services in one place, ease of opening and closing of accounts, competitive interest rates and fees, and lucid information on all products and services. The research also suggested that the satisfaction with the quality of automated telephone and branch services and financial reporting have a significant impact on overall satisfaction, mainly for different customer segments.

The operationalization of customer satisfaction in banking sector is somewhat hazy, and it should be operationalized along the same dimensions that constitute service quality (Sureshchandar et al, 2002). Studies are conducted by taking two types of hypotheses, one is about the existence of distinctiveness of service quality and customer satisfaction with respect to all the dimensions and the other one is concerned with the correlation between these two. The results showed that these two are different constructs which can be distinguishable from the customers' point of view. It also showed a high correlation between these two constructs. In this context, the service providers should try to continuously improve both service quality and customer satisfaction to be remained in intense competition.

According to Liang et al (2004), the service quality attributes are of two types; one is product related, and the other one non-product related. These two types of attributes may create the perception of functional benefits, symbolic benefits or experiential benefits among customers. The empirical research shows that there is no positive association between experiential benefits and customer satisfaction. But, the results strongly highlighted the fact that customer satisfaction positively affects customers' trust and commitment on service provider, which in turn affects customers' behavioural loyalty. There are many controllable variables can be considered to know other variables' effect on customer satisfaction and repurchase intentions.

In the most of the regional rural banks, customer satisfaction refers to the customer judgment on marketing inclined aspects of bank products and / or services in rural settings by comparing pre-purchase expectations with accumulated experience with the banks having maximum transactions (Sharma et al, 2004). The customers having low income residing in rural areas are showing "just satisfactory" attitude towards all the rural banking services, where as those having higher income show "above average". In both of the cases the level of satisfaction goes in descending order concerning to 4Ps' of marketing mix, viz. product, place, price and promotion respectively. The study
suggested 5 steps of strategic action for rural banks, namely identification, measurement, creation, maintenance, and monitoring customer satisfaction by keeping higher level of rating in measurement scale.

### 5.5 STUDY OF RBI ON CUSTOMER SERVICE

The regional offices of RBI carried out a study on the customers' services by the scheduled commercial banks for the period January 1, 2003 to June 25, 2005. The complaints have been categorized into seven broad heads as described in the table 5.1.

#### Table 5.1 - Study of RBI on Customer Service

<table>
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<tr>
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**COLUMNS**

BG- Bank Group, A- Scheduled commercial Banks, B- Public Sector Banks, C- Nationalised Banks, D- State Bank Group, E- Old Private Sector Banks, F- New Private sector Banks, G- Foreign Banks in India,
From the table it is clear that the number of complaints received against public sector banks were the largest, average complaints per branch for public sector banks was much lower ranging from 0.08 to 0.28 as against 0.00 to 2.68 for private sector banks. Majority of complaints were in the category of loans and advances (general) (18.4%), followed by deposit accounts related (18.2%). This trend was observed across all bank groups, except foreign banks against which most of the complaints related to credit cards.

5.6 MAJOR POLICY DEVELOPMENTS OF RBI ON CUSTOMER SERVICES DURING 2004-05.

April 10, 2004 Revised norms issued with regard to cheques drop Box facility, delivery of cheques books over the counter and statement of accounts / pass book.

April 22, 2004 Banks are advised to inform their account holders, at least in advance of any change in the prescribed minimum balance and the charges that may be levied if the minimum balance is not maintained.

May 12, 2004 SCBs are advised to strictly maintain the confidentiality of information provided by the customer for 'Know your customer' (KYC) compliance.

June 17, 2004 The time period of the adhoc committee on Procedures and Performance Audit on customer services in banks was extended by six months they were advised to complete the work within one year from the date of their constitution and also to associate non-officials in the committees.

Oct.7,2004 The Senior Citizens Savings Scheme (SCSS), 2004 being implemented through Post offices also to be operated through all the branches of public sector banks which are operating 'PPF Scheme, 1968'.
Nov 1, 2004  Banks are advised to formulate a comprehensive and transparent policy covering (i) immediate credit of local/ outstation cheques; (ii) time frame for collection of local / outstation cheques; and (iii) interest payment for delayed collection.

Jan. 18, 2005  Banks are advised to ensure acceptance of coins of all denominations without any restriction from the members of the public by their branches.

April 16, 2005  Banks are advised to take necessary action to convert the existing Adhoc Committees on Procedures and Performance Audit of Public Services (CPPAPS) into a standing committee on Customer Service.

April 19, 2005  Banks are advised on the role of Customer Service Committee / Board for monitoring the implementation of awards under the Banking Ombudsman Scheme.

April 30, 2005  Banks are allowed to formulate schemes for providing services at the premises of a customer within the framework of Section 23 of the Banking Regulation Act. 1949 and submit to the Reserve Bank of India for approval.

Oct. 17, 2005  The Banks are advised to provide to the customers in their Pass Book / Account Statement regarding the credits affected through ECS.

Dec. 27, 2005  The banks are instructed to issue General Credit Cards to the customers in the rural and semi-urban areas to enable them to purchase goods and services on credit and to make cash withdrawals.

5.7 RECENT DEVELOPMENTS IN BANKING ON CUSTOMER SERVICE

INTERNATIONAL

Saudi Banks to introduce ATMs for the Blind:— Saudi Banks are preparing to introduce new ATMs convenient for the usage of the blind and for those with poor vision. The Banks are also trying to upgrade the present ATMs by providing them with audio features that convert text into speech, making them easier for the visually handicapped for use. The new system has been proposed to meet the needs of a large number of Blind and illiterate people in the Saudi society.
SBI to Take over Kenya's Giro Bank: The State Bank of India will take over Giro Commercial Bank of Kenya, to increase its presence in the African Continent and gradually emerge as a global banking major.

Deutsche Bank enters Retail Business: Deutsche Bank is beginning retail banking operations in India with eight branches in seven cities across the country. The branches will be located in Mumbai, Delhi, Kolkata, Chennai, Bangalore, Gurgaon and Noida. Incidentally, India is the first Asian country where the German bank has started retail operations.

Bank of India to Upgrade China office: Following the boom in the Chinese Economy, Bank of India will be upgrading its present office in China and will also be setting up a new branch in that country. The bank also has plans to open new offices in Karachi and Lahore in Pakistan.

NATIONAL

RBI persuades Commercial Banks to issue General Credit Cards: RBI has decided that banks should introduce a General Credit Card (GCC) Scheme for issuing GCC to their constituents in rural and semi-urban areas, based on the assessment of income and cash flow of the household similar to that prevailing under normal credit card. Under the scheme, there would not be any insistence on security and the purpose or end-use of the credit. Interest rate on the facility may be charged, as considered appropriate and reasonable. The limit may be periodically reviewed and revised/cancelled depending on track record of the account holder. With a view to targeting women as beneficiaries of bank credit, they may be given a preferential treatment under the GCC Scheme. Banks may utilize the services of local post offices, schools, primary health centers, local government functionaries, farmers' association/club, well-established community-based agencies and civil society organisations for sourcing of borrowers for issuing GCC.

ATMs to come up in rural areas: Reserve Bank of India (RBI) is keen on introducing low-cost Automatic Teller Machines (ATMs) in rural areas. ATMs are concentrated in a particular region of the country but too few in other areas. This anomaly should be removed by introducing low-cost ATMs in rural areas. Humdrum opening of ATMs by banks in a particular region should be held back, and the Central bank would pursue banks to introduce such services in rural areas in order to extend the facility and ensure optimal use of ATMs. The apex bank has already put in place Branch Authorization
Policy in order to check overlapping of the branches. Premier academic institutions like IIT, Chennai and IIT, Mumbai are already working on the modalities of introducing low-cost ATMs. Informed sources at the central bank said RBI would pursue banks to allow customers of various banks to use a single ATM in a particular place in the rural area. These ATMs would work as multi-service delivery channels providing better services to the customers.

**Andhra Bank Introduces Sunday Banking** - Andhra bank has introduced Sunday Banking facilities at two branches in the twin cities of Hyderabad and Secunderabad covering transactions such as receipts and payments, clearing, remittances and safe deposit lockers. The bank has targeted to increase the number after considering the effectiveness of the holiday banking from the feedbacks of customers.

**Andhra Bank Introduces Mobile ATM** - Andhra Bank has become one of the first banks to introduce the mobile ATM in the country. Licensed by Reserve Bank of India, the bank will ply the ATM initially at Hyderabad and Rangareddy districts. The ATM will provide services like balance enquiry, cash withdrawal, mini statement, funds transfer, cash against credit cards, utility payments and mobile recharge, and will accept ATM cards of SBI, Canara Bank, UTI, IDBI and HDFC banks. The Mobile ATMs will also serve as a product information delivery tool, and has as a drop box for collection of cheques and suggestions. Its weekly schedule will cover various rural and remote places, with final destinations like Ghatkesar, Zaheerabad, Medchal, Narsapur, Shamshabad, Kondapur, giving farmers and rural people a chance to access modern banking services. ATM works on advanced CDMA technology and is designed with inbuilt security features. Computers and wireless connectivity ensure that records were also updated immediately. While the front portion of the custom built vehicle is an ATM outlet, a manager will man the rear portion shaped as a see-through facilitation center. The ATM was flagged off by the finance Minister P Chidambaram at the bank's head office.

**E-Funds Transfer System Goes Alive** - The Reserve Bank of India pronounced that it has commenced the live operation of the National Electronic Funds Transfer (NEFT). This system will enable retail customers to transfer funds instantly, provided the existing bank and receiving bank are part of the NEFT system. There will be a single settlement everyday at 12 Noon and eight banks will participate in the live run. These are Canara Bank, Bank of Baroda, Punjab National Bank, Dena bank, ABN AMRO Bank, HSBC Bank, ICICI Bank, and HDFC Bank. On the first day, however, only five of these banks
participated. This system will replace the existing System Electronic Funds Transfer (SEFT).

**Telebanking:** - Dena bank introduces Telebanking a banking convenience at fingertips. By dialing into a branch, one can check balance in one’s account, request a cheque book, find out the prevalent Forex / Deposit rate etc. Main Features of the Telebanking are change of PIN, account access in query mode, balance enquiry, information of last five transactions, statement of accounts through fax, information on deposit rate forex card rate, cheque book request.

**UCO-Bank introduces Anywhere Branch Banking:** - The customers of the UCO bank are allowed to deposit and withdraw money at any of the 102 stipulated branches of the said bank. The facility of using SBI’s ATMs is also extended for cash withdrawal and balance enquiry.

**Allahabad bank introduces Any Branch Banking:** - It is a comprehensive network based software product linking various branches of this bank so that customers can access their accounts from any other branch of the bank. All the customers can avail this facility provided the scanned signature of the customer is available in branch server.

**SBI introduces E-PAY:** - The customer of the State Bank of India now can make the payment of his bills with regards to landline phone bills, mobile phone bills, electricity bills and credit card bills by SBI Online E-PAY system.

**SBI introduces booking of train tickets Online:** - SBI facilitates the booking of train tickets online w.e.f 1st September 2003 in association with IRCTC. On giving payment option as SBI, the user will be redirected to onlinesbi.com. After logging on to the site he/she will be displayed payment amount, TID No. and Railway reference no. On selecting the payment amount his/her account will be debited. He/she will return to IRCTC website. The ticket with PNR No. will be displayed. He/she can print the ticket. The ticket can be delivered or collected by the customer. The user can collect the ticket personally at New Delhi reservation counter. The Payment amount will include ticket fare including reservation charges, courier charges and Bank Service fee of Rs 10/. The Bank service fee has been waived up to 31st March 2006.

**SBI opens ATM Dost:** - ‘ATM Dosts’ in the State Bank branches are bank employees who will have the specific task of assisting customers and educating them on how to use the ATM facilities.
**SBI opens Grahak Mitra:** A 'Grahak Mitra' will be a bank employee who will remain present at branches and help customers with inquiries and the like, even suggesting them what products will be best for them.

**SBI Vishwa Yatra Foreign Travel Card (FTC)**
SBI Vishwa Yatra foreign Travel Card (FTC), a prepaid plastic card issued in association with VISA International, is presently available in three different currencies - US Dollars, Euro and GBP. It is a safer method of carrying funds in a safe, convenient and cost effective way on your visit abroad. It takes away the hassles of going around Money changers and loosing valuable foreign currency by way of high exchange margins. It also relieves the customer of the Annual fees, joining fees, credit limits, Mark-ups, unusual transaction charges etc., usually associated with International Debit / Credit Cards.

**SBI Introduces e-poll:** The State Bank of India introduced a system of collecting customers' feedback / grievances through internet by framing a questionnaire. A total of 23 questions have been asked out of which 15 are numbered and the respondent has been given the option either to give his name or not.

**Bank of India's Star Diamond Savings Account:** It is a scheme which offers a number of facilities to the customers in some selected cities only. It provides the customers the personalized cheque book, Multi-city cheque book facility and International gold credit card and many other facilities.

**UCO Bank launches "UCO No-frills Savings Bank Account"**
A new Deposit scheme titled "UCO No-frills Savings Bank Account" has been launched by UCO Bank with a view to provide banking services to a large cross-section of population, who could not avail the same on account of the criteria of minimum initial deposit for opening of account as well as maintaining of minimum balance failing which charges are levied. No-frills Savings Bank Account can be opened by them with a minimum initial deposit of Rs.5/- and the Account may continue to be in operation even if the balance in the account comes down to Zero. The minimum initial deposit for customers willing to avail of cheque book facility will be Rs.250/-. The scheme is being introduced for all branches at Metro, Urban, Semi-urban and Rural centers without any differentiation. Facilities like collection of local/outstation cheques, remittance of fund through DD/MT/TT as available to normal Savings Bank Accounts are also available to this type of account at similar charges.
Electronic Fund Transfer (EFT) Facility: UCO Bank now provides the customers with Electronic Fund transfer facility upto Rs.2 crore at 13 important financial Centers viz., Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kolkata, Mumbai, Nagpur, New Delhi and Thiruvananthapuram.

ICICI Bank opens Mobile Banking System: With Mobile Banking one can remain updated while on the journey, without even making a phone call or a visit to the Branch. ICICI Bank Mobile Banking for Bank Accounts can be divided into two broad categories: Request facility and Alert facility. Under the first category, the customer has to make requests for a service where as in the latter case bank has to inform the customer certain information according to the terms and conditions of the facility. The facilities available in mobile banking are Account Balance Inquiry, Last 3 transactions in the Account, Cheque Status Inquiry, Stop Cheque Request, Cheque Book Request, Change of Primary Account, Payment for Bills, View the Presented Bills, Debit Card Reward Points (Only for HPCL Debit Card holders).

ABN AMRO's Coffee Welcome: The bank every day welcomes the customers with a cup of coffee. For the purpose it has made certain arrangements with a reputed coffee house by providing it a space inside its campus. It made a tie-up with one of the best coffee bar in the country, Barista and remained open till late evening for customers with a setup of a coffee bar in the premises.

ICICI Bank has launched 'Global Indian Credit Card' for NRIs. It is an international credit card denominated in Indian rupees and will cater to NRIs visiting India. It can be issued in both India and overseas. The card is available in two variants — silver with maximum credit limit of Rs 1, 00,000 and Gold with maximum credit limit of Rs 3, 00,000. The cards also provide insurance, which includes household insurance, baggage insurance and hospitalisation benefits for both primary and add-on cards up to Rs 20 lakh. The card will be accepted at 22 million merchant establishments and the re-payment for purchases can be made through an automatic debit of the customer's savings account.

Bank of Rajasthan (BoR) has launched international credit card operations in December 2005. Bank has joined hands with Visa International to facilitate real-time transaction through Visa gateway. Bank of Rajasthan will offer three types of international credit cards - Silver Card, Gold Card and Platinum card. Their features include hospitalisation expenses covered up to Rs 50,000, baggage insurance expenses up to Rs 30,000, purchase protection up to Rs 40,000 and 30 per cent credit limit.
against cash advance. It has also tied up with Electra Card Services (ECS) to provide complete back-end support for the bank’s credit card business. **SBI in March 2005 launched a credit card, SBI Social Card, the first affinity card in the country to feature four non-governmental organizations (NGOs).** The social card allows the cardholder to donate to the NGOs every time they use it. The card will earn the customers double reward points, while one half will go to the NGOs. SBI Card will donate 20 per cent of the annual fees or renewal fees to the NGOs. Moreover, customers also have the option to issue standing instructions for a fixed amount to be donated to any of the NGOs. The non-governmental organisations that have the tie-up with SBI Card are Cancer Patients Aid Association, National Association for the Blind, SOS Children’s Villages of India and World Wildlife Fund, India. **National Securities Depository Ltd (NSDL) and IDBI Bank have launched country’s first online direct tax payment facility.** This facility will enable individuals as well as corporate tax payers, to make payments for income tax, corporation tax, gift tax, tax deducted at source (TDS) etc over internet. The details entered by the assessee would be validated by NSDL and control would be passed to IDBI bank through a secure payment gateway. The bank will debit the customer account after authentication and completes the payment of tax to the government as an agency bank for which it will be paid a service charge. IDBI bank also plans to migrate this facility to other channels like mobile phones and ATMs. State Bank of India (SBI), Corporation Bank, Punjab National Bank and Bank of India are expected to soon roll out online direct tax payment facility.

**5.8 SOME REMARKABLE VERDICTS ON CUSTOMER SERVICE**

So many times it happens that the customer and the bank have come to the front to front. Some examples may be cited to understand when and how an individual can seek shelter in the court of law. **Payment of lower rate of interest**

In Abha Bhanthia vs. SBI [2004 (2) CPJ 138], the complainant had made an F.D. with the bank, which carried interest at the rate of 11.25 % as per the receipt issued. On maturity the bank paid lower interest @ 10.5%. It was stated by the bank that the said rate of interest was the prevailing rate as per the directives of the RBI. The District Forum held that there was no deficiency in service by the bank as it followed the RBI directives.
CUSTOMER SERVICE

directive. On appeal by the Complainant, the State Commission held that the bank was obliged and under liability to pay interest as agreed by it and omission or inadvertence on the part of the bank employees would not adversely affect the rights of the appellant depositor.

**Interest not paid on excess amount deposited in violation of PPF rules**

In an interesting case in SBI vs. P.S.Krishnan [2004 (2) CPJ 579], the Petitioner had deposited a sum of Rs. 850,000/- in his PPF a/c during the F.Y. 1995-96 without knowing that the maximum limit of deposit was Rs.60,000/- at that time. After a lapse of time the Bank refunded Rs.790, 000/- and informed Mr. Krishnan that no interest will be given on the amount returned. The Tamilnadu Commission held that the Bank had to pay interest on the amount refunded.

**Citibank: Charges excess amount**

Rahul Sharma (Tel: 9892594483) complained that Citibank received back not only full payment from him but also extra money over that. He was continuosly being harassed by Citibank seeking more money. ICRPC sent a notice and Citibank confirmed vide their letter dated 3-2-05 that the matter has been settled.

**CITIBANK- Goondagiri through illegal collection agents**

Mr. Ayyappan Shankaran of Mumbai (Tel. No. 56002601) had subscribed to the "Good Health Policy" for one year i.e. expiring on 28-2-2005, but Citibank continued to charge him for the same as was reflected in the bill of March 2005, even when he had not renewed the policy. The bank also charged the consumer for "Credit Shield Policy" for which he had never applied. The Citibank even went to the extent of sending "goondas" (some third class cheap recovery agency) to harass the consumer for payment for something which he had not even subscribed for. The consumer had brought this to your notice of higher authorities of the bank but they slept over this matter and continued to harass the consumer. Finally the consumer complained to ICRPC. ICRPC lashed on the Chairman of Citibank about his cheap "dadagiri" and threatened him with severe action if he did not stop his goondaism. Immediate action was taken and the consumer was informed by e-mail dated 6-12-2005 that the bank has reversed the excess charges.

**ICICI Bank: Did not credit the deposited cheque amount for 4 months**

Dr. kamalavenkatesh of Aurangabad (Tel: 9822629964) deposited a cheque no. 907116 drawn on Canara Bank on 3-8-2005 to be credited to his account. When it did not get credited till 3-12-2005 (four months) despite repeated complaints to the bank, he
approached ICRPC. Immediate action by ICRPC set things right within a week, and the amount was credited on 8-12-2005 by ICICI Bank.

**ICICI Bank: Debit card fee refund**
A notice dated 27-4-2005 was sent to the ICICI Bank by ICRPC, seeking refund of fee deducted by the bank for debit card, which is supposed to be free service. The bank reversed the yearly fee charges on 18-5-2005.

**Centurian Bank: Debit card fee refund**
A notice was sent to the Centurian Bank by ICRPC, seeking refund of fee deducted by the bank for debit card of consumer, which is supposed to be free service. The bank reversed the charges in May 2005.

**ICICI Bank paints the Consumer’s Door**
Mr. Sarwan Kumar Baldwa (Tel. No. 28740771) applied for a loan of Rs. 7,00,000 from ICICI Bank. But, the bank disbursed a loan of Rs. 6,72,896 instead of Rs. 7,00,000. ICICI collected 12 EMI cheques with calculations based on Rs. 7,00,000. ICICI Bank's hired goons (so called collection agents) with one Mr. Kiran Jadhav visited the residence of Mr. Sarwan Kumar Baldwa (Tel. No. 28740771) at 10 PM on 23-7-2005 to collect some amount (which was never due), and scribbled nonsense with paint on his front door. He approached the officials of ICICI and informed the matter but none of the bank officers responded to his complaint. He then approached ICRPC and got the door polished which was spoiled by Mr. Kiran Jadhava representative of ICICI.

**Standard Chartered Bank: Refund of excess charges**
Standard Chartered Bank at Mumbai deducted the EMI amount from the savings bank account of the consumer, Mr. Prabir Chetia, even after he submitted necessary papers for foreclosure of this loan account. Our notice to the bank resulted in refund of Rs. 3,000 to the consumer on 12-8-2003.

**ICICI Bank: Excess EMI refund**
A notice dated 6-8-2004 was sent to the ICICI Bank by ICRPC, seeking refund of excess EMI deducted by the bank from the consumer Mr. Arun Pratap Chattopadhyay (Tel. No.: 080-51172852). The bank credited the amount of Rs. 21,474=00 and sent confirmation letter to the consumer on 17-8-2004.

**Penalty imposed for deviation of KYC:** Reserve Bank of India has fined Rs 5 lakh on Citigroup's Indian banking unit, for flouting the central bank's 'Know Your Customer' (KYC) norms, with regard to not verifying the background of an account holder. This is the first time that RBI has imposed a fine on any bank for not meeting the KYC norms.
As per the guidelines on KYC, banks are required to carry out due diligence of customers before opening any deposit account. This is a step taken by the apex bank to combat money laundering and financing of terrorism in the country. In August 2002, RBI advised banks to complete an appropriate KYC procedure for establishing identity by means of suitable documents and to ensure that adoption of such a procedure does not lead to denial of access to banking services for the general public. Further, in December 2002, banks were advised to review the accounts opened prior to August 2002, for compliance with the KYC norms and take necessary steps to complete the work in respect of all accounts in a phased manner by December 2004.

5.10 RECENT GUIDELINES & SCHEMES OF RBI

5.10.1 "Know Your Customer" (KYC) guidelines

As part of 'Know Your Customer' (KYC) principle, Reserve Bank has issued several guidelines relating to identification of depositors and advised the banks to put in place systems and procedures to prevent financial frauds, identify money laundering and suspicious activities, and for scrutiny/monitoring of large value cash transactions. Instructions have also been issued from time to time advising banks to be vigilant while opening accounts for new customers to prevent misuse of the banking system for perpetration of frauds. The following guidelines reinforce instructions on the subject with a view to safeguarding banks from being unwittingly used for the transfer or deposit of funds derived from criminal activity (both in respect of deposit and borrowal accounts), or for financing of terrorism. The guidelines are also applicable to foreign currency accounts/transactions.

KYC Policy in respect of new accounts: - KYC procedure should be the key principle for identification of an individual/corporate opening an account. The customer identification should entail verification through an introductory reference from an existing account holder/a person known to the bank or on the basis of documents provided by the customer. The Board of Directors of the banks should put in place adequate policies that establish procedures to verify the bona-fide identification of individual/corporates opening an account. The Board should also have in place policies that establish processes and procedures to monitor transactions of suspicious nature in accounts and have systems of conducting due diligence and reporting of such transactions.
Customer identification: - The objectives of the KYC framework should be two fold (a) to ensure appropriate customer identification and (b) to monitor transactions of a suspicious nature. Banks should obtain all information necessary to establish the identity/legal existence of each new customer, based preferably on disclosures by customers themselves. Typically easy means of establishing identity would be documents such as passport, driving license etc. A reference is also invited to the Report on Anti Money Laundering Guidelines for Banks in India prepared by a Working Group, set up by IBA. It may be seen that the IBA Working Group has made several recommendations for strengthening KYC norms with anti money laundering focus and has also suggested formats for customer profile, account opening procedures, establishing relationship with specific categories of customers, as well as an illustrative list of suspicious activities.

(KYC) procedures for existing customers: - Banks should verify the compliance in regard to KYC procedure for the existing customers based on the instructions extant at that time. For this purpose banks should draw up a time bound action plan, as indicated below, for completing the exercise to ensure verification of the identity and address of the customers on the basis of reliable documents, in respect of all the old accounts. In case of partnership firms, KYC procedure may be applied to all the partners. An inoperative account should be subjected to the KYC procedures as and when any transaction comes up and it is sought to be transferred to the operative category.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Nature of customer accounts</th>
<th>Date of completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>All accounts, of companies, firms, trusts, institutions etc. including Borrowal accounts.</td>
<td>June 30, 2004</td>
</tr>
<tr>
<td>2</td>
<td>All customer accounts, including borrowal accounts, opened during the period from January 1, 1998 till date (other than those included in category 1 above)</td>
<td>September 30,2004</td>
</tr>
<tr>
<td>3</td>
<td>All customer accounts, including borrowal accounts, opened between January 1, 1993 and December 31, 1997 (other than those included in category 1 above)</td>
<td>December 31,2004</td>
</tr>
<tr>
<td>4</td>
<td>All customer accounts including borrowal accounts, opened before 1st January 1993 (other than those included in category 1 above)</td>
<td>March 31, 2005</td>
</tr>
</tbody>
</table>

Banks may advise their branches suitably in this regard and are required to submit compliance report to the concerned Regional Office of this department within one month of each of the prescribed dates for completion of the process indicated above. Such
compliance reports should also be put up to the Audit Committee of the Board on a quarterly basis.

5.10.2 BUSINESS FACILITATORS & CORRESPONDENTS SCHEMES OF RBI:

In order to expand the banking sector, the RBI on its letter Dated 25th Jan.2006, instructed the banking community to use the services of Business Facilitators and Business Correspondents in providing financial and banking services.

Under the “Business Facilitator” model, banks may use intermediaries, such as, NGOs/ Farmers’ Clubs, cooperatives, community based organisations, IT enabled rural outlets of corporate entities, Post Offices, insurance agents, well functioning Panchayats, Village Knowledge Centres, Agri Clinics/ Agri Business Centers, Krishi Vigyan Kendras and KVIC/ KVIB units, depending on the comfort level of the bank, for providing facilitation services. Such services may include (i) identification of borrowers and fitment of activities; (ii) collection and preliminary processing of loan applications including verification of primary information/data; (iii) creating awareness about savings and other products and education and advice on managing money and debt counseling; (iv) processing and submission of applications to banks; (v) promotion and nurturing Self Help Groups/ Joint Liability Groups; (vi) post-sanction monitoring; (vii) monitoring and handholding of Self Help Groups/ Joint Liability Groups/ Credit Groups/ others; and (viii) follow-up for recovery.

Under the “Business Correspondent” Model, NGOs/ MFIs set up under Societies/ Trust Acts, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, section 25 companies, registered NBFCs not accepting public deposits and Post Offices may act as Business Correspondents. Banks may conduct thorough due diligence on such entities keeping in view the indicative parameters given in Annex 3.2 of the Report of the Internal Group appointed by Reserve Bank of India to examine issues relating to Rural Credit and Micro-Finance (July 2005).

5.11 CONCLUSION

Customer service is the primary end of the bank. A customer always wants a better service and expects that the bank should come up to the level to fulfill those needs. Increased competition, slower growth, and mature markets are also forcing many bankers to review their customer service strategy.
Research conducted over two decades ago identified that the cost of acquiring a new customer was considerably more than keeping an existing one. The actual ratio may vary depending on the initial cost of sales but in some industries, it is estimated that it can cost as much as 20 times more. Other considerations include the impact of positive or negative word-of-mouth on future customers. Existing customers are more likely to recommend an organization after a good experience. A dissatisfied customer can also create significant damage by bad-mouthing a poorly performing organization. It therefore makes sound economic sense to raise the profile of Customer Care and to use these guidelines to position and resource the dual roles of service recovery and customer feedback as positive contributors to future organizational performance.

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