Measuring customer satisfaction is not a sporadic activity. It is an ongoing business process. The basic purpose of measuring customer satisfaction is to see where a unit stands in the eyes of its customers. Measuring customer satisfaction results in service and product improvements and leads to higher customer satisfaction levels. Quality customer service leads to retention and finally to establish a healthy business. Customers' needs are defined as the facilities or services that customers require for achieving specific goals or objectives. In all transactions, customers seek value for money and often consider a range of options before making a decision. Customer expectations are based on perceived values of facilities or services as applied to specific needs. Cultural values, advertising, marketing, and other types of communication influence customers' expectations. Both customer needs and expectations are determined through interviews, surveys, and conversations. Customers at times do not have a clear understanding of their needs. Thus, assisting them in determining their needs is a valuable service to the customers. In the process, expectations are also set or adjusted to correspond to known product capabilities or service levels. Customer satisfaction is a dynamic parameter in all business organizations. Changes in the market usually affect customers' preferences and expectations. Satisfaction dimensions become critical when customers give more importance to them. Therefore, the installation of a permanent customer satisfaction barometer is considered necessary. The customer satisfaction parameter assists in achieving total quality management and helps in determining the limitations to and the advantages of evaluating performance and in identifying distinctive and critical groups of customers. The significance of
customer satisfaction measurement is. First, it helps in analyzing customers’ behavior across different regions, taking into account their special characteristics; Second, a core benchmarking system is established based on customer satisfaction evaluation; Third, competition analysis is performed for different regions; Fourth, the effectiveness of marketing plans are evaluated through customer satisfaction measurement and the establishment of a motivating system for employees is established, which is directly related to customer satisfaction measurement; and finally, productivity is improved and efficiently measured.

Customer expectations are identified and measured using various tools, such as periodic contact, reviews, research studies, interviews, visits, discussions, and satisfaction surveys; all depend upon the customer base. The basic purpose of measuring customer satisfaction is to identify areas and priorities for improvement. Moreover, Customer satisfaction is measured by satisfaction surveys, performance matrices, and satisfaction indices also.

3.1 CUSTOMER SATISFACTION IN CONTEXT TO PUBLIC SECTOR BANKS:

The effect of nationalization (1969) was a faster growth of banking network throughout the nation. Over 36,000 centers now appear on the banking map of the country with an extensive branch network. After liberalization in the 1990s, a diversification of credit pattern has occurred, this has given way to the shifting of traditional to sophisticated banking techniques. The interest rate deregulation as well as the unhindered entry of private and foreign banks has intensified customer awareness. The role of Reserve Bank of India and the Government of India in sensitizing the Public Sector Banks regarding customer service has been crucial. Towards this end, the Reserve Bank of India constituted the Goiporia Committee on customer service which recommended
for attending of customers who enter the bank before the close of the business hours, accepting small denomination notes from customers for issuance of drafts, providing service relating to exchange of mutilated notes, providing nomination facility for all existing and new accounts and providing safe custody lockers. As a result, customer service in public sector banks has improved considerably in recent years. Apart from constituting the Goiporia Committee to look into the customer service aspects of the public sector banks, the Reserve Bank of India introduced a ‘Banking Ombudsman Scheme’ for the speedy redressal of complaints. The scheme which came into effect from June 14th 1995 provides an opportunity to the public to approach banking ombudsman for grievances against a bank which are not redressed within a period of two months provided the grievances pertain to matters specified in the scheme. The banking ombudsman has the power of receiving complaints regarding banking services, considering and settlement of such complaints by making a recommendation or award. The definition of the term ‘customer’ as per the Act explicitly includes ‘services’ as well. According to the Act, the customer is defined as:

“One who buys goods for consideration, paid partly or in full or promised to be paid partly or in full or under any system of deferred payment. It includes any one who hires any service for a consideration under the terms mentioned above and any beneficiary of such service other than the one who actually hires the service for consideration and such service availed with the approval of such persons”.

Reserve Bank of India introduced the Banking Ombudsman Scheme (BOS) in India on June 14, 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency
in banking services provided by commercial banks, regional rural banks and scheduled primary co-operative banks. There are 15 Offices of Banking Ombudsman (OBO), spread across the Country. The feedback gathered in the course of administering the Banking Ombudsman Scheme has been used by Reserve Bank of India to modify the Scheme in 2002, 2006, 2007 and 2009, interalia, to include customer complaints on new areas such as credit card complaints, internet banking, deficiencies in providing the promised services by both bank and its sales agents (DSAs), levying service charges without prior notice to the customers, non-adherence to the Fair Practices Code adopted by individual banks, etc. Reserve Bank of India operates the BOS, free of cost, so as to make it common people oriented. In order to increase its effectiveness and utility, Banking Ombudsman Scheme is fully staffed and funded by Reserve Bank of India.

Any person, whose grievance against a bank is not resolved to his satisfaction by that bank within a period of one month, can approach the Banking Ombudsman if his complaint pertains to any of the 27 matters specified in the Scheme. The Banking Ombudsman, on receipt of the complaint, sends a copy thereof to the bank branch named in the complaint under advice to the Nodal Officer and endeavours to promote a settlement of the complaint by agreement between the complainant and the bank through conciliation or mediation. For the purpose of promoting a settlement of the complaint, the Banking Ombudsman has been allowed to follow such procedures as it may consider appropriate and Banking Ombudsman is not bound by any legal rule of evidence. The proceedings before the Banking Ombudsman shall be summary in nature. BOs shall be guided by the evidence placed before him by the parties, Banking Codes and Standard Board of India Code, the principles of banking law and practice, directions, instructions and guidelines issued by the Reserve Bank of
India from time to time and such other factors which, in his opinion, are necessary in the interest of resolving the complaint.

It is mandatory that the complaint should be settled by agreement within a period of one month from the date of receipt of the complaint or such further period as the Banking Ombudsman may consider necessary. In case a settlement is not forthcoming despite the conciliatory efforts initiated by the Banking Ombudsman, it shall pass an Award (Order) after affording both the parties reasonable opportunity to present their case, although physical appearance may not always be necessary. The Order shall state briefly the reasons for passing the same. A copy of the Order shall be sent to the complainant, bank and its Nodal Officer. The Order shall lapse unless the complainant furnishes to the bank, within a period of 30 days from the date of receipt of the Order, a letter of acceptance of the Order in full and final settlement of his claim. The bank shall have to comply with the Order within one month from the date on which the bank received consent letter from the complainant and intimate compliance to the Banking Ombudsman.

In case the order is not acceptable to the bank, it may file an appeal within one month from the date on which the bank received the consent letter from the complainant. In case the order stands unimplemented, Banking Ombudsman has to report the same to the Customer Service Department for initiating regulatory/supervisory action against the bank under Banking Regulation Act 1948. The Offices of Banking Ombudsman is not an investigation agency and Banking Ombudsman does not have investigative powers. It does not have powers to examine the witnesses. Banking Ombudsmen are required to resolve the complaint based on the documents submitted before them. There is no monetary ceiling on the subject matter of the complaint that can be considered by the Banking Ombudsman. However, the value of compensation demanded for
any loss suffered by the complainant arising directly out of the act of omission or commission of the bank shouldn't exceed 10 lakh in the case of general complaints. The compensation sought for should not exceed one lakh in the case of credit card complaints, taking into account the loss of complainant's time, expenses incurred, harassment and mental anguish suffered by them. This is in addition to the resolution of the disputed amount, for which there is no prescribed monetary ceiling. Due to the increasing competition in the banking industry against the back drop of the profound structural changes in the banking system, every Indian bank is forced to redefine its business and its relationship with the customers.

The term ‘Customer’ of a bank is not defined by law. Ordinarily, a person who has an account in a bank is considered its customer. Banking experts and the legal judgments in the past however, used to qualify this statement by laying emphasis on the period for which such account had actually been maintained with the bank. In Sir John Paget’s view, “to constitute a customer, there must be some recognizable course or habit of dealing in the nature of regular banking business”. This definition of a customer of a bank lays emphasis on the duration of the dealing between the banker and the customer and is, therefore, called the duration theory. According to this viewpoint, a person does not become a customer of the banker in the opening of an account. He must have been accustomed to deal with the banker before he is designated as a customer. Working of the customer's mind is a mystery, which is difficult to solve and thus, understanding the customer satisfaction is a challenging task. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements and deciding upon the attributes that need to be concentrated in order to improve customer satisfaction.
3.2 MEASURING CUSTOMER SATISFACTION IN THE BANKING INDUSTRY:

Banking operations are becoming increasingly customer dictated. The demand for 'banking super malls' offering one shop integrated financial services is well on rise. The ability of banks to offer clients access to several markets for different classes of financial instruments, has become a valuable competitive edge. Convergence in the industry to cater to the changing demographic expectations is now more than evident. Bancassurance and other forms of cross selling and strategic alliances have thrust on farm sector, health sector and services which offers several investment linkages. With the phenomenal increase in country's population and the increased demand for banking services, speed service quality and customer satisfaction are going to be key differentiators for each bank's future success. Thus it is imperative for banks to get useful feed back on their actual response time and customer service quality aspects of banking, which in turn, help them to take positive steps to maintain a competitive edge.

Customer satisfaction has for many years, been perceived as key in determining why customers leave or stay with an organisation. Organisations need to know how to keep their customers, even if they appear to be satisfied. Satisfied customers may even look for other services providers to receive better service elsewhere. There are a wider range of product choices, greater convenience, better prices, and enhanced income which influence customers so that service providers, need to be dynamic and update.

3.3 CUSTOMER PERCEPTIONS OF VALUE:

Today, customers are more value oriented for services as they have alternative choices. The customers buy in terms of value and not simply buy products. They learn to think objectively about value in the form of preferred
attributes, performance, and consequences from using a product in a use situation. Thus, banks need to provide “up-close” personal service for customers who come with high expectations. For customers who value convenience most, banks must offer the latest products such as electronic banking, touch-tone phone account access and internet banking. Clearly, customer value is a strong driver of customer retention. Customer value is a more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays. Customer value is a dynamic which affects customers’ satisfaction.

3.4 CORPORATE IMAGE:

Today’s consumers have more choices for their financial needs than ever before. Technology, globalisation, increased competition and increased consumer mobility have dramatically changed. Financial institutions are looking at branding techniques to differentiate themselves. Branding is a tool to build image in the banking industry where all firms offer about the same kinds of products. Further, Services are highly intangible and are, therefore, high in experience and credence qualities. As a consequence, brand reputation is important as a potential competitive advantage. Logic is no longer enough to sell the benefits of an intangible product or service, especially with commodity products and sceptical consumers.

3.5 CONSUMERS’ BEHAVIOURAL INTENTIONS:

To compete successfully in today’s marketplace, banks focus on understanding the needs, attitudes and behavioural patterns of the market. Consumers evaluate a number of criteria when choosing a bank. However, the prioritisation and use of these criteria differ across countries, and thus cannot be generalised. Social and technological change has had a dramatic impact on
banking. These developments, such as internationalisation and unification of money markets and the application of new technologies in information and communication systems to banking, have forced banks to adopt strategic marketing practices. These include; offering extended services, diversification of products, entry into new markets, and emphasising electronic banking. This greater range of services and products, along with improvements in communicational efficiency, could have a significant impact on customer satisfaction and consequent behavioural intentions. As changes in the broad financial fields accelerate and business activities converge, i.e., the offering of insurance, financial planning, and share brokerage by a bank, it is imperative to differentiate banking products from other similar or complementary ones that are offered by bank affiliates or non-banks.

3.6 CUSTOMER LOYALTY:

Customer retention improves profitability principally by reducing costs incurred in acquiring new customers. There is, however, a distinction between customers who are simply retained and those who are loyal. The concept of consumer inertia implies that some customers are only being retained, rather than expressing loyalty. Truly, loyal customers are usually portrayed as being less price-sensitive and more inclined to increase the number and/or frequency of purchases. They may become advocates of the organisations concerned and play a role in the decision making of their peers or family. Satisfaction with a bank's products and services thus also plays a role in generating loyalty that might be absent in the retention situation. Customer loyalty is therefore, not the same as customer retention, as loyalty is distinct from simple repurchase behaviour. Loyalty is only a valid concept in situations where customers can choose other providers. Companies thus need to understand the nature of their
consumers' reasons for staying and must not assume that it is a positive, conscious choice.

Changes in the industrial context of banking could also have an impact on the durability of customer-bank relationships. In New Zealand, these changes have included consolidation through mergers and acquisitions, and the introduction of a new, state-owned bank in 2002. In the former case, banks not only acquire physical assets and human resources, they also acquire the customers of their previous competitors, making assessments of loyalty more complicated.

3.7 THE NEED TO MEASURE CUSTOMER SATISFACTION:

Satisfied customers are central to optimal performance and financial returns. In many places in the world, business organizations have been elevating the role of the customer to that of key stakeholders over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward looking companies are finding value in directly measuring and tracking customer satisfaction as an important strategic success indicator. With better understanding of customers' perceptions, companies can determine the actions required to meet their need. They can identify their own strengths and weaknesses, where they stand in comparison to their competitors and level of customer satisfaction measurement helps to promote an increased focus on customer outcome and stimulate improvement in the work practices and processes used within the company.

Customer satisfaction is quite a complex issue and there is a lot of debate and confusion what exactly is required and how to go about it. This study is an attempt to know about the necessary requirements, and discusses the steps that need to be taken in order to measure and track customer satisfaction.
3.8 WHAT CONSTITUTES SATISFACTION:

The meaning of satisfaction "satisfied" has a range of meanings to individuals, but it generally seems to be a positive assessment of the service. The word "satisfied" itself has a number of different meanings, which can be split into the broad themes of contentment, happiness, relief, achieving aims and happy with outcome and the fact that they do not encounter. There is some variation in understanding of the terms. Some of the interpretations fit with the definitions used in much of the service quality and satisfaction literature, where satisfaction is viewed as a zero state, mere an assessment that the service is adequate, as opposed to "delight" which reflects a service that exceeds expectations.

3.9 SERVICE QUALITY AND CUSTOMER SATISFACTION:

The service quality school views satisfaction as an antecedent of service quality- satisfaction with a number of individual transaction "decay" into an overall service quality. The satisfaction school holds the opposite view regarding them call satisfaction. There is a strong link between customer satisfaction and customer relation.

In the service quality literature, perceptions of service delivery are measured separately from customer expectations, and the gap between the two provides a measure of service quality.

3.10 EXPECTATIONS AND CUSTOMER SATISFACTION:

Expectations have a central role in influencing satisfaction with services and these in turn, are determined by a very wide range of expectations which result in higher satisfaction rating for any given level of service quality. However, there are circumstances where negative preconceptions of a service provider lead to lower expectations, but will also make it harder to achieve high
satisfaction ratings and where positive preconceptions and expectations make positive rating more likely. The expectations theory in much of the literature and therefore it seems to be an over simplification.

3.11 THE MODELS OF CUSTOMER SATISFACTION:

Following are some models of customer satisfaction:

3.11.1 The Kano Model

The customer satisfaction model of N. Kano is a quality management and marketing technique that can be used for measuring client happiness. Kano’s model of customer satisfaction distinguishes the categories of quality attributes, from which the first three actually influence customers’ satisfaction:

1. Basic Factors (Dissatisfiers, must have)- Basic factors are the minimum requirements which cause dissatisfaction if they are not fulfilled, but do not cause customer satisfaction if they are fulfilled (or are exceeded). The customer regards these as prerequisites and takes these for granted. Basic factors establish a market entry ‘threshold’.

2. Excitement Factors (Satisfiers, Attractive)- Excitement factors are the factors that increase customer satisfaction if delivered but do not cause dissatisfaction if they are not delivered. These factors surprise the customers and generate ‘delight’ and by using these factors, a company can really distinguish itself from its competitors.

3. Performance Factors (Satisfiers, Attractive) – These are the factors that increase customer satisfaction if the performance is high, and they cause dissatisfaction if the performance is low. Here, the attribute performance-overall satisfaction is linear and symmetric. Typically, these factors are directly connected to customer’s explicit needs and desires.

4. Indifferent Attributes:- The customer does not care about this feature as indifferent refers to the apathetic attitude.
5. Questionable Attributes:- Questionable attributes refers to such attributes which indicate that the customer is not clear whether the customer has some expectations or not.

6. Reverse Attributes:- According to the reverse attributes reverse of the product features are expected by the customer.

3.11.2 The Profit-Chain Model

The profit chain asserts that satisfied and motivated employees produce satisfied customers who tend to purchase more resulting to increase the revenue and thereby, to high profits of the organization. The second crucial element of the service profit chain is the link between customer satisfaction and financial performance. Management theorists and chief executives have often agreed that superior business performance depends critically on satisfying the customers.

3.12 CUSTOMER CENTRICITY AND THE RESERVE BANK:

The Reserve Bank of India (RBI) has a fairly diverse functional mandate and one of the very important aspects of its operations in the banking sector has been the protection of the interest of the bank depositors. The fact that the RBI's mandate for depositors' protection is enshrined in a statute dating as far back as 1949, is itself tribute to the vision of the public policy makers who thought it appropriate to enact a highly customer- centric legislation and to entrust this onerous responsibility to the Central bank of the Country, which is a unique institution in every country of the world. The responsibility was assigned to the Reserve Bank of India in an era probably long before the concepts like customer service, customer experience, customer satisfaction, customer delight and ‘customer centricity' found an entry into the lexicon of the banking or business world and become rather fashionable.
3.13 RBI INITIATIVES:

Reserve Bank of India initiated to strengthen credit delivery, improve customer service and encourage banks to provide services to all segments of the population. Expanding the outreach of banking services is a major concern that is engaging the attention of Government of India and the Reserve Bank through “Financial Inclusion”. The target group under the new thrust of financial inclusion is the vast section of the disadvantaged and low-income groups of the society comprising landless labourers and small/marginal farmers, migrant labourers, tiny traders, etc. Some of the recent initiatives taken by Reserve Bank of India to promote financial inclusion are as follows:

i) As a proactive measure, the Reserve Bank of India in its Annual Policy Statement for the year 2005-06, urged banks to review their existing practices to align them with the objective of financial inclusion, to make available a basic banking ‘no frills’ account either with nil or very low balances as well as charges that would make such accounts accessible to so far excluded segments of the society at affordable costs. The broad objective was to bring the common man into formal banking fold which was termed as ‘Financial Inclusion’.

ii) The Conveners at State Bank Level Committee were advised to select at least one district in each State to be covered under financial inclusion by March 31, 2007.

iii) In order to ensure that persons belonging to low income groups both in urban and rural areas, do not face difficulty in opening the bank accounts due to the procedural hassles, the ‘Know Your Customer’ (KYC) norms for opening accounts have been simplified.
iv) Banks have been specifically advised to allow limited overdraft facilities in 'no frills accounts' without any collateral or linkage to any purpose.

v) For all non-performing small loans with an outstanding balance of less than Rs.25,000, banks have been advised to offer to the borrowers a One Time Settlement scheme (OTS) and also treat them eligible for fresh loans. Such an OTS is expected to restore borrowing relationship of the poor with the formal financial system and thereby, obviate the need to go back to the informal system.

vi) All scheduled commercial banks were advised to frame transparent OTS policies to assist distressed farmers whose accounts have earlier been rescheduled/restructured on account of natural calamities as also of farmers defaulting on their loans due to circumstances beyond their control.

vii) As a relief measure to small borrowers, scheduled commercial banks were advised to dispense with the requirement of "No Due" certificate for small loans up to Rs.50,000 to small and marginal farmers, sharecroppers and the like and instead, obtain self declaration from the borrowers.

viii) One of the landmark recommendations of Working Group to examine procedures and Processes of Agriculture Loans pertaining to credit linkage of landless labourers, sharecroppers and oral lessees has been implemented. In the absence of any documentary evidence pertaining to their identity, status and cultivation of land, dispensation of institutional credit to this segment of rural underprivileged was minimal. For credit linkage of these 'have nots', banks have been advised to accept certificate provided by local administration/Panchayat Raj institutions regarding cultivation of crops.
ix) Banks have been advised by Reserve Bank of India to provide collateral-free General Credit Card (GCC) facility at their rural and semi urban branches up to an amount of Rs.25,000 depending upon the expected cash flow of the borrower concerned. The credit facility extended under the Scheme has been recommended to be in the nature of revolving credit. Fifty per cent of the credit under the GCC scheme is treated as priority sector lending under indirect agriculture.

x) Banks have been advised to enhance their outreach by utilizing the services of Civil Society Organizations, Farmers’ Clubs, NGOs, Post Offices, etc. as business facilitators and business correspondents.

xi) In order to rejuvenate the Regional Rural Banks which are meant to be the main vehicles of financial system, a series of measures were announced, such as permitting RRBs to avail lines of credit from their sponsor banks, participating in interbank call money market, opening of currency chests, undertaking non-trade related current account forex transactions, conduct of State Government Business, entry into insurance agency business as 'composite corporate agent', etc.

xii) Regional Rural Banks have been advised to undertake an Aggressive Branch Expansion Programmer and in 2007-08, open at least one branch in all the 80 uncovered districts of the Country.

xiii) As a measure of fair practices code for lenders, the banks have been advised that in case of all categories of loans irrespective of any threshold limit including credit card applications, to convey in writing the main reason/reasons which, in their opinion have led to rejection of the loan applications.

xiv) Definition of 'weaker sections' has been broadened to include advances to minority community.
3.14 INSTITUTIONAL INFRASTRUCTURE FOR ENSURING CUSTOMER SERVICES:

Some of the initiatives of Reserve Bank of India to put in place the requisite institutional mechanism aimed at improving the customer service in the banking sector are.

3.14.1 Banking Ombudsman Scheme

The Reserve Bank had introduced the Banking Ombudsman Scheme for the first time way back in 1995 to provide an expeditious inexpensive forum to bank customers for resolution of their complaints relating to banking services. The scheme was revised in 2002 mainly to cover Regional Rural Banks and to permit a review of Banking Ombudsman's Award against the banks by Reserve Bank. The Reserve Bank of India recently announced the revised Banking Ombudsman Scheme 2006, from January 1, 2006, which has much wider scope and includes new areas for customers' complaints. The scheme is applicable to all commercial banks, regional rural banks and scheduled primary co-operative banks functioning in India and provides a forum to the banks' customers to seek redresses of their most common complaints against the banks. Under the revised scheme, the complainants can file their complaints in any forum, including online, and can also appeal to the Reserve Bank against the Awards and other decisions of the Banking Ombudsman, who currently have their offices in 15 centers spread across the country and are fully staffed and funded by the Reserve Bank, in order to make the revised scheme more effective.

3.14.2 Customer Services Set Up In The Banks

The Reserve Bank of India appointed the Committee on Procedure and Performance Audit of Public Services (CPPAPS-Tarapore Committee) in December 2003 to suggest measures for bringing about improvement in the
quality of customer services rendered by banks. Based on the recommendations of the CPPAPS, banks were advised, among other things, to put in place institutional machinery comprising of the following:

(a) A Customer Service Committee of the Board including invitees, experts and representatives of customers, to enable the banks to formulate policies and access the compliance thereof, internally.

(b) Standing Committee of Executives of Customer Service, in place of the earlier ad hoc Committees to periodically review the policies and procedures and working of banks own grievances redressed machinery.

(c) A Nodal Department/ Official for Customer Services at the Head Office and each Controlling office, whom customers with grievances could approach in the first instance, and with whom the Banking Ombudsman and Reserve Bank of India could develop liaison.

3.14.3 Customer Service Department in The RBI

The Reserve bank has also taken measures itself for protection of customers’ rights by enhancing the quality of customer services and strengthening grievances redressed mechanism in the banks and within the Reserve Bank of India. These activities were tilled recently, undertaken by different departments of the Reserve Bank of India. In order to appropriately signal the importance that the Reserve bank attaches to the services rendered to customers, both by Reserve Bank and by the banking sector as a whole, a new department called Customer Service Department, was created in the Reserve Bank of India on July 1, 2006 by regrouping various customer services related activities handled by different departments of Reserve Bank of India, under a single department. The functions of the department encompass a variety of activities related to customer services and grievance redressed in the bank and
the banking sector which are relating to the banking Ombudsman, Banking Codes and Standard Board of India. Such an organizational dispensation has enabled a more focused policy attention to the customer services dimension of banking sector.

3.14.4 Banking Codes and Standards Board of India (BCSBI)

For reorganizing an institutional gap in measuring the performance of banks against codes and standards based on establishing best practices, the Reserve Bank of India took the initiative for setting up the Banking Codes and Standard Board of India (BCSBI). It is an autonomous and independent body adopting the stance of a regulatory organization. The dispensation of the Banking Codes and Standard Board of India provides for voluntary registration of banks with the Board as its members and committing to provide customer services as per the agreed standards and codes. The board in turn, monitors and accesses the compliance with codes and standard agreed by the banks. The Board released in July 2006, Codes of Bank's Commitment to Customers to provide a framework for a minimum standard of banking services. The code is not only a commitment of the banks to their customers, but in a sense, is also a Charter of Rights of the common man vis-a-vis his banks. By setting the minimum standard of reliability, transparency and accountability in the provision of customer service, the code outlines how each bank expects to deal with the customers day-to-day requirements, and accordingly, what each customer could reasonably expect from his bank. As on date, out of 74 scheduled and commercial banks registered with the Banking Codes and Standard Board of India indicating their intention to become members, 70 banks are accounting for 98 percent of the total domestic assets of the total banking system and have already enrolled as its members. (5)
3.15 CUSTOMER SERVICE AND FINANCIAL INCLUSION:

The customer, broadly defined, does not mean only the existing clients of the banks but also includes the potential users of the banking services who could enter the domain of banking sometime in future. In this context, therefore, the role of the banks does not end with only serving their existing customers. They also need a endeavour to ensure that the large part of the underprivileged Indian population that does not have access to a bank account and other banking services is also brought within the fold of the formal banking sector so that at least, the basic banking services are made available equitably to all sections of the society. This would not only promote financial inclusion of the hitherto excluded class of people but also makes eminent business sense.

It was in this context that in the Annual Policy Statement for the year 2005-06, the Reserve Bank of India had stated that there were legitimate concerns in regard to the banking practices that tended to exclude rather than attract vast section of population particularly, pensioners, self- employed and those employed in the un organized sector. The policy had noted that while commercial considerations were no doubt important, the banks had been bestowed with several privileges, and consequently to provide banking services to all segments of the population on equitable basis. Against this background, the policy has stated that the Reserve Bank of India would implement policy to encourage the banks which provide extensive services while disinvesting those who were not responsive to the banking needs to the community, including the under privileged. Furthermore, the nature, scope and cost of services rendered by the banks were also to be monitored to access whether there was any denial, implicit or explicit, of the basic banking services to the common person. The banks were, therefore, urged in the policy statement to review their existing practices to align them with the objective of financial inclusion.
It was recognized that in many banks, the requirements of minimum balance and charges levied, although accompanied by a number of free facilities, deterred a sizeable section of population from opening/maintaining bank accounts. The Reserve Bank of India, therefore, advised the banks in November 2005 to make available a basic banking 'no frills' account either with 'nil' or with a very low minimum balances as well as charges that would make such accounts accessible to vast section of population. This was aimed at achieving the objective of greater financial inclusion. The nature and number of transactions in such accounts could be restricted, but made known to the customers in advance in a transparent manner. The banks were also advised to give wide publicity to the facility of such a 'no frills' account including their websites, indicating the facilities and charges in a transparent manner.

3.16 BANKS CUSTOMER AND FINANCIAL EDUCATION:

In the context of increasing focus of financial inclusion, and requirements in certain segments of farming community, financial literacy and financial education among the customers of banking services has become imperative in the current era of financial deregulation, which led to availability of a variety of complex financial products in the market. Financial education can be broadly defined as one's capacity to become familiar and understand the features of financial market products, specially the risk reward equation, and the ability to make informed choices. The imperative of adequate financial education can hardly be over-emphasized, especially if the markets are to expand and operate efficiently\(^6\).

Rangarajan Committee

Rangarajan Committee was constituted under the Chairmanship of Rangarajan for making plans for computerisation for the next five years from
1990 for the banking industry. It identified the purpose of computerisation as improvement in customer service, decision making, housekeeping and profitability. The committee observed that banking is a service industry and improved efficiency will lead to a faster rate of growth in output and help to expand employment all around. The work force in the banking industry must, therefore, look upon computerisation as a means to improve customer service and must welcome it in that spirit.

The banking industry, which is an important part of the service industry in India, has also experienced changes in market structure. The reforms in the Indian financial sector have led the Indian banking sector to undergo drastic changes through the creation and diversification of product/service portfolios, entry of new private sector and foreign banks, institutional changes, adoption of modern technology, and globalization of banking activities. Enabling the entry of private sector and foreign banks is one of the more significant banking sector reforms that the Government of India initiated during the 1990s, which diluted to a great extent the monopoly of public sector banks (the SBI group and nationalized banks).

From the perspective of customers, the entry of new private sector banks has given them the privilege of choosing between banks from both the private and public sectors. In addition, this entry, accompanied by state-of-the-art technology and lean structures, has forced the old private sector and public sector banks to respond to the new challenges with reform measures. The past decade has seen many other public sector banks introducing an array of products and services in line with those that are offered by the newer players. The banks have started giving due importance to customer service, product differentiation based on the needs of customers, and new services, such as
flexible banking hours, automated teller machines (ATMs), and net banking. These changes have transformed the Indian banking sector into a highly competitive market for financial services. Economic reforms have provided households at large with increased opportunities. Incomes have risen significantly over this period, resulting in the growing of the consumption basket to some degree. Consequently, the liquidity of credit requirements has changed. This shift has an important bearing on the demand for financial services from the Indian banking sector. After more than a decade after the entry of private banks, the public sector commercial banks in India have positioned themselves in such a way that they are now able to offer various kinds of financial products as per the liquidity and credit requirements of customers. In brief, a discernible convergence is observed between what customers want as financial products and what the Indian banks are offering to them. But the majority of the public sector banks have not been able to introduce the changes in customer services as initiated by the private sector banks. In the Indian banking sector, loss of competitive differentiation has taken place since the banks have attained, to a reasonable degree, a common level of indistinguishable product variety. In such a situation, quality service is likely to make a positive lasting differentiation among the private, foreign, and public sector banks, and hence their long-term survival will ultimately depend on the quality of services and the level of customer satisfaction.

SUMMARY:

Measuring customer satisfaction results in service and product improvements and leads to higher customer satisfaction levels. Quality customer service leads to retention and finally to establish a healthy business. This chapter shows different aspects of customers' satisfaction. The significance of
customer satisfaction measurement helps in analyzing customers’ behavior across different regions, taking into account their special characteristics. It is a core benchmarking system which is established based on customer satisfaction evaluation. The effectiveness of marketing plans are evaluated through customer satisfaction measurement; and the establishment of a motivating system for employees is established, which is directly related to customer satisfaction measurement; and finally, productivity is improved and efficiently measured. The role of Reserve Bank of India and the Government of India in sensitizing the Public Sector Banks regarding customer service has been crucial. Towards this end, the Reserve Bank of India constituted the Goiporia Committee on customer service which recommended for attending of customers who enter the bank before the close of the business hours, accepting small denomination notes from customers for issuance of drafts etc. Reserve Bank of India introduced the Banking Ombudsman Scheme (BOS) in India on June 14, 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by commercial banks, regional rural banks and scheduled primary co-operative banks. There are 15 Offices of Banking Ombudsman (OBOs), spread across the Country. For reorganizing an institutional gap in measuring the performance of banks against codes and standards based on establishing best practices, the Reserve Bank of India took the initiative for setting up the Banking Codes and Standard Board of India (BCSBI). It is an autonomous and independent body adopting the stance of a regulatory organization. The Reserve bank has also taken measures itself for protection of customers’ rights by enhancing the quality of customer services and strengthening grievances redressed mechanism in the banks and within the Reserve Bank of India. In the context of increasing focus of financial inclusion, and requirements in certain segments of farming community, financial literacy
and financial education among the customers of banking services has become imperative in the current era of financial deregulation. The imperative of adequate financial education can hardly be over-emphasized, especially if the markets are to expand and operate efficiently. In the Indian banking sector, loss of competitive differentiation has taken place since the banks have attained, to a reasonable degree, a common level of indistinguishable product variety. In such a situation, quality service is likely to make a positive lasting differentiation among the private, foreign, and public sector banks, and hence their long-term survival will ultimately depend on the quality of services and the level of customer satisfaction. Therefore, it is important, particularly for the public sector banks, to understand the profile of their customers in line with the private sector banks in order to maintain a competitive edge. As banking services in India constitute a highly competitive market and also constitute a representative example of customer-oriented organizations, no bank can afford to remain indifferent to the changes in customers' preferences.
References:


5. Banking Codes and Standards Board of India, annual Report 2007-08, pp.


7. Internet.