In this chapter an attempt has been made to discuss the importance of customer services, customer services of commercial banks, miscellaneous functions and monitoring the customer services of banks are brought out in this chapter.

3.2 IMPORTANCE OF CUSTOMER SERVICE

Customer service is an involvement and a commitment of rendering services by the banks to their customers. Customer service may be described as the sort of service; the customer expects to receive and is entitled to receive. Customer is anyone who comes to the bank having some work to do with the bank. It is not necessary that he must be an account holder or a direct user of banks services. Good customer service begins with the identification of the needs of the customer followed by process of fulfilling his needs. Speed, timeliness and accuracy are the basic ingredients of good customer service. In the present day, customers’ services consist of the following objectives by the banks.

Customer Service is a duty, a goal, bank’s happiness, and a reward to the banks. Banks are innovating new strategies to retain their customers, win over customers from competitors and create new clientele. Hence, good customer service is the major yardstick for keeping the image of the bank and its performance. Excelling and managing customer relationship is the future of any business or everybody’s business. Customer focusing is not to be viewed as just a business strategy but it should become a corporate mission.

The process of economic liberalization and financial - sector reforms brought the issue of customer service to the forefront. Towards getting closer to the customers in the
identified market segments with well defined characteristics, the customer is no more a passive onlooker rather than he is active participant and connoisseur of bank’s performance. Customer service is not merely the fulfillment of governments’ guidelines or mechanical adherence to the time frame of services. It is a philosophy, an attitude of professional commitment which believes in the ultimate satisfaction of a customer want.

3.2.1 Need for Innovations in Customer Services in Banks

- To capture customer expectations of product quality, service quality at reasonable price.
- Competitive bench marketing.
- Customers’ expectations are dynamic.
- To extend the product and service quality throughout the channel.
- Updating of Technology.
- To compete the global market.
- To find solutions to the various problems of the upcoming service sector.
- To improve the marketing services and the services marketing

3.2.2 Steps to Improve Customers Services in Banks

The following steps to improve customer services in banks

- For improving customer service and continuing to improve on the same is the need to remain continuously focused on the customers’ needs.

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- To improve customers’ service involves setting up of customers service standards. In fixing such standards, banks should take into account the expectations of customers, and define such expectations in quantifiable manner.
- Once the standards are set in a quantifiable manner, the next stage is to ensure standards without adding any incremental operational risk.

3.3 CUSTOMER SERVICES OF COMMERCIAL BANKS

Customer service is a series of activities designed to enhance the level of customer satisfaction. It amounted to a feeling that a product or service had met the customer’s expectation. The banks strongly believed that customer service would be the most important factor in maintaining and improving its leadership in India’s banking industry. The qualities of customer services were highly variable as they depend on the service provider. We can see the service provider but not the service. Customer service cannot emerge from training, reading of circulars or even rigidly enforced discipline. People create memorable experiences through attitudes and behaviour that turn transactions into relationships and persons into friends.97

Customer service is the commitment to providing value added services compressive attitude knowledge, technical support and quality of service in a timely manner to external and internal customer. It is providing service to customers before, during and after a purchase. It is the service provided in support of a bank’s core

products. It often includes answering questions and handling complaints. It can occur on site (as when an onstage staff helps a customer or answers a question) or it can occur over the phone or the internet. Quality customer service is essential for building a cordial customer relationship.

A service is an activity that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Customer service implies the satisfaction of customers’ needs. They are the backbone of the success of every organization including commercial banks and there is no exception to this.

Banking is a service industry and bankers have to be identified by the customer for whom the services are extended. It is the starting point, where the banker comes into contact with the customer. Therefore, banker should have a good attitude, appeal with good appearance at that point of time. Bankers have to cultivate a good relationship with the customers. These factors have a great impact in customer service. In such situations, customers will become loyal to the banker and patronize the banker. Banking industry mainly depends upon its customers. A successful banker should treat the customers well.

Banking is not purely a profit making industry. With the concept of welfare state, the idea of banking has undergone a change in the modern days. Banks are expected to contribute to social welfare. Therefore modern banks are aware that the success of the bank depends
on the goodwill of its customers. The customer should be dealt with in such a way they would like to be treated.\textsuperscript{98}

Good service will certainly enhance the bank’s image, goodwill and increase the market share. Customer service has a direct impact on the working of a bank and its profitability. A five per cent increase in customer retention may increase the profitability by 35 per cent in banking business.\textsuperscript{99} The growth and profitability of banks to a large extent depend on customer service.

\textbf{3.3.1 Customer}

Customer is anyone who comes to the bank having some work to do with the bank. It is not necessary that he must be an account holder or a direct user of banks services. The word customer denotes the following aspects.

\begin{itemize}
  \item C – customised care
  \item U – uniqueness
  \item S – service orientation
  \item T – tenderness
  \item O – penness
  \item M – managerial ability
  \item E – effectiveness
\end{itemize}


According to Sir. John Pahot “to constitute a customer, there must be some recognizable course or habit of dealing in the nature of regular banking business”.

In above definition of Sir. John Pahot, two conditions are given

- A customer is one who deals with the bank.
- The dealing of the customer must be in the nature of regular banking business.

### 3.3.2 Types of Customers

We can classify the customers into the following four types based on their behavioral patterns.

- New customer.
- Satisfied existing customer.
- Dissatisfied existing customer willing to exit the bank.
- Dissatisfied customer who had left the bank permanently.

#### 3.3.2.1 New Customer

- A new customer gets introduced to the bank with the collective effort of a strong sales team.
- He is enthusiastic and has high expectations on the bank.
- He has several queries about the facilities offered by the bank.
A good and well-responding customer care center can help the banks meet the needs of the customers successfully. This can, in turn, make him stick to a particular bank forever.

### 3.3.2.2 Satisfied Existing Customer

- He is aware of all the schemes, offers, facilities, charges and waivers if any, offered by the bank.
- He appreciates updation provided by the customer care unit.
- He shows much interest in buying any new products offered by the bank.
- Gives a word-of-mouth publicity about the bank.
- He can introduce more loyal clients to the bank.
- He expects certain benefits out of the existing relationship.
- He prefers to continue with the bank unless he comes across a bad experience.

### 3.3.2.3 Dissatisfied Existing Customer Willing to Exit the Bank

- A client’s patience should never be tested. If done, it might annoy him and force him to look out for an alternative.
- An unhappy customer gives a bad publicity which may lead to further loss of business.
- A dissatisfied customer would enquire about the foreclosure procedures of the account.
- He would maintain ‘low or nil’ balance in his account.
Such an account can be read as an index of an unhappy customer’s mind.

3.3.2.4 Dissatisfied Customer Who had Left the Bank Permanently

When the limit of the customer’s patience is crossed, he tends to leave his accounts non-operative, foreclose all the credit facilities availed by him and report ill remarks about the bank.\textsuperscript{100} This certainly amounts to loss of a precious customer.

3.3.3 Customer Perception

Customer perception is an important component of bank’s relationship with its customers. Customer satisfaction is a mental state which results from the customer’s comparison of expectations prior to a purchase with performance perceptions after a purchase. A customer may make such comparisons for each part of an offer called “domain-specific satisfaction” or for the offer in total called “global satisfaction”. Moreover, this mental state, which is viewed as a cognitive judgment, is conceived of as falling somewhere on a bipolar continuum bounded at the lower end by a low level of satisfaction where expectations exceed performance perceptions and at the higher end by a high level of satisfaction where performance perceptions exceed expectations.

The customer perception is changing day by day. Peter Drucker said twenty five years ago that “the purpose of a business is to attract and retain a customer”. It sounds simple but too many businessmen have forgotten it at their risk. There has been a phenomenal change and paradigm shift towards customer focus for the past five decades.

In the first decade in 1950’s to 1960’s the goal was for serving the customer, focus was between 1960’s to 1980’s it amounted to satisfying the customer, in the third decade 1980’s to 1990’s it was to please the customer, in 1990’s to 2000 AD it was went up to delighting the customer and in the last decade 2000 it went beyond retaining the customer.\textsuperscript{101}

The working of the customer's mind is a mystery which is difficult to unfathom and understanding the nuances of what perception the customer has to attain satisfaction is, a challenging task. This gives the banks an insight into the parameters of customer satisfaction and their measurement. This vital information will help the banks to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements if translated and quantified into measurable targets, will provide an easy way to monitor improvements and deciding upon the attributes that need to be concentrated in order to improve customer satisfaction. The banks would recognize where they need to make changes to create improvements and determine if these changes, after implementation, have led to increased customer satisfaction.

\subsection*{3.3.4 Service offered by the Commercial Banks}

Today, all banks basically offer similar types of services and facilities to the customers. Customer services may be classified into three heads. The following figure explains the type of services offered by the banks.

SERVICES OFFERED BY COMMERCIAL BANKS

Primary Services
- Services to Depositors
- Services to the Borrowers

Secondary Services
- General Utility Services
- Agency Services

Technological Services
- ATM
- Credit Card
- Debit Card
- Smart Card
- Internet Banking
- Core Banking
- Mobile Banking
- Tele Banking
- E-Cheques
- EFT
- ECS
- SPNS
- RTGS
- NEFT
- Demat
3.3.4.1 PRIMARY SERVICES

The first and foremost services of commercial banks are accepting deposits and granting loans and advances to their customers. The following are the primary services of commercial banks in India.

3.3.4.1.1 Accepting deposits

The most important activity of a commercial bank is to mobilize deposits from the public. People who have surplus income and savings find it convenient to deposit the amounts with banks. Depending upon the nature of deposits, funds deposited with bank also earn interest. Thus, deposits with the bank grow along with the interest earned. If the rate of interest is higher, public are motivated to deposit more funds with the bank. There is also safety of funds deposited with the bank.

➢ Current Deposit

A current account is an account which is generally opened by business people for their convenience. Money can be deposited and withdrawn at any time. Money can be withdrawn only by means of cheques. Usually, a banker does not allow any interest as the amount deposited in these accounts is repayable on demand without any restriction. Even then, people come forward to deposit money on current account because of two important privileges which they can enjoy in a current account, namely; Overdraft facility, and other facilities like collection of
cheques, transfer of money and rendering agency and general utility services. Current deposit is also called ‘demand deposit’.\textsuperscript{102}

\textbf{Savings Deposit/Savings Bank Accounts}

Savings deposit account is meant for individuals who wish to deposit small amounts out of their current income. It helps in safeguarding their future and also earning interest on the savings. A saving account can be opened with or without cheque book facility. There are restrictions on the withdrawals from this account. Savings account holders are also allowed to deposit cheques, drafts, dividend warrants, etc. drawn in their favour for collection by the bank. To open a savings account, it is necessary for the depositor to be introduced by a person having a current or savings account with the same bank.

\textbf{Fixed Deposit}

The term fixed deposit means deposit repayable after the expiry of a specified period. Since it is repayable only after a fixed period of time, which is to be determined at the time of opening of the account, it is also known as time deposit. Fixed deposits are most useful for a commercial bank. Since they are repayable only after a fixed period, the bank may invest these funds more profitably by lending at higher rates of interest and for relatively longer periods. The rate of interest on fixed deposits depends upon the period of deposits. The longer the period, the higher is the rate of interest offered. The rate of interest to be

allowed on fixed deposits is governed by rules laid down by the Reserve Bank of India.

➢ Recurring Deposits

Recurring deposits are gaining wide popularity these days. Under this type of deposit, the depositor is required to deposit a fixed amount of money every month for a specific period of time. Each installment may vary from `5/- or more per month and the period of account may vary from 12 months to 72 months. After the completion of the specified period, the customer gets back his deposited amount along with the cumulative interest accrued on the deposits.

➢ Miscellaneous Deposits

In addition to the above, a mushroom growth of deposits has come into practice. In fact, for most of the above deposits, recurring deposit scheme forms the basis. Banks have introduced several deposit schemes to attract deposits from different types of people, like home construction deposit scheme, sickness benefit deposit scheme, children gift plan, old age pension scheme, mini deposit scheme and the like.

3.3.4.1.2 Grant of Loans and Advances

The second important service of a commercial bank is to grant loans and advances. Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various
deposit accounts. The rate of interest charged on loans and advances varies depending upon the purpose, period and the mode of repayment. The difference between the rate of interest allowed on deposits and the rate charged on the loans is the main source of a bank’s income.

▶ Cash Credit

A cash credit is an arrangement whereby the bank agrees to lend money to the borrower upto a certain limit. The bank puts this amount of money to the credit of the borrower. The borrower draws the money as and when he needs. Interest is charged only on the amount actually drawn and not on the amount placed to the credit of borrower’s account. Cash credit is generally granted on a bond of credit or certain other securities. This is a very popular method of lending in our country.

▶ Loans

A specified amount sanctioned by a bank to the customer is called a ‘loan’. It is granted for a fixed period, say six months, or a year. The specified amount is put on the credit of the borrower’s account. He can withdraw this amount in lump sum or can draw cheques against this sum for any amount. Interest is charged on the full amount even if the borrower does not utilize it. The rate of interest is lower on loans in comparison to cash credit. A loan is generally granted against the security of property or personal security. The loan may be repaid in lump sum or in installments. Every bank has its own procedure of granting loans. Hence a bank is at liberty to grant loan
depending on its own resources. The loan can be granted as a) Demand loan b) Term loan.

a) Demand Loan

Demand loan is repayable on demand. In other words it is repayable at short notice. The entire amount of demand loan is disbursed at one time and the borrower has to pay interest on it. The borrower can repay the loan either in lump sum (one time) or as agreed with the bank. Loans are normally granted by the bank against tangible securities including securities like N.S.C., Kisan Vikas Patra, Life Insurance policies and U.T.I. certificates.

b) Term Loans

Medium and long term loans are called ‘term loans’. Term loans are granted for more than one year and repayment of such loans is spread over a longer period. The repayment is generally made in suitable installments of fixed amount. These loans are repayable over a period of 5 years and maximum upto 15 years. Term loan is required for the purpose of setting up of new business activity, renovation, modernization, expansion/extension of existing units, purchase of plant and machinery, vehicles, loan for setting up a factory, construction of factory building or purchase of other immovable assets. These loans are generally secured against the mortgage of land, plant and machinery, building and other securities. The normal rate of interest charged for such loans is generally quite high.

➢ Bank Overdraft
Overdraft facility is more or less similar to cash credit facility. Overdraft facility is the result of an agreement with the bank by which a current account holder is allowed to withdraw a specified amount over and above the credit balance in his/her account. It is a short term facility. This facility is made available to current account holders who operate their account through cheques. The customer is permitted to withdraw the amount as and when he/she needs it and to repay it through deposits in his account as and when it is convenient to him/her. Overdraft facility is generally granted by bank on the basis of a written request by the customer. Sometimes, banks also insist on either a promissory note from the borrower or personal security to ensure safety of funds. Interest is charged on actual amount withdrawn by the customer. The interest rate on overdraft is higher than that of the rate on loan.

➤ Discounting of Bills

Apart from granting cash credit, loans and overdraft, banks also grant financial assistance to customers by discounting bills of exchange. Banks purchase the bills at face value minus interest at current rate of interest for the period of the bill. This is known as ‘discounting of bills’. Bills of exchange are negotiable instruments and enable the debtors to discharge their obligations towards their creditors. Such bills of exchange arise out of commercial transactions both in internal and external trade. By discounting these bills before they are due for a nominal amount, the banks help the business community. Of course, the banks recover the full amount of these bills from the persons liable to make payment.
3.3.4.2 SECONDARY SERVICES

The secondary services of commercial banks are classified into agency services and general utility services. The following are the secondary services of commercial banks.

3.3.4.2.1 Agency Services

Agency services are those services which are rendered by the commercial banks as agents of their customers. They include:

- Collection and payment of cheques and bills on behalf of the customers.
- Collection of dividends, interest and rent, etc. on behalf of customers, if so instructed by customers.
- Purchase and sale of shares and securities on behalf of customers.
- Payment of rent, interest, insurance premium, subscriptions etc. on behalf of customers, if so instructed.
- Acting as a trustee or executor.
- Acting as agents or correspondents on behalf of customers for other banks and financial institutions at home and abroad.
- Banc assurance services to their customers by commercial banks. Banc assurance as a means of distribution of insurance products is already in force.

3.3.4.2.2 General Utility Services
General utility services are those services which are rendered by commercial banks not only to the customers but also to the general public. These are available to the public on payment of a fee or charge. They include:

- Issuing letters of credit, travellers’ cheques and gift cheques.
- Underwriting of shares, debentures, etc.
- Safe-keeping of valuables in safe deposit locker.
- Underwriting loans floated by government and public bodies.
- Supplying trade information and statistical data useful to customers.
- Acting as a referee regarding the financial status of customers.
- Undertaking foreign exchange business.
- Door step banking like pick up of cash, pick up of instruments, delivery of cash against cheques received at the counter and delivery of demand draft.
- Merchant banking like financial, technical and managerial services under one roof.

3.3.4.3 TECHNOLOGICAL SERVICES

Banking activities through the traditional delivery channel of branch networks were on the decline and customers could do banking business from the comfortable confines of their homes using most modern electronic delivery channels. Banks were able to deliver their products more cheaply than the traditional branch networks loaded with expensive staff. The information technology had enabled banks to...

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increase the range of their products also and market them more effectively. The popular technological services are the following:

3.3.4.3.1 ATM (Automated Teller Machine)

ATM is cash rending teller machine. This helps a bank customer to withdraw money from his account without having to go to the bank. ATM is a user-friendly computer driven system, which operates 24 hours a day, 7 days a week. It is totally a menu-driven system and displays easy to follow, step by step instructions in customers regional language. ATM can effectively reach out a large customer base at low cost. At present, banks have started outsourcing and sharing of ATM services to reduce cost. Most banks are used to cross-sell other products also so as to meet the varied requirements of customers. Banks have started dispensing railway tickets, air tickets, movie tickets and the like through ATMs. Voice activated ATMs, ATMs with finger print scanning technology and the like are on the anvil. If they become operative, they can save the customers from the hassle of carrying a card. In future, a bank’s ATM would function like a Kisok delivering more on non-cash transactions, thereby reducing fixed and operating cost.104

ATMs are currently becoming more popular in India that enables the customers to withdraw their money anywhere and anytime. It provides the customers with the ability to withdraw or deposit funds, check account balances, transfer funds

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and check statement information. The advantages of ATMs to the customer as well as banks are many. It increases existing business and generates new business.

### 3.3.4.3.2 Credit Card

Credit card is “post paid” or “pay later” card that draws from a credit line—money made available by the bank and gives one a grace period to pay. If the amount is not paid in full by the end of the period, one is charged interest. A credit card is nothing but a very small card containing a means of identification, such as a signature and a small photo. It authorizes the holder to charge goods or services to his account on which he is billed. The bank receives the bills from the merchants and pays on behalf of the card holder.

These bills are assembled in the bank and the amount is paid to the bank by the card holder totally or by installment. The bank charges the customer a small amount for these services. The card holder need not have to carry money/cash with him when he travels or goes for purchasing. Credit cards have found wide spread acceptance in the ‘metros’ and big cities. Credit cards are gaining popularity for online payments. The major players in the credit card market are the foreign banks and some big public sector banks like State Bank of India and Bank of Baroda. India at present has about 3 million credit cards in circulation.

### 3.3.4.3.3 Debit Card
Debit Card is a “prepaid” or “pay now” card with some stored value. Debit cards allow for direct withdrawal of funds from a customer’s bank account. The spending limit is determined by the customer’s bank depending upon an available balance in the account of user. It is a special plastic card connected with electromagnetic identification that one can use to pay for things purchased directly from his bank account. Debit cards quickly debit or subtract money from one’s savings account. Every time a person uses the card, the merchant who in turn can get the money transferred to his account from the bank of the buyers by debiting an exact amount of purchase from the card. Hence, under debit card, the card holder must have adequate balance in his account. This system is intended to replace the cheque system of payment. Issue of debit card by banks in India should be approved by the respective bank’s Board as well as by Reserve Bank of India. Personal Identification Number (PIN) is used for withdrawing cash or for purchasing goods and services at a merchant establishment. The PIN should be confidential known only to the user.

3.3.4.3.4 Smart Card

Banks are adding chops to their current magnetic stripe cards to enhance security and offer new service called Smart Card. Smart cards technology is widely used by bankers to market their products. Smart card, which is a chip-based card, is a kind of an electronic purse. Embedded in the smart card is a microchip which will

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store a monetary value. When a transaction is made using the card, the value is debited and the balance comes down automatically. Once the monetary value comes down to nil, the balance is to be restored all over again so that the card becomes operational as usual. It is more secured than ATM, debit and credit cards because card related frauds and crimes cannot take place in a smart card. It provides communication security as it verifies whether the signature is genuine or not. The card also recognizes different voices and compares with the recorded original voice. It is used for making purchases without the necessity of requiring the authorization of personal identification number as in a debit card. It does away with all the problems associated with the traditional currency. Smart cards allow thousands of times of information storable on magnetic stripe cards. They hold a large amount of personal information, from medical and health care to personal banking and personal preferences.

3.3.4.3.5 Internet Banking

Internet has enabled banking at the click of a mouse. Internet banking is all poised to emerge as the most profound technological service in the near future. Internet banking reduces banks operating expenses mainly due to savings on prohibitive estate costs and expensive staff salary. It is estimated that the cost per transaction in internet banking will be only one-tenth of a regular branch truncations. Internet banking is a platform for electronic delivery of banking services to the customers. In internet banking, customer of a bank with a PC and a browser, can have
accounts to his bank’s website, and thereafter perform various banking functions. Thus, the customer can avail of the bank’s services from anywhere and at anytime.

Internet banking involves use of internet for delivery of banking products and services. With internet banking is now no longer confined to the branches where one has to approach the branch in person, to withdraw cash or deposit a cheque or to request a statement of accounts. In internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time. The internet banking now is more of a normal rather than an exception due to the fact that it is the cheapest way of providing banking services. The following services are available through internet banking or online banking: fund transfer, bill payments, railway pass, recharge on prepaid phone, shopping, investing and the like.

### 3.3.4.3.6 Core Banking

Banking industry has witnessed a long transformation since the era of liberalization. With the changing environment, banks implemented tele banking, internet banking, mobile banking, ATM, etc., one after another for better customer services. Now it is the turn of core banking solution where the whole banking industry focuses attention on real time banking. Core banking solution provides a wide range of banking operations. It enables banks to offer the highest level of customer service through highly scalable products, capable of handling large transactions volumes on a real time basis. It provides flexibility in implementation as it can be configured to run
in both centralized and distributed environments. Core bank is an integrated set of banking components designed to meet the challenges of new banking demands. A banking institution within a core banking platform can adjust its strategic business activities with the changing market conditions.

Core banking enables banks to know their customers more closely and their requirements, thus enabling them in enhancing customer relationship and improving customer satisfaction and their market share. With the implementation of CBS across the branches, the post transaction work is reduced to a greater extent like back up works at branches. Precious manpower and time saved in branches can be best utilised in marketing the bank’s products and services. With CBS the “Branch-Customer” concept is done away with and the “Bank – Customer” concept is introduced. The branch becomes just a service outlet and thus the importance of a particular branch gets reduced. CBS is a total end to end solution which takes care of all essential banking activities. It is the main accounting and centralized transaction processing engine on which the entire gamut of retail and corporate banking products move. The services offered under core banking are deposits and withdrawals, fund transfers, settlements, corrections reversals, online validations, accounts balancing, real time account enquiries, back-dating, future value dating, foreign currency exchange routines, control over error accounts, funds availability and the like.

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3.3.4.3.7 Mobile Banking

A new revolution in the realm of e-banking is the emergence of mobile banking. Online banking is now moving to the mobile world, giving everybody with a mobile phone access to real-time banking services, regardless of their location. But there is much more to mobile banking from just online banking. Mobile banking is a technology enabled service offering from bank to its customers, permitting them to operate selected banking services over their mobile phones. Mobile banking is also known as M-banking or mbanking, SMS banking etc., is a term used for performing balance checks, account transactions, payments, mobile recharging etc., via a mobile internet but can also use special programs called clients downloaded to the mobile device such as a mobile phone. Services are available through mobile banking are fund transfer, mini-statements, bill payments, mobile recharge, balance enquiry, credit/debit alerts, cheque status enquiry, cheque book request and the like.

3.3.4.3.8 Tele-banking

Tele-banking refers to banking on phone services, a customer can access information about his/her account through a telephone call and by giving the coded personal identification number (PIN) to the bank. Tele-banking is increasingly used as a delivery channel for marketing banking services. A customer can do entire non-cash related banking over the phone anywhere and at anytime. Automatic Voice Recorders (AVR) or ID numbers are used for rendering tele-banking services which have added
convenience to customers. Tele-banking is extensively user friendly and effective in nature.

3.3.4.3.9 E-Cheques

An e-cheque is an electronic funds transfer product that will withdraw money directly from customer’s bank account. It is just like writing a cheque, done electronically. Any one with a bank account can now make payment online and no credit card is required. The customer accesses the merchant server and the merchant server presents its goods to the customer. The customer selects the goods and purchases them by sending an e-cheque to the merchant. The merchant validates the e-cheque with its bank for payment authorization. The merchant electronically forwards the e-cheque to his bank. The clearing house jointly works with the customer’s bank clears the cheque and transfers the money to the merchant’s bank. The merchant’s bank updates the merchant’s account. The customer’s bank updates the customer’s account with the withdrawal information.

The e-chequing is a great boon to big corporate as well as small retailers. Most major banks accept e-cheques. Thus, this system offers secured means of collecting payments, transferring value and managing cash flows.

3.3.4.3.10 Electronic Funds Transfer (EFT)

Many modern banks have computerized their cheque handling process with computer networks and other electronic equipments. These banks are dispensing with
the use of paper cheques. The system is called electronic fund transfer (EFT) which automatically transfers money from one account to another. This system facilitates a speedier transfer of funds electronically from any branch to any other branch. In this system the sender and the receiver of funds may be located in different cities and may even bank with different banks. Funds transfer within the same city is also made feasible. The scheme has been in operation since February 7, 1996. The other important type of facility in the EFT system is automated clearing houses. These are the computer centers that handle the bills meant for deposits and for payment. In major companies the staff salary is not disbursed by issue of cheques or issuing cash. The payment office programmes the computer to credit an employee’s account with his pay.

EFT facilitates transfer of funds from the bank account of one customer to the bank account of another customer. The account holders having savings / current / cash credit with the bank can use the EFT facility presently available at Mumbai, Calcutta, New Delhi and Chennai. The upper limit for individual EFT transaction is `500000. Most of the commercial banks are the participating banks under the EFT system.

3.3.4.3.11 Electronic Clearing Services (ECS)

Another mode of effective payment was the introduction of electronic clearing service. It is a simple reliable and cost effective solution for bulk and repetitive payment transactions like salaries, pensions, interests, commissions and dividends by public or private companies and government departments through commercial banks.
Under the credit clearing scheme, companies who have to make bulk payments to a large number of beneficiaries prepare the credit instruments on the magnetic media and submit the same to RBI through their bankers. RBI processes the data, arrive at inter bank settlement and provides bank and branch wise reports containing the details of payments to facilitate fast payments to the beneficiaries. This scheme was introduced in Chennai and Mumbai in April 1995\textsuperscript{108}.

Electronic debit clearing was introduced in March 1996 by RBI\textsuperscript{109}. This scheme covers the payment activities like telephone bills, electricity bills, loan installments, insurance premium, school, college, and club membership fees, credit card dues, water taxes, property taxes and other regular payments. With the slow progress in the initial stage, now this scheme has become popular among customers. Banks also get benefit because of reduced overheads.

3.3.4.3.12 Shared Payment Network System (SPNS)

SPNS namely SWADHAN is a large network of ATMs, first spread over the city of Mumbai, Vashi and Thane at the time of introduction. Most of the banks now provide this facility to their customers. The objective behind the forming of SWADHAN network is to provide 24 hours, 365 days a year electronic banking service to customers. The SWADHAN project is the first of its kind in India. Any time and any where basic banking services are made available to the ATM card holders. The customer can transact essential banking business like cash withdrawal,
deposits balance enquiry and the like from any SWADHAN member banks ATM at any point of time. The locational and round the clock convenience of ATM’s improves the level of customer satisfaction. A well positioned ATM system can be a highly effective marketing tool, for the entire banks image.

3.3.4.3.13 Real Time Gross Settlement (RTGS)

The Real Time Gross Settlement (RTGS) is a new system of payments evolved in the Indian banking environment. Its main objective is to enable online clearing and settlement of payments on a real-time basis across banks in different cities. The RTGS is an upgraded technology aimed at reducing dependence on payments through cheques. It is radically different from the present day paper-based clearing system. It not only permits net settlements between banks but also eliminates systematic risk due to advanced technological innovations.

3.3.4.3.14 National Electronic Funds Transfer (NEFT)

NEFT facilitates transfer of Funds from the bank account of one customer to the bank account of another customer. This facility is available to customers who have bank accounts. There is no limit of amount for transfer. Money can be transferred only to those branches of banks where this NEFT facility is enabled. Once the transaction is put through, customer cannot stop the payment. It is an efficient, secure, economical, reliable, expeditious and super fast mode of domestic money transfer and clearing in the banking sector through out India. It relieves the stress on
the existing paper based funds transfer and clearing system. It is mostly used by corporate customers. RBI has introduced NEFT system mainly to send small value payments at nominal cost.

3.3.4.3.15 Demat

Demat is short for de-materialization of shares. In short, demat is a process where at the customer’s request the physical stock is converted into electronic entries in the depository system. In January 1998 SEBI (Securities and Exchange Board of India) initiated DEMAT ACCOUNTANCY System to regulate and to improve stock investing. As on date, to trade on shares it has become compulsory to have a share demat account and all trades take place through demat. Access to the demat account requires an internet password and a transaction password. Transfers or purchases of securities can then be initiated. Purchases and sales of securities on the demat account are automatically made once transactions are confirmed and completed.

A demat account reduces brokerage charges (which are usually around 2.5%), makes pledging/hypothecation of shares easier, enables quick ownership of securities on settlement resulting in increased liquidity, avoids confusion in the ownership title of securities, and provides easy receipts for public issue allotments or Initial Public Offerings (IPOs). A demat account also helps avoid problems typically associated with physical share certificates, like delivery failures caused by signature mismatch, postal delays and loss of certificate during transit. Further, it eliminates the risks associated with forgery and loss due to damaged stock certificates. Demat account
holders also avoid stamp duty (as against 0.5 per cent payable on physical shares) and filling up of transfer deeds. Demat account holders usually obtain quicker receipts of benefits like stock splits and bonuses.

3.3.4.4 Benefits of Technological Services

Some of the benefits that accrue through the technological services provided by commercial banks are

- Service is quick and efficient.
- Privacy in transaction.
- Wider flexibility in place and time of withdrawals.
- The transaction is completely secure.
- Crowding at bank counters is considerably reduced.
- Avoids opening new branches and reduces operating expenses.
- Enable bank staff to focus on a more analytical and innovative work.
- Increased market penetration.
- Unlimited network to the bank.
- Quick response.
- Time saved during operations.
- Anywhere banking service no matter wherever the customer is in the world.
- Anytime banking – managing funds in real time and most importantly, 24 hours a day, seven days a week.
- Convenience acts as a tremendous psychological benefit all the time.
・ Brings down “cost of banking” to the customer over a period of time.
・ Cash withdrawal from any branch / ATM
・ On-line purchase of goods and services including online payment for the same.
・ Innovative scheme, addresses competition and present the bank as technology driven in the banking sector market
・ Reduces customer visits to the branch and thereby human intervention
・ Inter-branch reconciliation is immediate thereby reducing chances of fraud and misappropriation
・ On-line banking is an effective medium of promotion of various schemes of the bank.
・ Integrated customer data paves way for individualized and customized services.

3.4 MISCELLANEOUS FUNCTIONS

Besides these functions, banks perform many other functions of general utility which are as follows:

3.4.1 NRI Account

NRI accounts are maintained by banks in rupees as well as in foreign currency.

Four types of Rupee account can be open in the names of NRI:

a) Non Resident Rupee Ordinary Account (NRO)

b) Non Resident External Account (NRE)

c) Non Resident ( Non Reportable Deposit Scheme ) ( NRNR)
d) Non Resident (special) Rupee Account Scheme (NRSR)\textsuperscript{110}

Apart from this, foreign currency account is the account in foreign currency. The account can be open normally in US Dollar, Pound Sterling, and Euro. The accounts of NRIs are Indian millennium deposit, Resident foreign currency, housing finance scheme for NRI investment schemes.

3.4.2 Corporate Salary Account

Corporate Salary account is a new product by certain private sector banks, foreign banks and recently by some public sector banks also. Under this account salary is deposited in the account of the employees by debiting the account of employer. The only thing required is the account number of the employees and the amount to be paid them as salary. In certain cases the minimum balance required is zero. All other facilities available in savings account are also available in corporate salary account.

3.4.3 Kid’s Account (Minor Account)

Children are invited as customer by certain banks. Under this, Account is opened in the name of kids by parents or guardians. The features of kid’s account are free personalized cheque book which can be used as a gift cheque, internet banking, investment services etc.

3.4.4 Senior Citizenship Scheme

\textsuperscript{110} URL: Http://www.sendmoney.org/different type of bank account php, 22, July, 2010. 3:35 PM
Senior citizens can open an account and on that account they can get interest rate somewhat more than the normal rate of interest. This is due to some social responsibilities of banks towards aged persons whose earnings are mainly on the interest rate.

3.4.5 Loans and Advances

The main business of the banking company is lending of funds to the constituents, mainly traders, business and industrial enterprises. The major portion of a bank’s funds is employed by way of loans and advances, which is the most profitable employment of its funds. There are three main principles of bank lending that have been followed by the commercial banks and they are safety, liquidity, and profitability. Banks grant loans for different periods like short term, medium term, and long term and also for different purpose.

3.4.6 Personal Loans

This is one of the major loans provided by the banks to the individuals. The borrower can use for his/her personal purpose. This may be related to his/her business purpose. The amount of loan is depended on the income of the borrower and his/her capacity to repay the loan.

3.4.7 Housing Loans

NHB is the wholly own subsidiary of the RBI which control and regulate whole industry as per the guidance and information. The purpose of loan is mainly for purchase, extension, renovation, and land development.
3.4.8 Education Loans

Loans are given for education in country as well as abroad.

3.4.9 Vehicle Loans

Loans are given for purchase of scooter, auto-rickshaw, car, bikes etc. Low interest rates, increasing income levels of people are the factors for growth in this sector. Even for second hand car finance is available.

3.4.10 Professional Loans

Loans are given to doctor, C.A, Architect, Engineer or Management Consultant. Here the loan repayment is normally done in the form of equated monthly.

3.4.11 Consumer Durable Loans

Under this, loans are given for acquisition of T.V, Cell phones, A.C, Washing Machines, Fridge and other items.

3.4.12 Loans Against Shares and Security

Finance against shares is given by banks for different uses. Now-a-days finance against shares are given mostly in demat shares. A margin of 50% is normally accepted by the bank on market value. For these loans the documents required are normally DP notes, letter of continuing security, pledge form, power of attorney. This loan can be used for business or personal purpose.
3.5 MONITORING CUSTOMER SERVICES

The customer services of banks are innovative and beneficial to the society. If they are practiced to the letter and spirit by the banks it would go a long way in the development of the banks and increasing the benefit of the customers. Therefore the banks adopt very many ways to monitor the services rendered to the customers. They are enumerated here.

3.5.1 Customers Interaction.

For providing quality customer service banks conduct customer interactions. Customer interaction is a good promotional tool in selling bank products. The views of the customers regarding the functioning of the bank, its services may be elicited so that the banks services can be improved based on their views for customers’ satisfaction and delight.

3.5.2 Customer Education

The banks should be well versed to know the systems and procedures in relation to customers’ transactions. He should be trained in such a way to interpret and explain these to the customers whenever necessary. Customers’ service is not only based on logic and reasoning but with people’s self respect and emotions. The banker should take painstaking measures to enlighten the customers on the various aspect of banking. Because of technological revolution in the banking industry customers’ expectations have been growing. It is the onerous responsibility of the banks to enlighten the customer’s
purview of banking operations, viz., and deposits/lending/plans scheme. Customer may fail to comprehend the importance of a particular scheme of the bank and conceive it in a wrong perspective. The banks should set right this anomaly through customers’ education. Customers’ education can reduce this information gap, paving the way for better understanding.

Customers always look with apprehension about the service charges levied by the banks. They need to be educated that the service charges are reasonable and the various lending schemes of the bank particularly the schemes for financing small business and professionals are really beneficial to the society. The amount of commission charged after remitting money through post office money order is much higher than the amount of exchange charged by the banks for mail transfer/demand drafts. The formalities required to be complied with or the plethora documents are mind boggling for an ordinary customer and therefore he might shy away from using the services of the banks. Banks simplify the procedures and forms so that even an ordinary customer should be able to fill up the forms without outside help. This will lead to the speedy disposal of their applications for financial assistance. Customer education therefore should be viewed as a fundamental issue in the attempt to improve the quality of customer services.

3.5.3 Customer Suggestions

Feeling the pulse of the customers of a bank is very important to undertake corrective measures for the progress of banks. the bank should arrange infrastructural adjustments to elicit customer suggestions at regular intervals. Banks contact their
customers to suggest ways and means for improving the bank’s performance in their service areas. Banks provide forums on which their customers can express their views on which area they are satisfied and areas in which they feel improvement is called for. The complaints/suggestions box kept in each branch to get feedback from the customers,

3.5.4 Customers’ Meeting and Customers Relation Programme

Customers Meets and Customer Relation Programmes may be organized at regular intervals by banks with a view to getting their views on their functioning. Besides, those would help the banks to build and develop a rapport which help them to get more business and boost the image of the bank. So, the branches should practice relationship banking to ensure personnel rapport with individual customers.

- The branch can build a relationship through sending seasons’ greetings to customers on the eve of festivals, birthdays and weddings days.

- The manager can participate in customers’ functions held at their offices/residences. They could adopt customers as a group and take care of their needs in the branch with team spirit. Customers profile and customers evaluation study will be useful to the bank branch manager to render expected service to the customers.

3.5.5 Customer Interaction

The top level functionaries should contact customers at periodical intervals as well as visit branches to interact with customers to get firsthand information on the quality of service. This will give a feeling of nearness to the banks to existing customers.

3.5.6 Customer Councils
At large branches customer councils are formed where a few customers co-operate along with the customer services committee members to identify problems faced by customers and to suggest solutions.

### 3.5.7 Human Resources Development

The human capital is the gateway to success in any service industry. A bank is a large organization with a massive workforce. The workforce staffs in banks possess the competence and capability to innovate in the area of enhancing the image of the organization. They are also adept in the area of product development and service sophistication. Markets are expanding globally and customers’ expectations towards banking services have also increased. With modern of technology, the homogenization of products and found and manipulated only the human capital can make use of the abundant opportunities that lay before the organizations. The focus should be on harnessing human resource development and channelizing these resources for productive purposes.

The psychological behavior and attitudes of the staff should be dissected so that a better customer service can be provided. Human nature is complex and cannot be unfathomed. People behave differently at different times under different circumstances. But trying to unravel the mysteries of, human attitudes and behavior can help the bankers to improve their services to customers. All bank personnel need customer oriented training.

### 3.5.8 Knowledge of Employees
In today’s competitive world survival of the fittest is the norm. In order to float in the whirlpool of life one must learn new skills, sharpen one’s talent and enhance job knowledge to keep abreast of the fast changing development in banking. A person with better knowledge has always a great value than an unskilled one. Knowledge should be disseminated among the employees through very means and they should impart the knowledge to the customers on the working of the bank. The banks can organize readers’ forum and group discussion to disseminate knowledge of the latest development in the fields of banking and related areas particularly new schemes of banks and their implications.

3.5.9 Listening Skill of Employees

For understanding a customers’ viewpoint in the proper perspective the employees should develop patience and well developed listening skills. The customers are unhappy that the bank staffs do not listen to them patiently. They should listen to the customers’ queries without interrupting them. Misunderstanding can be removed if the bank staff listen attentively and regarded the customers well.

3.5.10 Communication Skills of Employees

Internal communication within the organization must be clear, concise and correct. Only if function properly internally, with urgent messages properly communicated to all staff, external communications will be effective. Communication has to be continuous
and stable and unless everyone in the organization receives similar message and interprets it in identical manner the end results may differ. The telephone and letters both are major media of communication that enable the organization to expand the contacts with customers. A friendly tone in response attracts the customers. As regard letters, should be in an intimate form of contact with the existing customers and prospective customers. The image and the culture of the organization can be portrayed in the form of the tone and the way of writing the letter.

3.5.11 Attitude of the Staff

The attitudes of an employee towards work, his colleagues, seniors, juniors, and the organization should be positive. If the employee is satisfied over his job conditions he will be happy and enthusiastic. The employee’s general satisfaction can act as a catalyst to developing a positive attitude towards work as well as involvement with the organization. Changing the attitudes of employees positively takes time. But when it happens it may lead to a chain of interactions with broader advantage for the organization and in turn for customers. Proper attitude and orientation can be achieved in any organization if both the management and the employees understand the need for rendering the service to customers.

3.5.12. Promptness

Customers have to pay several visits to the bank for completing a single transaction. There are often avoidable delays in updating pass books, issue of D.D/cheque book/term deposit receipts, collection of cheques, and other aspects. Most of the delays