CHAPTER - II

REVIEW OF LITERATURE
2.1.1 Frequent innovations in the development of sophisticated technologies pave ways for the emergence of an ultra-modern life style, which brings an attitudinal change in the prospects. The level of expectations considerably influenced by attitudes starts moving upward which if not fulfilled properly opens doors for dissatisfaction. Of late, we are living in an age of technology where electronic banking has been found gaining popularity by the world over. This has made possible a basic change in the nature and character of customers services. Concerns have been expressed about the operational efficiency and viabilities of the banking system. Banking sector reforms seek to address on this issue. However, most of the periodicals seminars-discussions etc.devote few pages to the new emerging concept, Marketing management of customer services in the Commercial banks.

2.1.2 Much of the literature is addressed either to the nationalisation of commercial Banks or to certain aspects of operation of Banks. Particularly, over the past decade, a great deal of effort has gone into explaining the need of Bank management for the Banks.
2.1.3 Notwithstanding the fact, that several studies have been made on the various aspects of commercial banks, no comprehensive study has so far been made on the marketing management of customer services.

2.1.4 There is inadequate literature concerning it. The literature available is mostly in journals and mere chapters in books devoted to customer service. Literature is also available from the reports of a number of commissions, working groups, research institutes, and other private survey organizations. There are few studies which have attempted to analyse some aspects of the major banking variables. Besides these studies, a few scattered efforts have also been made by individual scholars. However research studies focusing on marketing management of customer services is not yet available. Whatever, available in the published material is very little. As the need is increasingly recognized this research studies is under taken. It is essential to look into the banking scene in the developed nations especially with regard to marketing management of customer services.
2.1.5 In the past, banks in India never thought it their responsibility to respond to the needs of the customer, but with the growing importance of the concept of customer service, banks are finally taking notice of it. On the other hand, foreign countries especially developed nations are ahead of India in this field. There are several reasons why customer service is gaining importance in India. They are mainly due to "growing competition, technological advancement, expanding world markets, increasing customer sophistications, growing size and complexities of modern business and changes in the structural and demand pattern of our urban and rural population." Banks in India have begun to realize that in order to make a fast forward march to catch up with developed countries they will have to improve their customer service. This will perhaps be the major determinant of the bank's operational success.

2.1.6 Today, the banking scene in India is in a state of transformation, but in Western and European nations customer service has more or less reached level of satisfaction. However, a search is on to find new avenues and methods of marketing
management of customer service. As a matter of fact, some have already made a head way in it and have begun its application. In these nations, the new method of customer service is a basically on the lines of technology-oriented applications. However, bankers of these nations are not complacent as they are well aware of the rapidly changing tastes of their customers.

2.1.7 In India, customers are generally not satisfied with the way the "man behind the counter" deals with them. In foreign countries, especially in UK, the situation is no different in the sense that what was once a successful customer service system is now considered dwindling. One of the several reasons for the down trend is that bank employees have become insensitive to the customer needs. If bankers ever place themselves in the customers shoes, they would probably realise what went wrong, most bank staff have never experienced treatment as a bank customer. All their personal banking is treated completely different from that of the man in the street"........many in the banks do drift into treating customers pompously and with indifference. The concept of
service does not consist of pinning up posters in the banking hall advising customers that 'we think you are important'. For customers to view the banks positively, they really do have to believe that we have their interests at heart.” This view definitely matches with the situation in Indian banks.

2.1.8 In recent times in Europe there has been an increased focus on standards of behaviour and ethical practices being a part of the growing movement in business and society, so that greater emphasis is put on the rights and expectations of the customer belonging to the European community. This trend was not reversible and bankers were required to understand it and adopt these practices in their day-to-day dealings to match those expectations. A realisation has come upon them that all situations cannot be dealt with by adhering to prescribed sets of rules or codes of conduct. “The quid pro quo for their (bankers) specially-protected status is that they should have a particular regard for the needs of their consumers, a regard which means that a bank’s own commercial interests should not always override the interests of the customers.” Not long ago commercial interests in
Indian banks overrode the interests of the customers, but with the growing importance of customer service, tables are bound to turn.

2.1.9 Customer is a many sided character, a multiple personality so the nature of customer service is complex and at the same time dynamic in action. This only means that a bank was never mechanistic. Under certain circumstances, every banker may face questions regarding the standards of behaviour. In other words, each banker “has to remind himself not only of what the law or some internally-generated set of rules may say, but also how his actions will stand up to wider scrutiny both internally and externally. The price of not doing so is to risk damage to his own and his bank’s reputation”\(^4\). This only indicates that bankers have to show positive attitude and behave carefully as far as customers are concerned. The same would apply to bankers in India also. “Customers are becoming more aware, better educated, and more unwilling to be treated generically.”\(^5\) With an eye on the future of banking, especially in the field of customer service, here is what a top banker of England has to say, “Our success
in providing excellent customers service will depend very largely upon our ability to respond. We are not far away from the time when all customers will expect 24 hour access to service and information. We must be able to deliver proactive relationship and demonstrate exceptional responsiveness in all aspects of the offering to our customers. The target is to delight our customer, not just satisfy them\(^6\) of this holds true for the future, then India on her part, cannot stick to the present forms of banking services offered to customers. She has to look to the future in a more customer-oriented perspective with marketing and management attitude.

2.1.10 What the customers want is becoming more and more unpredictable and according to a survey report published in a well known banking journal\(^7\) on customers trend in developed nations, bankers can no longer assume that they know intuitively what customers need. In fact, the many bank products pushed to the customers are usually not used, that pricing does not syncronise with costs and that marketing strategies are poorly targeted. It has been observed from an industry questionnaire that “customers focus stands out as the
critical success factor of the 1990s, the new challenge is to get the right service to the right customer at the right price, rather than try to provide all services to all customers." The survey further indicated that if banks were to survive then they must return to the basics, reassess their operations and focus on a customer-led strategy, and not on product-led approaches.

2.1.11 The situation in U.S.A. is similar to Europe, however, the bankers in America have already been embarking on strategies to give a new look to the banking services. Foremost in their strategies is to tackle the problem of straying customers that is, to persuade customers from not migrating to other banks. According to an article in an American Banking Journal, \(^8\) "banks have benefited from customers' inertia and their belief that changing banks is too much of a hassle," says N.W. Pope, Executive VP, first Hawaiian Bank, but Pope and other American bankers also believe that this won't last long. As a matter of fact, they are convinced that younger customers are more likely than their parents, to leave a bank in search of greater convenience, lower prices, higher deposit interest rates, or just better
service. Banks and American NBFCs are attracting the young and the old with products like mutual funds. This particular form of product is gaining momentum in India and is becoming a very popular alternative to company securities in the private sector. Popularity is one thing, but it does not guarantee non-migration to other banks, for the simple reason that it is relatively new in India. In terms of customer service, nationalised banks could face migration of its customers to future private banks set up by big industrial houses and NBFCs. This may be due to customers perceiving the services of such banks to be more efficient.

2.1.12 American bankers are beginning to see such services, like automated teller machines and telephone banking, as better liked interchangeable utilities than firms that develop customer loyalty. John P.Hicky, Chairman and CEO, Bank One, Fort Worth Taxas, believes that people leave mainly due to a desire for more convenient service delivery. He further believes that it is a must for banks to adopt customers' changing attitudes and preferences. "Smiling and being pleasant is not enough anymore", says Hickey."
look at service availability and competitiveness of the offerings.”

2.1.13 A majority of those who have written articles on customer service in India are unanimous about the much needed improvement in the services rendered by the banks, but in a fast changing economic scenario there is a need to meet the changing customer tastes. “Customers have changed, the needs of the customers have changed, their ideas of banking have changed. The old traditional ideas of security is not the main factor now. It is the service, the courtesy, the politeness and promptness with accuracy that counts much more in the banking industry.” In other words, customers want personalised service and attention, irrespective of which bank it is or of what size. “The banks are expected to give topmost priority in providing satisfactory and efficient service to their customers.”

2.1.14 C.Subramaniam, in his article points out that bank customers expect very simple services such as timely work, no queues, availability of someone at the counter, and access to necessary information whenever required. He further points
out that there is no clear definition of 'best' service. A 'best' service to one person may be a bad service to another. He concludes that a best service is one which is extended appropriately by identifying and understanding the needs of the individual customers from time to time.

2.1.15 The study points out that there has been a deterioration in banking services after the nationalization of the banks. Go-slow, strikes and other modes of indiscipline have become a matter of routine. To cite an example, more than six lakh bank employees and officers went on a day’s strike causing great inconvenience to the customers as bank business could not be conducted and cheques could not be cleared. The reasons for the strike? “Closure of loss incurring branches, establishment of private banks, as well as granting additional licences for opening of branches to foreign banks.”13 On other occasions bank employees openly declare that they get paid for “attending” the offices and “overtime” for doing the work. “Such an attitude of callousness towards the banking consumers is most deplorable.”14 It is therefore, not surprising when “customers services rendered by banks
leaves much to be desired, and in certain respects, has indeed reached very low levels, both absolutely and in comparison with the past."\(^\text{15}\)

2.1.16 "The most important task before the existing bank is, therefore, to refocus on the customers as the central element in a banking business."\(^\text{16}\) Even though several measures have been taken in the past by the banks, their customers service are not upto the mark. The primacy of the customer has, therefore, to be brought under sharper focus. The concern for the customers and his needs, and a realisation that a bank exists only because of its customers, have to permeate the entire organization.

2.1.17 In India, all the banks are operating in a similar atmosphere, offering similar price, having similar location and with similar working hours. And yet the only way to know their difference in growth rate is to understand the individual bank’s efficiency in terms of customer service, their marketing management approach public relations, and image building. In other words, the growth of deposit in banks is entwined with the efficiency of customer service. Realising the importance of
customer service, various committees were appointed to make a study of it and to make their recommendations to improve the same. The two most important committees appointed are the Talwar Working Group and the more recent Goiporia Committee.

2.1.18 The Talwar Working Group\textsuperscript{17} appointed by the Government of India in 1977, examined the customer services rendered by the banks. According to the report submitted by the group "the service presently rendered by banks needs and is capable of vast improvement." In its report it had recommended measures to improve customer services in banks. And if there is some improvement in the services today it is because of the adoption of most of the important recommendations.

2.1.19 The All India Bank Depositors' Association, Bombay branch, had submitted a Memorandum to the Estimates Committee of the 8\textsuperscript{th} lock Sabha with regard to customer service and security systems in Nationalised Banks. As per the study the emphasis will be on customer service only. The All India Bank Depositors' Association felt that the
services rendered was inefficient and sloppy in manner. The common complaints found were: delays and discourtesy in counter service; passbook not updated regularly; inordinate delays in clearance of cheques; absence of decision-making even in simple matters at branch level. Besides the usual complaints, the association had found that was no sense of either urgency or business efficiency in transactions. Except acceptance of cheques for deposits, other counter transactions took a long time. Even when issuing cheque books, customers were told to come a second time. The association has also concluded the reason for the delays. In trying to convert ‘class banking into mass banking’ the manual system had broken down. Appropriate modern technology was not introduced and there was no customer consciousness. The association had asserted that the banks totally failed in the task of customer education and councelling. They were also not happy with the unilateral increase in the service charge. When ironically the then Finance Minister had declared the “Year of the Customer”. The Association felt that the reason, “costs have gone up”, was weak. As regards customers’ grievances, it was
commonly found that branch managers did not take decisions, particularly where staff behaviour or lapses were concerned.

2.1.20 The Goiporia Committee\textsuperscript{18} appointed by the Reserve Bank of India, has recommended several measures for implementation by commercial banks, for improving the quality of customer service. Some of the recommendations are briefly summed up as under:

a) Fixing of hours of staff 15 minutes before the start of business hours.

b) Issuing of drafts/banker cheques-single window service.

c) Reimbursement of interest to the collecting bank by the paying bank, when such delays in collection can be attributed to the paying bank.

d) Answering of routine telephone enquiries by introducing a 'pass book'.

e) Extension of business hours up to an hour before the closing of working hours, for non-cash transactions.
2.1.21 The above major recommendations of the committee will no doubt have a far reaching impact on the functioning of the commercial banks. Some of the recommendations are in fact revolutionary in nature and if these measures are implemented, the work culture in the banks would definitely undergo a sea of change.

2.1.21 A glance at the letter or grievance section of leading newspaper, and one will find customers complaining to the Editors about poor banking service. A typical letter to a leading newspaper reads “Nationalisation of banks proved a very uneconomical step innumerable customers have suffered and are suffering but and are suffering, have remained silent. Experience have exposed that by lodging complaints, things will take the shape from bad to worst. They state complaints do not serve their true purpose. One is looked like a criminal in the eyes of the bank staff. Some employees behave nastily since they are aware that they will not be redundant.”¹⁹ There are a number of such complaints and going by this, one is reminded of a suggestion to rank the banks in India based on complaints.²⁰ Ranking of the banks should be done on the
basis of total customer complaints in a year for each bank by totalling the complaints against all its branches in the year. Naturally, a bank having highest tally will get the last rank and lowest tally will get first rank. (However, this method has its limitations). A better method would be to find out the average number of complaints bank-wise then give the ranks. That is, total number of complaints divided by the number of branches to give the average figure per branch. This way the average for all the banks could be worked out and ranks be given.

2.1.22 R.K. Sapru in his research study concerning customer service in commercial banks, has emphasised a systematic assessment of the quality of customer service, “.....otherwise there is a strong likelihood of stray incidents, usually communicated by vociferous customers in the form of complaints, making an emotional impact on the concerned ones”. This only leads to a lopsided understanding of the total situation. He however, points out that there are “significant signals” from various people that the banking services has been deteriorating.
2.1.23 In his study he has taken a sample of 65 customers of the PGI branch of the State Bank of India. In terms of methods applied for collecting information, the construction and administration of a questionnaire along with interviewing of the respondents had been considered. His findings only confirm what was popularly felt, that the major problem in customer service is the cold indifferent attitude of bank employees in dealing with the customers. This attitude in turn creates a host of other visible problems.

2.1.24 Rajiv Upadhyaya in his study on public relations and customer service, has ranked depositors, borrowers, others availing ancillary services, employees and managers according to their importance to the banking business. According to him, depositors and borrowers rank first and second respectively. “The depositors are the virtual creditors of the bank, but in actual practice they are the most neglected persons”. He further points out that the employee at the counter does not have the feel of a debtor everytime a customer, the real creditor, comes to deposit. The bank employee’s behavioural pattern usually shows a complete reversal in the position.
2.1.25 In this study he has taken into account all the commercial banks, but has not mentioned how many sample customers have been considered. The method he has applied, to collect information, is by the construction and administration of the questionnaires. His findings in terms of customer services are as follows:

a) Delay in encashment of cheques at the counter.
b) Delay in clearance of cheques deposited.
c) Low rate of interest on deposits.
d) Lack of timely entries in passbook and safe custody of the same in the premises of the bank.
e) Delay in issuing cheque books.
f) Loans against fixed/term deposits is at a very high rate of interest.

2.1.26 Vasant Desai\textsuperscript{24} in his survey indicates a conflicting opinion between the customer and the banker. “Customer are almost unanimous in decrying banks’ customer service. However, when asked to rate the quality of customer service given by their banks, most bankers rated it as either very good
or good”. From this it is clear that bankers and clients have different views of the concept of customer service.

2.1.27 According to his survey only 12.5% of the total sample acknowledged that customer service in their banks is bad. This only means that most of the bankers do not want to openly admit that they have put up a poor performance in customer service. Desai has taken into account the bankers of various banks as respondents in his survey. It is from the bankers’ point of view that he has observed the reason behind poor customer service. He has found that 47.5% of the total respondents have given "Work pressure" as the main reason for the poor quality of customer service the reason for poor quality of customer service. However, 25% of them admitted that complacency due to job security is the other main reason. Some 15% thought their banks lacked in work ethics. It may be recalled that in European nations, work ethics with regard to customer service is being given top priority.

2.1.28 He concludes by suggesting that bankers should put themselves in the customers’ shoes and see the difference.
"Customer service covers all aspects of the banking interface from courtesy to efficiency and speed".

2.1.29 S.C.Bandyopadhyay\textsuperscript{25} at the instance of Dr. M.K.Sinha, MD, SBI has carried out a study on customer service rendered by the State Bank of India. He is of the view that with the changing economic scene, the Indian banking scenario was also ready for the change. The change will no doubt be reflected with the participation of more foreign and private sector banks, emerging importance of the capital markets, and new financial instruments in the market. Therefore, with this type of competitive environment, Bandhopadhyay believes that one of the major determinants of the success of a bank's operation is going to be the kind of services rendered to the customers. With this in view, he made survey by collecting opinions of a cross section of existing SBI customers that would help to indicate the directions to which the bank can move and reorient itself with the moving time.

2.1.30 To collect the views, a simple questionnaire was designed and circulated to some branches. On the other hand,
branch officials got the views of their customers in a prescribed manner. The objective of the study was to show the expectations of the customers and officials working in the branches at the grass-root level. The study was based on the information collected from three head officers in Bombay, Delhi and Madras and from the two associate banks. Branches were selected in such a way that metropolitan, urban, semi-urban and rural areas were fairly represented. The number of branches covers was 61. From these branches, 221 branch officials and 467 customers have given their views.

2.1.31 According to the findings of the survey, the most important view of the respondents was regarding service delays. Bandyopadhyay reminisced that “over the years, banking system has been entangled in a bureaucratic process, where even a simple matter takes a longtime. To break this web will not be very easy and will take time. Mechanisation of banking will go a long way in this direction”. But he realised that it was the attitude of human beings that has to be changed. Other findings of the survey are as under:
a) Customers aware of schemes of other banks have recommended similar schemes for SBI.

b) Poor publicity and lack of attention to educate their customers has resulted in lack of awareness of different schemes of SBI.

c) Customers and branch officials have felt that there should be simplification of various forms used and procedures for sanctioning loans.

d) Besides modernisation of the branches, provision of drinking water, toilet, and sitting arrangements in certain branches was needed.

e) As far as cleanliness is concerned, sufficient attention was not being paid in the upkeep of most of the branches.

f) Probably one of the most important findings of the survey has been the customers' dissatisfaction with the behaviour of the staff in the branch.

2.1.32 “There may be several reasons, like less number of staff for too much work or it could be indifferent attitude of the staff members. Whatever be the reasons, it is certain that
behaviour of the staff with the customers needs improvement”, concludes Bansyopadhyay.

2.1.33 Improvement in bank marketing does not necessarily mean the improvement in customer service. Bank marketing basically lays stress on the successful promotion of bank products, while customer service lays stress on the more important banker-customer relationship and the efforts to improve it. It is noticed that in Europe and America, bank marketing management is fully developed. Customer service is the ‘inthing’ now and a lot of importance is given to it in these nations. However, it would be unfair not to mention the role of marketing management of customer service in banking industry. Marketing concept would imply that banking should focus its attention on customers and try to satisfy their need. This will provide the banks a better chance for customer service, cost efficiency, organisational effectiveness and meaningful management planning.

2.1.34 According to Thompson, Berry and Davidson, successful and high performance banking in the future will be achieved by managing markets through the systematic
utilisation of planning procedures. They lay stress on the 'market place' where changes take place. It is where largely uncontrollable external changes occur that affect banking to varying degrees. This concept also tantamounts to the reality that "customer is the business". They point out that the market approach to planning serves mainly as unifying element that channels decision making in a coordinated manner towards critical focal points. In this sense, planning becomes a systematic allocation of 'human' and 'financial' resources in a way that satisfies customer needs and wants at a profit.

2.1.35 Lal and Patnaik\textsuperscript{27} are of the view, that in bank marketing, an approach should be made regard to market segmentation, in order to improve the marketing of banking services. They say that, "Indian banks have followed the market segmentation approach to a limited extent. The massive field survey carried out by the NIBM, at the instance of the IBA has found some market segments, such as illiterates and production workers, which are neglected by Indian banks. The survey emphasised the need for developing proper market strategies to exploit these potential market segments. " Lal and
Patnaik have given some suggestions for a sound and successful marketing strategy for the banks with regard to market segmentation.

2.1.36 The articles and studies reviewed support the view that it has become extremely necessary to step up the improvement of customer service on a permanent basis. C. Bhattacharya, GM, SBI, Ahmedabad, points out that in a liberalised economic environment survival of the fittest was not the only reasons for existence. In connection with customer orientation, Bhattacharya has quoted in his article the address of the SBI chairman in the 38th AGM, that even though many measures had been taken in the past, a perception still persisted that customer services were not up to the mark and that the bankers have to realise they exist only because of the customers. Bank officials have to accept the reality, and not crib about the measures taken by the government to systematically denationalise banks gradually and close down any loss incurring branches in the overall economic reforms.

2.1.37 Banks not only have to enthusiastically implement the recommendations of committees endorsed by the
government, but will also have to try to understand the customers' psychology in their dealings with the banks. A thorough understanding of the customer should be a prerequisite to offer satisfaction through the services as customers are not homogenous in their attitudes, needs, and expectations. A satisfied customers means banks are creating a potential for attracting new customers. A very important aspect of customer satisfaction is the treatment they receive at the hands of the bank personnel who actually interpret the working of the organisation.

2.1.38 In the end it is important to add that there has been a development in the recent past regarding customer service in banks, where an institution of ‘ombudsman’ has been setup to look into and provide redressal to grievances of the customers. Known as the Banking Ombudsman Scheme-1995, it has been advertised in magazines to let the public know how they can take advantage of the scheme. The advertised scheme is titled “Marking the beginning of a new era in customer satisfaction.” It further says, “the scheme, notified by RBI, is designed to resolve customers’ grievances, in a quick and inexpensive
manner. The Ombudsman will attend to customers’ complaints related to certain key areas which remain unresolved at the bank level." The advertisement explicitly explains how a customer can go about for redressal by adhering to the given four questions. They are: when can a complaint be lodged? What are the complaints that can be lodged? Where can a complaint be lodged? How can grievances be redressed? In the end, the advertisement has given the name of five ombudsmen appointed by the RBI with corresponding jurisdiction and contact address for lodging the complaint documents by the customers. Time will tell the popularity of this scheme and its impact or contribution towards, the improvement of customers services.

2.1.39 Customers service is like the end of a pipe line.\(^{29}\) The pipe line is the flow of services from a banker to customer. Customer services performs a matching functions linking the pipe line of the banker with that of the customer and the term under which this matching takes place are then the issue of customer service.
2.1.40 Sky is the limit for marketing. Sky is the limit for quality. The days of getting easy walk-over in the business of banking are now over. Business in banking goes where it is invited but stays for a long time where it is well treated with the fine tune to marketing management of its customer-services.

2.1.41 The last decade has witnessed the very significant changes in the banking system. What is more, the scale and scope of banking operation have undergone substantial changes, in response to the changes that have been taken place in the social, political and economic environments. In the process of growth, the banking system, however, developed certain rigidities and deficiencies hampering operational efficiency.

2.1.42 In order to capture all these aspects is i.e. marketing management of customer service, of commercial Banks and to make a comprehensive analysis, with an insight into the problems and suggestions, the present research is an endeavour in the right direction. Interestingly this research
study will help to create welfare based development oriented public sector banking.

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