CHAPTER I

INTRODUCTION

Mahatma Gandhi said, "a customer is the most important visitor on our premises. He is not dependent on us, we are dependent on him. He is not an interruption in our work, he is the purpose of it. He is not an outsider on our business, he is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so. Thus, the customer is the king." Customer care is emerging as a critical factor and banks are fully conscious of the need for attaining international standards of service.

"Good is not good enough when better is expected". Provision of better and efficient customer services is the only way, not only for earning profit but also for the survival and expansion of the business. Banking institutions are not an exception to this rule.

Customer service in bank is a perennial issue for discussion. Broadly speaking, customers are of different categories with different expectations and attitudes and come from wide socio-economic and cultural backgrounds. Since the number of customers to whom the services are to be delivered has increased considerably, an overall analysis of customers' needs, as well as banks existing infrastructure and attitudes to respond to their needs have to
be examined. The gap between the expectations of the customers and their fulfillment is the root cause of grievances, which affects the business as well as image of the bank. To overcome this situation, there should be an effective monitoring mechanism and constant vigil over the services provided to the customers.

Mr. John Brooks, former President and Chairman of the Council of the Chartered Institute of Bankers, London, rightly states, "Give Service - This has been the moral for the banking industry for decades past, is applicable today and will be a key to success in the decades to come...."¹

IMPORTANCE OF THE STUDY

At the time of Independence, banks had no thought or regard for the concept of marketing as there was no competition. There were only two sets of bankers. On one side State Bank of India, enjoying Government patronage and on the other, private commercial banks, serving the interest of the big business houses.

However, after the nationalisation of 14 major commercial banks in 1969, there emerged three groups of banking viz. State Bank Group, (also a Public Sector Bank), other Public Sector Banks and Private Sector banks.

Hence there is a severe competition among themselves on one side and the Non-Banking Financial Institutions, Post Office Savings Banks on the other. As banks are subject to the control of the Reserve Bank of India; they have no other option other than providing better services to attract the customers.

With this aim, the Government of India and the Reserve Bank of India have been making concerted efforts at improving the level of customer service. The role of the banking sector continues to grow when it understands the changing needs and preference of its customers in a developing economy like India. It is thus clear that marketing approach is being emphasized for banking sector also.

Therefore, to withstand the competition, to survive successfully in the global market, to retain the existing customers, and to attract new customer for deposit mobilisation, superior quality of service should be rendered, by constantly reviewing the needs and level of services provided to satisfy the customer. Hence the importance of the study on Customer service.
The Banking Commission (Chairman R.G. Saraiya) examined the issue in 1972. In 1975, Government of India appointed a working group to study customer service in banks, under the chairmanship of Shri.R.K. Talwar. The group submitted its report in March 1977. For monitoring the implementation of these recommendations, a Standing Committee on Customer Service of Banks with representatives from Ministry of Finance, RBI and the IBA and a few public sector banks was constituted. Estimates committee made recommendations towards improving customer service in banks which were circularised to all public sector banks at the end of 1988 by the Banking division of Economic Affairs Department, Ministry of Finance, Government of India. In September 1990, the Reserve Bank of India appointed another Committee under the chairmanship of Shri.M.N. Goiporia to look into the causes of poor customer service in banks. The Committee submitted its report on 6th December, 1991. Narasimhan Committee which went into the whole

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gamut of the working of the Indian Banking Sector, had also emphasised the need to improve service to customers.\(^5\)

Due to competition and increase in the volume of transactions, there is an increase in the number of complaints. RBI has established the Banking Ombudsman Scheme in 1995 to look into the grievances of the aggrieved customers. Customers of banks now have a complaint redressal machinery under the banking Ombudsman Scheme which is expeditious and inexpensive.\(^6\)

**DEFINITION**

While text books and statutes have defined "Banker" reasonably clearly as "one collecting deposits for the purpose of lending or investment, payable on demand or otherwise, and withdrawable by cheque, draft or otherwise". There is no statutory definition of the term customer.  


According to Lord Davey (G.W. Railway Vs London and County Bank, 1901) a customer is a person who has "some sort of account, either deposit or current account or some similar relation with the banker".

Sir John Pagets' view; "To constitute a customer there must be some recognisable course or habit of dealing in the nature of regular banking business...".

In Central Bank of India Limited Vs V.Gopinathan Nair, the Kerala High Court observed that "a customer is a person who has the habit of resorting to the same place or person, to do the business. So far as banking transactions are concerned he is a person, whose money has been accepted on the footing that, the banker will honour up to the amount standing to his credit, irrespective of his connections being of short or long standing."

According to Dr. Hart "a customer is one who has an account with a banker, for or whom a banker habitually undertakes to act as such".

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9 TANNAN M.L., Ibid., p.179.
"Working group on customer service in banks," appointed by Government of India Shri. R.K. Talwar, Convenor of the working group, in their report, defined customer as, "a user or a potential user of bank services".  

Thus a customer would obviously include an account holder or his representative or a person carrying out casual business transactions with a bank, or a person who on his own initiative or on the banker's initiative may come within the banking fold. The problem would really arise in locating or identifying a potential customer. This would call for vision on one hand and the right marketing and developmental attitude, on the other.

STATEMENT OF THE PROBLEM

At the time of nationalisation of fourteen commercial banks in 1969, the primary importance was given to "more banking", now the thrust is to be upon "better banking". Improved customer services have assumed vital importance to withstand the competition from their counterparts. In the late 90's, financial sector reforms, globalisation, liberalisation, deregulation and technology explosion have intensified the competition, allowing the survival of the fittest.

Banking services provide intangible benefits to the customers, provided through the tangible, physical and human resources in a time bound service.

experience environment. The customer expects the services to be fast, reliable and of assured quality. Customers' perception on the quality, job knowledge, attitudes and behaviour of bank personnel are the important factors to be taken into account for the assessment of customer service in banks. This is the problem of the present study.

**OBJECTIVES**

The main objective of the study is to find out customer's satisfaction in receiving the services provided by the bankers.

The objectives of the study derived from the main objective are as follows.

1. To study the genesis and growth of customer services in commercial banks.

2. To analyse customers' opinion about the customer services and the level of satisfaction derived thereon.

3. To examine the customer services of the banks and to elicit bankers opinion about the same.

4. To explore the grievances of the customers, the redressal mechanism available and its effectiveness.
5. To compare the opinion of the customers and the bankers in the provision and implementation of the Goiporia Committee recommendations, on customer service in commercial banks.

6. To analyse and study the mechanism of the Banking Ombudsman Scheme.

7. To suggest measures for improving the customer service for a higher level satisfaction.

Public expectations from banking system and consequential demands on banks, especially at operating levels are more. There is a gap between the provision of services and the expectations of the customer. How this gap could be bridged is the main aim of the study.

HYPOTHESES

Keeping in view the wider theoretical framework and objectives of the study, the researcher has formulated and tested the following hypothesis.

1. There is a significant relationship between the perception of customers and bankers.

2. Customer services provided by the banks in the metro is better than the services provided by them in urban.
3. There is a significant difference in the amenities provided by the bankers in the metro and urban.

4. There is a significant relationship between the customers and bankers opinion on the technical aspect of the customer service provided by the bankers.

5. There is no difference between the opinion of bankers and customers on after sales services.

6. Bankers perform more efficiently, by adhering to the stipulated time norms much to the satisfaction of their customers.

7. There is no significant reduction in the complaints received.

8. There is no significant relationship between the number of complaints received and disposed.

9. There is no significant difference in the type of complaints.

10. There is no significant difference in the types of banks that has used the Ombudsman Scheme over the years.

11. There is no significant difference in the nature of complaints received by Ombudsman Scheme over the years.
METHODOLOGY

This is an empirical study, based on the metro and urban customers of selected banks in Tamil Nadu. Description and analytical methodology has been adopted in the study.

A questionnaire comprising of four parts was developed. In the first part, personal informations were asked for classification. The second part includes questions to identify them as customers. Multiple choice and dichotomous type of questions were included in the third part. Part four comprises of questions related to behavioural aspects, amenities provided, choice of the bank etc. Finally suggestions of the respondent were asked.

A similar type of questionnaire was framed to get the opinion of the bankers in delivering customer service. This questionnaire also consisted of four parts. The first part was meant for the demographic details of bank respondents. The second part consisted of the details regarding the time norms of the counter transaction. Questions were asked in the third part to get information about the provision of loans and few other services. Questions were included in the fourth part to get banker's opinion about the amenities, the complaint procedure and ranking the customer service in their bank. Finally suggestions were invited in the questionnaire.
A pilot study among 80 customers of various banks was conducted in the study areas to bring to light the weaknesses. A similar pilot study was conducted among 75 bank employees. The loopholes in the questionnaire were removed and it was suitably modified after inculcating the opinion of customers and the advice of the bankers. The improved questionnaire given in the appendix was administered for the field study.

Chennai region comprising of Chennai, a metropolitan city; along with Vellore in North Arcot district, Kancheepuram and Walajapet the three urban areas, were also selected for the study. Chennai region is selected as Chennai is the capital of Tamil Nadu comprising of people of different walks of life and status.

SAMPLE OF THE STUDY

A total of 1200 customers, 600 from Chennai, a metropolitan city, 200 from each of the three urban areas were conveniently selected with the assumption that at least 75 percent of the customers would promptly respond for the questionnaire. The sample size is equally proportioned between metro and urban areas for the purpose of making a comparative analysis.

The questionnaires were distributed to the customers who were holding an account in a bank. A total of 690 (380 from metro and 310 from urban) duly
filled in questionnaires were received. The inferences and conclusions are made on the basis of information which were subject to statistical analysis. Banker respondents were selected on the basis of convenience and purposiveness.

PERIOD OF STUDY

Primary data were collected during the financial year 2000-2001. Secondary data for 5 years, from 1997 to 2002 in the case of Ombudsman scheme were also collected.

SOURCES OF INFORMATION

Both primary and secondary data were used for the study. Secondary data were collected from different newspapers, journals, magazines, reports, books etc. for which the researcher has approached various institutions like Indian Institute of Management, Bangalore, Indian Bank Staff Training College, Image, Mandavalipakkam, Chennai, Indian Overseas Bank, Staff Training College, Koyambedu, Chennai, State Bank of India Staff Training College, Chennai, Canara Bank Staff Training College, Chennai, Reserve Bank of India Staff Training College, Teynampet Chennai, Institute for Financial Management and Research, Nungambakkam, Chennai, University of Madras Library, Chennai, Connemara Library, Chennai and other public and
libraries in India, Madras Institute of Development Studies (MIDS), Adyar, Chennai.

Questionnaire, personal interview and observation techniques have been used to collect the primary data relating to customer service in banks. Some of the statistical tools like Chi-square test, Mean score, Correlation, Anova Test, T test have been used to make inferences and draw conclusions.

SCOPE AND LIMITATIONS OF THE STUDY

The study is limited only to Chennai, Vellore, Kancheepuram and Walajapet in Tamil Nadu. Rural folks are excluded on the assumption that they may not be well informed and educated. Sample size and the sample area is restricted to only four districts due to constraints of time and money.

a) The study is confined to only counter customer-service, and the redressal procedure.

b) There is always the problem of choosing from limited options given in the questionnaire which may not match one's views. Respondents are given scope to go beyond the option wherever necessary. Majority opinion of the respondents have been considered for analysis.
c) Any study on customer service cannot provide enduring findings over time as expectations of the customer and the type of service provided by banks change from time to time.

Therefore, the findings of the study indicate only contemporary views of the customers and may not hold good for all time to come.

CHAPTERIZATION

This study is presented in eight chapters.

The importance of the study, limitations, methodology, chapterisation scheme are all dealt with in the First Chapter.

The second chapter deals with the review of the literature available.

The evolution of banking both abroad and in India, as well as the genesis and growth of customer service in India are traced in the Third Chapter.

The detailed profile of the customer is given in the Fourth Chapter.

The opinion of the customers about the customer services is analysed at length in Chapter Five.
Banker's opinion on customer service in banks are analysed in Chapter Six.

In Chapter Seven, grievances and redressal mechanism with special reference to Banking Ombudsman Scheme are analysed.

Chapter Eight provides a summary of the findings, suggestions and conclusion.