CHAPTER III

REVIEW OF LITERATURE

Quality customer service is the core component of banking development. As part of globalisation many foreign banks have entered into the banking industry and it has become more competitive. In the competitive situation customers expectations are expanding and accordingly banks have to come up to their expectations not only to fulfill it but also to survive in the field. With these an attempt is made in this chapter to analyse the studies on the major aspects like customer service, customer relationship management, computerisation, ombudsman scheme etc.

It is observed in the study\(^1\) that Bank of America offers their retail and wholesale customers consolidated views of their accounts and financial records through a new-web-based Customer Relationship Management (CRM) System. The new system will give customer service associates and customers a more complete view of customer’s relationship with the Bank of America. CRM based projects helps in achieving the bank’s - "whenever, wherever" banking philosophy.

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Robert Hall\(^2\) stated that the workforce is the primary factor in influencing customer behaviour. This trend is bound to be welcomed on one hand by the customers and to improve the efficiency of performance by bank employees on the other. However, the "Command and Control" approach of head quarters, acts as a potent demotivator for the front-line workforce.

The authors\(^3\) surveyed customers of more than 160 bank's branches in New York, St. Louis and San Francisco. It was found that banks are no closer to raising customer awareness or interest in their broader services than earlier. Although customers felt it easier to have all accounts at one place, more than one third claimed that their bankers were unaware of their needs before recommending / selling them a service.

Tulley\(^4\) found that the banks customers wanted a truly integrated relationship with their bankers. In early 1997, the Royal Bank of Canada conducted a gap analysis to identify the areas of its customer relationship


strategy that required greater focus. It was found that bank clients really wanted a banking relationship in which they were well understood, their needs were anticipated, and their business was valued - no matter where, when or how they interacted with their financial institutions.

According to James R. Peterson, Commerce Bancorp the brain child of entrepreneur Vernon W. Hill, II, has a seemingly matchless record of success in wooing customers into its orbit. By offering several services to their prized customers like free savings accounts, free checking and money orders, teller services, a round the clock call center service and free coins counting machines, their quality of customer service is commendable. The impact of customer service is reflected on the fast rate of growth of deposits of the banks.

The author found that employee attraction and retention is a problem for many community banks. The existence of a direct correlation between employee turnover and the customer retention has been witnessed. It has been observed that money does not always succeed in motivating employees.

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Hille\textsuperscript{7} has emphasised the importance of answering to the e-mail given by customers. E-mail management as a channel for customer interaction has become a competitive necessity. Ten key issues for large, globally distributed organisations to be considered when proposals for an E-mail Response Management Solution (ERMS) have been presented.

The study\textsuperscript{8} has stated that Community Bankers are already known for their customer services since they know, serve, retain and attract customers even better, by understanding some basic generational qualities. The different approaches that appeal to different age generations due to their differing experiences and world views, have been discussed and it was eventually concluded that carefully thought-out marketing plans be directed at each generation for quality customer service.

According to Sunoo\textsuperscript{9} the present banking industry has changed from single transaction to multiple services. When banks establish a performance-driven culture by stepping up training and development, improving employee benefits and an accelerated virtual customer service for a uniquely diverse


\textsuperscript{8} \textbf{Anonymous}, "Generational customer service tips" - \textit{Article Community banker}, Washington, Vol.9, Issue 12, December 2000, pp.54-55.

\textsuperscript{9} \textbf{SUNOO. BRENDA PAIK}, "Racing toward a new horizon in banking" \textit{Personnel Journal; Santa Monica}, Vol. 75, Issue 9, September 1996, p.28.
population, then, customers expecting sophisticated knowledge on banking transaction would be the outcome.

Lian Tanja\textsuperscript{10} has observed that "The bankers think of sales in terms of clearly communicating the benefits of their products and services, helping customers who truly want financial advice and presenting themselves as valuable long-term resources to the customer." He concluded that the selling experience should not only be inviting but rewarding.

Banks should create a marketing database which will include all their customers, the products they use, and all the products' features, said Kirby Liza,\textsuperscript{11} to enable them to calculate customer-level profitability. By profiling best customers behavioural and demographic characteristics, talking with the customer service organization, and conducting customer satisfaction surveys, bankers can come up with a variety of offers. By monitoring customer statistics on a periodical basis to track the migration of customers into and out of the best customer segment, the performance of the best-customer programs and other marketing efforts can be traced.


The authors have observed that efficient and long-term marketing can be achieved by focusing on present customers, instead of attracting the new ones. A prerequisite for banks to retain the present customers is to make them satisfied customers by establishing a long-term customer relationship and by offering the quality of service as perceived by the customers.

As short-term and long-term interest rates fluctuate, a bank's profits will increase or decrease beyond the bank's control; surmised Kirk. Under such circumstances, it is not surprising or unreasonable for the bank to look for alternative sources of revenue to help offset its expenses instead of resorting to hiking of bank service charges.

Caroline Wilson found that many banks have launched their "Portals", which serve as a jumping off point for consumers in the worldwide web. Customers will use the bank as their starting point to access the internet. To enable this effectively, banks must leverage their customer databases to show what kinds of information their customers might want on their portal.


According to Bill Stoneman, serving customers over the internet is full of promise for the banking business. Customers would think long and hard about switching banks after going to the trouble of configuring software to pay bills electronically. Banks would face the problem of losing customers to other financial service providers, if they are not cautious.

Quality Customer Service, according to Janet Bigham Bernstel, is at present, moving as close as possible to the ideal of one-to-one marketing. While the old fashioned service has been redefined to meet the modern world. The latest concept in banking is "Customer Relationship Management", whose crucial component is a one-to-one marketing approach which ensures reshaping the way, business looks at products and people. The need to develop a system of holistic banking with a customer focus, through customer centric relationship has been stressed. The use of on-line banking for supporting customer service has been suggested.

Yet another study has observed that on an overall basis banks financial services and internet service providers are not doing enough to keep

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16 JANET BIGHAM BERNSTEL, "It's the customer stupid"! Bank marketing; Washington; Vol.32, Issue 11, November 2000, pp.16-23.

17 Anonymous, "Know me or lose me", Community Banker, Washington; November 2000; Vol.9, Issue 11, p.58.
customers happy. Frustration due to poor customer service has a direct impact on the account holding of the customers.

Diane Brady\textsuperscript{18} observed that as time goes on, the service gap between top customers and all the rest is wide due to increasingly rare customer service. He concludes by saying that, technology is creating a radical new business model that alters the whole dynamics of customer service.

Banks today provide choices and options to meet the needs of customers and community in its best way, by providing more services to enhance their reputation by means of personal touch said Brian Nixon.\textsuperscript{19}

Sora Songs\textsuperscript{20} has stated that banking is no longer just about opening a basic passbook savings account. Banking institutions now find themselves growing and facing the force of high tech and multi-service competitors who are threatening to eat away their customer base. Modern customers demand other products from their banks such as access to web-based banking, mutual

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\textsuperscript{20} SORA SONG, "Thoroughly modern mutuals: A look at institutions that are enhancing the image of mutuality through customer service and new products and services", Community Banker, Washington, Vol.9, Issue 10, October 2000, pp.18-22.
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funds, stock-trading and financial planning services instead of the traditional banking practices followed.

In this, the banks remarkable growth to its high-touch customer service has been attributed to a thorough team approach to banking policies and strategic technology planning.\(^{21}\)

Geofrey Smith\(^{22}\) has opined that big banks take advantage of their market power at the customer's expense characterised by hiked costs and lower quality service. Big banks being beneficiaries of the deregulated financial services industry fail to fulfil the promise of adopting a consumer friendly approach, which requires immediate remedy.

Bryant Duhon\(^{23}\) has highlighted the importance and advantages of electronic document management system to improve customer service. The need for a strategic policy that would immediately enable better customer service and pave the way for e-commerce initiatives has been emphasised.

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Deregulation has fueled fierce competition between United States banks as products are increasingly diverse and complex, with the systems supporting them, said Nancy Thornton.\textsuperscript{24} The customers and not the banks manage the customer relationship management as their mounting needs cannot be met without connecting the front and back-office. The technology existing today, is the natural evolution of proven technology, hard at work at the back offices.

In the article the authors\textsuperscript{25} have emphasised on the importance of data warehouse to support the delivery of personalized action tactics, so that real-time customer interactions through branch, call center, and electronic channels will produce better outcomes for customers and financial service institutions. The "Customer Knowledge Factory" must provide the competency to deploy, near real-time decision making customer intelligence at any and all points of contact with the customer.

Walt Albro\textsuperscript{26} has brought out the importance of "brand image" created through customer service. The importance of marketing in retaining customer

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loyalty has been emphasised with the use of an appropriate slogan in different media.

The use of 'on-line' banking to enhance customer service has been discussed by Deena Amato and McCoy. With extensive banking functions like opening of accounts, balance enquiries, funds transfer, bills payments and making proper investment with provision of portal sites; the intention is to go beyond home-banking and enable the customer to explore the websites to create awareness of on-line products and services.

Customer satisfaction and customer service are related terms but not the same thing. If a great deal of money and time are spent on improving customer service with little or no positive impact on customer satisfaction, the expenditure is wasteful observed Biff Motley. The author emphasised that the outcome of such expenses should be customer satisfaction for which customer services is a means or a strategy. Sometimes customer service are very well thought out, based upon a detail understanding of what customers expect, and supported with great resources and management attention. These are usually successful because they are very well focussed. Often, however, such strategies are risky because they involve change.


According to Tony Floyd,\textsuperscript{29} to meet customer expectations, traditional call centres are evolving into web-enabled, customer-focused multi-media service centres. The call centres characterised by call-routing, interactive voice response, e-mail management and provision for recording and analysing customer experience is used to retain existing clientele which costs ten times lesser than winning new clients.

This technology gives customers the real-time response and accessibility on one hand, while the ability to record and analyse the customer experience shows financial institutions what they need to do to keep the relationship on the other. The author concludes that the adopters of web-enabled call centers and multimedia services have already seen substantial cost reductions and increase in revenues and profits.

Richard Koonce\textsuperscript{30} has stated that banks are guilty of treating customers like commodities and as the cost of acquiring new customer is high, all banks should try to retain the existing customers with proper service.


A proper mix of technology with customer service can help the organisation in a better way, said Evan Mannakee.\textsuperscript{31} A primary challenge for banks today is learning how to become financial advisors for customers rather than simply selling them products. Hence, the challenge for the banking industry is to more specifically anticipate customer needs and to actively position the products and services that will meet growing customer needs.

Through direct banking, the effort to serve consumers through electronics rather than branch personnel, has become one of the most popular retail strategies of the 90’s, observed Kenneth Cline\textsuperscript{32} With the provision of adequate infrastructure in call centres used in internet banking, PC banking and other forms of banking, volume of business increases with a sharp decrease in costs, thereby improving sales and productivity ratios. The call centres allow banks to become more proactive with customers by shifting from being an in bound service and transaction oriented organisation to an outbound selling and service organisation. A better MIS is made possible through the call centres, enhancing relationship contact management.


According to Bill Rosello, banks are becoming detached from the very customers they want to serve better, in the process of using the new technologies. Customer Service channels are used as a means to enhance the loyalty and satisfaction, build long-term relationship, and improve product and processes. High customer-care performers do several things which includes dealing successfully with the common challenges to all customer service operations. They have eliminated the problem of incomplete and out dated products and service information, and every contact with customers as an opportunity to build and strengthen customer relationships. Hence, banks will need to adopt management practices that can impede collaborative work approaches.

The need for bank technologies is to give customer service representatives and other contact employees a single, integrated information access point to all customer information to reduce customer response times, commented Ken Long. To deal with today’s demanding customers, banks must elevate customer service systems and allow instant retrieval of information, irrespective of how many traditional wells have to be breached internally.


A bank's response to customer problems can be of critical importance, said the authors. Various studies have indicated that adequate problem/complaint resolution - or "Service recovery" helped to increase customer loyalty and also in retaining the customer. It is seen that there is a high correlation with overall satisfaction, involve problem/complaint management handling problems efficiently, paying attention to question of concern, and resolving problems on the phone are of key importance to retail bank customers.

According to Paul Calendrillo, retail banking industry face the problem of maintaining customer loyalty and trust while at the same time they should push the sales process forward to help in satisfying all their customers financial needs. The author emphasised that the trust can be built only by learning their customer's savings plan, financial goals, and about their planning to achieve them. When the banks try to sell non-traditional products and services, all employees have to redefine their roles as problem solvers.


The authors\(^{37}\) have opined that customers leave banks as their problems and complaints are not taken seriously; and hence, if banks take action to eliminate the dissatisfaction, their market share would grow. In other words, customer satisfaction is closely associated with a bank's ability to handle customer oriented problems efficiently.

In this article the author\(^{38}\) discussed the impact of change in technology on banks' ability to offer customer services; and concluded that customers would be more inclined to associate financial products with convenient access than with the locale of a particular financial institution.

Customers embracing digital technology are asking their banks to redefine when, where and how they can do their banking said Alison. F.Orenstein.\(^{39}\) According to him advanced technologies have opened up new distribution and marketing channels.

Besides offering convenient access, banks allow their customers to introduce more products and services through PC banking, web pages, ATM


and call centres. Banks using digital technology can transcend state and national boundaries in doing business.

Yet another study\textsuperscript{40} stated that if banks are to thrive in the future, they must redefine the "Bank" to meet the needs of the times. They emphasised that banks should learn to think like their customers, and that people will respond well to a bank only if its bankers know their customers' needs. The focus of the discussion is on relationship banking, which requires the banker to go beyond traditional transaction based mass banking and create appropriate customer bases.

According to Patrick\textsuperscript{41}, banks are now moving to market themselves as quality service providers. He argued that improved internal marketing, training and customer service has erased many of the old problems and the customers have noticed the difference with customer service becoming a strategic imperative for the company. The improvised facilities made available to the customers also have a vital contribution to better customer service.


\textsuperscript{41} BARRETT, PATRICK, "Banks lend an ear to service", \textit{Marketing}; London Jan. 16, 1997, pp.16-17.
Most customers believe that smaller banks are just as capable of offering the same technology as big banks, observed the authors\textsuperscript{42}. According to them, a decline in customer service follows when financial institutions become too big. While most customers accept technology, they do not necessarily want everything to be electronic. Hence, concluding that high performing banks have the ability to find the right balance in customer relationships and operations.

Caroline Wilson\textsuperscript{43} found that 'Data Mining' not only provides information about the competitors, but also can help an institution more effectively manage its accounts and respond to customer enquiries. Such data mines provide crucial and important information about demographics and banking habits of customers, both current and prospective to the bank management. They feel that in the ability to match appropriate delivery methods to the right person, lies the future of quality customer service. Database marketing is a fast and accurate way to generate leads, gain new business, cross-sell products and services and retain accounts.


The author states that the real goal of better customer service is long term customer loyalty, which is work, by viewing service needs in the same way that customers view them.

K. Puttaswamiah, in his book on "Customer Service in Canara Bank, indicators for Measurement" has stated that the objectives of his study are to review and evaluate the performance of Canara Bank in general and the customer service in particular and to identify and develop a set of indicators or parameters to review and evaluate the Branches/division/Circles of the Bank in their service to customers. The Author has evolved the indicators for measuring customer service on two broad categories namely macro indicators and micro indicators. Macro indicators are further subdivided into micro units. He also made an attempt to evaluate, to what extent the recommendation of Goiporia Committee has been implemented in Canara bank.

Lowell L. Bryan and Siman G. MCH. Clark have explained the changing forms of commercial banking and their implications for customer services delivery.


Rex O. Bennett\textsuperscript{47} in his study explained the significance of bank location, planning for achieving the goals, better customer service delivery and bank profitability. He has also explained the determinants of bank location decisions in a competitive environment.

Albert J. Brown Jr.\textsuperscript{48} has analysed the role of Bank Manager in effective customer services delivery. He identified the types of management skills to be acquired by bank managers. He also argued that bank managers should acquire two types of skills namely, knowledge of banking and the specialized job skills for conducting practical banking.

The Cambridge Seminar Series entitled\textsuperscript{49} "The Banks and the Public" (1982) is a study on customer services in banks with particular reference to the United Kingdom. This study emphasised on changing function of English Commercial banks. These banks were rendering corporate advisory services to enterprises along with the traditionally known customer services. These banks were also used to provide certain allied services with a view to protecting the other highly profitable business before 1945.


Later on British Commercial banks had decided to levy service charges for rendering such ordinary banking services. This decision was made by English banks with a view to maintain their profitability with the growing competition and inflation. The British banks had also decided to discontinue the delivery of ordinary services if bank customers were unwilling to pay.

The London-based Institute of Bankers\textsuperscript{50} conducted a study on "The Banks and Personal Customers" where personal customer meant individual depositor and individual borrowers. The four essays contained in the Cambridge Volume explained intensified composition among British banks and emphasised the individuals demand for banking services. This volume has brought out certain important issues about banker-customer relationship in England, particularly in the post 1945 experience.

Shanthi, Saravane\textsuperscript{51} had made a maiden attempt to examine the issues relating to delivery of customer services in Indian banks and provided an empirical analysis of bank employees, job behaviour and its relationship with bank services delivery. She had found that lack of job motivation - freedom at branch level, leadership qualities among bank managers, job security etc. have resulted in poor quality customer services in Indian banks.


One of the most systematic research programs in service quality was conducted by Parasuraman, Berry and Zeithmal (1985, 1988, 1991, 1994). Parasuraman et al\textsuperscript{52} developed a conceptual model, the "service quality gap" concept which has received the maximum attention in the literature. It had been defined in terms of "perceptions - minus - expectations" measurement framework. They had noted that the service quality is a relative measure and depends directly on expectations and performance.

D.P.S. Verma and Ruchika Vohra\textsuperscript{53} seeks to identify the major features, which determine the service quality in banks. Twenty two features were enlisted in the questionnaire. Their observations were that bank should pay maximum attention to features signifying reliability of customer service, followed by responsiveness, assurance, empathy and tangibles, none of which should be neglected.

T. Prabhakar\textsuperscript{54}, had analysed the nature and range of customer services provided by Indian Banks. He has brought out the fact that in case of


Indian Banks, a "major portion of complaints are from depositors.... with the mass banking practice, a differential treatment is neither possible nor permitted. The possibilities of dividing customers may be of some better service to important customers. The teller system partially serves this purpose". T.Prabhakar (1986) had found out that in India there was a growing size of current and savings account holders who did not maintain the statutorily required minimum balances. Thus, the size of defaulters was high and growing, which caused additional work to bankers.

D.C. Gupta\textsuperscript{55} had described the working of consumer service centres, setup after 1985 in metro branches of Indian public sector banks. He also expressed that the main purpose of consumer service centers was to reduce delays in customer service delivery and improve administrative efficiency between banks.

R. Ragavan\textsuperscript{56} had pointed out that one of the reasons for delays in the delivery of customer services was due to lack of work experience and long-time duration taken by the new recruits to learn the work through on-the-job training. He had recommended a five days week for customers and not to the bank staff. His suggestion was that: "Only the first Saturday will be a full


banking day for the public while the 3rd Saturday would be a working day for the bank staff to clear their arrears, attend to house-keeping etc. Besides a half an hour extra would be available to the public every day for their banking activities".

B.S. Thaur\textsuperscript{57} had made a study a "Abuse of bank services and facilities by customers in India" He had pointed out the non-repayment of loans, the submission of post dated cheques by business for collection, raising overdraft from more than one bank; hypothecating the same inventory to more than one financial institution etc.

E.R. Ram kumar\textsuperscript{58} in his research paper had argued that the staff's impersonal and indifferent attitude was responsible for the poor quality of bank services in India. He had also pointed out that in India "people in general are still ignorant of bank facilities like loans, advances, remittances, lockers, payments and collection which can indeed save time and effort in their day-to-day life".

\textsuperscript{57} THAUR B.S., "When banks are unmindful", \textit{The Economic Times}, January 1, 1987.

K.K. Saxena\textsuperscript{59} had pointed out that "ignorance, over powering, neglecting colleagues by bank managers is bad, it leads to low quality of bank services".

S. Gadkari had reviewed the general problems faced by bank customers in India and also reviewed the working of consumer service centres. He had concluded that "lack of awareness about bank customer service centres have made them a much under utilized service". He had also mentioned that a large number of customer complaints relate to non-sanctioning of bank loans and irregularities in handling the loan cases by bankers.

C.T. George had made two important suggestions to improve the customer services in public sector banks. Firstly, the need for separate handling of bulk cash payments and receipts which would ensure the safety of the transaction and provide quick service to the customer and secondly, changing the attitude of bank managers towards their sub-ordinates and customers.

C.T. George had also examined the different factors for raising the customer satisfaction level. He emphasised on the changing perception of the duties of bankers and stated that "Customers are always right is a maximum

of yesterday. Today, the custodians feel that they have a duty to tell the right way of doing things. This leads to troubles".

Updesh Singh Sachdeva\textsuperscript{60} had made a unique study of detecting frauds in banks. After elaborating the different types of frauds he developed different preventive and detective techniques.

Sushila Singhal's\textsuperscript{61} Study had studied about customer services in Indian Banks. The most important findings of this study were: (i) There are differences between different banks as to employees involvement, morale, attitude towards colleagues and customers. (ii) the demographic and psychological variables were identified and their relationship with employees job performance and customer service was explained. (iii) she has also found that there, is no correlation between 'service efficiency' and "customers satisfaction".

Consumerism has its impact in transforming a banker into a retailer in industrial countries according to Barry Reed. He has also defined "a banker emphasised that creating image and brand loyalty are the important qualities

\textsuperscript{60} UPDESH SINGH and SACHDEVA, "Frauds and Bankers: Prevention and Detection Techniques", \textit{UDH Publishing House}, New Delhi, 1987, xvi, 384.

\textsuperscript{61} SUSHILA SINGHAL, "Banks and Customers: A Behavioural Analysis", \textit{Shri Ram Centre for Industrial Relations and Human Resources}, New Delhi, 1987, vii, pp.233
of good banking" besides suggesting several measures to improve the profitability and customer service.

C.T. George\textsuperscript{62} in his paper presented the problems faced by both bankers and customers after interacting between each other. He wrote that "Customers generally hesitate to involve themselves in correcting any situation as they will not register a complaint in writing against a person in whose hands one has suffered ill treatment or ill - response. Any behaviour against the accepted code of rules need to be curtailed in the beginning itself which warrant correcting the particular individual immediately but in the absence of specific complaints, there cannot be any effective remedial steps. General grievances get general treatment".

Madam and Rajeswar Singh have found that the leadership quality of bank managers is an important determinant of the quality of customer services delivery. He had strongly recommended that the appropriate training programmes be arranged, to impart leadership skills and qualities for branch managers in order to motivate bank staff to work efficiently.

Moin Rasye had explained the significance of better customer services for efficient banking and argued that "individuals in future would be the main source of funds, so he should be taken care".

S. Govindarajalu made an attempt to study and to understand the antecedents and consequences of customer satisfaction/dissatisfaction with bank services. He concludes that in a banking business, customer satisfaction is a highly complex process. Every service in a bank is unique in the sense that it involves inter-personal relationship between the customer and the front-line staff.

G.H. Deolalkar and Kalyan Swarup had given the proceedings of the conference of "Banking Ombudsmen on customer service in Indian banks". Dr. T.S. Ravisankar, who summarised and concluded that with the experience gained out of dealing with a variety of customer-related issues and the responses from the bankers, the Ombudsman are now better positioned to function also as friends, guides and counsellors to banks on several aspects. He remarked that with a wider consultations between the banking community and Ombudsmen, it is possible to build a customer-delighting banking system in the long run.

O.D. Heggade, 2000 in his book "Banker - Customer Relationship in India", made an extensive study to describe, identify, analyse and explain the

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mplication of customer - banker relationship in improving the efficient delivery of customer services and also to identify the constraints thereupon. His study of bank employees approach towards the delivery of customer services reveals clearly an encouraging trend. He found that the bank employees in his study area have adopted a more personal, efficient and work conscious approach to customer service delivery. He concluded that it would be desirable to explain and analyze the regional culture and its impact upon bank staff which is a key element in the delivery of customer services.

In this article, it is stated that after the opening up of economy to the world and liberalisation, the customer is the focus of attention and all emphasis is now on the customer’s satisfaction. Satisfied customers improve the businesses’ bottom line not only through continued relationship but also through referrals and positive Word Of Mouth (WOM) feedback or WOM behaviours. The author defines customer satisfaction as expectation performance, interactions, pleasure or displeasure and the evaluation of the benefits of consumption. He insisted that the product should be easy to use communication channel for better and fast delivery of services, and saving of information are the important factors in today’s situation to have a better Customer Relationship Management (CRM) and concluded by saying upgradation of human resources is of utmost importance.

The researcher states that a customer is the core component in banking business. The old paradigm was price, quality and service, whereas the new paradigm is price, quality, service, speed, convenience, value, solutions. The list is endless. His objectives of the study were to attract new customers, increase sales per customer, reduce cost through optimisation of business process, improve customer relationship and increase loyalty. The researcher concentrated on the last objective.

He also found that the banks have to know their customer profile / customer needs. He had found that the customers' of banks that give personalised service are more satisfied than the ones which adhere to traditional service. Positive attitude of the employees is a very important factor in customer retention. He ranked public sector banks very low. His study revealed that customers were happy with e-banking. He insisted on training and motivation of the lower level or front office staff. His recommendations and suggestions were that the banks can be made more customer friendly, top management and senior executives must be committed and dedicated to implement better Customer Relationship Management.

More funds to be allotted for implementation of Information Technology. The bank employees must be informed about the new products and services at

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regular intervals. Regular customer meets, surveys etc., to assist the bank in knowing the wants and grievances of customers to be arranged. The complaints must be looked into immediately and the mistakes should be rectified for better Customer Relationship Management. Listening to the customers, assists the employees and listening to the employees, assists the management in maintaining better relationship between the two.

P.S. Sundaresan has articulated in his article "customer, clerk and the counter", that in banking industry, the customer, the clerk, and the counter are a triumvirate, each integrated to the other for the development and growth of the institution. He also stated that nearly 15 percent of the metropolitan customers are not satisfied with the service due to delay in the service. He expressed his grief that the public, when using the services rendered by public utility services do not voice their grievances, when they are dissatisfied, with poor quality service made available to them. He also observed that although transactions have multiplied manifold, the recruitment of the staff has been freezed. Inadequate training and the inherent problems in various banking transactions should be understood by the customers.

Arvind Brahme⁶⁸ said that the customer complaint is a universal phenomenon, with the banking industry being no exception. Handling of complaints is the core activity for successful development. The author has drawn a clear distinction between verbal and written complaints and found that 68% of the customers are lost due to short comings in Customer Service. The author has quoted the check list given by Denis Walker for health check of the management. He concluded by stressing that there is a need for awareness and positive attitude and approach among the staff to win the customer and to curb growing complaints.

The objectives and strategies in relationship marketing programme are customer acquisition and retention in building long-term relationship with the customers as stated by D.Ghosh Roy.⁶⁹ He has quoted Merlin Stones definition of customer loyalty and stressed the vital role played by branch managers in deciding their expected customer loyalty. He classified the customers as regular users, high value customers and infrequent or casual customers. Besides, he suggested six steps in understanding the reason for loyalty types providing adequate training to front line and supervisory staff, continuous marketing research and reawakening the dormant accounts.

R.D. Velankar has in his paper stressed the importance of customer service in banks. He observed that different types of customers like rural, urban, metropolitan, or corporate customers, individual customers, pensioners have different expectations. Long term business relationships between bankers and customers were urged in the study. Strategies for providing better customer service including retention of existing customers, encouragement of an efficient and responsive system for bank employees in order to promote time norms for certain common services etc. were suggested. It was also observed that the cost of retaining existing customers by bankers is cheaper than the cost of acquiring new customers when appropriate customer profiles for existing customer are maintained by banks.

According to Valenkar\(^7\) the customer service includes in its orbit courtesy, promptness, employee attitudes, physical facilities, customer identification and recognition, speed, clarity and communicative skills etc.

According to Rashid Jilani\(^7\), in the service industry like banking, interface between the customers and the staff of the bank is quite close as there is a direct selling of service. Banks have witnessed phenomenal growth

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\(^7\) RASHID JILANI, Chairman, Indian Banks' Association, "In a Service Industry like banking, interface between the customers and the staff of the bank is quite close as there is direct selling of service", IBA Bulletin Special Issue, March 1997, pp.55-59.
and widened their reach to 62000 branches serving over 38 crore depositors and 6 crore borrowers. Of this 84% of the total are deposit accounts and 77% are borrowal accounts in the public sector banks. He elaborated about the Ombudsman Scheme which adds a new dimension to customer service in banks. He emphasised that customer care is emerging as a critical factor in the banking industry and banks are fully conscious of the need for attaining the international standards of service.

Banks are coming under greater pressure from the ever growing demands of the customers who expect services of high quality at competitive prices commented S. Doreswamy. He also said that the term "customer" has eluded definitions in the various laws. It is defined through custom and practice and established case laws in a broader perspective. Globalisation has paved way for fierce competition and the feel of service of international standards with high expectations. There should be structural change. His article has scanned market segmentation, customer surveys, customer education, customer contact programme, customer convenience i.e. providing various services with improved technology, complaint redressal and empowering the employees. He concludes that "while automation and technology are contributing to speed, accuracy, and convenience and, it may not be possible or desirable to do away with human contact altogether". Hence,

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72 DORESWAMY S., Chairman and Managing Director, "Central Bank of India", Mumbai, IBA Bulletin, Special Issue, March 1997, pp.61-64.
it is the primary responsibility of the front line staff, who could meaningfully contribute to the basic satisfaction of the customer.

The main objective of a banker is to create, cultivate and retain a customer opined P.G. Kakodar\textsuperscript{73}. If this objective is achieved results like profitability and productivity would automatically follow. He has also mentioned that as more and more customers of banks become shareholders, their scrutiny of working, of the banks would not only be from the angle of a customer but also of an owner or a share holder. Priorities that are to be managed in Indian banks are computerisation and mechanisation; reorganising restructuring, modifying and redesigning the products; assessing the customer satisfaction level; creating awareness amongst the staff; etc. He also observed that concentrated, capable, collective work of the employees is required to deliver value to the customers and it is imperative for the banks to organise themselves in that direction if they wish to survive in this competitive arena.

Banks in India are certainly realising the significance of customer service not only for business expansion, but also for their survival, portrayed K. Kannan\textsuperscript{74}. He commented that the recommendations of the Goiporia


\textsuperscript{74} KANNAN K., Chairman and Managing Director, "Bank of Baroda", Mumbai, IBA Bulletin, Special Issue, March 1997, pp.75-77.
Committee were implemented more as compliance matter, rather than a need felt for customer orientation, being more a seller's market due to globalisation.

Customers need changes frequently due to competition said G. Shankar. The customers universe is as vast, diverse and complex as the real one and never fully comprehensible. He concluded that the ability of an organisation is to transform itself into a fine Belgian mirror that reflects the customers every need, mood and emotion and translating that input into a distinct long term marketing advantage.

O.P. Banmali opined that it is easy to sell the product to old customers since preliminary and initial formalities can be avoided as they are already acquainted with the products. Degree of understanding is more with the old customer and the credibility can be ascertained certainly. Old customers act as free of cost sales agent through word of mouth publicity. It would be suicidal for any business to ignore new customers as the loyalty of the old customers are not dependable. Therefore, to replenish the loss, fresh flow of new customers must be encouraged to maintain the growth rate. He concluded that it would be a sound policy for any business to follow the principle of retaining the old, add new and leave undesirable ones.


All customers expect the bankers to be polite, courteous, helpful and understanding as explained by V.K. Gupta. They also expect to be treated as important individuals and would be satisfied if prompt, accurate, and speedy attention is given to their work and banking problems. He said that customer services are made up of several aspects like technical aspect, efficiency aspect, advisory aspect, behavioural aspect, after sale service and customer amenities. He has also analysed the implementation of recommendations of working group in banks by State Bank of Bikaner & Jaipur (SBBJ) and concludes that SBBJ is doing its best to maintain standards of the customer service as it main focus of attention is the customer satisfaction.

According to S.R. Iyer, customer choice and awareness have increased tremendously due to more open economy, the advent of information technology and media revolution, and as a consequence hectic competition for resource by banks and non-banks. As the products are the same, the battle ground is service. As front line staff in the banks are the first contact point, they must have a perfect knowledge about the products and services which is highly dependent on proper and adequate training and motivation. Customer


focus should not be a business but it should be a corporate mission. The emphasis was on the product development, a new generic product, core product and its package. He concluded that the winners will be these service providers who differentiate themselves from the competitors and focus closely on their customers.

S.P. Gupta\textsuperscript{79}, opinioned that speed, accuracy, and courteous service are the hallmark of efficient customer-service which is essential to survive in the competitive environment. Conformity to the standards of customer services laid down by the Reserve Bank of India would be recent but not the only condition for survival. At this juncture he suggested that technology upgradation is inevitable. ‘Customer-based business’ should be emphasised to satisfy the discerning customers’ and to meet their specific needs. He advised the banks to avoid depersonalization of services which is possible by introducing telebanking, call centre, etc.

The author\textsuperscript{80} has observed that modern banking is driven by information technology. He suggested that personal relations, rapid customer


service, extended working hours, technology banking, understanding the psychology of customer, freedom to operate with international market, customer education, home banking are certain measures to improve customer service. Hence, banks should become market-oriented, highly competitive, innovative and latest technology oriented to survive in the emerging environment for substance.

The author\(^{81}\) studied the quality of bank services by banks in Udaipur. The emphasis was given on Marketing Strategy in devising ways and means of effective delivery of customer service. He evolved five steps such as opportunity analysis, selecting target market, determining competitive positioning, marking strategic decisions and market friendliness of bankers. The author found that quick and fair services to all the customers at all the time should be the norms for the efficient customer services by banks by testing the hypothesis "the qualitative of the customer service in commercial banks is not satisfactory".

The author\(^{82}\) observed that the deficiency of the Indian Banking System is just acting as financial intermediary with an objective of profit maximisation. The problems relating to functioning, marketing, customer behaviour, public relation were narrated by the author. His findings were


\(^{82}\) TRIVEDI I.V. "Marketing of Bank Services - Problems and suggestions", Indian Banking in the new millennium, Ibid, pp.35-43.
based on the study made in Udaipur. New products such as credit cards, traveller's cheque etc. are to be provided in rural centres. Evening counter, extension counter service, proper product system, "Pigmy and Janta service", consultancy service, provision of unsecured advances etc. are also to be provided by banks. Besides emphasis was given for the observation of "customer's day".

Role of bank managers in the 21st Century was described by the author. The job of a bank manager has become extremely complex, specially in the public sector banks than in the private sector and foreign banks. The manager is required to be a "thought man", the "action man", the "people man" and the "front man".

He added that, a manager has to remember that a vision remains a dream unless the people around him accept it, share it, and commit themselves to it. Manager has to achieve not merely through his individual abilities but by working through the people and with the people. The importance of human relations, as an essential condition for work has been stressed. He concluded that tomorrow's manager must necessarily be a professional, as the customer would not tolerate mediocrity and would only appreciate perfection.

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Dr. Rohini Gupta Suri\textsuperscript{84} in her study had emphasised the need for marketing approach in banking services. The objectives of her study were to know the existing services being rendered by the banks, to highlight the problems being faced by the customers, to determine the marketing effectiveness of Banking Services with special reference to State Bank of India, Punjab National Bank and United Commercial Bank, to know the complaints of the bank customers with regard to the bank services and to give pointed suggestions in light of the modern banking services, with a view to making them market oriented / customer oriented. In chapter VI of her study customer service in banks were discussed in detail with special reference to the recommendations of Goiporia Committee.

The researchers\textsuperscript{85} built the concept of service value through an empirical study in the context of retail banking services in India. The objectives of the research were to investigate the relationship between service quality, customer satisfaction, sacrifice and service value and the casual ordering of these constructs in the determination of behavioural intentions. The findings of the research support the hypothesis that service value plays a key role in determining the behavioural intentions like intention to repurchase, increase usage, intention to use other offerings, and intention to recommend the service.


\textsuperscript{85} SHAINESH G., XAVIER M.J., "Modelling Customer Evaluation of Banking Service", E-mail: xavier@ifmr.com.
BANKING OMBUDSMAN SCHEME

The author stated that establishment of banking ombudsman is a landmark in the banking history. The Ombudsman Scheme is a mechanism for redressal of customer grievances in a less expressive manner. The scheme of Ombudsman has come into operation from 14th June 1995 under the provisions of the Banking Regulation Act 1949. He also explained the objective of the scheme, the people who can use the scheme, types of complaints under the ambit of the Ombudsman, procedure for redressal of grievance by Ombudsman Office complaint, Ombudsman power to call for information, methods of settling the complaints and the benefits of Ombudsman Scheme.

The author opined that increased automation has led to the de-skilling of many bank staff and the de-personalisation of the relationship between banks and great numbers of the individual retail customers. The changing banking scene is accompanied by a growing expectation of the customer. Every bank should give importance for their customers complaint. Banking Ombudsman Scheme is of resolving fairly, problems which the banks


87 LAURENCE SHERMAN, "Ombudsman is not a champion or a defender of Banks but an independent Arbitrator or from the text of the Address of the Guest of Honour, Banking Ombudsman, United Kingdom at the 45th Annual General Meeting of the Indian Banks’ Association held on July 17th 1993, published in State Bank of India Monthly Review, August 1993, pp. 406-416.
are enabled to resolve themselves. He elaborated the criteria for a valid Ombudsman Scheme and also different stages involved in the working of the scheme.

The author\(^{88}\) had stated that competition is forcing improved product and service offerings into the market place. It is more expensive to obtain a new customer than to retain an existing one. Brands are built through consistent and sustained product and service offerings. He has also stated that the new technology helps to provide customers with more services, increased speed of service and greater transaction accuracy. Customer interactions are measured and it is difficult to manage the process of customer service, as people are the service providers requiring training and motivation. Besides, excellent product should be backed by excellent service, which is true with banking industry.

The previous studies have, mostly, focused on the customer relationship in general or customer service provided by a particular bank in a given study area. The recommendations of Goiporia Committee and its implementation, The Ombudsman Scheme of 1995, which were not dealt in the previous studies, are examined in this study entitled "Customer Service in Banks (with special reference to metro and urban branches).