CHAPTER - 10
CONCLUSIONS AND RECOMMENDATIONS

10.1. INTRODUCTION:

Conclusions from the research based on the survey among customers, organisational study by visit to corporate office of banks interview with officials of the Human Resources Management departments of the banks, survey among executives, data collected by perusal of the literature on the banks, the analysis of the data collected from the source and testing of the hypothesis using statistical tools are summarised below. These conclusions have already been discussed in the following chapters:

Chapter – 6: Research Findings : Data Analysis and conclusions – Stage –I.
Chapter – 7: Research Findings : Data Analysis and conclusions – Stage-II (Part I)
Chapter – 8: Research Findings : Data Analysis and conclusions – Stage II (Part II)
Chapter – 9: Research Findings : Data Analysis and conclusions – Stage II (Part III)

10.2. CONCLUSIONS:

I. The quality of customer service has shown tremendous improvement compared to that in eighties and nineties. In the survey conducted among 12 banks, no customer rated any banks’ service as ‘Poor’. Services were rated as ‘Excellent’ by 28.7% of the customers while the same was rated as ‘very good’ and ‘good’ by 12.9% and 16.2% of the customers. Considering that ‘Excellent’, ‘Very good’ and ‘Good’ rating aggregated to 57.8% of the total respondents, it is easy to conclude that the customer satisfaction levels are appreciable. If one includes ‘satisfactory’ rating also as an indicator of appreciation of the quality of customer service, the level of satisfaction is observed to be high at 84.3%.

II. The level of dissatisfaction with banks’ services is comparatively low. The percentage of total respondents who rated banks as ‘barely satisfactory’ and ‘unsatisfactory’ aggregated 15.7% of the total respondents. While four banks received ‘barely satisfactory’ rating only three banks had a segment of customers rating them unsatisfactory.
III. The quality of counter service received by the customers is a predominant factor determining customer service. Customer satisfaction, represented by rating given by customers, has been found to be high where they receive good counter service.

IV. The expectations of the customers in today’s environment is quite high. With automation and computerised operations invading all sectors of the economy, customers expect technology based services from the banking sector also. Technology enables the banks to provide a wide range of services to customers at various locations. Further, it also enables web-based operations which facilitates entering into certain banking transactions sitting at the customer’s office or home. The research has shown that the customer satisfaction is high in the case of banks which offer technology based services. It is, therefore, amply clear that efficiency, effectiveness, range and locational advantages enabled by technology enhances quality of service and customer satisfaction.

V. Despite technological advancement, large range of products (through product modifications and development) increase in delivery channels and other related initiatives, the customers appear to be overtly concerned about the type of interaction they have with the officials of the bank. The customer, in all fairness, is expecting a pleasant and courteous approach in their interactions. The research has established that courteous and polite dealings with customers by the bank officials during the personal interaction they have with them has a significant impact on quality of service and customer satisfaction.

VI. The primary channel of service delivery for banks, traditionally, has been their counters. There used to be personal interactions between the customers and the branch officials at the time of each transaction. The technological advancement has brought about the feasibility of providing banking services through channels other than the bank counters. The delivery channel available today include Automated Teller Machines (ATMs), Phone banking, mobile banking (through SMS) and internet banking. Though all services are not available through all channels, the customer is a much satisfied person with banking becoming an easier exercise for him due to the availability of services at various locations. This research has shown that the customers express higher satisfaction levels where the bank uses innovative delivery channels. There is another
facet to the new delivery channels. Earlier the customers had to necessarily visit a bank branch to open an account or transact a business. The new generation banks have been using exclusive ‘selling personnel’ (usually designated as customer relations manager/customers relation executive) who not only entertain customers at the counters but also visit them at their locations for undertaking transactions/completing formalities. The research has proved that this innovative service delivery mechanisms add value to customer service and in turn increases satisfaction levels.

VII. Identifying the needs of a customer and developing appropriate products is part of organisational strategy in a business environment. Further the customer needs keep changing depending upon various factors and environmental changes. For eg. An industrialist who has availed loan when faced with adverse business prospects / financial positions may expect the bank to reschedule his loan repayment schedule. The response of the bank to this customer’s current need will be a factor determining customer satisfaction. Banks which received better service rating in this research have been stated to be prompt in responding to customer needs. The research conclusively establishes that bank’s prompt response to customer needs has a significant impact on customer service.

VIII. The research analysed, in depth, the impact of organisational design in achieving service excellence in bank. The study has established a strong relationship between various aspects of the organisation’s functions and customer service as given below:

(i) The organisations (banks) which have a comparatively flat structure at the top are more effective in functioning and render better customer service.

(ii) The banks which treat the branches as selling units with a professional approach and appropriate structural design including positions like Customer Relations Manager/Customer Relations Executives, etc. render better customer service. The banks where the design provides for ‘customer-focus’ structure render efficient customer service.

(iii) Organisational Design which emphasises functional teams/task oriented groups for a specific function and which has the set up at Corporate Office and branches working as a single unit tend to be more effective and render better customer service at delivery points.

(iv) An organisational design, whether it is pyramid or matrix can be equally effective if the structure is relatively flat (with limited layers) and the functions are organized
with a ‘unit structure’ with one component at corporate office and the other at branches or other delivery points.

(v) The organisational efficiency and the quality of customer service rendered are better in organisations which have thinner layers (layer meant for supervision and control) between branches and the corporate set up.

(vi) The organisational design which provides for ‘product teams’ for product development and delivery, ‘Sales teams’ for selling and ‘operations and back office teams’ for supporting the products as well as services tend to perform more effectively and render better customer service.

(vii) The banks generically have three tiers, viz., Branches, Supervisory set up (Regional office/cluster head/Zonal head as the case may be) and corporate set up. A functionally organised institution with a segment having a unit in the corporate office and also in branches with direct communication channel between them comes out as an efficient model. For the purpose of reporting, information may be passed on to the controlling levels also but they do not create road blocks for the information flow.

(viii) The successful organisational models in terms of operational efficiency and effective customer service are those which have technology embedded in it. The banks with service excellence are observed to be offering technology-based services. The organisational structure has provision for a full-fledged technology department for providing hardware/software support, development of techno-based products and trouble shooting.

(ix) The impact of Human Resources Management policies and practices on customer service was analysed in depth during the study. The research has revealed a strong relationship between HR policies/practices and the quality of service rendered by the banking institutions, the details of which are given below:

(a) In the case of banks where customer service was rated to be excellent the Human Resources Strategy (HR strategy) was found to be well integrated with business strategy, enabling organisational effectiveness, especially with regard to service delivery.

(b) It is observed that functional specialisations are encouraged by banks with service excellence by organisationally facilitating stay/movement of personnel in a particular are of functioning. For eg., an employee joining in ‘Retail Banking’ segment
continues to be in that area till he reaches middle management/senior management levels when lateral mobility to another functional area is considered. This ensures availability of a person in a particular operation for a while facilitating development of expertise in that area. This influences customer service as job knowledge, bonding with customers, expertise etc. have a positive impact on quality of service rendered. It is evident from the above that an appropriate and conducive organisational design that promotes competitive efficiency results in achievement of excellence in customer service in a competitive environment.

(c) The customer service has been found to be superior in banks where the various positions in the organisation are open to external recruitment. The banks which received comparatively good rating make the vacancies available to internal and external candidates, though internal candidates who are as competent as others may be preferred. This process ensures that competency as well as skills are rewarded and this creates competitive spirit among the employees.

(d) Customer Service has been observed to be superior in banks which makes position based selection. This involves identifying a vacant position and filling the same after considering people who have the requisite knowledge, skills and aptitude. In banks where service excellence was observed, there was a process through which the attributes required for a job were tested. In traditional banking recruitments are made in groups in clerical and officer's cadre and employees, who are treated as resources are distributed among all positions without checking the suitability of the person for a specific job. The quality of service rendered by the front line staff in banks where service excellence was observed could be attributed mainly due to the selection process involved.

(x) The impact of motivational initiatives on the efficiency levels and in turn customer service was analysed. A strong relationship was found to be existing as under:

(a) The banks with service excellence adopt a professional approach to calculation of compensation for a specific job. These organisations have a system of evaluating a job with regard to its level of difficulty, experience, expertise and skills required to perform and fixing the remuneration accordingly. Hence the remuneration is not cadre specific or position specific. This is in deviation to the traditional approach where remuneration is fixed depending on the grade/cadre and not the job in question.
This aspect was found to be a motivator enabling better performance and customer service.

(b) In the case of banks with service excellence, every job has a minimum pay structure arrived at based on the level of difficulty, expertise, skills, required, etc. But the actual remuneration given to an employee depends on his experience, capabilities, previous performance, etc. In order to motivate the staff they have a ‘person-based-pay’ concept which encourages excellence in individual performance and in turn efficiency and quality of service rendered by the bank.

(c) Tangible, highly motivating reward schemes for performance has been put in place by banks where service excellence has been observed. The main financial reward schemes are ‘performance pay’ and ‘bonus’. This has worked as a major motivational tool enhancing organisational effectiveness and quality of service delivery. This has also attracted talents from Public Sector Banks to new generation banks in the private sector /foreign banks. While some organisations offer Employee Stock Option Scheme (ESOP) to employees in all cadres, some offer only to top management. Financial participation through ESOP has an impact on motivational levels.

(d) It has been observed that banks with service excellence in order to keep the remuneration offered by their competitors, compare the packages offered in the market for similar positions. They also compare the remuneration being offered for similar positions within the bank, for ensuring the internal equity.

(xi) Technology plays an important role in the quality of service rendered by the bank. Customers’ rating for the quality of service is high in the case of banks offering technology based services and related facilities indicating the concern of the customers in this regard.

(xii) Availability and use of multi-point customer contact and service facilities (such as phone banking, Net banking, SMS, ATMs, etc) has enabled the banks to provide better quality and range of services to customers.

(xiii) Integrated/centralised accounting system with appropriate technology support has obviated the requirement of multiple accounts at various places and has enabled rendering of efficient and qualitative service to customers. Further with technology support and suitable manning, counters which have become one-stop service
shopping points enhances speed and quality of service raising customer satisfaction.

10.3. RECOMMENDATIONS:
Based on the literature perused, observations made during the research and conclusions arrived at, the following recommendations are made in the context of customer service for the banks which propose to achieve service excellence in the competitive environment existing today.

I. Organisational Design:
Recommendations relating to organisational design are given under two sections: (1) Corporate level; (2) Branch level.

(A) Corporate Level:
i. The organisational structure should be as flat as possible. The total organisational layers from delivery units such as branches to the Head at the Corporate Office should not exceed six (6) layers, of which the senior management cadre shuld not preferably, exceed four (4) layers. Whether the structure is pyramid or matrix will not matter as long as the structure is small and has only a few layers.

In smaller flatter organizations of this kind, limited number of layers may create bottlenecks for career progression of individuals. As a solution to this, the branch head’s position may have two to three (2-3) levels in the ascending order of seniority. Branches of larger size may be manned by senior branch heads. Well defined criteria may be laid to identify branches which will be attached to branch heads of different levels. The structure can be diagrammatically shown as under:
ii. The divisions/segments at the corporate level should be functional/operational area-wise. Each division should have its own Product Team, Marketing Team, Sales Team and Operations Team with the following functions:

(i) Product Team: This group will be responsible for Product Development, Product Delivery and Product Supervision.

(ii) Marketing and Sales Team: The team should be responsible for marketing of the products of their division. Sales team should take care of sales where wholesale business is involved and also supervise the sales teams at the branches.

(iii) Operations Team: This group will be responsible for the functioning of the division and the operations at the retail outlets. The group will made business plans, meet manpower requirements, monitor targets-vs-achievements, etc.
In the case of certain divisions, Product team and/or Sales or Marketing team may not be applicable. (Eg. Treasury, Audit, etc.) The structure will be appropriately modified for those areas. The structure explained above may be diagrammatically shown as under:

**Fig.34**

**CORPORATE OFFICE**

![Diagram of Corporate Office structure]

iii. In between the branches and Corporate Office, the Supervisory levels are created. The number of levels and nomenclature could be decided based on the total number of layers the institutions would like to have (e.g., Cluster head/Regional Manager/Regional Head/Zonal Head, etc.). The role of these layers should be partly business-related and partly administrative and should mostly function as facilitator, Supervisor and Controller. The layers should be lean with minimum administrative support and the set up should not replicate the divisions in Corporate Office/branches.

iv. The channel of communication should be function-wise i.e., the corporate office of a department and its unit in the branch and vice-a-versa. As there are supervisory layers between branches and corporate office, the kind of communication (Business Information, control information/MIS, Administrative matters, etc.) that should be routed through the controlling official/communicated directly to the corporate office, should be spelt out.

The structure mentioned above can be diagrammatically shown as under:
v. Multiple reporting should be allowed wherever required to enable high levels of operational efficiency. For eg. The credit card Team at the branches should report to/deal with “Credit Card division” at the corporate office for card-related business issues and report to/deal with ‘Technology Division’ for matters relating to technical support to credit card operations. The above mentioned concept can be diagrammatically shown as given below:
vi. Organisational Structure should provide for technology support to operations. There should be a full-fledged technology department at corporate level which will take care of adoption of technology for operations, technical support to products conceived by various divisions, technical support to systems and programmes on a continuous basis, etc. A technical team of appropriate size may be provided to each branch for support or alternately stationed at a Central place as a resource team for a few branches in a geographical area.

(B) BRANCH LEVEL:

vii. In order to remain competitive in the current business environment faced by banks, the branches should be structurally designed as full-fledged ‘Selling Units’. The branches should, basically, have three structures as given below:

1. ‘Front-office’ managed by ‘Front Office Team’.
2. ‘Back-Office’ managed by ‘Back Office Team’.
3. ‘Technology wing’ managed by ‘Technology Team’.

The ‘Front Office’ team may include the staff manning ‘Teller counters’ and also the other staff dealing with customers termed here as ‘Customer Relations Team’. The ‘Back Office Team’ (Operations and Support Team) may include staff attending to execution of customer transactions, Daily Accounting, Clearing and Settlement transactions (Transactional Banking) etc. Technology team will provide technology support to the branch. As explained earlier, it is not necessary that each branch should have an exclusive Technology Team. The team can be shared by some branches within a geographical area. The structure explained above can be diagrammatically shown as under:
viii. There should be an exclusive ‘Marketing and Sales Team’ which can be termed as ‘Customer Relations Team’. The team will include one group dealing with customers at the counters and another group doing marketing by contacting customers. The structure proposed can be diagrammatically shown as under:

**Fig. 38**
ix. With regard to the branch functioning, the most important issue to be finalized is the items of business that will be transacted at the branch. As of now there are public sector banks which undertake most of the types of business in branches which are of medium sizes on one side and some new generation banks which undertake only ‘Retail Banking’ in most of their branches. It is up to the concerned bank to decide the types of business to be undertaken, depending upon the business model planned by them and also the location of the branch and the scope for business there. A general model for a branch is recommended hereunder:

1. A full fledged ‘Retail Banking Unit’.
2. A small set up with limited man power (1-2 officials) for other major areas of business like Corporate Banking, Small and Medium Enterprises (SME) /business, etc. The set up could be a ‘Customer desk’ for branches in smaller areas and ‘Customer Relations Team’ wherever scope for business is available. These points of contact – ‘Customer desk and Customer Relation Team’ – will work as a link between the concerned divisions in the Corporate Office and the customers. The main department which deals with major operations including grant of loans, monitoring, recovery, etc. may be assigned to the group in the Corporate Office to ensure specialization and uniformity of approach. The structure recommended above is diagrammatically shown below:

Fig.38-A
In the case of rural, urban and metropolitan branches, the customer contacts for businesses other than 'Retail business' may be incorporated as per the scope for such business in these areas.

x. In order to ensure operational efficiency, the sales group at the branch may communicate to the concerned functional department in the corporate office and simultaneously to the supervisory layer (Cluster Head/Regional Head/Zonal Head) for control purpose. For Example, the sales team for 'Retail business' will deal with the Country head, Retail business with regard to business matters with an update to Supervisory layer for control purpose. The structure mentioned above can be diagrammatically shown as under:

**Fig.38-B**

II. Human Resources Management and Motivation:

xi. Corporate goals and business strategies should be the guiding factors for formulation of Human Resources Management Policies (HR Policies). The organisational requirements in terms of quantity, quality and skills of personnel which arise as a result of the business plans should be the platform from which HR activities take off.
xii. In order to become more competitive, the organisation should consider external appointments for key functional positions. However, it should not be a policy that external candidates only will be considered. The position should be open for internal candidates also. In view of the limited positions available in banks which are new generation banks, the organisations may prefer internal candidates for various positions, even if it is costly, as this would offer some career progression to the employee and may work as a motivator. However, it may be ensured that no major organisational interest is sacrificed in the process.

xiii. Traditionally the banking institutions in India had a policy of recruiting their requirements of officers and clerical staff in bulk at frequent intervals though even the public sector banks have cut down on the intake of clerical staff during the last one decade. In smaller banking institutions, in general, recruitment are based on expansion programmes and are filled depending on the recruitments of the vacant positions arising though there are general recruitments in groups from business schools, etc. occasionally. It is recommended by the researcher that recruitments may be made in groups only at the entry level where the bank is able to project the requirements for a period. In the case of positions in the higher levels, arising out of attrition or expansion programmes, the bank may fill up by recruitment on a vacancy-based or position-based manner. This will ensure induction of competent personnel at competitive cost.

xiv. During the research it was observed that dealings of the front-line staff has significant impact on customer service. In view of this, it is recommended that banks should select and recruit front-line staff who has skill, expertise and attitude to deliver quality customer service.

xv. The banks should have a ‘sales and marketing team’ at corporate office. At branches the Customer Relations team will function as sales teams whereas there will be a separate ‘Marketing Team’. The Human Resources function should ensure that appropriate training for acquiring job knowledge and also training for professional and polite dealings with the customers are imparted to the recruits at the time of induction.
xvi. A bank undertakes a variety of functions. The level of difficulty, kind of knowledge required, skills and expertise needed for executing the job, etc. varies from function to function. Hence, the remuneration has to vary from one job to the other. The banks may, therefore, fix up the minimum remuneration for each position under each function taking into account the difficulty of the job, skills and expertise required, etc. (For example, if one considers ‘Foreign Exchange’ business as a functional area, remuneration which is ‘minimum’ should be worked out for all functionaries such as Country Head, Vice President and Executives, etc.)

xvii. The remuneration worked out by the bank (i.e. minimum payable) should be benchmarked with market standards by comparing that with the remuneration paid for similar jobs by banks of similar size, profile and types of business. Benchmarking will help in attracting talent, if the remuneration is kept at the same level as the market or better.

xviii. While recruiting from outside for key positions, the bank may consider the competency, skill, experience and expertise of the person while fixing up the remuneration to motivate the employee.

xix. Reward systems are essential for attracting talents and sustaining the motivational level of employees. Financial rewards for performance should be in place and the same should be backed by fair and objective performance appraisal system. Banks which do not have financial rewards may allocate part of their profit for rewarding the employees for which appropriate organisational initiatives are required to be taken. The reward may be in the form of bonus, performance-pay, etc. The bank may work out an elaborate system to judge the performance, categorise them in different groups and provide appropriate reward in the form of bonus, performance pay, etc.

xx. Banks may also consider non-financial incentives such as providing ‘paid holidays’, ‘foreign holiday trips’ etc as tools of extrinsic motivation. Employees Stock Option Scheme, under which well performing employees are considered for award of stocks of the bank, may be considered.
III. **Technology**

xxi. In the current scenario obtaining in the banking industry, technology support is absolutely necessary for standing up to the competition. The banks should adopt latest networking technology for linking all the branches. Appropriate software support may be identified for banking operations in various segments.

xxii. The delivery channels have become an important consideration from the point of view of customer service. The bank, in line with the others who have adopted technology may ensure that all techno-based delivery channels such as ATMs, Net banking, Phone banking etc. are made available to customers. Further, the technology support to products of various departments also should be ensured by technology division.

IV. **Customer Service – Other Aspects**

xxiii. There should be constant efforts to identify the customer needs and design products or modify the existing products to suit the needs of the customer. While it is desirable that each division may undertake this work on the function (products) handled by them, it is recommended that each bank may create a ‘Customer Research Group’ in the Corporate Office to undertake this job. The ‘Customer Research Group’ should undertake research for assessing the changing customer needs and preference also. The group may conduct ‘Customer satisfaction surveys at frequent intervals without involving the branch officials to assess the satisfaction levels.

xxiv. Ensure quality of counter service by appropriately training the ‘front-office group’ at branches. The ‘customer focus’ may be emphasised by assigning each customer to a ‘Relationship executive’ to handle. Each customer may be directed to contact the ‘Relationship executive’ for any of his banking needs.

xxv. Ensure polite and courteous behavior while dealing with customers. The organisational culture should have a customer orientation. There should be prompt response to customer needs.
xxvi. The banks should endeavour to offer the range of services (technology based or otherwise) available in the industry to all its customers. This is essential to have the competitive edge on its operations.