



CHAPTER - IV

**CONCEPTUAL STUDY OF BANK
CUSTOMER SERVICES**



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4.1 Introduction

Banks are the business organisations as well as community based organisations. These two roles are complementary. As business organisations they accept deposits for the purpose of lending and investment with a view to make profit. As a part of business organisation, they also provide ancillary services like remittance of funds, collection and custody of valuables, etc. and on the other hand in fulfilling their role as community based organisations bank have to be alive aspirations and total needs of the community and to satisfy these needs by themselves and in coordination with other community based organisations. With the growing competition between banks, rendering good service with smile becomes the idea to making profits. Service to society means service to the customer present and potential. From this point of view, the prime function of bank can be defined as the creation and delivery of customer needed services in a customer satisfying manner.

In this chapter an attempt is made to study theoretically the related concepts such as Banker, Customer, Service and Customer Service. Then the detailed study of Bank customer service is made.

4.2 Banker (Bank)

There is no clear definition of the term 'Banker' as distinct from 'Banking' and 'Banking Company' in the important

enactments, provisions of which wholly or substantially have bearing on the operations of banks. These acts are The Negotiable Instruments Act, 1881, The Banking Regulation Act, 1949, etc. However, some of the important definitions given below exhibit the meaning of the term banker.

1. *According to Dr. H. L. Hart :*

“A Banker or bank is a person or company carrying on business of receiving money and collecting drafts, for customers subject to the obligation of honouring cheques drawn upon them from time to time by the customers to the extent of the amount available on their current accounts.”

2. *According to Sir John Paget, a prominent authority on practical banking gives a clear-cut meaning of the term banker. According to him, “No one and nobody corporate or otherwise can be banker who does not _____*

- i. take deposit account,*
- ii. take current account,*
- iii. issue and pay cheques drawn on himself,*
- iv. collect cheques crossed and uncrossed for his customers.”*

Thus, from the above definitions it is clear that a banker is that person who takes deposit account, current account, issue and pay cheques, crossed and uncrossed, for his customers.

3. *Section 3 of the Negotiable Instruments Act 1881 says that a banker includes –*

“any person acting as a banker. Such person may include even firms or individuals, who accept current deposits, withdrawable on demand, collect cheques for credit of customers’ accounts and lend by way of draft or loans”.

This definition is not at all satisfactory because it does not state as to who can enact as banker.

4. Under Section 5 (1) of Banking Regulation Act, 1949 a banking company is defined as –

“Any company which transacts the business of banking and under section 5 (1)(b), Banking means accepting for the purpose of lending or investment of deposits of money from the public repayable on demand or otherwise and withdrawable by cheque, draft order or otherwise.”

However, the acceptance of deposits by companies for the purpose of financing their own business is not regarded as banking within the meaning of the Act. An explanation to this effect has been added to clause (c) of section 5 of Indian Banking Regulation Act, 1949. The essential characteristics of banking business as defined in section 5(b) of the Bank Regulation Act are :-

1. Acceptance of deposits from the public,
2. For the purpose of lending or investment,
3. Repayable on demand or otherwise,
4. Withdrawable by means of any instrument whether a cheque or otherwise.

This definition has proved workable and flexible for the purpose of Banking Regulation Act. It has never been challenged before any court.

From the above discussion, we have clearly understood the concept of banker. The term banker is technical term and it is used in practice as ‘Banking’. The term banking has its own meaning, which is as follows;

- B** Backing of efforts for Nation’s economic prosperity.
- A** Advancement of Working Capital loans for raising crops.

- N** Nutrient food. As your money helps weaker farmers and landless labourers to purchase milk animals.
- K** Keeping your idle money safe and grow at faster rate.
- I** Industrial development especially amongst weaker sections of society.
- N** Numerous deposit schemes to suit your pocket and purpose.
- G** Getting of prompt, courteous and effective services.¹

4.3 Customer

This is the another term, which has no statutory definition either in English Law or Indian Law. The word 'customer' has been derived from the word 'custom' and it means habit of resorting to the same to do business. There is no any legal definition of the term 'customer' from the banking point of view. Therefore, to find out the answer as to who is a customer, one has to rely on the views and expressions of some prominent authorities. Following some of the definitions, however, throw light on the meaning of the term 'customer'.

According to Sir John Paget,

"To constitute a customer, there must be some recognisable course or habit of dealing in the nature of regular banking business..... It is difficult to reconcile the idea of single transaction with that of a customer. The word surely predicates even grammatically, some minimum of custom antithetic to isolated act."

Hence, from the above definition following two aspects are to be satisfied to constitute 'customer'.

1. There must be some recognisable course or habit of dealing between the Customer and the Bank.
2. The transaction must be in the nature of regular banking business.

Thus, it must be remembered that casual transaction like the cashing of a cheque can not be considered a person as a customer of a bank. Thus a single transaction with a bank can not constitute a person as a bank customer.

However, this theory, given by John Paget was discarded by Justice Bailhac in judgment of Law Broke Vs Todd case. According to this judgment,

“The relation of a banker and customer begins as soon as the first cheque is paid in and accepted for collection. It is not necessary that the person should have drawn on any money or even he should be in a position to draw any money.”

According to this definition the number of transactions or the period of transacting business is not important in determining a person as a Bank Customer.

According to Dr. Hart,

” A customer is one who has an account with a banker or for whom a banker habitually undertakes to act as such.”

According to Lord Davey

“A customer is a person who has some sort of an account, either deposit or current account, or has some similar relation with a banker.”

Thus, any person or body corporate may become a bank customer by opening an account in bank.

Another, in the case between The central Bank of India Ltd. Bombay Vs Gophinathan Hair and others, Justice Mathew said that,

“so far as banking business is concerned, he is a person whose money has been accepted by the banker on the footing that the banker will honour upto the amount standing to his credit, irrespective of his connection being of short or long standing.

Thus, from the above definitions, it would be seen that a customer is a person who has an account with the banker and who is involved in regular banking transactions. In short, following aspects are necessary to constitute a customer.

1. Opening of an account with the bank by depositing cash or by paying in cheques for collection.
2. Mere existence of account is sufficient to constitute the account holder irrespective of frequency of transactions.
3. ‘Duration’ is not the essence in determining whether the person is a customer or not.
4. Bank customer may be an individual, partnership firm, co-operative society, joint stock company or any association.

Finally, the doubt arises that whether a person who avails miscellaneous services provided by bank like purchasing of bank draft, sending money through telegraphic transfer, or taking a locker on rent would be considered a bank customer or not. The answer is obviously not. The distinction between the customer and non-customer is became the base for deciding the customer.

4.4 Relationship between Banker and Customer

Banker and customer are called two sides of a coin. The relationship between them adversely affects because of poor customer services. This would neither give satisfaction to customers nor to the bankers. The bank's relationship with its customers changes in different kind of transactions. It works sometimes as an agent, sometimes as a trustee and sometimes as debtor and creditor.

Following types of relationships exist between banker and customer.

Relationship of debtor and creditor

The main relationship between a banker and a customer is that of a debtor and a creditor. This relationship of debtor and creditor is not exactly that of an ordinary debtor and creditor. When the customer is only the depositor and deposits money in various accounts, and the banker promises to repay the amount of deposit when it is demanded by the customer, the relationship between them is that of the banker to the debtor and the customer to the creditor.

Relationship of creditor and debtor

When the banker lends money to the customer the relationship between the two is reversed and the banker becomes the creditor and the customer becomes the debtor.

Subsidiary Relationship :

Though the main relationship between the banker and the customer is that of either debtor and creditor or creditor and debtor, there may arise certain other relationship between the two, which are of subsidiary nature. In this regard the banker may act as a trustee of depositors' money, securities and valuables.

Sometimes a banker may act as an administrator, power of attorney or receiver on behalf of the customers.

In spite of above subsidiary relationships between the banker and the customer, in modern banking, the banks provide many other agency services for the convenience of their customers. When a banker buys or sells securities on behalf of the customer, collects cheques, bills, interests, commission, dividends, etc. and pays insurance premium, telephone bills, the amount of taxes and duties, light bills, etc. as per standing instructions of the customers, the relationship between an agent and a principal exists between the banker and the customer.

The issue of customer service is mostly dependent on the relationships between the bank and customers. Good and friendly relationships between the bank and customers gives maximum satisfaction to the customers and are a sign of good customer service.

4.5 Obligations of Banker and Customer

For maintaining smooth and cordial relations between the banker and customer there are certain obligations to be borne in mind by the banker and customer which distinguish the relationship from that of the normal debtor and creditor. These may be summarised as below

4.5.1 Obligations of a banker to his customer:

Following are the obligations of a banker towards his customer;

1. To honour cheques properly drawn to the extent of the balance in the account.

2. To maintain a secrecy of customers account.
3. To collect the proceeds of the cheque and instruments of credit.
4. To give reasonable notice before closing the accounts.

4.5.2 Obligations of a customer to his banker:

Following are the obligations of a customer to his banker;

1. Not to draw a cheque without sufficient balance.
2. To draw a cheque in such a manner as to avoid any chance of alteration.
3. To pay reasonable charges for the services rendered.
4. To make a demand to the banker for repayment of deposit.

4.6 Different types of customers

The bank in its daily routine hours encounters different kinds of customers who demand prompt and efficient services. The customer is raw material for banks so, customer is important. The bank tries, at their level best, to satisfy the emerging needs of its varied customers.

The following chart shows the different types of bank customers.

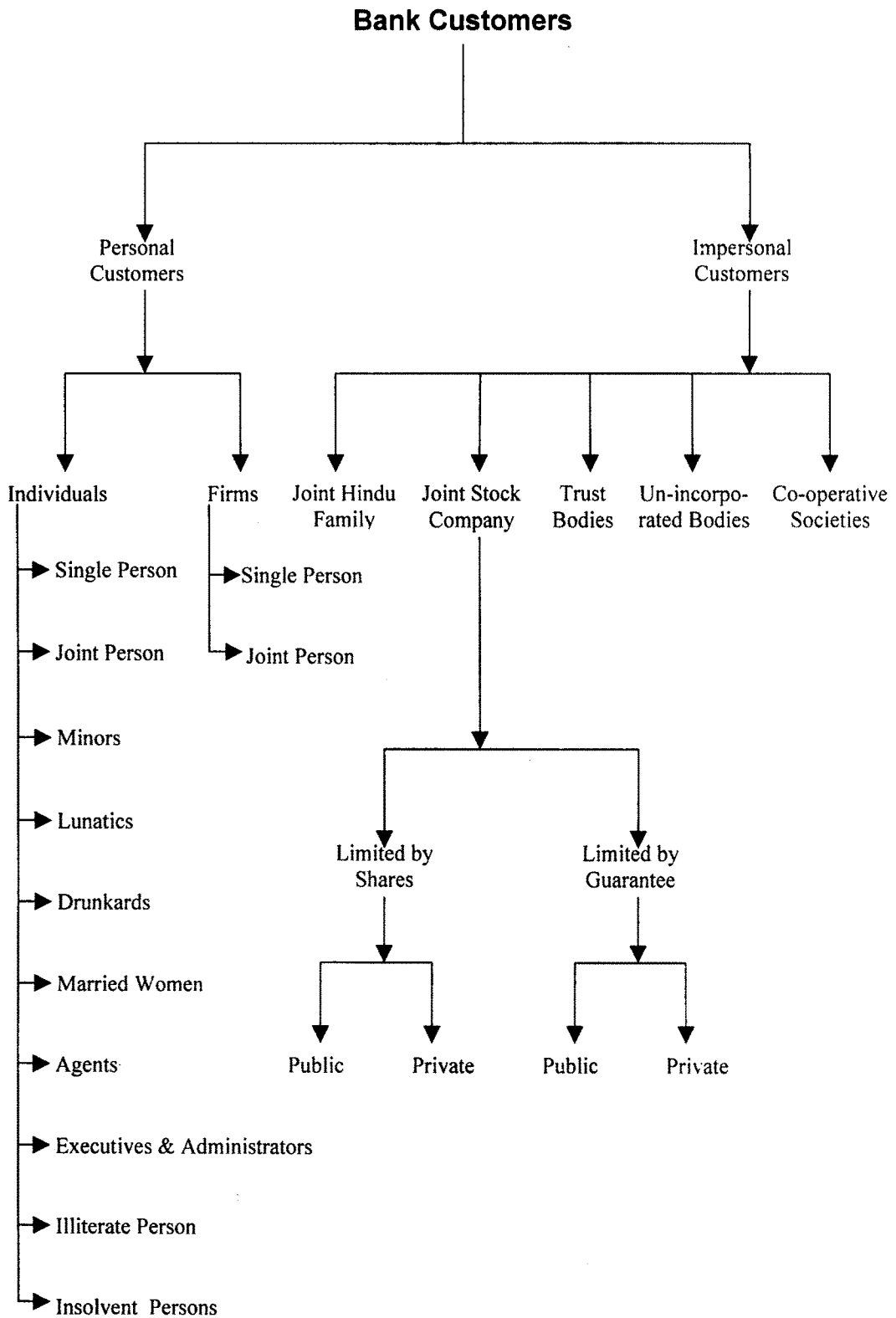


Chart No. 4.1
Different types of Bank Customers

It is seen from the chart No. 4.1 that there are mainly two types of customers i. e. Personal customers and Impersonal customers. Personal customers are mostly individuals. There are different types of personal customers like minors, drunkards, married women, agents, illiterate persons, etc. who creates personal relationships with the bank. In common parlance, it is clear that the volume of banking transactions of personal customers is less than the transactions of institutional customers. Bank should give equal treatment to all its customers irrespective of their volume of transactions. On the other hand, Impersonal customers are the institutional customers and they open their account in the name of their institutions. Institutions may incorporated or unincorporated.

4.7 Service

Service is the another term which, we all hear in our day-to-day life. It is the suffix to many concepts like banking service, travelling service, dental service, etc. Service is an intangible thing. We can't see them but only judge by our mind. Following are some of the definitions which show the exact meaning of the term service.

"A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything."

According to American Marketing Association, "Service is defined as activities, benefits or satisfaction which are offered for sale or are provided in connection with the sale of goods."

From the above definitions, we assume that in service two parties are necessary, one party offers sale services and another willingly accepts such an offer.

4.8 Features of services

Following points highlight the main features of services.

1. Intangibility,
2. Perishability,
3. Inseparability,
4. Heterogeneity,
5. Nature of demand,
6. Ownership,
7. Pricing of services,
8. Simultaneity.

1. Intangibility

Services are intangible. We cannot touch them, smell them. It has mental connotations. A service is a deed, performance, an effort, so it is consumed not possessed. Unlike goods, services cannot be smelt, seen, tested, felt in advance. Their evaluation is not possible before actual purchase and consumption. ²

2. Perishability

A service has high degree of perishability. Service cannot be stored. Like labour, services are also perishable. If we do not use it today, it is lost forever. For example Hotel room date, time, etc. They tend to perish in absense of consumption. The perishable character of services adds to the service marketers problems. ³ For example, deterioration service quality levels creates the problem of quality management, etc.

3. Inseparability

Services are not separable. Personal services cannot be separated from the individual. Some services created and supplied simultaneously. For example medical service of a Doctor.

In the words of Donald Cowell, "Goods are produced, sold and then consumed whereas the services are sold and then produced and consumed." Services are produced and consumed at the same time. ⁴ A person can sell his service only to a limited number of customers in a day. ⁵

4. Heterogeneity

Services cannot be homogeneous. The quality of services cannot be standardised. Even the quality of output of services sold by one seller cannot be uniform. It is also difficult to judge accurately the quality of services. Payment of price and the quality of actual performance may not have perfect co-relation. ⁶

5. Nature of Demand

The market for services has wide fluctuations. These fluctuations in demand may be seasonal or even by weeks, days or hours. For example, Tourism has seasonal demand.

6. Ownership

Ownership is an important feature of service. In the sale of goods, after the completion of process, the goods are transferred in the name of buyer and becomes owner of the goods. But, in the case of services, the user has only an access to the services. They simply use the services.

7. Pricing of Services

There are many difficulties in pricing of services. In regulated services, we have cost plus pricing. Usually, prices of other services are determined on the basis of demand and competition. For example hotel, insurance industry etc.

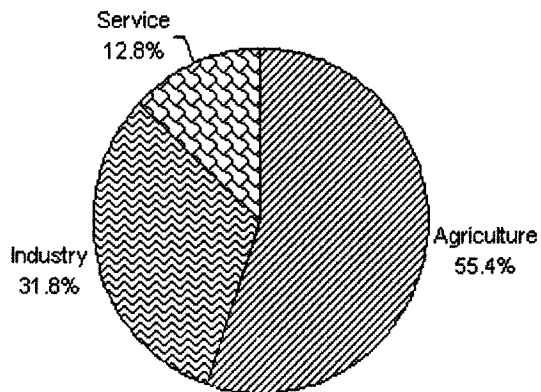
8. Simultaneity

Services have limited geographical area. Services cannot be delivered to the customers or users. Services do not move through the channels of distribution. Hence, either users are brought to services or providers go to the users. Different terms are used to price in different services such as, Advertising – commission, Property – rent, Insurance – premium, Consultancy – fee, etc. The price of a service may vary according to season, location, volume, groups, status of user, etc. ⁷

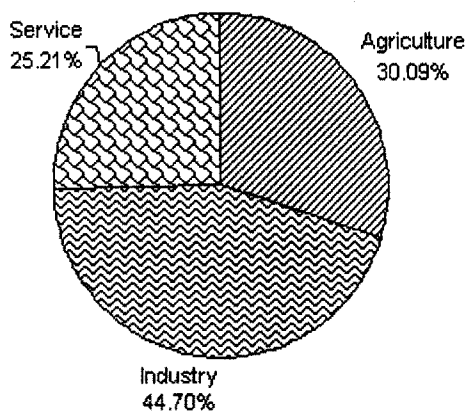
Thus any service has above characteristics. Today many westernised countries have service economy. More than half of the workforce is employed in service industries. India is not an exception to this. In India, the growth in the service economy has been accompanied by a number of factors which influenced the overall economic picture. They are;

- The diminishing importance within the balance of trade of primary industries i.e. agriculture, forestry, fishery, etc
- Similar decreasing impact of secondary industries. i.e. construction and manufacturing.
- And increasing trend of service industries. i.e. banking and insurance, travelling, entertainment, hotel industry, etc.

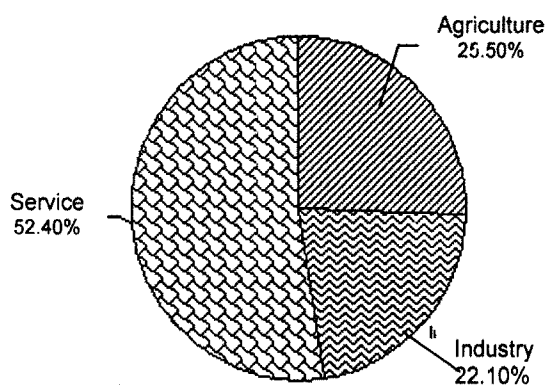
The increasing trend of service industry is shown in the following Pie Chart. It indicates that the service industry is becoming more and more popular year by year.



a. 1950-51



b. 1990-91



c. 1999-2000

Graph No. 4.2

Graph showing the participation of different sectors during 1950-51 to 1999-2000 in Indian Economy

(Source : India Today. Dt. 2.02.2001)

From the above chart it seems to be clear that there is continuous decrease in Agriculture sector and increase Service sector. From 55.4% in 1950-51 agricultural sector comes to only upto 25.5 % in 1999-2000. It shows more than 50% decrease in agricultural sector. While corresponding to this service industry comes to 52.4% in 1999-2000 from only 12.8% in 1950-51. This all shows the opportunity to service sector. Industry sector were also declined to 22.10% as compare to 44.70% in 1990-91 recorded two fold diminishing trend. In short, at present there is vast opportunity and scope for flourishing of service sector industries. Banking industry is one of the service rendering industry. Human being is the product for banking. The growth and development of banking industry that is why largely depends upon the variety, velocity and quality of their services provided to its customers.

4.9 Customer Service

Having discussed the terms banker, customer, and service, an attempt is here made to understand the meaning of customer service.

Customer service is an aspect of great significance and importance in the banking industry. Customer service is comprehensive term in the banking business. It covers the entire points of contacts between banker and customer. It includes receipt of cash, purchase of draft, opening an account, collection of cheques, remittance of funds, etc. In the area of customer service expectations and demands of customer are generally rise at much faster pace than banks are equipped to deal with. Customer service is an issue that constantly engages the attention of bankers and various groups representing diverse customer interests.

In banking business, the customer deposits money and the bank repays it, the banks lend the money and the customer repays it, the customer issues cheque and the bank honours it. Thus, there is continuous interaction between the banker and customer. In this entire process, how the bank treats the customer and the methods and means adopted to satisfy the customer is an essence of customer service.

Customer is the king of the market. To keep him in good need requires considerable skill and tact. His liking and disliking, make or mar the business. He does not like to be neglected or does not like to be kept awaiting indefinitely. He responds to prompt, efficient and courteous customer service.

Our father of Nation Late Mahatma Gandhi very aptly described customer as follows;

“A customer is the most important visitor of 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 service in banks means any service or benefit offered by bank to its customer and which gives maximum satisfaction to him. Urban Co-operative Banks can be ill affected to neglect customer service. Unless the customer service is a higher quality no amount of publicity or public relation would attract or sustain deposits. Therefore, bank should pay adequate attention towards improving customer service.

4.10 Types of Services

Lending of deposits and borrowing it to the customer is the main function of banks. Apart from this main function, banks now a days render many other services to its customers. These services can be broadly classified as under.

1. Traditional Services
2. New Services
3. Ancillary Services
4. Merchant Banking

1. Traditional Services

Traditional services are customary in nature and are performed very carefully by the banks. These services consist of maintenance of different types of deposit accounts, grant of advances, collection of bills, cheques and other instruments, provision of remittance facilities, purchase and sale of securities, provision of safe deposit and safe custody etc.

2. New Services

The banks have introduced a number of new services during recent years. A summarised list of such services is given below;

- Introduction of new deposit schemes
- A scheme of consortium loan
- Travelers and gift cheques
- Lock box service
- Credit cards
- Schemes for financing agriculture and agro-based allied activities

- Scheme for financing small and cottage industries
- Schemes for Auto financing : Two wheelers, Rickshaws, cars, etc.
- Schemes for financing house construction
- Schemes for stock invest
- Portfolio management
- Services after banking hours ⁸

3. Ancillary Services

Apart from above services, remittance of funds by draft, cheque, issue of travelling cheques, accepting valuables for safe custody are the ancillary services.

4. Merchant Banking

Merchant banking has grown in the developed countries over the past few decades. Merchant banking is the new innovation in the field of services rendered by the banks in our country. It includes financing of hire purchase transactions, equipment leasing, valuation of assets, investment management, organising and extending finance for investments in projects, assistance in financial management, financing to local authorities, etc. Different merchant banking specialise in different services. The State Bank of India is the pioneer in this field however, the UCBs in India have not yet entered in this new field of customer service.

These are some services that a common ideal banks render to their customers. The list is not exhaustive. List of services rendered differs from bank to bank.

The different types of banking services are summarised in the following chart.

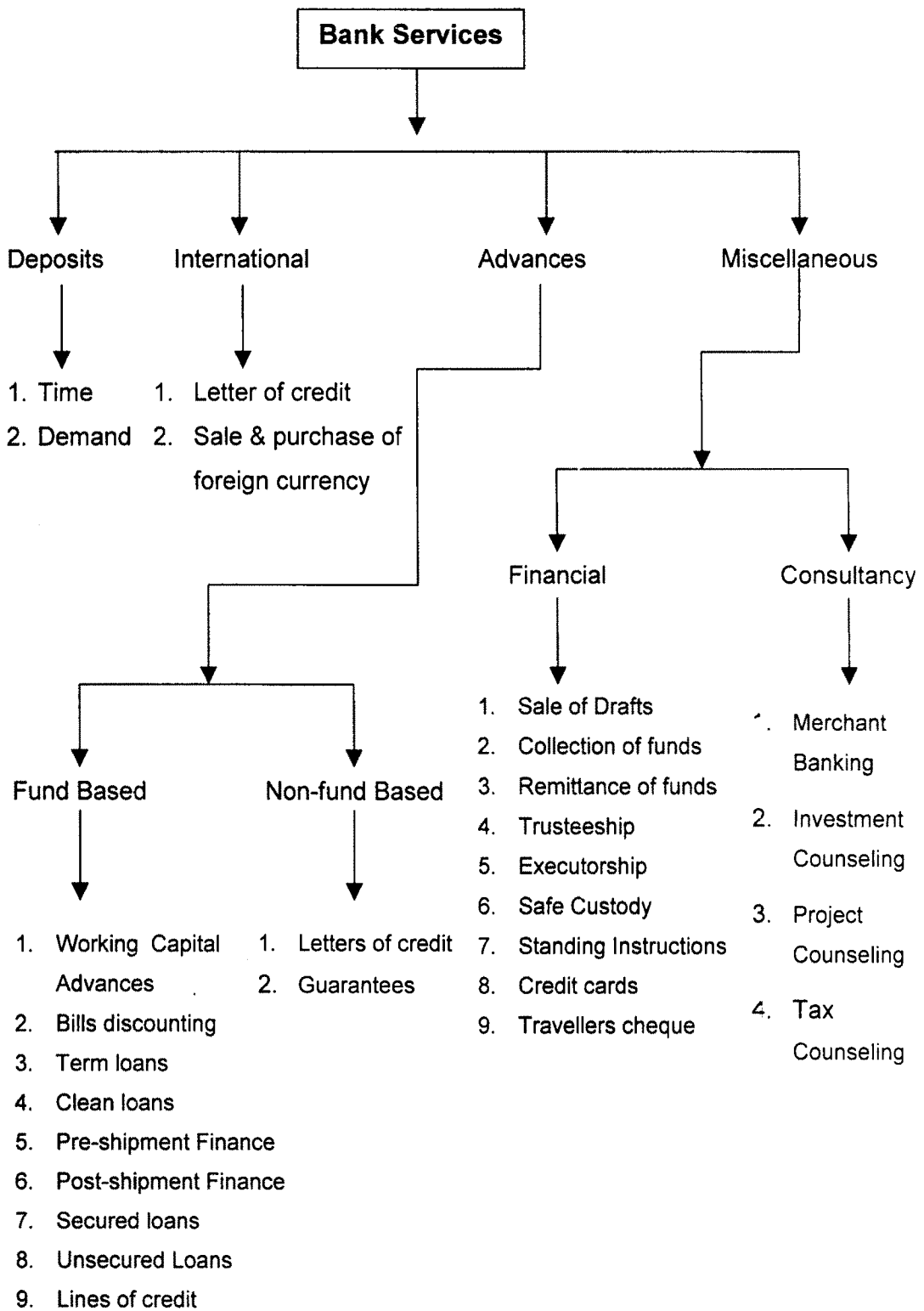
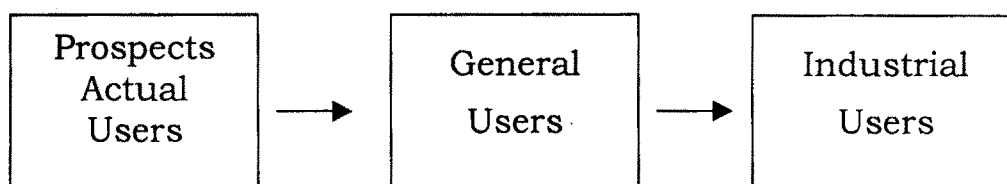


Chart No. 4.3

4.11 Users of Services

The various banking services are used by different class of peoples and institutions. Following chart shows the users of services.



The brief explanation of the above mentioned users is as follows;

1. General Users

All persons having an account in the bank and utilising the banking facilities at the terms and conditions fixed by a bank are termed as general users.

2. Industrial Users

Industrialist or entrepreneurs having an account in the bank and utilising the credit facilities for the establishment or expansion of their business are known as industrial users.

3. Potential Users (Prospectus)

General or industrial prospectus at present not utilising the services of a bank but are expected to be motivated or induced are termed as potential users.

4.12 Aspects of Bank Customer Service

Broadly speaking customer service has the following critical aspects—

1. Technical Aspect

Every customer expects that the product he or she is buying would be technically perfect and accurate. In case of bank's services, the technical aspect is arithmetical accuracy of transactions. Banks have always had an implied obligation to keep customers account accurately.

2. Efficiency Aspect

The customer expects efficient, speedy and prompt handling of their transactions and not any out of way treatment or favours. Customer expect transactions to be completed within a reasonable time.

3. Advisory Aspect

All customers do not know all the things about banking and many of them look to their banker for the advice from the banker. The customers and his or her ability to assess the alternative course of action.

4. Behavioural Aspect

Banks sell services through their employees and therefore, the dealings of bank employees with their customers is of capital importance. The minimum expectation of a customer is that he should be extended normal courtesies, treated well by the staff. Employees motivation and attitudes become important detriment of customers feelings and opinion about the bank.

5. After Sale Service

In selling a service, bankers essentially sell a promise of future performance. As a customer, he would have an opportunity of testing the promised quality of service. The extent to which that promise is fulfilled will effect not only future sales to the same customer but the attraction to new customers through words of mouth recommendations.

4.13 Importance of Customer Service

As we know, deposit is the raw material for banking business. It is necessary for a bank to keep up the flow of deposits increasing continuously. For this purpose banks are fully dependent on the customers. For attracting new customers and keeping the existing customers, banks have to give 'good customer service'. Banks should bear in mind that whether customer is a depositor or borrower or one who uses the other services provided by banks the prime motto would be, "Customer Satisfaction".

Banking is a service industry. Service is the end product of a banks work and its success depends on the range and quality of the services it can offer to its customers. Several types of services are provided to the customers through banks. Any person accepting any type of bank services is the bank customer. Any person accompanying our customer is also likely to be our prospective customer. It is necessary, therefore for banks that he should also be treated well.

Appraisal of customer service is a dynamic concept. What a customer expects today may not be expects the same tomorrow. For that purpose bank must always try to understand the expectations of their customers. For understanding the meaning of the words 'good customer service', it is necessary first,

to know what exactly a customer expects from a bank, and accordingly banks should frame their policy of rendering good customer service. But banks should bear in mind that a customer who is dissatisfied with the banks service makes conscious efforts to damage its image. A satisfied customer serves as a good advertiser for a bank. Thus, one dissatisfied customer is more harmful for a bank than the benefit it receives from ten satisfied customers.

Because of Globalisation, many non-banking financial companies entered in the banking field. These companies provides various innovative services to their customers. They provides service at customers door. Each bank tries to provide something new from last old one and attracts more customers. Profit earning is not the main matter for banks but rendering customer service which gives them satisfaction becomes the main matter for banks. That is why, banks must know the expectations of customers and then try to satisfy them. Following are the some of the expectation that a customer expects from the bank.⁹

1. The 'working hours' of the branch should suit the requirements of the customers. Thus in a business area where the shops normally open at 9.00 p.m. the customers prefer the timing of 10.00 a.m. to 2.00 p.m. while in a residential area timing of 8 to 10 a.m. and 5 to 7 p.m. are preferred.
2. Customers need certain facilities when they visit the branch. The first one is parking facility for their vehicles. Then they need adequate space for moving about in a branch hall. They need seating arrangements, writing table, stationery needed for doing banking transactions, etc.

3. The customer expects to get proper guidance from the banks staff as regards his work and that also in clear terms which he will be able to understand.
4. The customer desires his work to be accepted quickly and disposed of as early as possible. He expects that, if the work is going to take some time, he may be informed accordingly and reasons for time taken may also be explained.
5. The staff should guide the customer about the procedure followed in the bank.
6. The customer expects that the bank's staff should give him an idea of all the requirements for doing his job instead of 'piece-meal' treatment. For example, if a customer wants to open an account, all the forms prescribed by the bank should be handed over to him in one lot and he should also be informed about the need of photograph and Xerox copy of ration card, introduction by an account holder, etc.
7. The customer desires that his problems or complaint should be properly heard and solved as early as possible. He is extremely displeased with deceptive wrong promises. If the bank is unable to solve his problem, it is better to tell him accordingly with reasons for the banks inability to do so.
8. Illiterate, blind, old, disabled persons and women expect some help from the bank on humanitarian grounds in doing their routine banking jobs. They also expect a sympathetic treatment.
9. Normally, bank has to observe the 'Rules' framed by it for doing its business. However, in certain cases it may also relax them to a certain extent, if such a relaxation does not create problems for it in future. For example, if a customer has been admitted to the hospital and urgently needs money, bank's

staff can carry the amount to the hospital and obtain his signature, etc. to complete the formalities.

10. Sometimes, the customers are likely to be benefited if some information is furnished voluntarily by the bank. For example, taking a loan on a fixed deposit is sometimes beneficial than obtaining refund of the deposit before maturity. If the concerned member of the bank staff tells the customer how he is benefited, some affinity is normally created between the bank and the customer.
11. The "Forms" for banking business prescribed by the bank should be in English as well as local language so that filling the forms does not create any problems for the customers.
12. A customer wants his passbook to be completed by the concerned clerk promptly and the entries therein should be written in such a way that he can read and understand them.
13. The customer should get advance intimation about the 'holidays' when bank will remain closed. For this purpose banks generally put up a signboard stating "Bank will remain closed tomorrow".
14. Clerks working on the counters should have full information about banking transactions and should be able to guide the customers promptly and accurately.
15. There should be a system of holding a meeting of banks customers at least once a year to know and discuss the problems, if any, faced by them.
16. The customer also wants to be treated well. He should feel that he is welcomed by the bank. For creating affinity, the counter clerk should give service with smile, show courtesy, remember norms of customers, make enquiries about their

well-being once a way and keep a human approach in all dealings with them.

Above-mentioned expectations are the general common expectations of a customer from every bank. Unfortunately, now-a-days the quality of service is deteriorating day by day. Therefore, every bank, now-a-days particularly Urban Co-operative Banks are giving more importance to satisfactory customer services.

4.14 Customer Service in Banks – Present Status

Customers takes into account the relative efficiency while choosing a particular bank. Some purpose should be hidden in his mind behind selecting a particular bank. Bank carry on business with public money and therefore customers expect better service from them. But at present the behaviour of bank staff has become one of apathy towards customers and antipathy towards management.

Bank should not be satisfied with performing their routine functions. They should think of innovative ideas of new services to the existing customers and new services to the new customers. Banks have to carry out independent research to locate the points where customers' education is required and the point of staff training in relation to customer service.

For understanding the meaning of the words 'good customer service' we should try to know about exactly what a customer expects from a bank. A satisfied customer serves as a good advertiser for a bank. But we should bear in mind that a customer who is dissatisfied with the banks service makes conscious efforts to damage its image. Thus one dissatisfied

customer is more harmful for a bank than the benefit it receives from ten satisfied customers.

A number of committees have been appointed from time to time by RBI, to examine the customer service in banks and to suggest effective measures for improvement. All these committees suggested the importance for designing proper systems and procedures as may be required to bring in qualitative improvements in customer service.

However, The Goi-poria committee found out enough to tell about the customer services. The committee said that—

“an important fact that can not be overlooked is that the society in general is expecting much more from the banks than they are able to give at present.’

Despite this observations, this committee found as many as 75 areas where it find pick holes in the existing level of customer service.

There are also complaints on issues as unattended counters, bank closing hours, enquiry counter, lack of an information on various bank schemes, non-intimation of maturity of term deposit, non-availability of safe deposit lockers, lower return on investment in bank schemes, lack of tax benefits on bank deposits, etc. Finally the committee warns that —

“If public sector bank do not mend their ways customers will go out of the banking system. Customers will pay more for better service, will go to non-banking financial companies.”¹⁰

However, the suggestions made by the IBA for further improvement in customer service area is important. Following are the measures suggested by IBA to its member banks. ¹¹

1. Raising of the limit for immediate credit of outstation instruments from Rs. 7,500/- to Rs. 15,000/- for duly introduced and satisfactorily operated accounts.
2. Waiver of collection charges of outstation cheques upto Rs. 5,000/- representing pension for Ex-servicemen / senior citizens / pensioners who are maintaining accounts with rural banks.
3. Waiver of collection charges for physically challenged persons (who have suffered lose of hand / hands and/ or leg /legs) including blind for instruments upto Rs. 10,000/-
4. Free remittance facility to be allowed by debit to savings bank accounts maintained by senior citizens for their personal uses.
5. Waiver of collection charges in case of delays in collection period beyond specified period (10/ 14 days).
6. ATM cards to be issued free of charges for all eligible customers who qualify the eligibility criteria fixed by the bank.
7. Net banking facilities to be offered without levy of any fee while extending facility to customers as in the case of issue of ATM cards.
8. Banks to acknowledge loan application received complete in all respects on the day of receipt at the branch.
9. In respect to loans upto Rs. 25000/- to SSI units / small borrowers / sponsored schemes, etc. loan applications to be disposed within the time norms prescribed by RBI viz. Two weeks. In respect of other cases for loans upto Rs. 5 Lakhs, banks to dispose off loan applications in four weeks from the date of receipt thereof provided applications received are complete in all respects and by all the requisites as per the checklist.

All these recommendations and suggestions shows that the quality of customer service needs to be improved. It will indeed a it when a quality of service is deteriorating the cost of service goes up. The competition should shift from a mere quantitative growth in deposits to a provision of qualitative service. Better services cannot be expected from banks which are poorly equipped. Therefore qualitative or satisfactory service to customer is essential. The Talwar Committee has rightly observed that the assessment of a customer service in banks should take into account following four factors namely –

1. demands on and expectations from the banks,
2. quality and son knowledge of bank personnel,
3. altitudes and modifications of bank employees,
4. backup systems and procedures.

Among all these, there are many other areas where customer services needed to be improved. For instance bank pass book entries remain incomplete and pass book are not filled up in time. Request for renewals is not sent for fixed deposit-holders, delay in sanctioning the loan disappoint the customers. In direct customer service like encashing cheques, withdrawing moneys from savings account and obtaining demand drafts customers experience delay and unnecessary harassment. Documentary bills discounted with bans take longer time to reach their destination cashier usually do not accept deposits in currency notes of small denominations. Cheques drawn on local branch are not sent to the clearing house on the same day. Many banks do not allow account holders to withdraw money in large sums at the end of financial year. In order to deposit an inflated and false picture of their deposits.

Money Urban Co-operative Banks with a view to render in wider range, the customer services, introduce new dimensions of activities. These banks keep their branches open on regular weekend days and give holiday on other days. Instead of regular banking hours many Urban Co-operative Banks are giving 8 to 10 banking in daily working days. For these they make two sets of staff for avoiding heavy pressure of daily routine. Some banks have now started giving services on telephones, giving banking services at the door steps of senior citizen, giving pre-matured payment of term deposits without charging penalty charges.

However in spite of all this, many banks faced the problem of customer dissatisfaction. The report of the working Group on customer service in banks has listed the following factors for customer dissatisfaction-

1. Delay and inaccuracy in putting through transactions.
2. Delay and inadequacies in correspondence.
3. Delayed facility and unhelpful decision making.
4. Absence of elementary discipline.
5. Undue emphasis of staff on observance of rules and procedures
6. Inconvenience associated with credit application
7. Lack of uniformity in bank charges.
8. Customer being viewed as a faceless unit.
9. General attitude of unconcern and apathy for client

Thus it may finally clear that customer service is important in any bank. Rendering good services with smile is the central theme for any banks development. Customers services need to be assessed and reassessed so that existing schemes and

procedures can be devised to cater the emerging needs. Therefore review, examination and evaluation of customer services in banks has become a regular and going exercise.

4.15 Customer services and Urban Co-operative Banks

Urban Co-operative Banks are in the class of co-operative banking organisation, here they perform dual role as the role of an enterprise and another the role of association. In competitive environment the co-operatives would tend to act in the same manner as private enterprise. Thus one get confirmation to concentrate on customer service aspect in urban banks.

Urban co-operative banks recognise its members (share holders) as its customers. In the case of Joint Stock Company, the interest of the shareholders is restricted to dividend as an owner and they have rights to vote in the meeting. However, in urban co-operative banks members play dual role as a owner and user of bank services. Membership is precondition in borrowing. Some of the members stand guarantor to the borrowers. In short, all members are associated with bank services by one or other way.

Urban co-operative banks have to compete with commercial banks common man expects similar service and facilities from both the banks. Customers looks towards urban co-operative banks with fellowship motive. In this sense, urban co-operative banks are the association. There are restrictions on payment of dividend according to the rules and regulations of the act in order to stick up to the co-operative principles of self help and mutual help. The co-operative functions are not the profit but for service. After transferring 25% of profit to Reserve Fund, certain percentage is used for distribution of dividend and the rest balance is used for development of branch and other similar activities.

Maintaining good customer relationship is an essential part of the working of Urban Co-operative Banks are now provide variety of services to their customers. Similar as commercial bank, same Urban bank are also provide innovative services to their customers. Issue of demand draft any where in the country, payment of light and water bills, observing Standing Instructions, Customer Account Status just by making telephone or SMS, deposit or withdraw money from any branch, working loans as per requirement. Insurance to deposits of deposit holders, etc. are some new services that are provided by Urban Co-operative Banks. By observing one day in a month as a 'Customer Complaint Disbursement Day', banks come to know the expectations deficiency in service and emerging needs of customers.

Urban Co-operative Banks are not the monopolistic organisations. Each bank is required to compete with commercial banks for its survival and business opportunities. Further, in India Urban Co-operative Banks governed by various rules and regulations framed by RBI, National Federation of Urban Co-operative Banks. State Co-operative Act, and Indian Bank Association. Thus the rate of interest on deposits and loans and service charges are mostly uniform the difference between one bank and another may be case of service and image of the bank. Therefore, without good customer service and image Urban Co-operative Banks cannot progress.

4.16 Strategies of Customer Service

The customer service means generation of range of services designed to meet to customer needs not only the present but also the demands of the potential prospective customers. The concept of customer service is gaining importance today. Banks

have formulate strategy to entice more customers. Main important strategies are as follows –

1. Segmentation of Customers

Some banks have segmented the customers into broad homogenous groups. There are generally corporate customers, individual customers, small business customers and rural customers.

2. Identification of Prospective Customers

After segmentation, banks identify prospective customers and for that requires proper marketing and development attitude.

3. Complaint Book

Banks should maintain complaint book at their branches to know the complaints, if any, from the customers. It is to be treated that every complaint or call from customer is a sales opportunity to rectify the deficiencies prevailing in the banking system.

4. Computerisation

For improving service quality, manual labour may not be sufficient to accomplish all the tasks. Computerisation of banks drastically costs down the time taken in the transaction and the customer will not mind in the hike in service charges, if the bank can operate to the satisfaction of the customer.

5. Conducting Surveys

For appraisal of good customer service needs meaningful survey of customers. What is good today may become indifferent service tomorrow and low service the next day. Surveys reveals the expectations of customers from bank. Opinion poll can

be carried out from time to time to understand the perception of the customers on the bank and other banks.

6. Advisory/Counseling

Many customers needs advice for starting enterprises and for investment of their funds. For extending the services bank personnel should have adequate knowledge in these fields.

4.17 Tools for Customer Service

Customer relations may be developed with the help of following tools or methods. There are mainly two methods viz. Direct Method and Indirect Method.

For Present customers Direct Tools are as under

1. Service in Office
2. Calling on Customers
3. Field Officers
4. Task forces going out to meet members at the public
5. Special cells for giving advice on Income Tax, Investments, Trusts, Wills, etc.

For Present customers Indirect Tools are as under

1. Publications
2. Brouchers, New Letters
3. Bulletins, Handbooks
4. Advertisement and other publicity.

The Ten Key areas of customers service to be attended to timely and regularly are -

1. Submission of statement of accounts to customers.

2. Updating of savings Pass book.
3. Teller system efficiently.
4. Cleanliness and upkeep of premises.
5. Immediate credit for institution cheques/and bills.
6. Advance intimation to customers for rewards of Term Deposit Receipts on maturity.
7. Advance for Debit/Credit to accounts.
8. Punctuality of Staff.
9. Handling a complaint separately without much loss of time.
10. Maintain a complaint register.

4.18 List of Services offered by Urban Co-operative Banks

At the end of this chapter we in short study the common services offered by a common bank. Following are the some of the services that are offered by a common Urban Co-operative Bank.

- Computerised Accounting System.
- Safe Deposit Locker facility
- Extra Rate of Interest to Senior Citizens and female members.
- Insurance to Deposits upto Rupees One Lakh.
- Special Purpose Loans for Home Construction, Flat, Plot at less Rate of Interest.
- Special Purpose vehicle loans including four wheeler vehicles.
- Scholarships and other financial help to children's of the members.

- Draft facility and Telegraphic Transfer (T.T.) facility.
- Computer training to members and their relatives.
- Convenient banking hours.
- No TDS cut on Deposits of members.
- Granting loan upto Rs. 25,000/- without any security.
- Rebate on loan in certain cases.
- Family Welfare Fund to Deceased Members.
- Group Accident Insurance Policy to members.
- Participation in Social activities i.e. Blood Donation Camps, etc.
- Recurring Deposit (Pigmy) Collections at members door.
- May I help you/Enquiry Counters.
- Customers Annual Meeting.
- Forms should be in English as well as local language.
- Cleanliness and upkeep of premises.
- Advance intimation to customers for rewards of TDR on maturity.
- Punctuality of Staff.
- Submission of statement of accounts to customers.

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