CUSTOMER SATISFACTION OF BANKING SERVICES IN MANIPUR

DR. KSHETRIMAYUM RANJAN SINGH
Faculty of Accounting and Management
Department of Computer Science
Manipur University, Imphal, India

ABSTRACT

Banks are the intermediaries that mobilise savings from the public and lend in the form of loans and advances to the creditworthy persons. In a simple language, banks will not survive without customers, namely, depositors and borrowers. Every customer is happy to have dealings with those that satisfy their wants. Before 1991, the nationalised banks were providing monopoly banking services and the banking staffs did not worry for banking performances as they are getting regular salaries and other benefits being the government employees. But, after the liberalisation of banking sector in the year 1991, there are many new private as well foreign banks started operating in the Indian Banking sector with new financial products, technology and customer oriented services. With this emergence of new era in Indian Banking Industry, the old nationalised banks new to bring a number of reforms in the operation and methods of providing services to the customers.

As a result of low quality services and abdicable behaviour of staffs of nationalised banks, new private banks that entered recently in Imphal area of Manipur are able to have good business without much difficulty of being new entrant.

The present paper “Customer Satisfaction of Banking Services in Manipur” discusses mainly on banking services, customers of the banks, banker and customer relationship, Banking Ombudsman Scheme, various Committees on Banking Customer Service, Banking profile of Manipur, various findings, suggestions, etc. This paper highlights that without proper attention towards the customer satisfaction; banks will not be able to grow in future. They should try to provide all possible facilities and personalised services to their customers.
Key Words: Customer, Customer Service, Personalised Service, Banking Services, Nationalised Banks, New Private Banks, Banking Ombudsman Scheme

1. INTRODUCTION

In today’s world of fierce competition among bankers to attract valuable clients, a banker who renders ancillary services more efficiently to a customer, normally wins the race. Nowadays, banks cannot just confine themselves to accepting deposits for the purpose of lending or investments. Along with a variety of services provided by them, satisfaction of customers in their services has become a need of the hour. With the liberalisation of banking sector in India, competition in the banking sector has reached a new level in the presence of many new private banks and foreign banks. State Bank of India as well as all nationalised banks need to improve their services and maximum effort should also be taken to satisfy the wants of the customers.

2. DEFINING 'CUSTOMER'

A person whose money has been accepted by the bank on the footing that the bank undertakes to honour cheques up to the amount standing to his credit is, in the view of their lordships, a customer of the bank in the sense of the statute, irrespective of whether his connection is of long or short standing.’ By and large, a person, persons or a corporate body becomes a customer of the bank, when any type of account, deposit or advance, is opened with a bank.

The definition of a customer under the consumer protection Act is even more general as ‘someone who receives any service which is paid for.’ In this broad sense, even a person who buys a demand draft or a telegraphic transfer may be qualified for being a customer.

2.1 Types of Customer of A Bank

The type of account holders, a narrow meaning of customer, of a banking company can be classified as follows:

1. Individual households
2. Joint Hindu Family Accounts
3. Joint Accounts
4. Proprietorship Accounts
5. Partnership Accounts
6. Limited Companies Accounts
7. Trust Accounts
8. Co-operative Societies
9. Clubs, Schools, Colleges, Charitable Institutions
10. Local Authorities Accounts
11. Accounts of Executors and Administrators
12. Accounts of Liquidators
13. Mercantile Agents
14. Non-resident Accounts
15. Government Departments Accounts and Government Business, etc.

3. BANKER & CUSTOMER RELATIONSHIP

The primary function of a banker is to accept deposits from the public for the purpose of lending or investment. But, that is not all. A banker performs many other functions and establishes the banker’s relationship with customers while rendering various services. The followings may be various types of relationship between a lender and his customers.

1. Relationship of a Debtor and creditor (Banker as Debtor): When a customer deposits money with his banker, actually he lends it to the banker. The depositor, therefore, becomes creditor and the banker a debtor. When a customer deposits money with his banker, he becomes an unsecured creditor of his banker.

2. Relationship of creditor and Debtor (Banker as a creditor): When a banker lends money to a customer, a banker becomes the creditor and customer a debtor. If the banker takes adequate security by way of charge over some assets of the customer, he becomes a secured creditor. In this capacity of a creditor, a banker generally has the same kind of relationship with the customer as between an ordinary creditor and debtor.

3. Banker as a Trustee: In certain circumstances, the banker acts as a trustee for a customer’s money. If a customer deposits certain valuables or securities in safe custody with the banker, he continues to remain the owner of such property.

4. Banker as an Agent: A banker acts as an agent for his customer. For example, he buys or sells securities on behalf of his customer, collects cheques on his behalf and makes payments of various dues, like payment of insurance premium, electricity and telephone bills remitting money to some other place at periodical intervals by way of telegraphic transfers, demand drafts and transfers mail or otherwise.

5. Banker as a Consultant: Some banks have opened special departments to give consultancy advice to their customers in matters like payment of taxes, making investments, management function, etc.

6. Banker as a Bailee: Bankers also provide service of safe custody to their customers, where they act not only as trustees but also as bankers. In this capacity, the customers deposit certain valuables, bond securities or other documents with the bank for safe custody. The banker holds these documents, valuables in trust and at the same time also acts as a bailee, whereas the customer is a bailor.

7. Banker as Lessor: A banker provides safe deposit lockers to its customers on lease for depositing their valuable articles, documents, etc. In this relationship, the bank acts as a lessor and the customer as lessee.

8. Other Relationships: Nowadays, a banker also performs the functions of a merchant banker and factor. As the functions of banking go on expanding, it is entering into more interesting and diverse relationships with its customers.

9. Banker’s obligation to honour cheques: A banker has the statutory obligation to honour cheques issued
by his customer, either on his current account or savings account or any other account maintained for this purpose.

10. Banker’s obligation to maintain secrecy of customer’s Account: One of the most important obligations of a banker is to take scrupulous care not to disclose the state of his customer’s account, as such disclosures may do considerable harm to his reputation and business. In certain circumstances the banker has to make such disclosures and the customer cannot challenge the banker legally.

5. COMMITTEES ON BANKING CUSTOMER SERVICE

As customer service deteriorated, the government and banks realized the need to change the situation for the better. Nationalization of more banks was stopped and no bank has been nationalized after 1980. Banks were told to reduce the pace of branch expansion. Reforms were brought in banking sector after implementation of the Narasimham Committee recommendations. Government interference was reduced as recommended by the committee and more competition was brought in the banking sector for encouraging private sector banking. Pace of branch mechanization was accelerated, with more attention given to proper training of the staff in this direction.

The need for improvement in customer service in banks has been a cause for concern to the RBI and the government. The Saraiya commission, under the Chairmanship of Shri R.G. Saraiya in 1972, and the working groups on customer service in banks- Talwar Committee under the chairmanship of Shri R.K. Talwar and Goiporia committee under the chairmanship of Shri M.M. Goiporia, examined this question of improvement in customer service.

The recommendations of the Talwar working group were suggested for implementation by the banks and a standing committee on customer service in banks was set up to oversee their implementation.

In the light of tripping in the area of dispensing customer service by the Indian banks the Goiporia committee was appointed by the RBI in September, 1990 under the chairmanship of Shri M.M. Goiporia, the then chairman of SBI.

The tasks of the committee were:

a) To look into the causes of below par customer service in banks.
b) To identify structural and operational rigidities in the banking system.
c) To find ways and means to upgrade technology in banks.
d) To address deficiency in bank services, and
e) To suggest ways to improve work culture among bank employees.

Some of the recommendations of the Goiporia committee have been asked by the RBI to the nationalized banks for speedy implementations. Following this banks have begun taking actions in this regard.
6. BANKING OMBUDSMAN SCHEME

The then RBI Governor, Dr. C. Rangarajan, announced the Banking Ombudsman Scheme on 14 June 1995. The scheme issued under the provisions of the Banking Regulation Act 1949 covers all scheduled commercial banks and all scheduled primary cooperative banks having business in India.

The scheme seeks to establish a system of banking ombudsman for expeditious and inexpensive resolution of customer complaints. Any person whose grievance against a bank is not resolved to his satisfaction within a period of two months can approach the banking ombudsman if this complaint pertains to any of the matter specified in the scheme. The system is designed to ensure, satisfactory resolution of complaints in the normal course, as early as possible.

Under the scheme, the RBI appoints one or more persons as the banking ombudsman to carry out on a full-time basis the functions entrusted to him/them under the Banking Ombudsman Scheme. The RBI has since appointed banking ombudsmen to cover different areas of the country.

The banking ombudsman has the authority to look into complaints as under.

1. Concerning Deficiency In Service Such As

   a) Non-payment/inordinate delay in the payment or collection of cheques, drafts, bills, etc.
   b) Non-acceptance of small denomination notes tendered for any purpose without sufficient cause and charging of commission for handling of such notes.
   c) Non-issue of drafts to customers and others.
   d) Non-adherence by bank branches to prescribed working hours.
   e) Failure to honour guarantee/letter of credit commitment by banks.
   f) Claims in respect of unauthorized or fraudulent withdrawal from deposit accounts.
   g) Complaints pertaining to the operations in savings, current or any other account maintained with the banks, such as delays, non credit of proceeds to parties’ accounts, non-payment of deposit or non-observance of RBI directives.
   h) Complaints from exporters in India, such as delays in receipt documents handling of export bills, collection of bills, etc., provided the complaints pertain to the exporter’s bank’s operations in India.
   i) Complaints of NRIs having an account in India in relation to their remittances from abroad, deposits and other bank related matters.

2. Concerning loans and advances in so far as they relate to non-observance of RBI directives on interest rates, delays in sanction or non-observance of any other RBI direction or instructions.

The banking ombudsman will first endeavour to promote a settlement between the parties. Where no settlement is reached, he will make a recommendation which will become binding after being accepted by
both parties. In case the recommendations made by the banking ombudsman are not accepted, he will proceed to make an award.

7. BANKING PROFILE OF MANIPUR

Manipur is situated in extreme north eastern corner of the country bordering with Myanmar on the east, Nagaland on the north, Mizoram on the south and Assam on the west. It is surrounded by hills in all sides and of the total area nine tenth is covered by the hilly areas. On the other hand out of 93 existing bank branches as on 2006, lion shares of banks are spread in Imphal West and Imphal East districts. Below The table 1.7 given below shows the banking profile of Manipur spreading in all the nine districts of the state. Imphal West district is having the highest number of bank branches with 32 scheduled commercial banks, of which 20 are Associated Scheduled Commercial banks, 5 are RRBs and 7 of them are banks having cooperative nature in the state with the lowest population per branches of bank, followed by 11 in Imphal East district and 9 each in two valley districts i.e. Thoubal and Bishnupur districts.

On the other hand Churachandpur district is having only five bank branches comprising of three Associated Scheduled Commercial Banks (ASCBs), one RRB and one cooperative bank rendering services for 2,27,905 population. Out of the five hill districts Churachandpur constitute the highest population per branches of bank with 45,581 populations. Ukhrul district is another district having the lowest number bank branches with only four for a population of 1, 48,778 as per 2001 census resulting to an average population of 35,195 per bank branch. To cover such a large population in hilly area is not only the difficult task but also impossible to get the services being provided by the bank which is a burning issue of these days that is ‘financial inclusion’.

<table>
<thead>
<tr>
<th>TABLE 1.6: POPULATIONS PER BANK BRANCH IN MANIPUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Imphal West</td>
</tr>
<tr>
<td>Imphal East</td>
</tr>
<tr>
<td>Thoubal</td>
</tr>
<tr>
<td>Bishnupur</td>
</tr>
<tr>
<td>Chandel</td>
</tr>
<tr>
<td>Churachandpur</td>
</tr>
<tr>
<td>Tamenglong</td>
</tr>
<tr>
<td>Senapati</td>
</tr>
<tr>
<td>Ukhrul</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Sources: (i) SLBC, Manipur, June 2007 (ii) Economic Survey Manipur, 2005-06
Among the nine districts Senapati is second in having number of bank branches but being a hilly district the advantages of having the second highest bank branches is neutralized. Except Imphal West district all the remaining eight districts are below the national average of population per bank of 14,777 persons. Fortunately Imphal West district is covering 13,887 populations per bank as on 2006.

8. BANKING SERVICES

In today’s world of fierce competition among bankers to attract valuable clients, a banker who renders ancillary services more efficiently to a customer, normally wins the race. Nowadays, banks cannot just confine themselves to accepting deposits for the purpose of lending or investments. Some of the important services rendered by a modern banker are highlighted below:-

1. Deposits and withdrawals of Funds through various deposit accounts.
2. Remittance of funds by demand draft/mail transfer/telegraph/telex/SWIFT transfer.
3. Safe deposit lockers
4. Safe custody of articles
5. Standing instructions
6. Credit cards
7. Merchant banking
8. Issue of guarantees
9. Gift cheques
10. Teller System
11. Other ancillary services, like personal tax assistance, sale of units, execution and trustee services, etc.

9. FINDINGS

Through careful study and observation of the operation of banking services and customer services and with proper analysis and interpretation of various information and data collected various findings have been derived.

The important findings of the study have been presented below.

1. 55 percent of the customers think that they are unable to get all their banking needs from their bankers.
2. Most of the accounts maintained by the banking customers in Manipur are of savings bank account which is followed by current account with 10 per cent of customers.
3. Most of the bankers in Manipur has given more importance with ATM and cheque facilities.
4. Around 70 percent of the customers in Imphal area are enjoying the core-banking services whereas around 30 percent are not available with this service. This is due to presence of certain nationalized bank branches, co-operative and rural banks which do not provide such services.
5. Most of the customers are proud of the wide branch network and core banking facilities of their banks. Only a few customers feel proud of their banks for customer service and personalised service.

6. Almost all the banks are charging certain amount for non-maintenance of minimum balance in the customers' account.

7. Most of the banks are not providing any recreation facilities with their customers.

8. Longer queue in and outside the bank premises, limited number of ATM booths and poor services of the ATMs have been considered as the worst cases of poor customer service in the banks of Imphal area.

9. More than 60 per cent of the customers are not satisfied with the banking services provided by the bankers in the state where as only a few i.e. 3 per cent of the customers are highly satisfied with them.

10. A larger number of customers feel that overall quality of banking services are average and poor whereas only 1 per cent of them think that it is excellent.

10. SUGGESTIONS

After careful and proper observations of the activities performed by the banks and after giving a deep thought in their services, some practical oriented and implementable suggestions have been made. Some of the important suggestions made to the bankers and customers are given below –

1. It may be ensured that no counter remains unattended during business hours and uninterrupted service in rendered to customers.

2. All branches, except very small branches, should have an ‘enquiry’ or ‘may I help you?’ counter, either exclusively or combined with other duties, located near the entry point of the banking hall.

3. More number of branches should be opened after a survey in order to make the banks capable to handle the overloading customers.

4. All the branches of nationalised banks in every district of the state should be computerised and linked to Core Banking Services.

5. More number of ATM booths should be opened with uninterrupted 24x7 services.

6. Co-operative banks, rural banks and nationalised banks which are not providing ATM service should come together and open common ATM booths in order to reduce the huge capital investments.

7. Trilingual brochures and pamphlets should be actively promoted containing useful customer information.

8. Banks should subject themselves to customer service audit at the grass roots level as well as at the macro level.

9. Complaint books with perforated copies in each set may be introduced, so as to instantly provide an acknowledgement to the customer and an intimation to the controlling office.

10. Infrastructure facilities at branches should be upgraded by bestowing particular attention to providing adequate space, proper furniture, drinking water facilities, etc.

11. Credit cards and other innovative products, like ATMs, may be floated on a joint venture basis.
12. Time norms for specialised business transactions should be displayed predominantly in the banking hall.

13. Best branches from customer service point of view and best customer caring employee should be rewarded by annual awards/running shields.

14. In predominantly residential areas, banks may observe Sunday as a working day, adjusting weekly offs suitably.

15. Manpower should be redistributed/ redeployed to ensure need-based availability of staff at branches.

16. Training programmes should be in line with customer service orientation.

17. Services relating to exchange of mutilated and soiled notes may be made more customer friendly by proper training of employees on the one hand, and liberation of note refund rules on the other.

18. Security personnel at the bank premises should be given more training and awareness on customer dealings.

11. CONCLUSION

With the entry of new private banks in the Indian banking scenario after the liberalisation of Banking sector, the competition has increased to a great extent in the area of customer service. The existence, growth as well as survival of a bank purely depend on the customers. In a state like Manipur where there is no greater movement and influence of private sector Banks, though Axis Bank, ICICI Bank and HDFC Bank has just started operating with single branches, nationalised banks are not much aware of the importance and value of customer-oriented service. But in a very near future there will be tough competition from these private sector banks and other non-banking financial companies.

It will be much advantageous for the nationalized banks like SBI and UBI if they have tried to give a thought into this issue of customer satisfaction in time. Today’s customers are very sensitive and they will be attracted towards those banks which make them satisfied with better service, customer service and personalised service.

For the Development of the economy of the state and for reducing the amount of black money, the government and the Institutional Finance Department in particular and RBI in general should take up certain measures to enhance the banking habits of the population and to the banking services inclusive for all.

REFERENCES


4. Economic Survey Manipur, 2005-06