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Service Excellence in Banking Industry

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ABSTRACT

Today, customers have a number of alternative channels at their disposal. Determining the customer satisfaction has always been important especially in service industries as well as financial sector. Consequently, customer satisfaction will lead to repeat purchase and become a promotion agent by being word of mouth advertising, sharing their positive opinion towards their banker's performance to friends and relatives. Banks have introduced new channels and propped up existing ones with additional features. For instance, the humble ATM which was primarily used for drawing cash can now be used for purposes ranging from initiating a funds transfer to opening a fixed deposit. Similarly innovations in payment processing technology have resulted in banks offering electronic payment products such as debit and credit cards with enhanced features. And now, devices like the mobile phone and personal computer are adding to the choice by doubling as banking channels. The present study examines what banks must do in order to provide superior services.

KEYWORDS: Service Excellence, Core Banking, RTGS, NEFT and ATM.

Introduction

Banking industry has change rapidly with the increase of competitiveness and similarity of product offered. Hence, to conquer new customer and retain existing customers, banks should increase customer satisfactions and loyalty through service quality. The new momentum bring financial industries to new perspective globally, for the most part to encourage competition intensifies when products and services offered are more or less similar. Customer's satisfaction is able to become a weapon to influence the banks performance and determine its competitiveness and success. Customer satisfaction is considered to be one of the most important competitive factors and identified as the one best indicator's of firm future profits. Relatively, satisfaction has a direct impact on bank's performance and it also becomes a benchmark for customer's preferences to choose their banker. Therefore, financial sector focused on the lifetime value of the customer base rather than focused on cost of transaction. Nevertheless, banks must aware the importance of coordinating their business operation to create synergies and the necessary for the continuous creation and distribution of value to ensure the level of customer satisfaction.

Service Excellence is vital in securing better relationship with the banks whereby it reflects on the performance of the banks. Banks must set a benchmark of service quality delivered, particularly being known that service industry involved with personal touch. Dissatisfaction towards banks services might jeopardize the customer satisfaction level which leads to the performance of the banks. Customers are getting smarter to distinguish the quality of service. In order to remain in the industry, there is a need for the banks to ensure that they fulfill customer needs and wants, if the customers are satisfied with a provided goods or a particular service, the probability that they use the service again increases.

Objectives of the Study

In order to study the service excellence in Banking Industry the following specific objectives were made.

- To study the upgradation of the Banking Products suitable to the requirements of bank customers
- To analyze the different innovative technologies installed in the banking operation for service excellence.

Significance of the Study

As we become global, banks would need to become technologically more sophisticated in diverse areas, whether it is moving towards adopting advanced approaches in Basle II or in upgrading their delivery channels for providing better customer service. Whether large or small, traditional or non-traditional, regional or global, all banks now face a similar competitive imperative. Short-term survival and long-term success require simultaneous focus on often conflicting priorities: reducing operating costs, driving new sources of revenue and building capital. Growth can be achieved through innovative customer friendly strategies to stem the reduction of the customer base and to grow deposits. This all must be accomplished in the market which is getting extremely competitive. Indian banking industry, today, is in the midst of an IT revolution. The Indian Banking fraternity is adopting the latest technological advances to address the threat of competition and to meet customer expectations. A combination of regulatory and market forces has supported the implementation of technology and automation in the Indian banking industry.

Technologies for Customer Focus

Technological advancement, High customer expectations, intense competition for market-share and the desire to find new ways of delighting the customer have resulted in banks adopting various technologies.

Core Banking Solutions

Core Banking or Clustered Solutions which would contribute significantly towards increasing customer satisfaction. In the pre-technology days, customers had to visit the home branch for almost every transaction and wait long to be served. Core banking solutions have revolutionized banking by automating core banking operations such as deposits, withdrawals and interest calculations, unifying various processes and allowing a single view of customers' various accounts with the bank. Non - branch channels have also been integrated with this system making it possible to use them for transactional as well as non-transactional services, rendering a branch visit almost unnecessary. This technology has almost made the "home branch" concept redundant; if at all customers need to visit a branch, they can go to any one of them because the staff at all have equal access to their details.

Channel Related Techonologies

Technology has a definite role in facilitating transactions in the banking sector and the impact of technological implementation has resulted in the introduction of new products and services. Banks have worked towards making these channels not just service points but also platforms which enhance customer experience.

Automated Teller Machines

Technically ATM is called Automated Teller Machines, but practically it is Any Time Money Machine and provides round a clock service. It provides the customers with facility of withdrawing the money 24 hours a day, 7days a week through their Debit cards. Sharing of ATM networks between the banks is a further advancement in this area. A customer will be benefited as he will be able to transact his business from any ATM nearest to him, irrespective of his bank. Banks will be able to reach

maximum number of customers without having to make large investment.

ATMs Installed by Scheduled Commercial Banks in India
Table 1

Sr. No	Scheduled Commercial Banks	ATMs		
		On-Site	Off-Site	Total
1.	Public Sector Banks	34012 (71.5%)	24181 (50.3%)	58193 (60.8%)
2.	Private Sector Banks	13249 (27.9%)	22830 (47.4%)	36079 (37.7%)
3.	Foreign Banks	284 (0.61%)	1130 (2.3%)	1414 (1.5%)
	Total	47545	48141	95686

Source: Report on Trend and Progress of Banking in India 2011-12

Table 1 shows total number of ATMs Installed by scheduled commercial Bank in India. Nearly 60.8 percent of ATMs are installed by Public Sector Banks, 37.7 percent of ATMs are installed by Private Sector Banks, 1.5 percent ATMs are installed by Foreign Banks. Almost all the ATMs in the country are part of National Payments Corporation of India's (NPCI's) National Financial Switch (NFS) network which facilitates routing of ATM transactions through inter-connectivity between the bank's systems, thereby enabling ATM/debit cardholders of the country to utilise the services in any ATM of a connected bank. Besides cash withdrawal and balance Inquiry transactions, NFS supports other Value Added Services (VAS) such as pin change and mini statement through the ATMs. There are plans to increase the VAS through Card-to-Card transfer, cheque book request and statement request through the ATMs.

Electronic Fund Transfer Facility incorporating Real Time Gross Settlement (RTGS) / National Electronic Fund Transfer (NEFT)

These schemes enable an efficient, secure, economical and reliable system of transfer of funds from remitter's account in a particular bank to the beneficiary's account in another bank across the country. RTGS/ NEFT are the two schemes for transferring funds instantly to other Bank branches electronically at cheaper rates

RTGS: An electronic payment system in which payment instructions between banks are processed and settled individually and continuously, on a real time basis during business hours. Minimum transaction value is Rs.2.00 lakhs.

NEFT: Another electronic payment system in which payment instructions between banks are processed and settled on deferred net settlement (DNS) basis at fixed times during the day. There is no minimum or maximum transaction value for using this facility.

Table 2
Number of clearing houses 2008-2012

Year	RBI	SBI	Associates of SBI	Nationalised Banks	Others	Total
2008	16(16)	703(18)	335(4)	40(22)	-	1094(60)
2009	16(16)	728(19)	312(4)	46(25)	1(0)	1103(64)
2010	17(17)	731(19)	330(4)	60(26)	1(0)	1139(66)
2011	17(17)	763(20)	307(3)	75(26)	4(0)	1166(66)
2012	17(17)	773(20)	307(3)	85(26)	19(0)	1201(66)

Source: Department of Payment and Settlement Systems, RBI.

Table 2 shows Number of clearing houses managed by (as on March 31). Figures in bracket indicate MICR (Magnetic Ink Character Recognition) cheque processing centres.

Initiatives taken by Banks to improve Service Excellence

Technological changes changed the modes of payment in so many different ways. But it is important to take note that this change is on a positive note and not a negative one. These systems are designed to make money transfer from one account to the other quick and easy as it can be done in a matter of seconds. These are the kind of systems that will accept payments through electronic means.

1. Electronic cards

Electronic cards are designed to reflect your bank account. By having one, it means that you definitely do not need to visit your bank physically in order to access your account. Mostly cut out of hard plastic material to make them durable, the cards will have a magnet trip that allows the machines to be able to gain access to your bank account electronically. They will come in three major types, the debit card, the credit card, smart card and the prepaid card. All that the vender has to do is to swap your card across the payment system where a message will be sent to your bank and immediately reply with a confirmation message. All this is done in a matter of seconds.

2. Internet

Banks are becoming increasingly virtual. They are harnessing the power of the Internet to deliver round the clock service to their customers at lowest possible costs. Customer can operate his/her account anywhere in the world through internet has resulted in considerable growth in the number of registered users of Net banking over the years.

3. Telebanking

Telebanking implements automated banking solutions for speeding the task of query handling at the branches. A telephone line is connected to the Telebanking computer system. Whenever there is a call the system picks up the call and attends the call. The customers are able to find about the balance in the account, a few last transactions and status of particular debits or credits and may even requisition statement on fax.

4. Use of mobile phones

With increase in usage of mobile phones and cellular services, several banks have introduced mobile banking which allows customers to perform banking transactions using their mobile phones through Internet. Mobile banking is very helpful to people who travel frequently and enables them to keep track of their banking transaction.

Conclusion

The environment in the banking industry has gone through tremendous changes. Banks must meet such change by adapting and changing themselves. The traditional lure of promotion as an incentive for motivation and commitment is no longer enough, it needs cultural changes to provide the alternative ways to create and sustain service excellence and a customer focus. Profit comes from the ability to create this culture, which requires strong commitment to change and involvement by the management. A possible antecedent to excellent services is simply extending the level of services beyond the normal expectations of customers, or the ability to regularly surprise customers in order to remain a service leader in the industry. This constant emphasis of surprising customers by exceeding their expectations is a common theme in much of the services literature.

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