

Indian Service Sector

"A Case study of Banking Sector"

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ABSTRACT

The banking sector is one of the biggest service sector in India and nowadays is in a way to attract the biggest market of Asia in investment. The banking sector today is focusing on how to provide efficient services to its customers.

The Indian Banking System consisting of various public and private sector financial institutions whose objective is serving the people for their financial and economic needs. This paper entitled "Indian Service Sector -- A case study of banking sector", emphasizes on the customer service provided by the banks.

It emphasizes on a very important factor that the success of any financial institution (bank) depends upon the service delivery of the products offered and the satisfaction of the customers. It also covers the various quantitative products offered to the customers for their maximum retention and tells that the products and services should alongwith being quantitative be qualitative. The study reveals that during recent times there has been a quantitative expansion of banking services but qualitatively the scenario has been far from satisfactory. The qualitative improvement provides upthrust in the success of the banking industry

and is the need of the hour in today's era of cut throat competition and to provide customer satisfaction.

Collin Clark¹ in his book "Conditions of Economic Progress" agrees that there is close relationship between development of the economy on one hand and occupational structure on the other and economic progress is closely associated with certain distinct necessary and predictable changes in the occupational structure.

Our Indian Economy is divided into three sectors--

1. The Primary Sector, comprising Agriculture, Fisheries, Forestry, Animal Husbandry.
2. The Secondary Sector, comprising Small and Large scale industries
3. The Tertiary Sector, comprising Transport, Communication, Banking, Finance and other services.

According to A.G.B. Fisher² "In every progressive economy, there has been a steady shift of employment and investment from the essential primary activities to secondary activities of all kinds and to a still greater extent into tertiary production"

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Agriculture forms the backbone of the Indian economy and occupies a place of pride but the share of agriculture is decreasing continuously and that of industrial and service sector is continuously increasing.

Today, service sector contributes the maximum share of India's Gross Domestic Product (GDP). It comprises of trade, communication, financial system, insurance, community, social and personal services.

Indian Banking System

The resources of the financial systems are held by financial institutions in trust and have to be deployed for the maximum benefit of their owners-- viz. depositors and investors. The safety of their funds should be the primary concern of banks and regulatory authorities and hence ensuring solvency, health and efficiency of the institutions should therefore be central to effective financial reforms.

More than three decades have passed since Mrs. Indira Gandhi nationalized the banks. The last decades witnessed the maturity of India's Financial Market. Since 1991, Government of India has been taking various steps in reforming the financial sector of the country. Almost 80% of the business is still controlled by Public Sector Banks (PSB). PSBs are still dominating the

commercial banking system. Shares of leading PSBs are listed on the stock exchange with private sector banks.

The RBI has given licenses to new private sector banks as a part of the liberalization process. Many banks are successfully running in retail and consumer segment but are yet to deliver services to industrial finance, retail trade, small business and agricultural finance.

Today the banking industry, which was tightly protected by regulations is now experiencing a rapid change. Now it is no more confined to nationalized and cooperative banks but has emerged with multinational banks who have spread their branches across the length and breadth of the country.

The entry of private players in the industry has altogether transformed the banking arena. Now the consumers have a choice of transacting either in traditional way or the new multi channel banking i.e. A.T.M., Net banking, Tele banking etc. Banks today are thus providing large number of quantitative services along with qualitative dimensions.

According to K.P. Padamakumar, Chairman, Federal Bank, “Banks are increasingly facing sliding margins and fierce competitions. It is imperative to increasing volumes and reduce operational cost.” Thus due to tough competition in the banking sector and due to the entry of private players, the quantity of services of the banks are increasing day by day but as far as quality is concerned, it is continuously deteriorating. Today the customer is interested in how he / she

can benefit from the banks and their products. That is why it becomes necessary for a bank to differentiate its products from the others.

Indian banks have now realized that it no longer pays to have transaction based operating. This has shifted their focus from operational services to customer centric services. Today they are looking at newer ways to make a customer's banking experience more convenient and effective. This can be done by using new technology, tools and techniques to identify customer needs and then offering products to match them. In the financial world, product superiority does not last long as it is relatively easy to copy products. So the real strength comes from operational excellence and understanding the customer and developing rapport with them.

The emerging need of the time is that the banks both in the public as well as private sector should identify and cater the needs of the customers thereby practicing customer retention and providing them efficient services. Customer service is concerned with the creation, development and enhancement of individualized customer relationship with carefully targeted customers resulting in maximising their total customer lifetime value by giving them satisfaction against their expectations. Today approach towards customer service, emphasizes on keeping as well as winning the customers. Today focus of banks has shifted from customer acquisition to customer retention.

Besides rendering traditional services of accepting deposits and granting advances, during the recent years, banks have gradually started providing various auxiliary services to their customers which has completely revolutionized and enlarged the banking sector. Today, with the help of Core banking solution, the operations have shifted from branch banking to bank banking i.e. now the customers are not confined to the branch in which they having their account rather now they can access their account from any branch of the in which they are having their account. Core banking solution is providing the competitive edge to scale unprecedented height in customer delight.

With the stepping in of Information Technology in the banking sector, the working strategy of the banking sector has seen revolutionary changes. Today without the use of Information Technology, the banking sector may become paralyzed. The various customer service oriented products like internet banking, ATM services, telebanking, electronic payment system, cheque processing system etc. have declined the workload of the customers. Now they need not go to the banks each and every time for meager tasks.

Debit and credit cards, are another beneficial products of the banks which have made the life of the customers much easier are there for their use. Today anytime anywhere shopping has become an easy task for the shoppers who now need not carry large sums while going for shopping or any other transaction because credit cards are the remedy for them. Today the use of debit cards has

donated so much time to the customers which was earlier wasted in standing in long queues of the cash counter waiting for their turn to encash their cheques or get money. Earlier customers were bound by a limit of 10:00 am to 2:00 pm for cash withdrawal or account statement, but ATMs have made the life easier by removing the time limit.

A large number of services are provided by the banks Wide Area Networking (WAN) is the most important of these services. Today all the branches of a particular Bank Group spread all over the country are connected through WAN and all the details, circulars, publications, balance sheets etc. related to them are displayed on the website for the access of the customers.

Although the banks are providing the above enumerated services and many more i.e. the quantity of services is continuously increasing but unfortunately there appears to be total neglect in the quality. Today the customers have become harder to please. They have become more smarter and demanding. Now the banks aim at T C S - Total Customer Satisfaction i.e. they are making efforts to match the delivery and performance of products and services which is multidimensional. But they have been successful in only one aspect of their aim i.e. they have provided ample delivery of products but their performance level is declining.

A comparative study of the various customer oriented services provided by Public Sector and Private Sector banks is shown in the table beneath.

AVAILABILITY OF SCHEMES AND SERVICES IN THE VARIOUS PUBLIC
AND PRIVATE SECTOR BANKS IN ALLAHABAD

The table below gives a wide view about the availability of the services in the various Public and Private sector banks.

Schemes	Public Sector Banks	Private Sector Banks
Sweep in Facility in Saving Account	Not available in these banks	Available in these banks
Demat Account	Available in some banks	Available in these banks
Minor Account	Minor can only open an account jointly with his guardian	No such conditions is applicable over here. A minor can open an account independently
Women Account	No Special benefits are provided	Special benefits are provided to the account holders
Investments	These banks do not deal in gold investment	These banks offer the customers to invest in pure gold
Online Shopping	This facility is not available in these banks	This facility is available in these banks

Internet Banking	Not Satisfactory	Very efficient
Time Norms	Time norms for providing the services are quite long and complicating. The customers have to wait for a long time for getting these services as in most cases these norms are not followed.	Time norms for providing the services are less. The customers do not have to wait for a long time to get these services
Core Banking Facilities	Not so efficient in public sector banks.	All banks have this facility and are providing them efficiently.
Interest Rates are deposits	Rate of return is low on deposits with the banks	Rate of return is high on deposits with the banks
Interest Rate on loans and advances	Rate of interest levied on loans and advances is low. Public Sector banks are able to provide as better services as those by private sector banks	Rate of interest levied on loans and advances is high. Private sector banks offer more and better services than public sector banks to give the best to its customers

<p>Working Hours / Customer dealing</p>	<p>Hours for customer dealing in public sector banks varies from bank to bank. In some banks it is 10a.m. to 2 p.m. whereas in some it is from 10 a.m. to 5 p.m. with a break for half an hour</p>	<p>Hours for customer dealing in private sector banks is more i.e. 8a.m. to 8p.m.</p>
<p>Sincerity and Dedication towards their work</p>	<p>Public Sector banks are not much dedicated towards their work and do not give their customers the top priority</p>	<p>Private Sector Banks are dedicated towards their work and give their customers the top priority</p>
<p>Customer Satisfaction</p>	<p>Public Sector Banks are not able to satisfy their customers fully</p>	<p>Private Sector banks have the capability to get all the customers needs satisfied in respect of all their expectations.</p>
<p>Banks innovativeness</p>	<p>Public Sector banks are less innovative in introducing new schemes for customers benefits</p>	<p>Private sector banks introduce new schemes from time to time to attract more and more customers.</p>

Bankers Meet Customers	Such meetings are not arranged very frequently.	Such meetings are arranged from time to time to know the requirements of customers
Bank's advertising regarding services	Customers are some time unaware of the services provided due to lack of bank's advertising	Private Sector banks advertise their schemes very well to get their customer informed about them

Thus the quality and quantity of services provided by the Private Sector Banks is much better than that provided by Public Sector Banks.

In the coming years, the deposit ratio will be 80% in private banks and 20% in public sector banks which is a reverse of a decade before. Banking is and for the time to come, will remain customer oriented business. If one can satisfy the customers effectively, then customer becomes client. Thus to be successful, the banks should satisfy their customers qualitatively as well as quantitatively. They should "***put the customers first***" because "***Customer is the king***" for the proper functioning of the Indian Banks today.

References:

¹Colin Clark: 1940, The Conditions of Economic Progress, pp 182

²AGP Fisher:1945, Economic Progress and Social Security, pp 5-6

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