



CONTENTS

	PAGE
<i>Foreword</i>	<i>iii</i>
<i>Recommended Reading</i>	<i>vii</i>
<i>Syllabus</i>	<i>ix</i>
<i>Chapter-heads</i>	<i>xi</i>

MODULE A

UNIT 1 :

DEFINITION OF A CUSTOMER & BANKER-CUSTOMER RELATIONSHIP

1.1	Objectives	5
1.2	Definition of 'Customer'	5
1.3	What is customer service?	7
1.4	Different forms of banker customer relationship	7
1.4.1	Bank as debtor	8
1.4.2	Bank as creditor	9
1.4.3	Bank as trustee	9
1.4.4	Bank as agent	9
1.4.5	Bank as bailee	9
1.5	Bank's duties	10
1.5.1	Duty of secrecy	10
1.5.2	Duty of reasonable care	11
1.5.3	Garnishee or attachment order	12



CONTENTS

	PAGE
1.6 Bank's rights	12
1.6.1 Bank's lien	12
1.6.2 Right of set-off	13
1.6.3 Right of appropriation of accounts	14
1.6.4 Right to charge interest/commission	15
1.7 Termination of Bank-Customer Relationship	15
1.8 Let us sum up	16
1.9 Check your progress	17
1.10 Answers to 'check your progress'	19
1.11 Terminal questions	19

UNIT 2 :

TYPES OF CUSTOMERS AND THEIR ACCOUNTS

2.1 Objectives	23
2.2 Opening of deposit accounts	23
2.2.1 Who can open a deposit account?	23
2.2.2 Opening bank account	24
2.2.3 'Know your customer' (KYC) guidelines of the RBI	24
2.2.4 Specimen signature	25
2.2.5 Accounts of non face to face customers, and cross border customers	25
2.2.6 Power of attorney	26
2.3 Types of customers	26
2.3.1 Individuals	26
2.3.2 Illiterate persons	27
2.3.3 Hindu undivided family (HUF)	27
2.3.4 Firms	28
2.3.5 Companies	29
2.3.6 Trusts	30

CONTENTS



	PAGE
2.3.7 Clubs	31
2.3.8 Local authorities	31
2.3.9 Co-operative societies	32
2.4 Non-resident accounts	32
2.4.1 Foreign currency non-resident (FCNR) accounts	33
2.4.2 Non-resident external (NRE) accounts	33
2.5 Customer education	34
2.6 The depositor education and awareness fund (DEAF) scheme	34
2.6.1 Type of accounts included for transfer of funds to the DEAF scheme	34
2.6.2 Utilization of the funds	35
2.7 Let us sum up	35
2.8 Check your progress	36
2.9 Answers to 'check your progress'	38
2.10 Terminal questions	39

UNIT 3 :

IMPORTANCE OF CUSTOMER SERVICE IN BANKS

3.0 Objectives	43
3.1 Introduction	43
3.2 Understanding the needs of customers	43
3.2.1 Stated needs	44
3.2.2 Implied needs	44
3.3 Satisfaction of needs	45
3.4 Customer delight	46
3.5 Talk to the customer in his language	47
3.6 Response to customers' complaints	48



CONTENTS

	PAGE	
3.7	Essence of customer service	50
3.8	Let us sum up	50
3.9	Key words	51
3.10	Check your progress	51
3.11	Answers to 'check your progress'	52
3.12	Terminal questions	52

UNIT 4 :

CHANGING EXPECTATIONS AND PERCEPTIONS

4.0	Objectives	55
4.1	Introduction	55
4.2	Customer orientation	56
4.3	Customer education	56
4.4	Challenges in customer service	57
4.5	Business etiquettes	59
	4.5.1 Why business etiquette?	59
	4.5.2 Important business etiquettes	59
	4.5.3 Tips for good business etiquettes	60
4.6	Benefits of good customer service and measurement of satisfaction levels	61
	4.6.1 Measurement of satisfaction levels	61
4.7	How to handle difficult customers and customer retention strategies	62
	4.7.1 Finding solution to the problem	62
	4.7.2 Customer retention strategy	63
4.8	Public relations	64
	4.8.1 Some definitions of public relations	65
	4.8.2 Relationship between Public Relations, Advertising and Marketing	65

CONTENTS



PAGE

4.8.3	Public relations in bank – objectives and activities	66
4.9	Image building	66
4.10	Marketing	69
4.10.1	Introduction	69
4.10.2	Modern marketing	70
4.10.3	Marketing of banking services	71
4.10.4	Social media and digital media marketing	71
4.10.5	Ethical marketing	72
4.10.6	Why ethics are important?	72
4.10.7	Initiatives taken by RBI in customer protection	72
4.11	Let us sum up	73
4.12	Key words	75
4.13	Check your progress	75
4.14	Answers to ‘check your progress’	76
4.15	Terminal questions	76

MODULE B

UNIT 5 :

FEATURES OF MODERN DAY BANKING

5.1	Objectives	81
5.2	Meaning and definitions of bank/banking	81
5.3	Basic principles of banking	81
5.4	Types of banking groups in India	83
5.5	Functions of banks	86
5.5.1	Traditional functions	86
5.5.2	Modern functions	86



CONTENTS

	PAGE
5.6 Emerging trends in banking	87
5.6.1 Universal banking	87
5.6.2 Electronic banking	87
5.6.3 Globalisation of banking	88
5.7 Important features of modern day banking	88
5.7.1 Centralised systems	88
5.7.2 Electronic payments system	89
5.7.3 Tele banking/phone banking	91
5.7.4 Mobile banking	92
5.7.5 Internet banking	94
5.7.6 Digital banking and customer service	96
5.8 Let us sum up	97
5.9 Check your progress	98
5.10 Answers to 'check your progress'	99
5.11 Terminal questions	100

UNIT 6 :

BANKING PRODUCTS

6.1 Objectives	105
6.2 Wholesale banking	105
6.3 International banking	106
6.4 Retail banking	106
6.4.1 Introduction to retail banking in India	106
6.4.2 What is retail banking?	107
6.4.3 Retail products	108
6.4.4 Drivers of retail business in India	109
6.4.5 Opportunities of retail banking in India	110
6.5 Important retail banking products	112
6.5.1 Home loans	112

CONTENTS



	PAGE
6.5.2 Personal loans	116
6.5.3 Education loans	118
6.5.4 Skill development and entrepreneurship loan scheme (skill loan scheme)	121
6.5.5 Consumer loans	123
6.5.6 Bancassurance	124
6.5.7 Credit card	127
6.5.8 Demat services	135
6.6 Let us sum up	136
6.7 Key words	137
6.8 Check your progress	137
6.9 Answers to 'check your progress'	138
6.10 Terminal questions	138

UNIT 7 :

NEGOTIABLE INSTRUMENTS & RELATED MATTERS

7.1 Objectives	141
7.2 Negotiable instruments	141
7.2.1 Features of negotiable instruments	141
7.2.2 Promissory notes	142
7.2.3 Bill of exchange	143
7.2.4 Cheques	143
7.2.5 Other features of negotiable instruments	145
7.3 Other instruments	146
7.3.1 Banker's drafts	146
7.3.2 Dividend/Interest warrants	146
7.4 Crossing of cheques	147
7.4.1 General crossing	147



CONTENTS

	PAGE
7.4.2 Special crossing	147
7.5 Endorsements	148
7.5.1 Requirements for endorsement	148
7.5.2 Types of endorsement	148
7.6 Other provisions	149
7.6.1 Holder in due course	149
7.6.2 Paying banker's duties	150
7.6.3 Payment in due course	150
7.7 Payment and Settlement Systems Act, 2007 (PSS Act, 2007)	152
7.8 Let us sum up	154
7.9 Check your progress	155
7.10 Answers to 'check your progress'	156
7.11 Terminal questions	156
UNIT 8 :	
HOW THE BUSINESS IS SOURCED	
8.1 Objectives	161
8.2 Introduction	161
8.3 Selling vs. Marketing	162
8.4 Marketing of financial services - some special features	162
8.5 Bank marketing	163
8.6 The services marketing mix	165
8.7 Channels for banking services	165
8.7.1 Branches	165
8.7.2 Other channels	167
8.7.3 Technological applications	168

CONTENTS



PAGE

8.7.4	The role of intermediaries in banking services	170
8.8	Role of the DSA/DMA in marketing bank products	171
8.9	Role of business facilitators and business correspondents	176
8.10	Let us sum up	177
8.11	Key words	178
8.12	Check your progress	179
8.13	Answers to 'check your progress'	180
8.14	Terminal questions	180

UNIT 9 :

USE OF IT IN IMPROVING CUSTOMER SERVICE IN BANKS

9.0	Objectives	183
9.1	Introduction	183
9.2	Rural banking	184
9.3	Smart cards	185
9.4	Biometric ATMs	186
9.5	Micro ATMs	187
9.6	Mobile banking	188
9.7	Scrip terminals	190
9.8	Technology based solutions for rural credit delivery	191
9.9	It enabled financial inclusion using BC model	193
9.10	Let us sum up	194
9.11	Check your progress	195
9.12	Answers to 'check your progress'	196
9.13	Terminal questions	196



CONTENTS

PAGE

MODULE C

UNIT 10 :

MEASURES TAKEN TO IMPROVE CUSTOMER SERVICE

10.0	Objectives	201
10.1	Introduction	201
10.2	Background information	201
10.3	Talwar committee	204
	10.3.1 Important recommendations	205
10.4	Goiporia committee	212
	10.4.1 Terms of reference of the Goiporia committee	212
	10.4.2 Broad classification of recommendations	212
	10.4.3 Recommendations	213
10.5	Committee on Procedures and Performance Audit on Public Services (CPPAPS)	222
10.6	Damodaran committee on customer services	223
10.7	Let us sum up	237
10.8	Key words	238
10.9	Check your progress	238
10.10	Answers to 'check your progress'	240
10.11	Terminal questions	241

UNIT 11 :

KNOW YOUR CUSTOMER (KYC)

11.1	Objectives	245
11.2	Initiatives by the RBI	246

CONTENTS



	PAGE
11.3 Some basic definitions	246
11.4 KYC policy: origin	247
11.5 Customer: definition under the KYC principles	248
11.6 Guidelines on KYC	248
11.7 Risk categorization	252
11.8 Transaction profile	253
11.9 Overview of Reporting under PMLA	254
11.10 Strategies for risk management	254
11.11 Organizational structure	255
11.12 Customer privacy	255
11.13 Important prescriptions in the KYC framework of the RBI	256
11.14 Let us sum up	256
11.15 Check your progress	257
11.16 Answers to 'check your progress'	258
11.17 Terminal questions	258

UNIT 12 :

GENERAL AREAS OF GRIEVANCES OF SMALL BANK CUSTOMERS

12.1 Objectives	261
12.2 Introduction	261
12.3 Main grievances of credit card customers	263
12.4 Main grievances of small depositors	264
12.5 Main grievances of small borrowers	264
12.6 Other common grievances	265
12.7 Let us sum up	265
12.8 Key words	265
12.9 Check your progress	265



CONTENTS

	PAGE
12.10	Answers to 'check your progress' 266
12.11	Terminal questions 266

UNIT 13 :

CUSTOMER GRIEVANCES REDRESSAL POLICY AND MECHANISM IN BANKS

13.0	Objectives 269
13.1	Introduction 269
13.2	Model policy 270
13.3	Customer complaint 270
13.4	Internal machinery to handle customer complaints/grievances 271
13.4.1	Complaint redressal mechanism in the bank (Internal Machinery) 272
13.5	Grievance escalation system 274
13.6	Banking ombudsman scheme 275
13.7	Branch level customer service committee 275
13.8	Standing committee on customer service 276
13.9	Customer service committee of the board 277
13.10	Nodal officer and other designated officials to handle complaints and grievances 277
13.11	Mandatory display requirements 277
13.12	Resolution of grievances 278
13.13	Time frame 278
13.14	Interaction with customers 279
13.15	Sensitizing the operating staff on handling complaints 279
13.16	Let us sum up 279
13.17	Key words 280

CONTENTS



	PAGE
13.18 Check your progress	280
13.19 Answers to 'check your progress'	281
13.20 Terminal questions	281

UNIT 14 :

CUSTOMER GRIEVANCES REDRESSAL MECHANISM (OUTSIDE THE BANKS)

14.0 Objective	285
14.1 Introduction	285
14.2 The Consumer Protection Act, 1986	286
14.2.1 Aims and Objectives of the Act	287
14.2.2 Establishment of Redressal Machinery	287
14.2.3 Consumer dispute	288
14.2.4 Fee Structure and time frame for filing of complaints	289
14.2.5 Procedure Followed By Consumer Courts on Receipt of A Complaint	290
14.2.6 Appeals	291
14.2.7 Enforcement of Orders and Penalty for Non-compliance	292
14.2.8 Amendments to the Act	292
14.3 Ombudsman	293
14.3.1 The Banking Ombudsman Scheme, 2006	293
14.3.2 Jurisdiction, Powers, Duties and Authority of Banking Ombudsman	295
14.3.3 Procedure for redressal of grievance	298
14.4 Chief Customer Service Officer (CCSO): Strengthening of the internal Grievance Redressal mechanism of select Banks	301



CONTENTS

	PAGE
14.5 Complaints received through Centralised Public Grievance Redress	302
14.6 Let us sum up	302
14.7 Key words	304
14.8 Check your progress	304
14.9 Answers to 'check your progress'	305
14.10 Terminal questions	305

UNIT 15 :

INTERPERSONAL SKILLS IN CUSTOMER RELATIONS - THEIR IMPORTANCE IN DEVELOPING SKILLS AND ATTITUDES

15.0 Objectives	309
15.1 Introduction	310
15.2 Interpersonal Skills and Relations with Customers	310
15.3 Communication	312
15.3.1 Need for Communication	312
15.3.2 What is Communication?	313
15.3.3 Process of Communication	313
15.3.4 Communication as a transactional integrative process	314
15.4 Feedback	315
15.4.1 What is Feedback?	315
15.4.2 Importance of Feedback	316
15.5 Objectives of Communication	316
15.5.1 Information	316
15.5.2 Persuasion	316
15.6 Factors Affecting the Process of Communication	317
15.7 Overcoming the Barriers	319

CONTENTS



	PAGE
15.8 Listening Skills	320
15.8.1 Hearing and Listening	320
15.8.2 Thinking and Listening	321
15.8.3 What do we communicate by listening?	321
15.8.4 Barriers to Active Listening	321
15.8.5 Components of Active Listening	323
15.9 Interpersonal Relations (Conflict Resolution Skill)	324
15.10 Stages in the formation of effective interpersonal relationship	326
15.11 Let us sum up	329
15.12 Key words	330
15.13 Check your progress	330
15.14 Answers to 'check your progress'	332
15.15 Terminal questions	333

MODULE D

UNIT 16 :

BANKING CODES AND STANDARDS BOARD OF INDIA (BCSBI)

16.1 Objectives	339
16.2 Introduction	339
16.3 Background and genesis	340
16.4 Set up of BCSBI	340
16.4.1 The Governing Council	341
16.4.2 Chief Executive Officer	346
16.5 Relationship with RBI	347
16.6 Main Aims and Objects	347



CONTENTS

	PAGE
16.7 Codes brought out by BCSBI	349
16.7.1 Code of Bank's Commitment to Customers	349
16.7.2 Code of Bank's Commitment to Micro and Small Enterprises	350
16.8 Function of BCSBI	350
16.9 How does BCSBI monitor the implementation of the Codes?	350
16.10 Initiatives taken by BCSBI for popularizing the Codes	350
16.11 How does the BCSBI impact the common man?	351
16.12 Code Compliance Rating	351
16.13 How can one contact the BCSBI?	353
16.14 Difference between the Banking Ombudsman and BCSBI	353
16.15 Credit Counselling Scheme of the BCSBI	354
16.16 Let us sum up	354
16.17 Key words	354
16.18 Check your progress	355
16.19 Answers to 'check your progress'	355
16.20 Terminal questions	355

UNIT 17 :

IMPORTANT ISSUES AND SALIENT FEATURES OF THE CODES

17.1 Objectives	359
17.2 What are these codes about?	359
17.3 Applicability of codes to banks	360
17.4 Codes vs. RBI instructions to banks	361
17.5 Key commitments under the codes	361

CONTENTS



	PAGE
17.6 Information-transparency under the codes	361
17.7 Grievance Redressal	361
17.8 Position of customers of non-member banks	362
17.9 Obligation on the customers	362
17.10 Let us sum up	363
17.11 Key words	363
17.12 Check your progress	363
17.13 Answers to 'check your progress'	363
17.14 Terminal questions	364

ANNEXURE I :

CODE OF BANK'S COMMITMENT TO CUSTOMERS

1. Introduction	369
1.1 Objectives of the Code	369
1.2 Application of the Code	370
2. Key Commitments	371
2.1 Our key commitments to you	371
3. Information – Transparency	373
3.1 General information	374
3.2 'Do Not Call' service	374
3.3 Interest rates	374
3.4 Tariff schedule	375
3.5 Terms and conditions	376
4. Advertising, Marketing and Sales	377
5. Privacy and Confidentiality	378
5.1 Credit Information Companies	378
6. Collection of Dues	379
6.1 Collection of Dues and Security Repossession Policy	381



CONTENTS

	PAGE
7. Complaints, Grievances and Feedback	381
7.1 Internal procedures	381
7.2 Banking Ombudsman Scheme	382
7.3 Customers' meetings	382
7.4 Branch Level Customer Service Committee meetings	382
8. Products and Services	383
8.1 Deposit accounts	383
8.2 Clearing cycle/collection services	387
8.3 Cash transactions	388
8.4 Direct debits and standing instructions	389
8.5 Stop payment facility	389
8.6 Cheques/debit instructions issued by you	389
8.7 Term deposits	390
8.8 Settlement of claims in respect of deceased account holders	391
8.9 Safe deposit lockers	393
8.10 Foreign exchange services	394
8.11 Remittances within India	395
8.12 Lending	395
8.13 Guarantee	398
8.14 Central Registry	399
8.15 Settlement of dues	400
8.16 Securitisation of loans/card dues	400
8.17 Electronic Banking	400
8.18 Third Party Products	411
8.19 Credit Counselling Facility	412
8.20 Getting records	413
9. Branch Closure/Shifting	413

CONTENTS



	PAGE
10. Financial Inclusion	413
11. Senior Citizens and Differently Abled Persons	416
12. Protecting Your Accounts	417
12.1 Secure and reliable banking and payment systems	417
12.2 Keeping us up to date	417
12.3 Checking your account	417
12.4 Taking care	418
12.5 Cancelling payments	419
12.6 Liability for losses	419
Annex - Glossary	419

ANNEXURE II :

CODE OF BANK'S COMMITMENT TO MICRO AND SMALL ENTERPRISES

1. Introduction	427
1.1 Objectives of the Code	427
1.2 Application of the Code	428
2. Key Commitments	429
2.1 Our key commitments to you	429
3. Information – Transparency	432
3.1 General	432
3.2 Interest rates	432
3.3 Tariff Schedule	433
3.4 Terms and Conditions	434
4. Privacy and confidentiality	435
4.1 Credit Information Companies	435
5. Lending	436
5.1 Application	437



CONTENTS

	PAGE
5.2 Credit Assessment	438
5.3 Sanction/Rejection	440
5.4 Central Registry	441
5.5 Post Disbursement	441
5.6 Non-Fund Based Facilities	443
5.7 Insurance	443
5.8 Financial Difficulties	443
5.9 Nursing Sick MSEs and Debt Restructuring	445
5.10 One Time Settlement	445
5.11 Securitisation of loans/Dues	446
6. Collection of dues and policy on security repossession	446
6.1 Collection of Dues	446
6.2 Policy on Collection of Dues and Security Repossession	447
Annex - Glossary	449
Code of Bank's Commitment to Micro and Small Enterprises	455
ANNEXURE III :	
MODEL POLICY DOCUMENTS OF IBA	499
ANNEXURE IV :	
MODEL CUSTOMER RIGHTS POLICY	501