

K C Chakrabarty: Developing the humanware to improve customer service

Address by Dr K C Chakrabarty, Deputy Governor of the Reserve Bank of India, at the launch of the course "Customer Service & Banking Codes and Standards", at the Indian Institute of Banking & Finance (IIBF), Mumbai, 12 November 2010.

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1. Mrs Udeshi, Chairperson, Banking Codes and Standards Board of India (BCSBI), Shri O. P. Bhatt, President, Indian Institute of Banking and Finance (IIBF) and Chairman, IBA, Shri B. M. Mittal, CEO, BCSBI, Shri Bhaskaran, CEO, IIBF, distinguished guests, ladies and gentlemen. It gives me great pleasure to be here to launch the Certificate Course on "Customer Service and Banking Codes and Standards" that has been designed by IIBF in association with BCSBI. IIBF has played a pivotal role in developing the professional skills of bankers, and in tune with times, it is also a leading organization in providing training, consultancy and counselling to the business correspondents, recovery and marketing agents of banks.

2. The IIBF was set up in 1928 as Indian Institute of Bankers (IIB) with a mission to **"develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programmes"**. The mission statement of the IIBF and the timing of the launch of the new certificate course in customer service go hand in hand. I must compliment and congratulate Shri Bhatt and Shri Bhaskaran and his team for conceptualising, designing and developing this particular course. I am also happy to note that BCSBI was closely involved in designing this course. As you are aware, the Banking Ombudsman Scheme, which has been in existence for some time now, does not look into systemic issues with a view to enforcing a prescribed quality of service. It was in this context that the BCSBI was set up as an autonomous body to monitor and ensure that the Banking Codes and Standards voluntarily adopted by the banks are adhered to in their true spirit. The codes represent the minimum standards of service which a customer can expect from a bank including transparency in services, prohibition of unsolicited marketing and compensation for delays or losses incurred by a customer. Two separate codes, one catering to customers and the other to MSMEs have been brought out. While the codes are intended to instil confidence in the customers when dealing with banks, the ultimate objective in following these codes is to forge a long-lasting and harmonious customer- banker relationship which will stand the test of time. It is indeed very appropriate that IIBF is launching a course in association with BCSBI on the subject.

3. Let me first begin by asking why, as a regulator, am I here today? The reason is two-fold. The Reserve Bank of India, as you know, dons many hats which many other central banks do not. One of its many roles is developmental in nature, i.e. nurturing and promoting institutions that have gone on to play a key role in our financial system. It is coincidental that the RBI has had a role in development of all the three institutions whose representatives are present here on the dais. These institutions are gems among the institutions promoted/sponsored by RBI. The other reason has to do with a question which I am often asked and which is, "why, as a regulator, are you concerned about customer service? Why is it not left to the market forces and competition to take care of?". The answer to this lies in the fact that in any service industry where market forces and competition play out freely, it may well have been the case, but banking is a highly regulated service industry with very stiff entry norms and customer service cannot entirely be left to the market forces and, hence, the regulator has a role. In fact, as per the Banking Regulation Act, 1949, banking business has to be carried out in the public interest and, as a corollary, wherever customers interest are involved, regulator has an obligation towards the customers. Customer service in banking

and finance industry has certain special features that need to be very carefully understood and appreciated by all concerned. As such the free market mechanics of competition may not be easily replicated here in terms of a choice for the customer to switch on or switch off a relationship merely on the basis of pricing. Further, globally the trend is towards Treating the Customers Fairly (TCF) which is becoming an integral part of the regulatory and supervisory manual. Those who are following international developments will be aware that regulations on TCF will become more and more stringent in the days to come.

4. Customer service is a challenging issue in any service industry as there are many intangibles that define a customer's satisfaction or otherwise with a particular bank / branch / product or process. The advertisement and marketing campaigns that seem to evoke heightened customer response would come to zero if the service standards do not match the perceived quality aspirations of the customers. The task is even more challenging in banking field as banks are required to deliver improved and efficient customer service to match the increasing aspirations of the people while increasing their reach and penetration by giving access to existing as well as new customers both through the brick and mortar structure and the virtual world. Faced with the dilemma of improving customer service and increasing access to finance, some of our banks have done a pioneering and commendable work and all are committed to financial inclusion. However, some aggrieved customers still say that RBI is soft on banks on customer service issues. But, what must be appreciated is that in our country where only 40% have access to finance and only 5% of villages have bank branches, at this stage if we become very stringent, then universal access to finance will be in jeopardy. Customer service will not improve by regulatory directives but will improve when banks genuinely feel for the customers and treat the customers as king. This task can partly be achieved by leveraging appropriate technology. Apart from enabling increased penetration of the banking system, improving productivity and efficiency, and making small value transactions viable, technology also allows transactions to take place faster and offers unparalleled convenience through various delivery channels. The need of the hour, therefore, is on harnessing technology for making banking transactions a matter of customer delight. But mere adoption of technology may not deliver the goods unless it is accompanied by the will and desire to render service to the "customer" who truly is the purpose of any business.

5. What is customer care all about? Is it mere courtesy and material service and branch layout or is it about the attitude of staff at a branch towards customer service? The banks have understood the need and importance of customer care in a competitive environment. But the actualization and implementation of the strategies to reach the desired goals necessarily involves the human resources. We must appreciate the benefits a customer-centric organization can bring to all the stakeholders. Today, customer service, as was understood by many of us present here in the past, has undergone a sea change. This has also resulted in changing customer expectations and behaviour. Are we really able to exactly guess or bet on what a customer really wants or are we really able to describe what "good" customer service is? While the businesses including banks focus on expanding the customer base, we need to remember that customer retention is an equally important business objective. The customers of banks today are a very discerning lot and clearly distinguish between personalized service and material service. Are we equipped to handle this transition? Have we looked at change management from the customer service point of view? Call centres, internet banking, Customer Relationship Management tools and strategies, these are a part of the modern day jargon defining customer care or the approach to customer care. Irrespective of the approach or the strategy, no one in the banking industry can lose sight of the service – profit chain.

6. We may not realize that increased emphasis on customer service may result in some banks gaining competitive advantage. Customer is the foundation of business and keeps it in existence. Management experts and authors on competitive strategy have opined that service driven organizations can grow twice as fast as an average corporation. Within the financial services sector, banks are going to face increased competition from retailers,

insurance companies, housing finance companies, NBFCs, mutual funds etc. So be vigilant and remember what the late Prof. Peter Drucker wrote way back in 1954 and I quote “There is only one valid definition of business purpose – to create a customer”. If this is the case, then retaining the customer is even more important.

7. The benefits of a customer-centric banking organization are many. These banks are able to differentiate themselves from the competition and improve their image in the eyes of the customer. Increased customer satisfaction results in higher customer retention enhancing the reputation of a bank that can be trusted for fair treatment of its customers. Improving staff morale and productivity are two sides of the same coin. If the staff is properly trained, nurtured, motivated and rewarded, profitability through improved customer service is automatically ensured. Bring about continuous improvement in the operations of banks is, therefore, central to quality customer care.

8. Why does a customer choose a particular bank? There are many reasons for this. The main reasons can be divided into two broad groups as tangible and intangible factors. The tangible factors may concern performance, quality, reliability, cost of services and convenience. The intangible factors may be reputation, sense of caring, courtesy, willingness to help, problem solving ability of staff, etc. The tangible and the intangible factors primarily drive home the point about customer’s perception about how he/she is being treated by a bank. Is the bank being fair to him/her in matters of interest rates, penalties, service charges and that he/she has not to fear any hidden costs and charges at a later date. Further, the customer also draws comfort from the fact that he or she is not being discriminated against vis-à-vis a new customer. We only advocate that customers be treated fairly. Everyone would like to have cheaper services. However, the minimum we can offer is fairness, speed and delivery. And this is entirely in banks interest.

9. Appropriateness of the “sell” is an important aspect that cannot be lost sight of. Customization, tailoring the products to suit individual needs and always ensuring that a customer’s individuality is respected are necessary ingredients of the bank marketing strategies. We have to give what the customer wants and not merely sell what we have! While doing this exercise, aspects such as pricing, product features, service quality standards, grievances redressal mechanism, etc need to be properly documented, disclosed and explained to the customer in simple understandable terms. The broad principles of fair treatment of customers would, therefore, have certain basic tenets like transparency, non-discriminatory pricing, full and proper disclosure about product / service quality standards, risks to which a customer could be exposed, ability to exit if the product / service is not what the customer wanted and a host of such other issues.

10. Now, let me revert to the role of technology in customer service. It is no one’s case that banks have not embraced technology. In fact, most public sector banks in India in the last decade have gone through a phase of technology up-gradation and have migrated to Core Banking Solution (CBS) platform. Adoption of technology has changed the face of the banking sector which is manifest in the various transformational developments of the recent past. The benefits of technology are, however, not commensurate with the developments. The speed, cost, convenience and efficiency of banking services have not improved by factors that technology enables one to achieve. A part of the problem is that banks are yet trying out fledgling delivery models rather than putting in place a cost-effective, decentralized and realistic delivery model. Fixing a problem / glitch when it happens thus becomes the weakest link in providing efficient customer service.

11. A large number of complaints to the Banking Ombudsman relates to this area. If banks can bring in cost-effective technology with appropriate delivery model, it would improve speed, efficiency and quality of banking services. It will also ensure that customers are treated fairly as technology has this unique characteristic of bringing in equity. Unfortunately, IT has not been properly implemented which has led to a rise in the number of complaints. This is because of lack of IT strategy and vision, business process re-

engineering, business model, etc., on the banks' part. Many complaints could have been avoided had the banks taken adequate care of these aspects. The key to improving this deficiency is in adopting appropriate delivery model. Banks must improve their technology delivery model to bring substantial reductions in the number of customer complaints. Banking Ombudsmen will be working closely with the banks to help them in this endeavour. An introspection by banks as to why so many of their cases landed up in the Banking Ombudsmen offices would perhaps reveal that attitude of the front-line staff concerned could have made a difference to the customer as also to the bank.

12. Commercial banks must also resolve to reduce customer grievances by adopting the following eight principles on Treating Customers Fairly:

1. Minimum courtesy and behavioural standards
2. Transparency
3. Non-discriminatory policy
4. Deliver what is promised
5. Allow seamless "switching" of products without excessive penalty
6. Establish a suitable mechanism for customer grievance redressal within a specific timeframe
7. Appropriateness of "sell" and
8. Firm and polite stand against unreasonable customer demands

13. So, having identified the problem, what needs to be done? It is neither the hardware nor the software but the *humanware* which is going to improve the customer service. Therefore, for every employee to be able offer good customer service, apart from good governance, training and development of staff is extremely important and, hence, the relevance of this course of IIBF. However, the introduction of a Certificate Course in Customer Service must not be an end in itself. It needs to be carried forward from the individual to the institutional level by suitably tweaking the performance recognition / rewards system to send out a positive feedback to other aspiring bank personnel to try and get this recognition and practice it in workplace. I urge upon the bank managements to provide the necessary encouragement to their staff to take up this examination. May be in due course IIBF may like to carry out an impact evaluation of this course to see if it has made a real difference to the people and their attitudes in the banking industry and that we are really moving in the direction of making our banks truly customer-centric organizations.

14. I am sure that all the member banks and their staff, individual members, students and bank customers alike will find great value in this initiative that aims to streamline and structure the knowledge / information in the area of customer care and customer protection. The true test of the success of this initiative is going to be the attitudinal change that is expected to be brought about by a professionally qualified person in rendering customer service compared to another individual who is not bestowed with this qualification. The certificate course I am sure has lot of built-in tests, simulations and exercises to act as a feedback for an individual to improve himself and his performance too. Last but not the least, I wish IIBF and all its faculty members and trainers the best of luck for this pioneering effort and sincerely hope that this will be warmly received by the banking industry.

Thank you.