

Kishori J Udeshi: Are banks serving the common man?

Speech by Ms Kishori J Udeshi, Deputy Governor of the Reserve Bank of India, at the Lions Club of Bombay, Bombay, 26 April 2005.

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Ladies and gentlemen of the Lions Club of Bombay,

Thank you very much for giving me an opportunity to share my thoughts with you all. Only Lions would be courageous enough to listen to a talk on the subject of banking which is dry and devoid of any humour. But if you keep in mind that banks deal with your hard-earned savings, what I have to say may be of interest to you.

The Reserve Bank has been trying to discipline banks with regard to the quality of customer service rendered by them since 1975. You may recall, the times when we had to wait for 20-30 minutes to withdraw cash; at least 2 days to get a cheque book; 4 hours to get a demand draft; at least 1 week to get a local cheque cleared and 4-6 weeks for an outstation cheque to get cleared; to face bank staff who were reluctant to update your passbook on the spot and offered least information on the bank's products or their banking practices. Look at today's banking services: at the flick of the card you get cash from an ATM and if the ATM is in a shared network, it is even better because then you don't need to hunt for your bank's ATM; if your bank has a phone banking service, you can get cheque books delivered and cheques collected from your doorstep; a local cheque gets credited on the third day and an outstation cheque on the fifth day if it is covered under intercity MICR processing, but let me add that for both local and outstation cheques, you can get immediate credit if the amount is Rs.15000/-. Banks evolve their own Board approved policy for immediate credit of local / outstation cheque, timeframe for collection of local / outstation cheques and interest payment for delayed collection. There is no more fear of pilfered dividend and interest warrants as you can get these sums credited directly to your bank account; you can effect funds transfers almost instantly by EFT. Further, internet banking and mobile banking have completely revolutionised the way banking transactions are committed; this is the epitome of embedding technology with banking – though I am personally saddened by the lack of human interaction between bank personnel and their customers – now their customers are faceless telephones and mobile calls and clicks of the mouse! Now it is not just borrowers who choose the bank which offers a competitive price but even depositors who call for tenders for placing Term Deposits! We have indeed come a long way.

In the area of foreign exchange, almost all needs of foreign exchange can be met by banks, without requiring RBI's approval. In fact now that we are so liberal we find very few takers. But we at RBI are constantly reviewing the quality of service, rendered by banks in order to bring about more improvements. Therefore, to address the issue of banking services to the common man in particular, RBI recently appointed a Committee, styled as Committee for Procedures and Performance Audit of Public Services (CPPAPS) under the Chairmanship of Shri S.S. Tarapore, a former Deputy Governor of RBI – some of you might be well aware of his contribution in the field of banking and finance in India, especially his contribution as Chairman of the Committee on Capital Account Convertibility – which till date remains a bible for capital account convertibility. The Committee observed that there is a wide gap between the intent with which policies are formulated and the procedures followed by banks which totally derail the intent of the policy. This Committee was unique in many ways. First, it focussed solely on the services rendered by banks to the common man. Secondly, in its evaluation of services it started from the customer-end. The Committee undertook incognito visits to bank branches including RBI's offices for a first hand experience of difficulties faced by the public at large. Thirdly, it observed that issuance of instructions by banks to its branches and their implementation at the grassroots level were two different things.

The RBI has initiated action on the basis of the recommendations of the Committee. To illustrate, let me mention a few of them :

- Let me begin with the RBI itself. The Reserve Bank has introduced a standardised application form for Government of India Savings Bonds popularly known as RBI Bonds. The application form also includes rights and responsibilities of applicants. It clearly indicates within how much time customer should expect the bond to be delivered to him and also to whom one should approach if appropriate service is not provided.

- The Reserve Bank has introduced OLTAS to render more efficient tax collection.
- Banks have been advised to review their existing policies and procedures with regard to delivering of cheque book over the counters, introduction of drop box facility for cheques and acknowledgement of receipts/cheques through regular collection at branches, issue of statement of accounts at monthly intervals with details of various transactions, to provide at least one month's advance information in case of any change in minimum balance in Saving Accounts and charges of non-maintenance thereof; etc.
- The Committee had commended the Clean Note Policy of the RBI and RBI is striving to vigorously pursue a largely successful Clean Note Policy;
- The RBI Note Refund Rules are now in the public domain.
- Banks are now required to have a Customer Service Committee of the Board so that the subject gets special focussed attention. We in RBI are hopeful that such an institutional arrangement will go a long way in improving services of banks.

Any debate, any talk, any deliberations about the customer service in banking would remain incomplete without reference to the late Shri M.R. Pai, who pioneered the consumer protection movement in the banking sector. His contribution through the All India Bank Depositors Association in educating bank depositors is path breaking. I quote Shri Pai's words, "the biggest asset on the balance sheet of banks today is the ignorance of customers of their rights and their reluctance to fight for them".

On conceptual ground quality of service is two dimensional. First dimension is the technical quality and the other is the functional quality. Technical quality depends on the contents of the service, i.e., authenticity of the service, if the information given to the customer is technically correct or not and frequency of information dissemination, while the functional quality deals with how service is rendered. This in common parlance is "Service with a Smile". It would appear that banking services in India need to improve on both counts. Often customers do not get correct information in banks and more often a customer gets service as if he was being obliged.

Banking services are unique in the sense that diverse customers have multi facet needs and, therefore, benchmarking of banking services becomes a difficult task. No doubt, a system of Citizens' Charter has been introduced in various banks but this only deals with the time limit within which a service would be rendered to the customers. This does not assure quality of service.

Indian Banks' Association (IBA) has also played a complementary role in efforts for improving customer service in banks. Last year, with RBI initiative IBA has come out with a model Fair Practices Code. The Code is a public document that enlists what all a customer can expect from his bank. It also indicates the responsibilities of banks while giving different kinds of banking services. IBA has further come out with a Model Deposit Policy as each bank is adopting its own policy. The purpose of the policy is that banks should deliver to depositors what they had promised at the time of taking deposit. It is after all depositors' money that banks primarily use for lending and further their banking activity. Therefore, in the real sense it is the depositor who is the true and real owner of the bank rather than the shareholder.

Any customer of a bank whose grievance with reference to deficiency in banking service is not addressed to his/her satisfaction by the bank can approach the Banking Ombudsman within a period of two months. The deficiencies that are covered include a variety of banking services, such as, non-payment/inordinate delay in the payment or collection of cheques, drafts, bills, non-issue of drafts to customers, non-adherence to prescribed working hours by branches etc. Banking Ombudsman functions as an arbitrator in respect of any dispute with mutual consent of both the parties provided that the value of the claim in such dispute does not exceed Rupees ten lakh. Banking Ombudsmen have been appointed at 15 centres covering all States and Union Territories in India.

There are equally important issues that most of us are concerned with which, while the regulator tries to address, we, as citizens, also should be aware of our own rights in the matters, such as:

- (i) Intrusion of privacy.
- (ii) Anti-tying.
- (iii) Collection of unnecessary information for commercial reasons.
- (iv) Negligence with reference to customer data.

- (v) Credit card charges.
- (vi) Changes of interest rates and charges and fine print.
- (vii) Death of depositor.
- (viii) Appointment of recovery agents who are questionable practitioners.

The Lions Club has been involved in many social projects and today in arranging this talk it has helped in spreading the awareness of rights and responsibilities of a bank customer. Let me end by saying that the Reserve Bank will continue to strive in its efforts to get banks to provide efficient and quality customer services and would welcome any suggestions for improvement.