



RBI's Mission Visit to Banque de France

led by

Deputy Governor Dr KC Chakrabarty

*(Members - Dr. (Smt) Deepali Pant Joshi, Dr. K Balu, Shri Suddhasattva Ghosh,
Shri Sanjeev Prakash, Shri Shankar Suman)*

Presentation on

**Financial Education
&
Customer Protection**
*by Dr. Deepali Pant Joshi
Executive Director*

Bonjour

Bonjour Mesdames et Messieurs.

C'est un honneur pour nous d'être ici pour partager avec vous l'expérience indienne de la protection des clients. Nous avons beaucoup à apprendre de votre expériences Merci!

(Good Morning ladies and gentlemen. It is an honor for us to be here to share with you the Indian experience of customer protection. We have much to learn from your experiences. Thanks)



Paradigm of the Post Crisis World

- ❖ Recognition of Asymmetry of information between Customer and Service Providers
- ❖ Financial disintermediation increasing competition among banks and other financial service providers
- ❖ Aggressive marketing of Para-banking activities- card, insurance, portfolio management, advisory services
- ❖ Increase in the depth of markets, new financial services, providers need for financial education (FE)



Financial Education –Desirable goal

- Empower clients with knowledge of –
- ❖ Product features / processes /precautions
 - ❖ Regulatory stipulations
 - ❖ Bank commitments – Standards and codes
 - ❖ Recourse to internal and external redress mechanisms etc.



Indian Context

- ▶ Geographical area –7th in the world
- ▶ Population –2nd highest in the world–1.2 billion
- ▶ 35 States, 659 districts, 600 thousand Villages
- ▶ Multilingual and multiethnic society
- ▶ Low level of General Literacy
- ▶ Large number of Financially excluded people



Demand Supply Imbalances

Low Demand–

- ▶ More than quarter of population below poverty line.
 - ❖ about 50 per cent population until 2007–08, did not have a deposit account,
 - ❖ less than 15 percent had availed credit from banks,
 - ❖ less than 10 per cent had insurance of any kind.

Inadequate Supply Response

- ❖ 30000 branches for half a million villages
 - ❖ one branch for 16000 persons.
-
- ▶ To bridge the demand–supply gap – Financial education and financial services must be made available



Institutional Framework

Government of India & Reserve Bank of India

Financial Stability Development Council-
Separate Technical Group on Financial Inclusion and Financial Literacy

Financial inclusion Advisory Committee of RBI

Public and Private sector Banks, Regional Rural Banks

State Level Bankers Committees

Lead District Managers

Financial Literacy Centres

Partnership with other stakeholders



Reaching Out Financial Literacy Centers

- ▶ Financial Literacy Centres (FLCs) of banks – reach out to the poor in rural and urban areas creating awareness of deposit, credit, other financial products and services– at least once in a month– Standardized Curricula, Financial Diary 16 posters Quarterly monitoring
 - ❖ FLCs – Annual calendar, advance publicity
 - ❖ Progressive learning / follow up sessions –

Basic Concepts– Information on products, their use, benefits, precautions

Teaching Financial planning

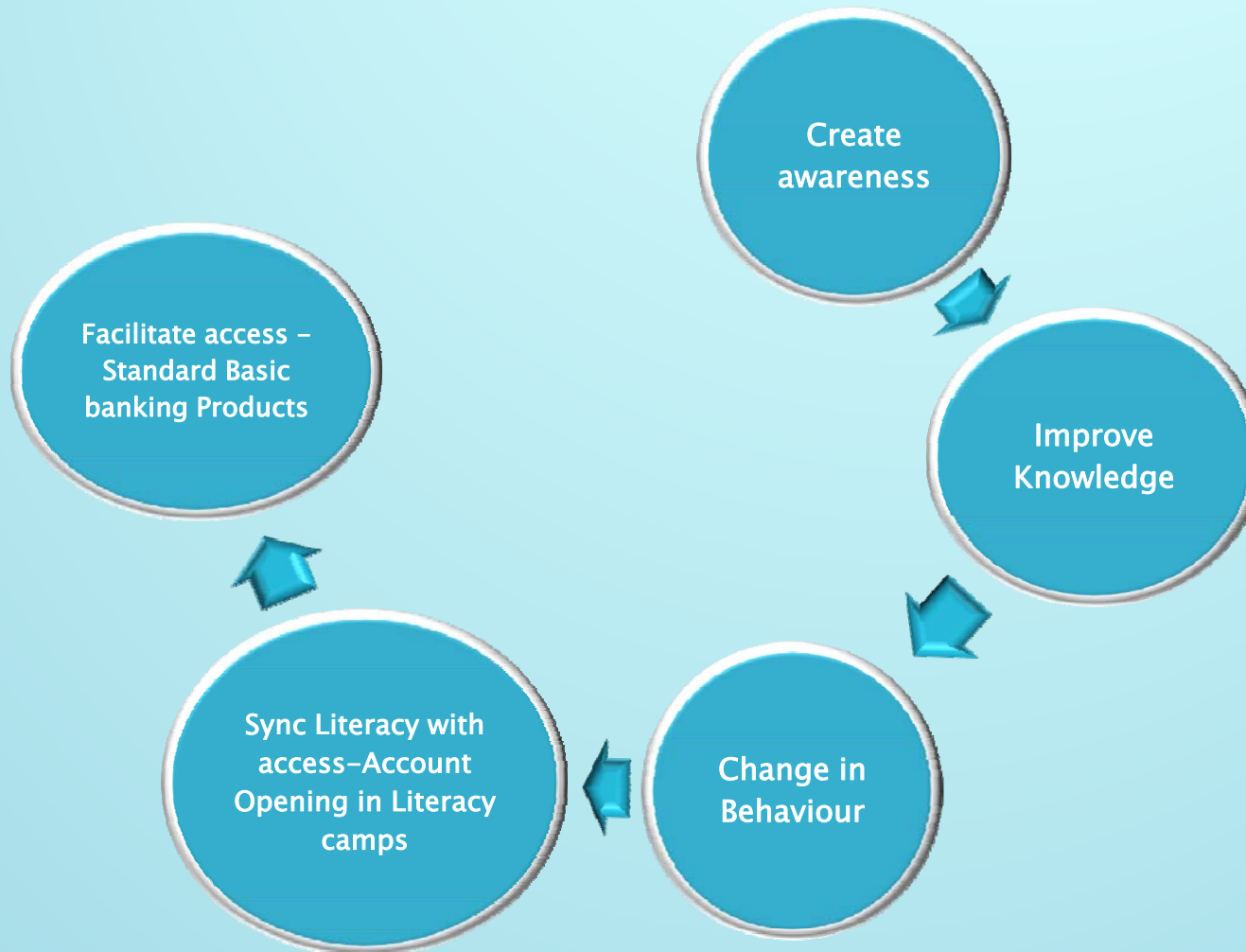
Concept of services through Banking correspondents

Demonstration of ICT devices & opening of accounts

Evaluation – Gathering Feedback

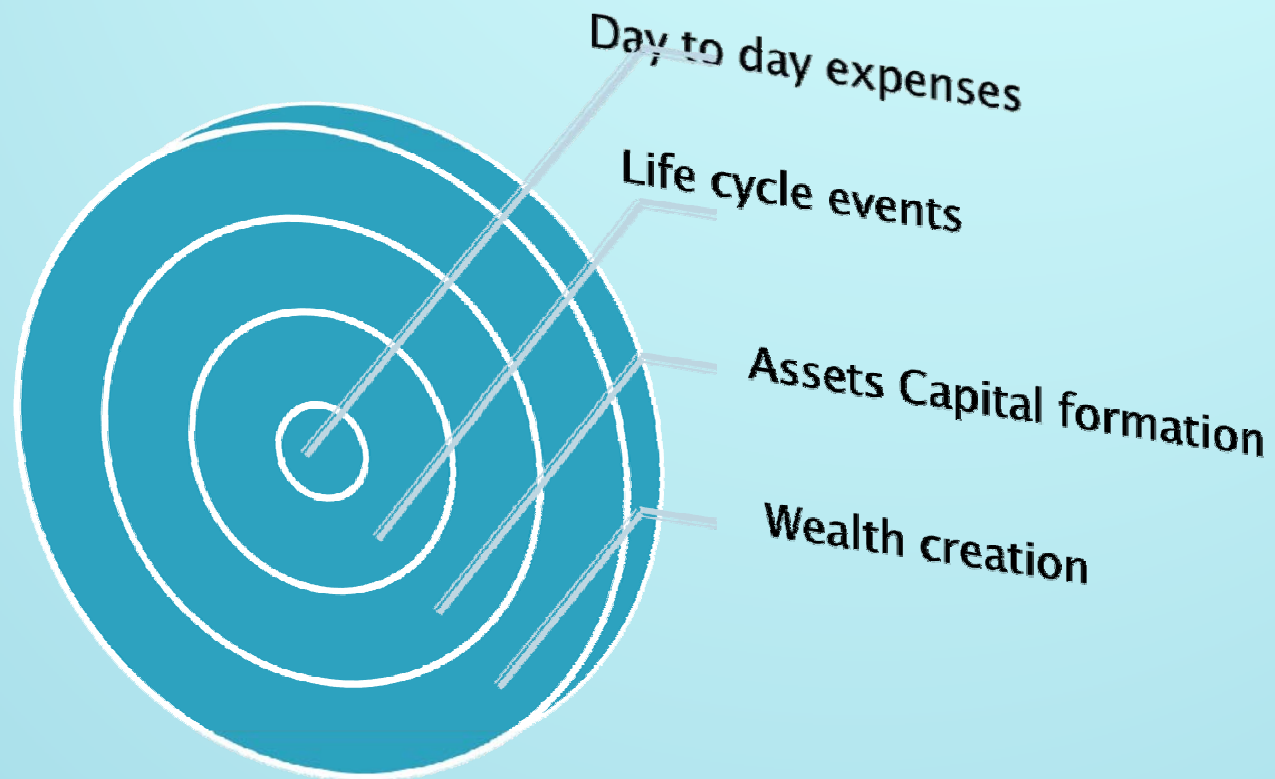


Financial Education – Broad Methodology





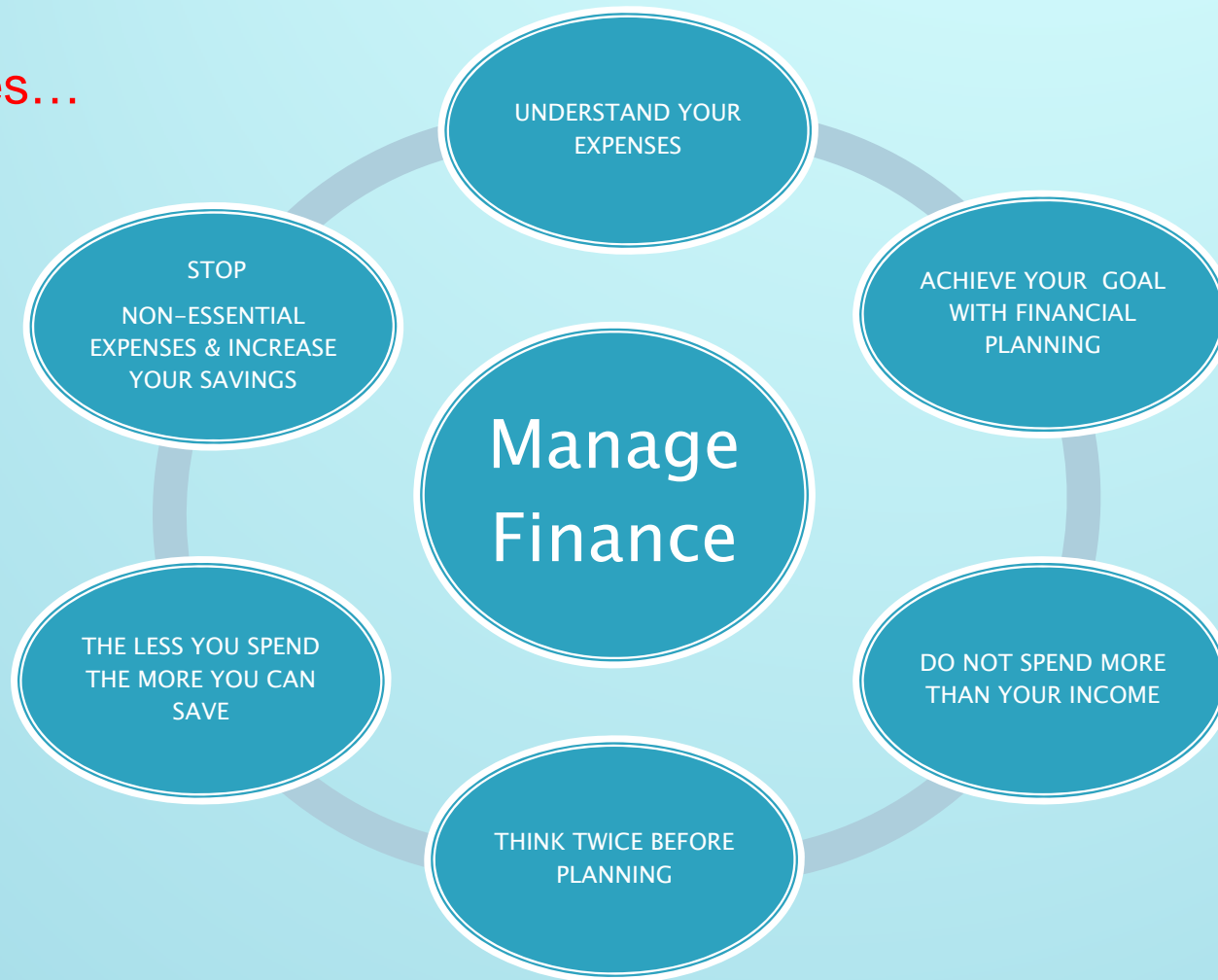
Financial education – Becoming aware of Issues and Choices





Money Wise Be Wise

Some
Messages...





Financial education – key to prosperity

POVERTY TO PROSPERITY

**STEP INTO A BANK,
STEP OUT OF POVERTY**





www.rbi.org.in

- ❖ RBI website, – material in English, Hindi and 11 vernacular languages
- ❖ Comic books on money and banking
- ❖ Films, messages on financial planning,
- ❖ Games on financial education
- ❖ Explaining Resolution and grievance redress framework
- ❖ Link for accessing the Banking Ombudsman Scheme



BE WARE – BE AWARE

- ❖ FAQs on important products and services, regulatory departments, regulatory developments, schemes – Banking, Currency, Forex, Govt. Securities Market, Non-banking Finance Companies, Payment System
- ❖ Caution against fraudulent mails – phishing attempts, lottery / prizes, inheritance notices
- ❖ The RBI never asks for your e mail account or PIN number
- ❖ The RBI runs no lottery schemes these are all phishing fraudulent attempts or Ponzi schemes.



Financial education – on RBI web-site

Reserve Bank of India - Windows Internet Explorer

http://www.rbi.org.in/scripts/FAQDisplay.aspx

Reserve Bank of India

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- Payment Systems

Home - FAQs

FAQs

Note : Please click on the below links of your choice to read the FAQ. You can also use the search options listed on the left panel to extract a list of FAQs for a Particular Department.

Banking
♦ Apr 03, 2013 Senior Citizens Savings Scheme, 2004
♦ Feb 28, 2013 Payment of Pension to Government Pensioners
♦ Jan 04, 2013 RBI's role as Banker to Government
♦ Jun 03, 2013 Clarifications to Queries on Guidelines for Licensing of New Banks in the Private Sector
♦ May 05, 2011 Know Your Customer Guidelines
♦ Nov 10, 2009 Housing Loans
♦ Nov 25, 2008 Deposit Insurance
♦ Sep 11, 2013 Basic Savings Bank Deposit Account
♦ Sep 13, 2012 Priority Sector Lending - Targets and Classification
♦ Sep 17, 2013 Basic Savings Bank Deposit Account (RRBs/StCBs/CCBs)
♦ Sep 26, 2013 Micro, Small and Medium Enterprises
♦ Sep 27, 2011 Automated Data Flow
♦ Jan 01, 2006 Banking Ombudsman Scheme, 2006
♦ Oct 05, 2011 Commercial Paper
♦ Jan 16, 2001 Local Area Banks
♦ Aug 13, 2012 Reserve Bank's Instructions on Banking matters
Currency
♦ Sep 09, 2011 Currency Matters

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भारतीय रिज़र्व बैंक Reserve Bank of India India's Central Bank

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About Us Useful Information FAQs Financial Education Complaints Other Links Extra Curricular

Welcome to this outreach effort of the Reserve Bank of India - India's central Bank. As the central bank of the country, we endeavour to preserve the value of your money in more than one way, empowering you with information on how to preserve your wealth is just one of them.

On this site, which is one of the ways of reaching you, we will try to give you information that you can use, in your own language. To begin with, you can read about the role and functions of the Reserve Bank of India and how is India's central bank relevant to you. You can also read the RBI regulations that govern your relationship with your bank. You can ask us questions and clarify your doubts and even lodge a complaint against deficient service rendered by your bank or by any of the RBI department or office. We will also provide you with information on money, banking and finance - some interesting, other useful. Because ...

...We believe that empowerment of the common person is the surest and the safest way to preservation of wealth.

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http://www.rbi.org.in/financialeducation/ Reserve Bank of India - India... Welcome to RBI Financial

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Reserve Bank of India's FINANCIAL EDUCATION Initiative

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Financial Education and RBI

The Reserve Bank of India has undertaken a project titled "Project Financial Literacy". The objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defence personnel and senior citizens.

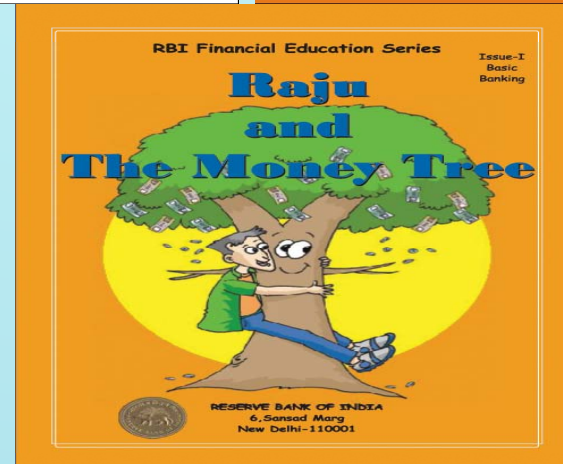
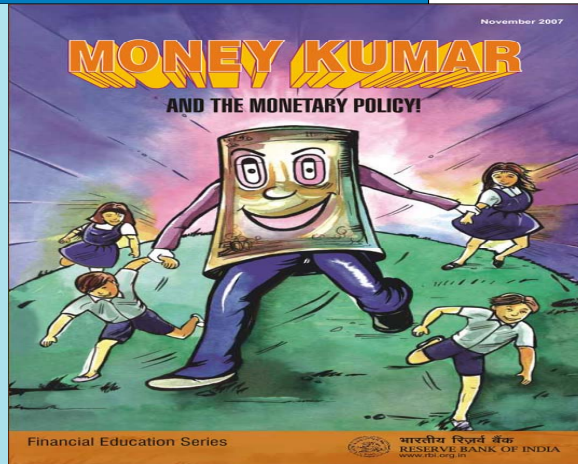
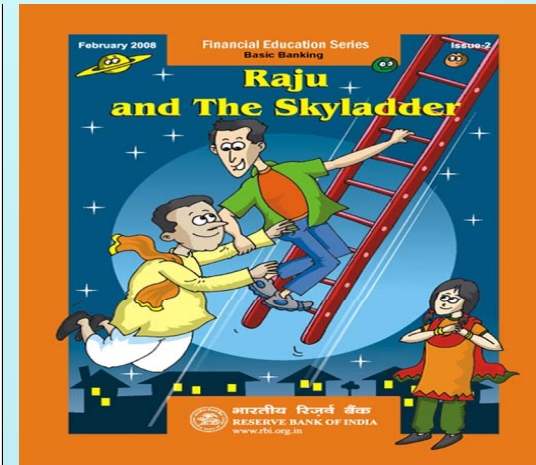
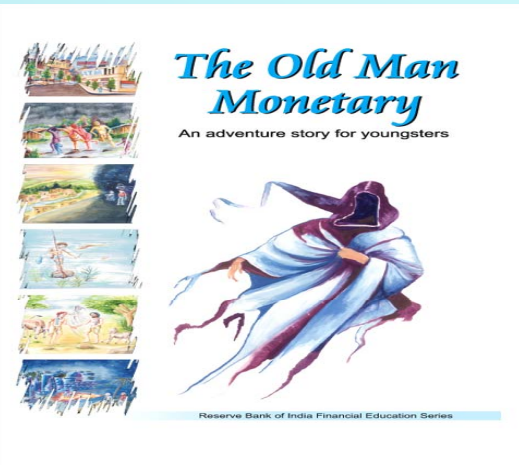
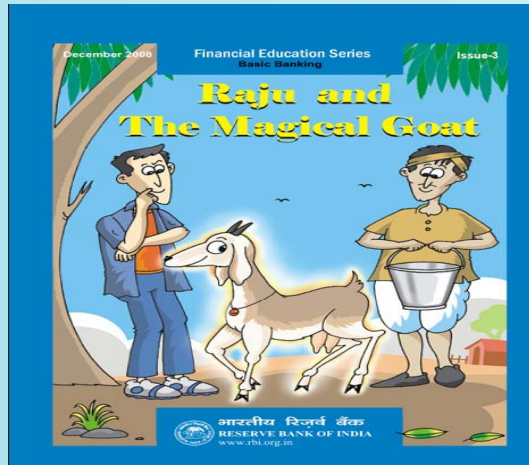
The project has been designed to be implemented in two modules, one module in which Money Kumar will familiarise you with the role and functions of the Reserve Bank of India; and through the other module, Raju will introduce you to banking concepts.

Happy journey !...

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Financial Education – RBI’s Direct initiatives– Comic books



Do Not Fall Prey to Fictitious Offers of Cheap Money



The Reserve Bank of India cautions the public :

- Not to fall prey to fictitious offers for cheap funds and expensive items claimed to have been remitted/transferred by overseas entities to banks in India or to the Reserve Bank of India.
- Not to make any remittance towards participation in schemes/offers from unknown foreign entities or individuals, including Indian residents.
- Remittance of foreign exchange in any form towards participation in lottery or lottery like schemes is prohibited under Foreign Exchange Management Act, 1999.
- The Reserve Bank of India neither maintains any account in the name of individuals/companies/trusts in India nor holds funds for disbursement and authorises any official or representative to make offers of lottery schemes and effect payments.



Issued in public interest by:


भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
Website: www.rbi.org.in



Ministry of Consumer Affairs, Food and Public Distribution
Department of Consumer Affairs, Government of India,
Krishi Bhawan, New Delhi-110 001 Website: www.fcamin.nic.in

Consumers can also call
National Consumer Helpline No. (1800-11-4000 Toll Free) (From BSNL/MTNL lines) 011-27662955,56,57,58
(Normal Call Charges Apply) (9.30 am to 5.30 pm - Monday to Friday)



Our present efforts

- ▶ **Direct campaigns –**
 - ❖ outreach visits to villages by the top management
 - ❖ Setting up stalls in local fairs (Melas), exhibitions,
 - ❖ distributing pamphlets, comic books,
 - ❖ enacting street plays and skits, conducting quizzes in schools (RBI Q)
 - ❖ Take part in information / literacy programs .
 - ❖ Engage with other stakeholders Civil Society
 - ❖ Launch of print and electronic Mass media campaigns – Awareness drives– FM radio, TV, print media



Customer Expectations

- ✓ Professionalism, Quick & efficient service
- ✓ Transparent, Fair, Non-exploitative & non-discriminatory behavior
- ✓ Prior -knowledge of charges
- ✓ Safety & security - monies in account, financial transactions
- ✓ No stealth banking
- ✓ To be listened to with courtesy respect and attention



Expectations from Banks

- TRANSPARENT, NON - DISCRIMINATORY PRICING
- No STEALTH BANKING
- Product design appropriate to need/income stream

PRODUCT DESIGN

MARKETING AND ADVERTISING

- CLEAR CONTRACTS
- Simple LANGUAGE
- TRAINED STAFF
- NO MISLEADING ADVTS.

- EASE OF ACCESS FOR REDRESS
- INFORMATION ON ALTERNATE REDRESS FORUM

GRIEVANCES REDRESSAL

AFTER SALES SERVICE

- CONTINUOUS SUPPORT
- PROMPT REDRESS



Statutory / Legal framework

Statutes / Regulatory system – Different regulators – Banking, Insurance Securities Markets, Pension funds

- ▶ **Banking** – Protection of depositor's interest
Banking Regulation Act, 1949 & Reserve Bank of India Act, 1934
- ▶ **Capital market** – Protection of investor's interests –
Securities Exchange Board of India Act 1992
- ▶ **Insurance** – Protection of insured's interest
Insurance Regulatory and Development Authority Act 1999
- ▶ **Pension funds** – Protection of pension beneficiaries
Pension Funds Regulatory and Development Authority (soon to be enacted as an Act of Parliament)



Reserve Bank of India – Customer Protection – Banking sector

- ❖ Instructions and Guidelines –
RBI guidelines on customer protection in banking services –
Guidelines on Customer Service, Deposit interest rates,
loans and advances, remittances/fund transfers, electronic
banking, KYC etc.
- ❖ Banking Ombudsman Scheme
- ❖ Banking Codes & Standards Board of India



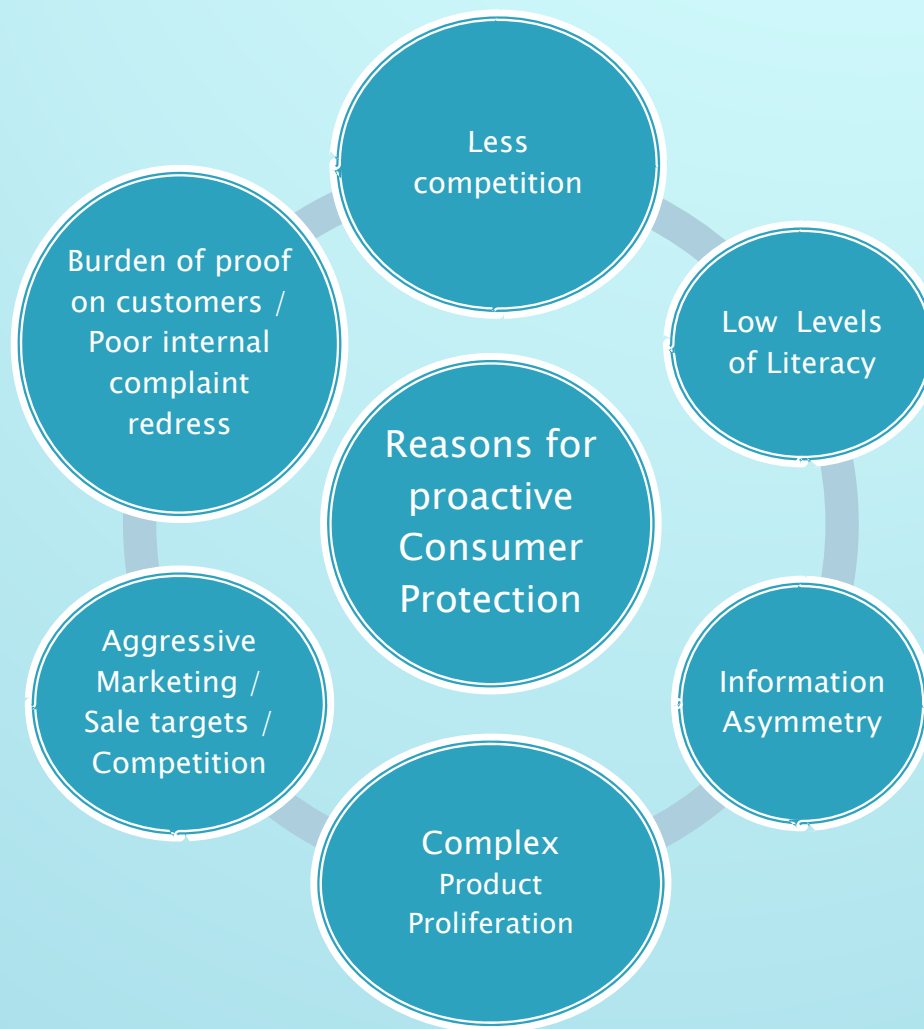
Banks and Customer Protection

RBI has directed banks to constitute –

- **Board level committees,**
- **Standing committee – for ongoing improvement and monitoring;**
- **Branch level customer service committees – formal channel of communication**
- **Nodal officers – single point of contact for complaints**
- **Frame internal redress & complaints escalation mechanism**



Why customers need protection





Banking Ombudsman Scheme

- ▶ The Banking Ombudsman Scheme(BOS)- notified by RBI in 1995- under Section 35A of the BR Act
- ▶ 15 Banking Ombudsman Offices covering entire country - 28 states and 7 UTs
- ▶ Scheme initially funded by participant banks and staffed by SLBC convener bank in the State and RBI. Since 2006, the Scheme is fully funded and administered by RBI.
- ▶ Customer Service Department (CSD) was set up at Central Office on July 1, 2006 to oversee the implementation of BOS

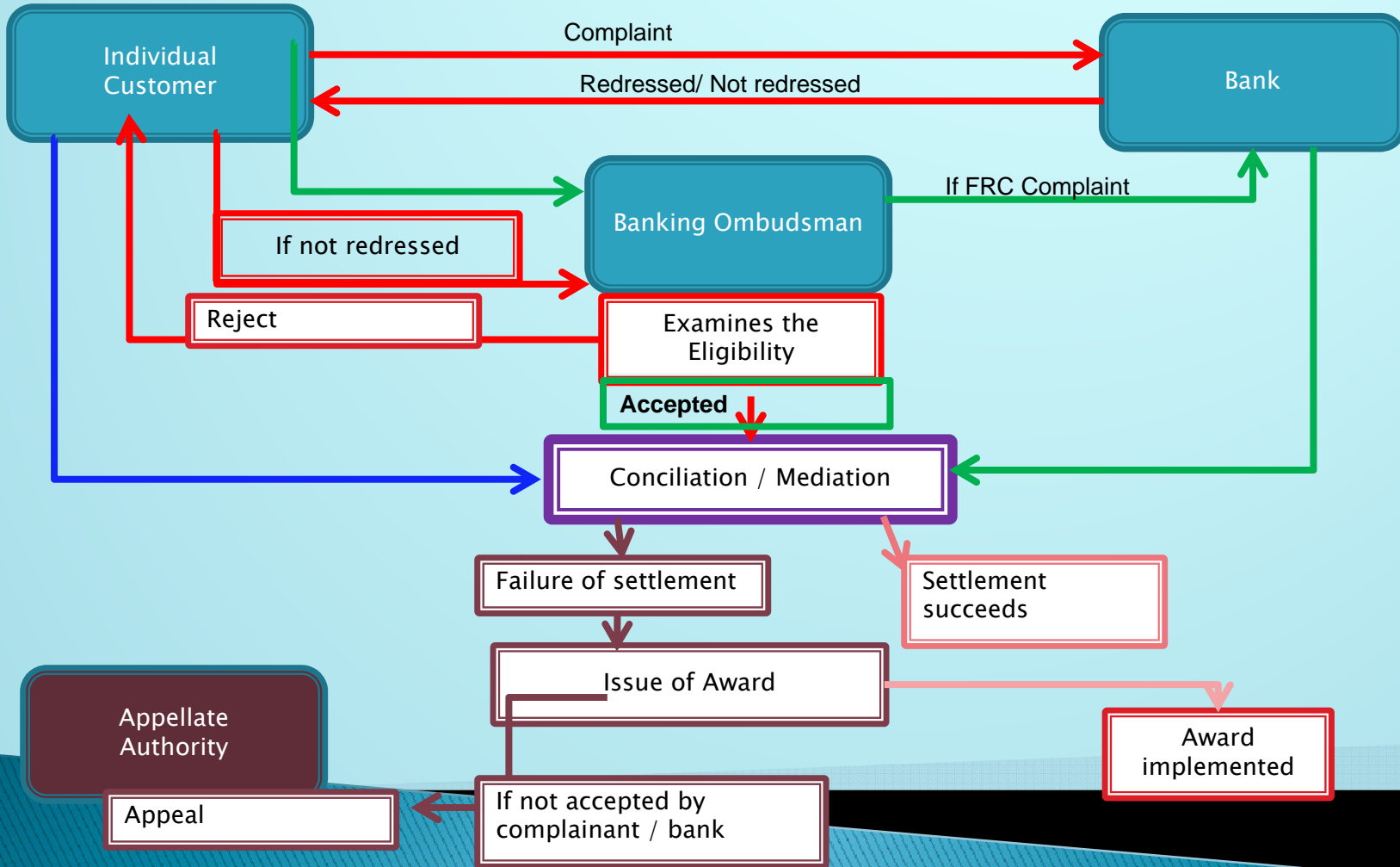


Banking Ombudsman Scheme

- ▶ Apex level cost free and hassle free grievance redress mechanism –
- ▶ Scheme covers – customers of
 - Commercial banks
 - Urban Cooperative banks
 - Regional Rural Banks
- ▶ 27 grounds of complaints covering all banking services
(Exceptions – complaints against commercial decision of credit sanction / pricing / recovery, non-funded exposures, forex,, cases requiring elaborate examination, cases already decided earlier at Banking ombudsman office and those decided or under attention of courts / tribunals)
- ▶ Quasi-judicial – Aims to settle disputes through conciliation / mediation if bank does not redress it.
- ▶ In the event of failure of conciliation, provision for issuing ‘Awards’ which are binding on banks subject to acceptance by complainant.
- ▶ Right to appeal is there and vests with the Deputy Governor in charge of Customer Protection



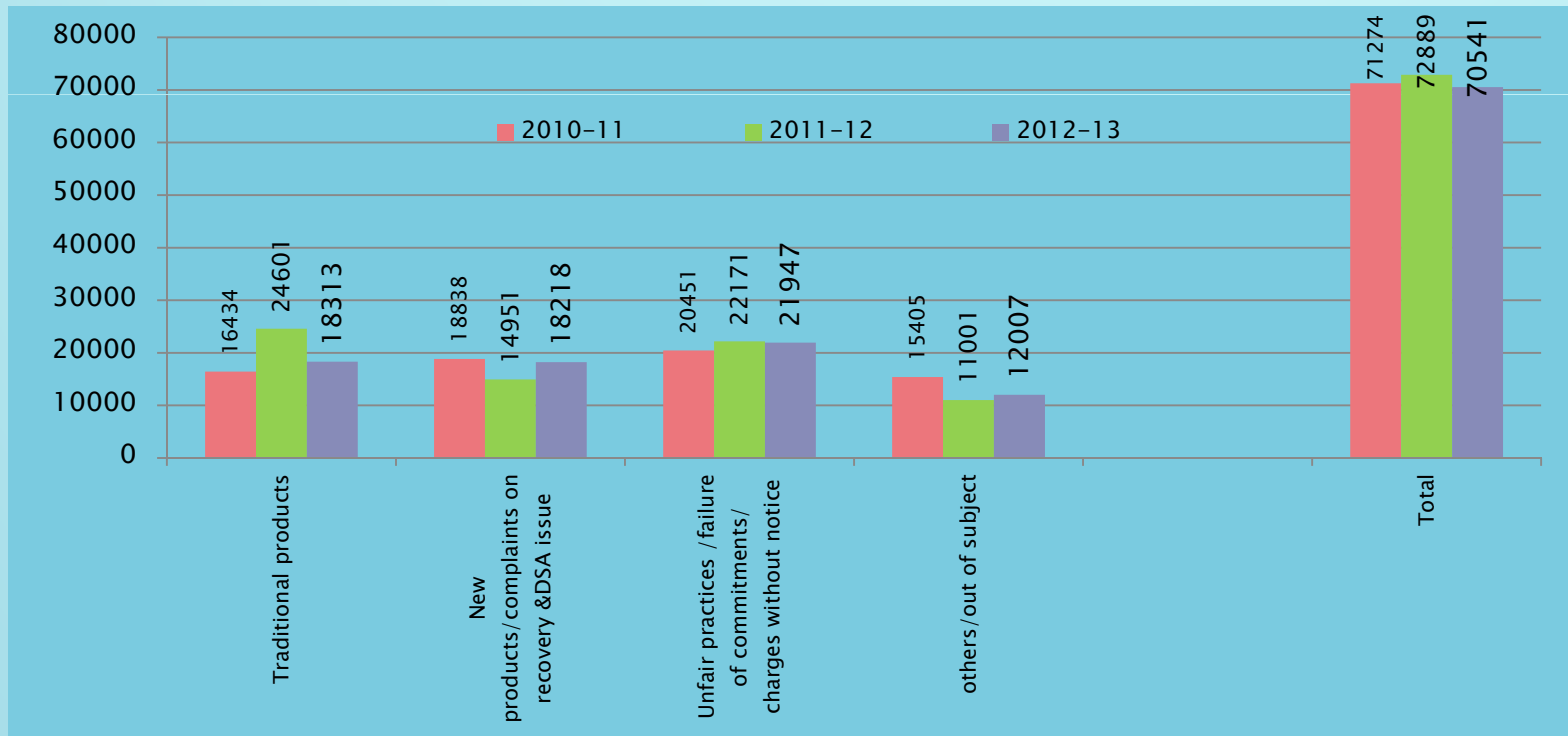
Banking Ombudsman – Complaint Handling Process





Complaint handling at BO offices

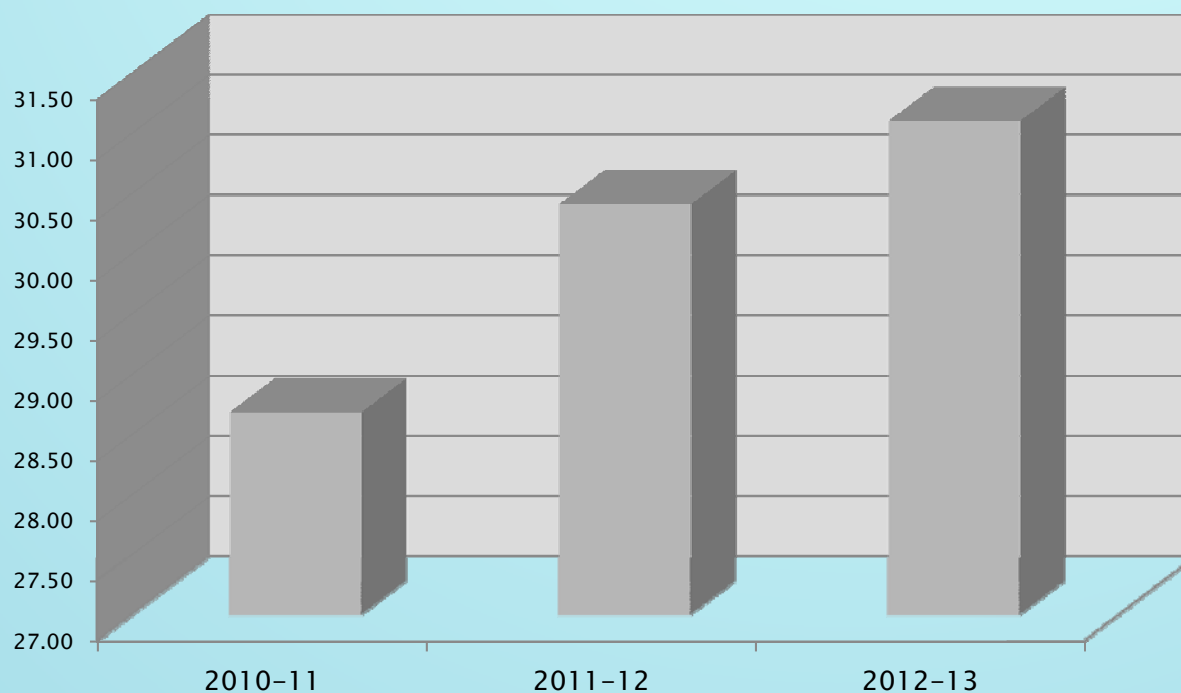
- ▶ Trend of complaints received at offices of Banking Ombudsman (2010- 13)





Complaint handling at BO offices

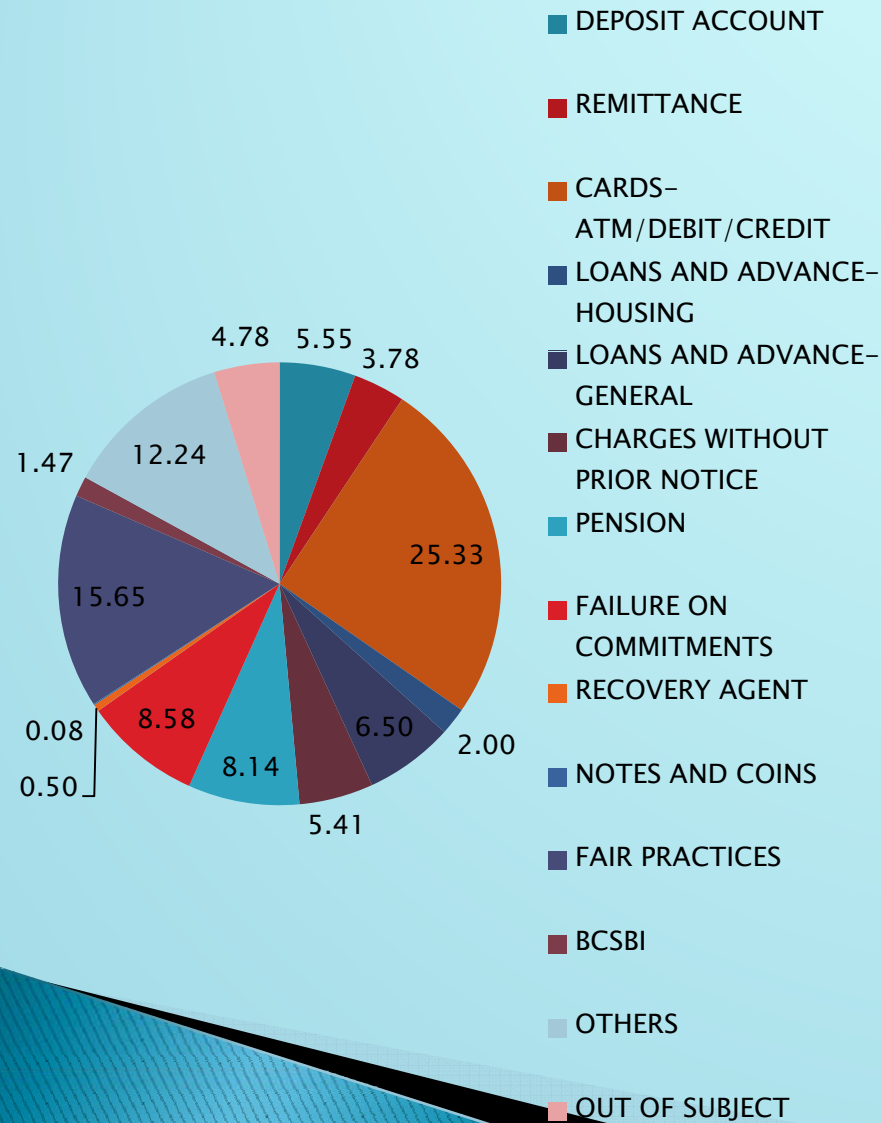
- ▶ Percentage of complaints on Unfair practices/non-fulfillment of promised services



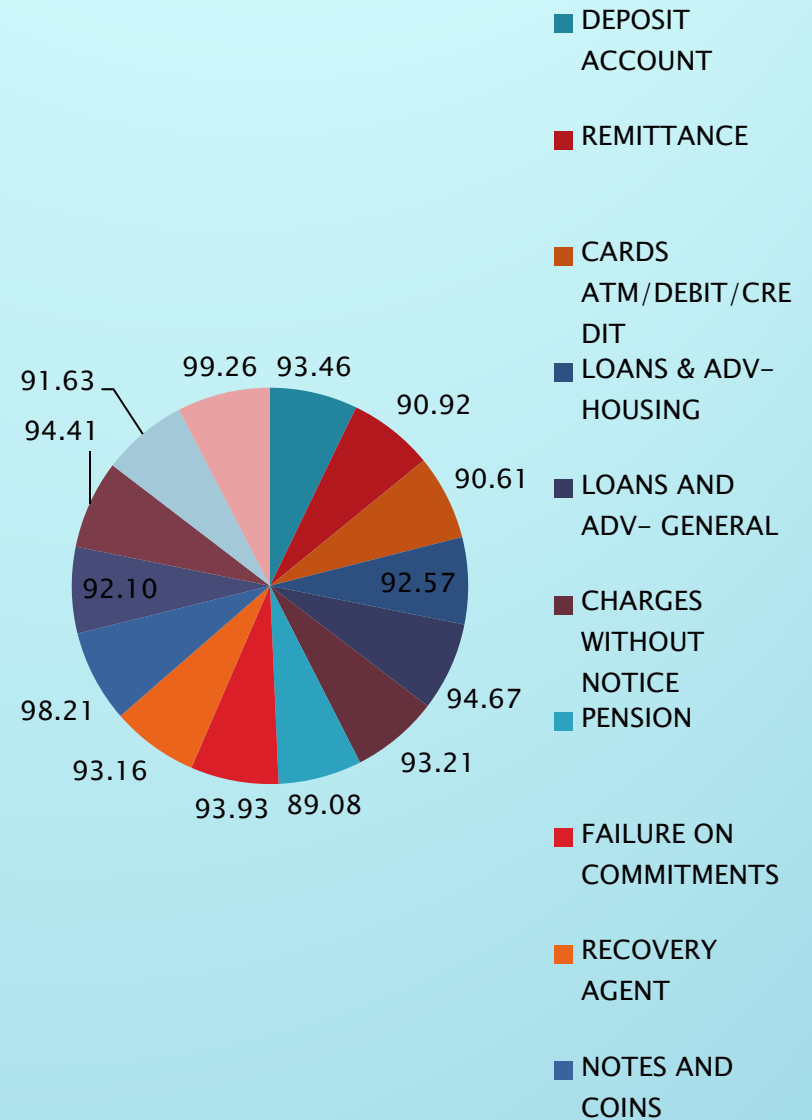


Complaint category wise receipt & disposal by BO Offices-2012-13

Receipt (70541)
(%age to total receipt)



Disposal (93%)





RBI policy initiatives for Customer protection

- ❖ Reasonableness of charges / fees
- ❖ Guidelines on credit card operations & recovery agents,
- ❖ Norms on outsourcing services,
- ❖ Safety stipulations in electronic banking services (authentication, alerts),
- ❖ Compensation for losses due to fraud, delayed credit / refund of NEFT transactions, delayed pension updation / payments
- ❖ Abolition of pre-payment charges on floating home loans,
- ❖ Abolition of the concept of home and non-home customers – equal inter sol charges
- ❖ Zero balance accounts – basic savings bank accounts
- ❖ Relaxed KYC norms for small accounts
- ❖ KYC authentication based on Aadhar documents
- ❖ Portability of accounts within bank – fresh KYC not required



Issues/Challenges

- ▶ Formulating clear customer protection code
- ▶ Evolving a mechanism to measure effectiveness of customer service/grievance redress in banks and in RBI
- ▶ Building culture of **Treating Customers Fairly**
- ▶ Policy on redress of grievances outside the scope of the Banking Ombudsman Scheme needed
- ▶ Improving awareness, access and effectiveness of the Grievance Redress Mechanism
- ▶ Ensuring skill adequacy of staff deployed for grievance redress.
- ▶ Benchmarking complaints handling and management systems of banks / RBI against internationally approved standards.



Objective – Trinity to make financial inclusion possible

Financial Inclusion

Financial
Stability

Consumer Protection

Financial Literacy



Cette interaction a ete tres benefique pour nous et j'espere que nous continueron de faire de meme. Cést une grand honneur pour nous de apprendre votre facon de travail. Nous esperonsque nous allons continuer au voir plus dinteractions dans tous les domains. Merci beaucoup.

▶(Our interactions with Banque de France have been of immense benefit. Going forward we hope to continue the process of exceedingly beneficial interactions, peer learning and engagement with the Banque de France)

MERCI!

*Thanks to Dr. Balu.K, GM; Shankar Suman, DGM; S. Ghosh, DGM;
Sanjeev Prakash, DGM & Bipin Nair, AGM for their contribution*