

Text of lecture delivered by Shri G Gopalakrishna, Executive Director, Reserve Bank of India on October 1, 2013 at “Axis Champions Awards” event to honour the employees and teams of Axis Bank Limited who excelled in areas of customer service, innovation and ethical culture

(Venue: Hotel Taj Land’s End, Bandra Mumbai)

Dr.Sanjiv Misra, Chariman Axis Bank, Smt. Shika Sharma, MD and CEO, Sr.Executives and ladies and Genetlemen, I have great pleasure in being a part of an event that hosts and toasts achievers who have excelled and left an indelible impression on customers by dint of exemplary work and service. I must congratulate Axis Bank for instituting these awards and felicitating their personnel, which I am sure will spur them on to better their own record and possibly also inspire many more to follow the example. Banking is essentially a service oriented industry and no service is deemed complete unless it is accompanied by satisfaction of the people who avail the service. Customer satisfaction and customer protection are the hallmarks of banking service. Regulators and supervisors across the financial world have built policy edifices on strong foundations of consumer protection and customer service. In this context, it is indeed a commendable initiative on the part of the bank to train the employee to focus on customer service and reward exemplary service rendered by employees. I am sure that the bank will reach even greater heights in customer service while simultaneously enhancing the skills of personnel in this area.

Attributes of customer service have changed over the years. Customers are more aware, there is a predominance of masses seeking tangible action to ensure that their rights as customers are upheld. More importantly, customers are becoming increasingly aware of Banking Ombudsman schemes, legal channels of redressal, consumer courts etc. The same has also been made possible on account of leaps that information technology has taken over the last one decade with information on the above channels being available widely. Banking penetration through use of technology and the increase in number of non – face – to – face transactions adds a different dimension to the customer care paradigm. Banking has truly become 24 X 7 locally and

globally as well. These attributes have brought in more challenges than we had earlier assumed and banks have been compelled to not only live up to contemporary expectations but also look at enhancing skill-sets in information technology human resources and transactional analysis for meeting future needs. It is not without any reason that we at RBI specifically institutionalized the customer service aspects by carving out an entire Department dedicated to the subject.

Customer service is not an exact science that can be condensed in pre-defined formulae and equations; nor is it a subject where answers to all queries lie in an unequivocal “yes” or “no”. Human nature is complex and diverse and hence an approach of one-size-fits-all to customer service can't be adopted. The word “customer” has the inbuilt attribute of “customization” – to design, develop and deliver a product as per the customer's needs. In the wake of extensive use of technology we seem to be migrating too much towards products and process standardization, which perhaps can lead to mis-selling. Customer service needs can thus be best met by a judicious combination of social sciences, HR skills, technological innovations and appropriate training intervention.

In the rest of my brief talk, I would pose a few generic questions and attempt to present answers.

What comes first in customer service - need or innovation? Whether needs create innovations or innovations create new needs? There are arguments in favour of both precepts. While at most times, one could say that need would precede innovation, there is no doubt that banks also invest hugely in technology and personal banking initiatives to achieve a better reach and rapport with their customers to keep abreast with competition. In the process, they offer new services resulting in the creation of new needs. At the same time, as long as the innovation is not understood and appreciated by consumers the efforts of banks to expand the customer base and satisfaction may not actually fructify. For instance, while no one can deny that advanced mobile banking or internet banking products have enabled customers to communicate

their needs to banks and process their banking requests, they could possibly have not survived if the awareness of such products and facilities were bare and minimal. A technology driven solution to customer centric problems will not work where customers do not know how to use such technology devices and contrivances. In such scenario, a lot of impetus on customer literacy, education and inclusion would be required. Very often, such initiative stems from the regulators who propagate the advantages of using paperless instruments, electronic payment systems etc. that gain acceptance from public over a period of time after customers have transcended barriers of reticence, resistance and technology. The point being underscored is that, apart from need alone, there would be certain other factors such as (i) willingness of customers to embrace customer service methods and innovations, (ii) level of comfort while using an advanced technique including technological platforms, and (iii) cost that service providers incur to put in place an advanced technique to attract customers. Prominent examples of such innovations used in the banking industry, which came to be embraced by more customers willingly with passage of time include MICR technology, electronic payment systems viz. ECS, EFT, NEFT, NFS, CTS, various type of plastic cards etc. These products and innovations were primarily supply driven with a purposeful push by regulators themselves. These products were rolled out and banks were encouraged to make use of these products to render better, faster, safer and secure services to their customers. Thus, at times, in the larger interests of customers and the financial world, certain initiatives have to be pushed forward by authorities and a need created for them.

We could, in the same vein, cite financial inclusion as an example, that has been extensively driven by the regulators and the Government of India to substantiate the above point. Here is thus a classic case of customer need that is “identified” (inclusive banking), targeted (publicity and outreach exercises, financial literacy initiatives), implemented (usage of business correspondents, face to face interactions, exhibitions and fairs to propagate the habit of using and operating bank accounts) and innovated (technology based transfers of funds to accounts [EBT] and the entire “Aadhar” exercise to uniquely identify individuals and embed the same in opening/operation of bank accounts by customers). That also leads us firmly to the

premise that, perhaps in contemporary times, technology at the right time and juncture will help in furthering the cause of customer service.

Is technology the panacea to all customer service challenges? Mostly yes, since technology speeds up ease of access of customers to service providers, enables easier communication and possibly also speeds up operations. However, there is an interesting and contrasting evidence that I choose to draw from one of the examples adduced by Shri G Padmanabhan, Executive Director in the Reserve Bank of India, who made a telling comment on the number of mobile banking accounts that had been opened in India. While the number seemed staggering and really impressive, a comparison with the number of bank accounts opened in India revealed that the former was but a relatively insignificant proportion of the latter. This thus goes to support the idea that the extent of customer awareness about certain techniques and technologies would, at times, decide how effective an innovation would be. Thus, this presents a contrast to an otherwise appealing concept like technology driven solutions and also highlights the need to popularize the same with extra initiatives, features, safeguards and possibly sops too.

The potential of information technology, however, can positively be utilized better by banks and financial institutions in processes relating to prevention of frauds, unique identification of customers for effective adherence to KYC/AML/CFT norms and generally putting in place risk based transaction monitoring systems in the larger interest of consumer protection and safeguards. Further, there is an overarching need to integrate technology in the field of KYC compliance in the present scenario. That is one more reason why RBI has advised banks very recently to implement e-KYC across various customer service points(CSP) through appropriate software solutions that can best integrate UIDAI defined Application Programming Interface(API) protocols. Thus, it is not need alone that would prompt the use of technology as an option but the associated security features that would appeal to the common man's psyche and attract him to banking innovations.

How does one tap the common man's psyche? What are the possible methods to communicate with the customer? A very obvious initiative by RBI in this regard is the significant emphasis on Hindi for bettering customer service. The reason and rationale is extremely simple and comprehensible. The use of the official language in circulars, customer centric pamphlets and brochures, notices and notifications etc. appeal to a wider category of people and attract them to banking products. Further, the usage of Hindi has been advocated in banking technology as well by way of use of bilingual software, which would enable customers to access self operated kiosks, electronic platforms and bring them closer to the adoption of banking practices. The use of official language, local and vernacular languages as well, may also further the cause of financial inclusion, a cause that RBI and banks alike espouse strongly. I would like to mention in this context that one potential, but untested option/method to tap common man's psyche, is survey to gauge the evolving preferences of the customers.

How does the edifice of customer service in banks work? Institutional structures to monitor, implement and innovate in the field of customer service must necessarily factor in exact needs of customers and suitability/appropriateness of products being launched for them. The credibility of a bank's grievances redress mechanism is dependent on the robust, responsive and reliable nature of this structure. The number of complaints actually never tells the true story. The customers and staff alike must be encouraged to bring on board every service deficiency. We seem to take very defensive and evasive action when it comes to admitting service deficiency.

While institutionalizing such structures for monitoring customer service at various levels, right from the Board to branch levels, RBI has always insisted on the following aspects: (i) customer inclusiveness by co-opting customer members in branch level customer service committees to generate feedback, which would in turn, trigger fresh initiatives and inventions in customer service and (ii) an appropriate product approval process overseen by the Board level customer service committees to determine suitability and appropriateness of products being launched so as to target appropriate customer profiles. Further, for any and every kind of service deficiency, apart from the grievances

redress mechanism, what is the compensation policy that the banks have put in place? The compensation must be timely, adequate and effective. In many situations the payment of compensation for lapses on the part of the banks is viewed purely from the staff accountability angle, leaving the customer in the lurch for months. This attitude must change.

What kind of balance can be struck between competition and correctness? Are customer service and compliance mutually exclusive or inclusive?

Here, I would talk about implications of compliance for privacy, customer awareness and customer protection.

Privacy and compliance

While uniform application of rules, regulation and direction across banks will possibly pave the way for good customer service, there is need for striking a balance between privacy and compliance. The recent customers' resentment of compliance, perceived to be bordering on intrusion with regard to updating KYC information is a case in point, as they included details like date of anniversary of customers, number of foreign trips undertaken, etc,. Thus, over-compliance can probably kill customer service.

Customer awareness and compliance

Another aspect that needs attention in the context of compliance could be customer dissatisfaction stemming out of non-comprehension of underlying regulatory and supervisory guidelines; this is where customer communication plays a stellar role in assuaging aggrieved feelings, calling for leveraging customer awareness for better compliance. Customer awareness, education and interactive communication campaigns can go a long way in redressing and minimizing such grievances. Banks and RBI alike have established help desks, may I help you counters, grievance redressal cells and citizen's charters to disseminate information with that objective in mind. Thus, the point is that compliance and customer service have to co-exist, strike a balance with each other and iron out inconsistencies in application so that the larger good of customers results, aided and abetted by able customer communication.

Customer protection and compliance

Customer protection is the basic premise on which most regulations focus. All financial operations have an underlying requirement of ensuring customer protection, and in the process, where necessary, co-operating with civil and criminal authorities when customer grievances result in litigation and instituting quick and effective compensation practices for customers who have incurred losses on account of negligence on part of banks/frauds etc. It is this sense of caution and precaution that has increasingly found a voice in RBI's regulatory and supervisory guidance to banks for optimum use of technology to advise customers to not fall prey to fictitious offers for cheap funds, prevent on-line frauds and scams, advocate judicious use of debit, credit and ATM cards, not compromising security features such as passwords with a view to prevent phishing mishaps and deploy an adequate risk based transaction mechanism to serve the best interests of customers. Banks also hugely benefit by adopting such precautionary steps. While some of these regulatory and supervisory missives may be a tad too repetitive, it must also be understood that they are a re-iteration of RBI's concerns to address operational risk in banks, prevent escalation of legal risk in the form of disputes and litigation and enhance confidence of customers in banks in the long run. Where stricter rigors of compliance harp on safety and security of the customer, there would possibly be no harm done if the customer is displeased to some extent.

Is complaint handling an art or science? Can dictates be employed in such art or science? Complaint handling, by itself is a complex art requiring references from customers being identified as grievances or requests for information. Once the reference has been slotted as a grievance, all efforts should be undertaken for prompt and satisfactory redressal. Handling customers adequately as well as creditably requires more than banking and technical knowledge. It requires humanitarian and human resource skills which can be accentuated and enhanced with training initiatives. Here, I would recall the experience with services of Direct Sales Agents, employed by banks, which in some cases, generated resentment among the customers. An element of sensitivity and sensibility has to underscore the behavior of such agents when banks

outsource credit card operations etc. with emphasis on ensuring appropriate behavior by personnel involved in debt collection and ensuring employment of fair and prudent processes. Coercive actions, in the wake of increasing customer awareness can throw open gates of litigation on such grounds as negligence, mental agony or hurt, defamation, invasion of privacy and trespassing, with all their obvious and extended legal connotations.

When one talks of redressing customer grievances and complaints, an obvious reference to the Banking Ombudsman scheme is but inevitable. The scheme operates on the principles of mediation and arbitration resulting in awards. In order that such schemes function unhindered and for the common cause of scores of aggrieved customers, it is imperative that banks implement awards passed by Ombudsmen in right earnest. RBI attaches a lot of importance to this function and compliance by banks in this area is monitored through RBI's supervisory processes and appropriate regulatory disclosures diligently. Thus, serving the customer satisfactorily is at once, an art, an inexact science as also a mandatory obligation governed by regulatory dictate and institutional arrangements to ensure compliance.

To conclude, Customer service deserves an outlook that puts a check on targets sought to be achieved by customer service executives by way of a rigor of compliance with extant rules and regulations. Profit seeking is the basic ethos that governs any business entity but the same cannot and must not override the genuine demands and requirements of customers. I am sure, the employees being honored today have set an example in not just customer service alone but also for adhering to the compliance diktat. I wish them all success in their career and also congratulate Axis Bank on their endeavour to enhance the awareness on customer service.

Thank You.

****I acknowledge with thanks contribution of Shri R Kesavan, GM, Dept.of Banking Supervision, RBI, Central Office in preparing this speech.***