

*Ensuring Dignity for Indian Customer: Task Ahead for Indian Banks**

Usha Thorat

The activities of the IBA have grown in diversity and scale in the recent period, not in small measure due to the dynamic leadership of CEO Mr Sinor, who I understood was to have demitted office on 31st May, but I believe has been persuaded by the Chairman to continue for a while. Chairman Mr Rao, Deputy Chairmen Mr Khandelwal, Mr Narayanswami and Mr Nayar have, I am sure, provided their own unique direction to IBA, which has today emerged as a highly respected body and voice of the industry. In fact, there is hardly any aspect of banking that the Reserve Bank would consider without involving and consulting IBA. In particular, I am happy that many cooperative banks are now members of IBA. I feel RRBs also could consider becoming members and derive the benefits of such membership. Also, I suggest that IBA consider reduced fees for smaller cooperative banks and RRBs who could join as non voting members - they can greatly benefit by the professionalism imparted through such membership.

For those of us who joined the banking industry in the early 70s, what we see today represents a dream come true - India, aspiring to be a global player and leader in all fields, adopting and setting best practices in every way - I wonder how many of us imagined that we would see this happen during our career. Having said that, I would hasten to add, as Robert Frost put it, there are miles to go before we sleep. There is always an unfinished agenda - that truly represents the challenge of a banker's job!

*Address by Smt Usha Thorat, Deputy Governor, Reserve Bank of India at the 61st Annual General Meeting of the Indian Banks' Association held at the Y.B. Chavan Memorial Hall, Mumbai on May 26, 2008.

Talking about leaving behind matters that are of true value, I recollect a truly inspiring speech given by Subroto Bagchi of Mind Tree to the IIM Bangalore class of 2006 and I quote (Mr Bagchi's father was in Government service):

"Government houses seldom came with fences. Mother and I collected twigs and built a small fence. After lunch, my Mother would never sleep. She would take her kitchen utensils and with those she and I would dig the rocky, white ant infested surrounding. We planted flowering bushes. The white ants destroyed them. My mother brought ash from her *chulha* and mixed it in the earth and we planted the seedlings all over again. This time, they bloomed. At that time, my father's transfer order came. A few neighbours told my mother why she was taking so much pain to beautify a government house, why she was planting seeds that would only benefit the next occupant. My mother replied that it did not matter to her that she would not see the flowers in full bloom. She said, 'I have to create a bloom in a desert and whenever I am given a new place, I must leave it more beautiful than what I had inherited'.

That was my first lesson in success. It is not about what you create for yourself, it is what you leave behind that defines success."

I often feel that being a banker is probably one of the most satisfying professions in the world - like being a doctor it gives you an opportunity to render service and make a difference to

people and to society. It involves nurturing entrepreneurs, helping businesses grow to become large corporates and MNCs; empowering people, helping them realise their goals by giving them education loans and loans for their enterprises; providing the 'blood circulation' viz, the payments system for the financial system - all this and more. Secondly, a banker is a person of substance in the society. Being a banker involves constant human and social interaction with a wide cross section of public - an enriching and satisfying experience. The third most satisfying part of a banker's job is that one continues to learn new things about practically every field of activity - agro tech, bio tech, software, steel, cotton textiles, cement, infrastructure and innumerable others - it is a profession where one can be most creative and one that challenges the intelligence and wisdom of the best. You are privileged to be a banker!!

I am truly impressed looking at the breadth and depth of activities IBA has been involved in the past year - Basle II preparedness, payments and settlement system, legal interventions, consumer protection, accounting standards, IT usage, financial crime and financial inclusion. Each of these areas by itself represents a huge amount of research, dedicated work, and coordination. Other impressive initiatives include setting up of Cordex, a section 25 company for pooling of risk data and operational loss data, participation in the Banking Codes and Standards Board of India (BCSBI), launching a financial education portal

and, what to me is the most exciting initiative, the possibility of unique customer identity across banks. The impact that IT can have on financial inclusion is unimaginable and the IBA's initiative to evolve common standards for this purpose is laudable. That India has arrived is reflected in admittance of IBA in the IBFed of six major bankers' association from the developed countries. I am sure that the Indian banking system can provide leadership in quite a few areas. One area in which I know we are international leaders is in providing low cost, biometric identified bank accounts through smart cards, mobiles and hand held connected devices to ensure universal access to banking.

Having praised the IBA management and members for their work and initiatives in 2007-08, let me turn to a few areas where I feel there is much to be done. In any forum of the public that I address, be it citizens forum, Rotary, SHG groups or others, one feedback that regularly comes is opening of a bank account is still quite a chore and full of hurdles; not every bank branch offers no frills or basic banking account and not many branch staff are aware, or even if aware, are willing to open a simple account where the Reserve Bank has specified a simplified KYC for accounts with low level of transactions, *i.e.*, where balances do not exceed Rs 50,000 and credits are not more than Rs.1.00 Lakh a year. Maybe in 2008-09, IBA should get its members to adopt software to be able to monitor these two conditions online,

so that branch staff can confidently open such accounts without worrying that they may inadvertently be KYC non-compliant! Similarly, how many of you can confidently say that all of your branches provide cash exchange facilities and coins to walk in customers? How many of you can confidently say that you render this service at least at all currency chest branches? Unfortunately, our incognito visits have revealed that seldom are such services offered to walk in customers and even for regular customers, it is rarely a counter service. In fact, my personal experience during incognito visits is far from encouraging. A bank branch in any location should offer some basic banking services such as currency, remittances, basic forex (with CBS this should not be a problem) as also shared ATM. When we license a branch, it is like providing a public good in that area, like electricity or telephony and I feel the spirit of this licence has to be respected.

In the area of customer service the cherished principles in treating customers fairly are transparency, reasonableness, truth in selling, confidentiality and assistance when needed, apart from effective grievance redressal machinery. However, quite often one comes across cases of complaints where these principles are hardly followed and the customer feels treated unfairly - for every one person who files a complaint there are probably 99 others who do not. IBA, BCSBI and Banking Ombudsmen's Offices are the three pillars for better

customer service and we need to see that our dreams in this regard are achieved.

I would now like to turn to areas where I feel banks may need to give strategic focus and evolve products, processes and have in place people with capacities to translate strategies into action. These are in the fields of agriculture, unorganised sector and supporting skill formation of every type. In agriculture, the need of the hour is efficiency, supply chain management and technology for improving production and productivity and strengthening link to markets both for inputs and output. The National Development Council found that there are several yield gaps across States indicating that there is potential for yield increase by investment in agriculture. This would call for new strategies for better credit delivery and credit culture in agriculture. In the last 10 years or so, it is found that the occupations that have generated maximum jobs are IT, ITES, construction, retail trade, hotels, restaurants and tourism, health care, education, training and consulting. These are sectors where start up financing, bridge financing, working capital and investment financing are very important. Banks will need to channelise all their creative forces jointly in meeting the financing challenges of these sectors. Credit guarantee schemes and operationalisation of credit information companies can provide a huge boost to these sectors but it will require willing banks to upscale their efforts in financing SMEs in these and other areas.

I would like to conclude by citing Governor's recent talk at the Institute of Asian Studies at Singapore where he referred to the 'not easily quantifiable strengths' which the Indian economy possesses. A vast pool of science and technology graduates and the millions of people who are familiar with the English language are a source of strength. The familiarity with multiple languages in India prepares the people - and I would like to specifically include Indian bankers in this category - to adapt better to multi-cultural situations, making it easier for them to fit into international systems smoothly. In fact, I believe that one of the strengths of Indian bankers and banking is the versatility in being able to undertake the most complex financial structures to simple products like gold loans and loans to Self Help Groups - it is universal banking of a kind that is not so universal. In his speech Governor also referred to the "demographic dividend" seen as an inevitable advantage, provided pre-requisites such as skill-upgradation and sound governance to realize it are put in place. He said that perhaps we should track not only the addition to the number of billionaires in India but also the depletion in the number of millions of poor and unemployed. Summing up his talk, Governor observed "For some, Indian economic progress signifies the beginnings of a major economic powerhouse in the world. But for many of us, the optimism over the medium-term is only the beginning of an arduous journey to ensure basic nutrition, clean water, safer sanitation, minimal housing,

personal security and individual dignity for millions in India"

Indeed, fulfilling the basic necessities of life, providing essential services and ensuring individual dignity for the millions in the country continue to be

the major challenges. Banks have a significant role to play in addressing these challenges. I am sure that you will all rise to the occasion, and in doing so, the IBA can only grow from strength to strength!