

**Banks' Commitment to the Customers****Rajpal Singh Rawat**

Assistant Professor,  
Deptt. of Commerce,  
T.S.R. Govt. Degree College,  
Nainidanda, Uttrakhand

**Subodh Kumar**

Associate Professor,  
Deptt. of Commerce,  
HNB Garhwal University Campus,  
Badshahi, Thaul, Uttrakhand

**Abstract**

The BCSBI is an autonomous body to safe guards the rights of customers in the banking industry. In our banking system, 134 banks have become the member of the Board. The Board issued bank's commitment code for the individual customers in July 2006. The minimum standards and procedures of best practices for operation are given in the code. The member banks voluntarily agree to comply with the standards of quality of service announced in the code. The BCSBI also entertains the complaints from bank customers directly. The awareness level of the consumers about the code was observed very low in the survey. But, cases came to the notice where the complainants got relief through the Board. The published statistics shows the performance of the Board in metro cities. It is found that vigorous publicity of the code is required across the urban and rural areas so that it could meet the objective of the BCSBI and RBI as well.

**Keywords:** Banking Ombudsman, Bank's Commitment, Grievance Redressal, Self Regulatory, Rating Model, Codes and Standards

**Introduction**

In November 2003, RBI constituted the Committee on Procedures and Performance Audit of Public Services under the Chairmanship of Shri S.S. Tarapore to address the issues relating to availability of adequate Banking Services to common man. The mandate to the Committee included identification of factors that inhibited the attainment of best customer services and suggesting steps to improve the quality of banking services to individual customers. The Committee felt that in an effort to continuously upgrade the package of services that banks offered to their customers there was a need of benchmarking of such services. After in depth study at the grass root level the Committee concluded that there was an institutional gap for measuring the performance of banks against a bench mark reflecting the best practices. Therefore, the Committee recommended setting up of the Banking Codes and Standards Board of India broadly on the lines of Banking Codes and Standards Board functioning in U.K.

Among the existing institutional structures, the Scheme of Banking Ombudsman, which has been functioning for quite some time, does not look into systemic issues with a view to enforcing a prescribed quality of service. Ideally, such a function should be performed by a Self Regulatory Organization but in view of the existing framework of the Banking sector in India, it was felt that an independent, autonomous Board will be best suited for the function. Therefore, Dr. Y.V. Reddy, Governor, Reserve Bank of India, in his Monetary Policy Statement (April 2005) announced setting up of the Banking Codes and Standards Board of India in order to ensure that comprehensive code of conduct for fair treatment of customers was evolved and adhered to.

The Banking Codes and Standards Board of India have been registered as a separate society under the Societies Registration Act, 1860. Therefore, it would function as an independent and autonomous body.

The Banking Codes and Standards Board of India is **not** a Department of the RBI. Reserve Bank has agreed to lend it financial support for a limited period. It is an independent banking industry watch dog to ensure that the consumer of banking services get what they are promised by the banks.

To ensure that the Board really functions as an autonomous and independent watch dog of the industry, the Reserve Bank also decided to extend financial support to the Board by way of meeting its full expenses for the first five years. This was to enable the Board to reach its economic

critical mass that will make it truly independent in its functioning and take a view on any bank without its existence coming under any threat. On its part, RBI would derive supervisory comfort in case of banks which are members of the Board. In substance, the Board has been set up to ensure that common man as a consumer of financial services from the banking industry is in a no way at a disadvantageous position and really gets what it has been promised.

This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with individual customers. It provides protection to you and explains how banks are expected to deal with you for your day-to-day operations. In the Code, 'you' denotes the customer and 'we', the bank the customer deals with.

### Objectives of the Code

The Code has been developed to:

1. promote good and fair banking practices by setting minimum standards in dealing with you;
2. increase transparency so that you can have a better understanding of what you can reasonably expect of the services;
3. encourage market forces, through competition, to achieve higher operating standards;
4. promote a fair and cordial relationship between you and your bank;
5. foster confidence in the banking system.

### Application of Code

Unless it says otherwise, all parts of this Code apply to all the products and services listed below, whether they are provided by branches or subsidiaries across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method. However, all products discussed here may or may not be offered by all banks.

1. Current accounts, savings account, term deposits, recurring deposit, PPF accounts and all other deposit accounts.
2. Payment services such as pension, payment orders, remittances by way of Demand Drafts and wire transfers.
3. Banking services related to Government transactions.
4. Demat accounts, equity, government bonds.
5. Indian currency notes exchange facility.
6. Collection of cheques, safe custody services, safe deposit locker facility.
7. Loans and overdrafts.
8. Foreign exchange services including money changing.
9. Third party insurance and investment products sold through our branches.
10. Card products including credit cards, debit cards, ATM cards and services (including credit cards offered by our subsidiaries/companies promoted by us).

### Complaints, Grievances and Feedback

#### Internal Procedures

1. If you want to make a complaint, we will tell you
  - a. How to do this
  - b. Where a complaint can be made

- c. How a complaint should be made
  - d. When to expect a reply
  - e. Whom to approach for redressal
  - f. What to do if you are not happy about the outcome.
  - g. Our staff will help you with any questions you have.
2. When you become a customer, we will tell you where to find details of our procedure for handling complaints fairly and quickly.
3. If your complaint has been received in writing, we will endeavour to send you an acknowledgement/ a response within a week. If your complaint is relayed over phone at our designated telephone helpdesk or customer service number we shall provide you a complaint reference number and keep you informed of the progress within a reasonable period of time.
4. After examining the matter, we will send you our final response or explain why we need more time to respond and shall endeavour to do so within six weeks of receipt of your complaint and will tell you how to take your complaint further if you are still not satisfied.

### Bank's Branches are issuing the Code of Bank's Commitment to Customers.

To Publicise the Code we will:

1. provide existing customer with a copy of the Code;
2. provide new customer with a copy of the Code when customer open an account;
3. make this Code available on request either over the counter or by electronic communication or mail;
4. make available this Code at every branch and on our website; and
5. ensure that our staff are trained to provide relevant information about the Code and to put the Code into practice.

### Review of Literature

The BCSBI annual report 2008-09 says that the copy of the code is available in 87 per cent of bank branches. Further, a notice to the effect of availability of the code copy is displayed in 56 percent branches. But, it is about only metro cities. In the survey in Uttarakhand it was observed that only 6 customers got the copy out of 1000 respondents in Tehri Garhwal. It is found the some banks included the code in their web site. This is very cost effective and powerful way of publicity among the net friendly account holders. (Subodh Kumar & Rawat Raj Pal Singh 2013A)

The nomination is quite well known banking service. The code envisages as per point 8.1 that the customers will be advised for nomination facility at the time of opening of the account. The survey showed that 22 per cent of customers were made acquainted with facility at the time of opening of the account. The RBI has directed the banks to inform the rules pertaining to the minimum balance to be maintained at the time of opening of the account and any change thereto should be conveyed to the customers positively. The mode of communication may be

decided by the bank itself. The Banking Lokpal prescribes that the banks should pronounce a time frame for settlement of the various complaints. (Subodh kumar & Rawat Raj Pal Singh 2013)

As per the annual report of Banking Lokpal 2008-09, there were 69117 complaints, out of which 113 were on notes/coins heading. In the previous year, under this category there were 141 complaints. In the year, 2009-09 in this heading there were 34 complaints of nationalized banks, 30 of SBI group and 35 against private banks. There were 11 cases of foreign banks, 3 for RRBs and Cooperative banks. Among private banks, HDFC and ICICI were seen predominantly. (Banking Lokpal 2009)

The new and autonomous mechanism is being evolved for customer care and safe guard against probable mal practices. The code is an indicator for a change of philosophy in our business world. It leads to higher standards in banking practices. In the code all six outcomes of TCF (Treat Customer Fairly) very well stay together as confidence, demand supply match, advisory role, transparency, complaint redressal and vendor switch over. It is evident from the survey results that efforts for the publicity of the code are quite inadequate in the reality. They are far away from the prescriptions laid down in the code itself. The awareness level as judged in the study was quite low as desired after two years of its implementation. (Subodh kumar & Rawat Raj Pal Singh 2010)

The RBI opened a separate department 'Customer Service Dept.' in July 2006. It aims at coordination among – banks, IBA, BCSBI, Banking Ombudsman, Regulatory Dept. of RBI for customer service and complaint redressal. The RBI established BCSBI in July 2006 for compliance of standards for customer service in banking industry. The Board released the code for individual customers. It will be a mile stone in the field of customer satisfaction in the industry. (Bhasin Narendra 2006)

The RBI introduced the 'Banking Ombudsman scheme 1995. Later it was revised in 2002. Thereafter, it was replaced by the Banking Ombudsman scheme 2006. The Ombudsman received around 48000 complaints in 2007-08. Out of which 46 percent cases were from metro cities, 23 percent from urban area and rest of 31 percent were from rural regions. The mode of lodging the complaint is also noticeably interesting- 16 percent were received on line, 15 per cent through email. In ombudsman office complaint tracking software is in use since Sept. 2005 that is automated mode of registering a complaint and giving a token number to the customer. Out of total complaints received, 89 percent cases could be disposed by the end of the year. In the way of empowerment of customers, the ombudsman scheme is considered to be very effective scheme in the banking industry. (Murugavel 2009)

### Research Methodology

The Data were collected from both primary and secondary sources. Primary data was collected through questionnaire method, formal interview and

informal interaction with the bank customers. The sample for this research was consisting of 1000 customers of Public, Private, RRB and Cooperative banks. Random sampling technique was used. The secondary data was collected from the website of BCSBI and different magazines.

### Objectives of the Study

1. Bank's branches are issuing the Code of Bank's Commitment to Customers.
2. Bank branches are displaying the main content of code of Bank's commitment to customers in its notice board.
3. Analysis of customer complaints.
4. Customers awareness about code.
5. Suggesting steps to improve the quality of banking services to individual customers.

### Primary Data Analysis

The BCSBI released the code in July 2006. In the year 2003, even after two complete years when the study was done, only four customers received the copy of code. They read the code in the news paper published in July 2006. They were quite aware consumer class like teachers in higher education or legal practitioners. In an urban branch of SBI, the copies of the code were seen kept in the drawer of writing table for customers. In one branch of private bank, AXIS bank, there was a notice displayed for customers that code's copy is available on demand with the branch manager. In the cheque book of a public sector bank, PNB, it was printed on cover page of the cheque book- 'customer's right and Bank's commitment code is available free of cost. Please contact Branch Manager.'

#### Code's copy issued to customers

Respondents View	Number of Customers
Yes	04
No	996
Total	1000

### Secondary Data Analysis

BCSBI had conducted a survey in 2007 of 702 branches located in five cities - Mumbai, Delhi, Kolkata, Chennai and Hyderabad to assess the level of compliance with the provisions of the Code of Bank's Commitment to Customers, 2006. As compared to the findings of that survey, the present survey showed improvements, specifically in the following areas:

1. 69% of the branches were now in a position to give copy of the Code of Bank's Commitment to Customers, as compared to 53% earlier.
2. In 73% (as against 65% earlier) of the branches, the literature provided to the customers explained the implication of maintaining accounts in different styles.
3. In 82% (as against 60% earlier) of branches the customers were enlightened about maintaining minimum balance.
4. 64% of branches (as against 48% earlier) disseminated information on method of calculation of the minimum balance in deposit accounts.

5. 79% of branches (as against 43% earlier) disseminated information on penalty for non-maintenance of minimum balance.
6. 81% of branches (as against 59% earlier) had opened 'No Frills' accounts.
7. 85% of the branches visited exchanged soiled notes, which is also one of the regulatory requirements.
8. 71% of the branches exchanged / accepted coins of all denominations.
9. 67% of branches visited had "Enquiry" or "May I help you" counter.
10. 60% of the branches visited had Comprehensive Notice Boards.
11. 39% of the branches visited had displayed the bank's BPLR along with its effective date, while 37% of the branches displayed Base Rate also.
12. 55% of branches had a Booklet / Folder containing customer-centric policy documents and other material for the perusal of the customers.
13. Out of the branches which had cheque drop box, 62% had displayed a notice that the customer can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips.
14. In the case of settlement of claims in respect of deceased account holders, without survivor / nominee clause, 84% branches disposed off such cases within 15 days.
15. In 55% of branches visited, payment of interest for delayed collection of outstation cheques was system driven and automatic, without any manual intervention.
16. 60% of the branches had a complaint book with perforated copies in each set.
17. 77% of the branches had disposed of customer complaints within 30 days.
18. In 89% of the branches, complaints were escalated to the higher authorities within the time frame prescribed by the bank.
19. 83% of the branches visited had Customer Service Committee at the branch level.

20. At 20% of the branches visited, it was mandatory for the customer to avail insurance cover (life / general) only from the company having tie-up with the bank.
21. 53% of the branches paid compensation for delay beyond 15 days in releasing the securities / documents to the borrower / guarantor after repayment of all dues as agreed to or contracted.
22. In 99% of the branches, the borrowers were informed, in writing, before the bank initiated recovery proceedings.

### Complaints Analysis

As provided in Banking Ombudsman Scheme, if the customer has any grievance against the bank he has to make first representation in writing to the bank. If the complaint is not resolved by the bank under their internal grievance redressal machinery to the satisfaction of the customer he can lodge a complaint to Banking Ombudsman. The BCSBI also has been receiving complaints directly from the customers. These complaints as also Awards issued by Banking Ombudsmen and decisions of Appellate Authority under Banking Ombudsman Scheme are examined to see if they are indicative of any deficiencies of systemic or procedural nature. Such cases are taken up with the concerned banks and the BCSBI endeavors to resolve the systemic issue so that such complaints do not recur in future.

The BCSBI has total received 4115 complaints from April 2006 to the end of March 2014. In this context, maximum complaints are regarding of Credit/Debits card; Deposit Accounts and Loan and Advances. Total 43 complaints received from pension accounts. Banks should take necessary remedial action for these deficiencies. This is good for banks that only 61 customers complaint regarding the Mechanism of Grievance Redressal. The meaning of this is maximum customer know the process of the complaint or customer does not want to complaint against banks he wants to the solution of problem.

### Profile of Complaints

S.No.	Nature of Complaints	2006-07	2007-08	2008-09	2009-10	2010-11	2011- 12	2012- 13	2013-14	Total
1	Deposit Accounts	88	55	111	162	100	112	139	171	938
2	Credit/Debit Cards	85	109	205	211	133	80	69	88	980
3	Pension	13	02	07	07	-	03	05	06	43
4	Tariff Schedule & Service Charges	45	23	18	41	31	07	15	18	198
5	Cheque Collection/Clearing Cycle	35	22	21	30	21	08	15	08	160
6	ATM/Debit Cards	11	02	05	49	16	03	21	19	126
7	Loans & Advances	108	59	132	161	111	64	116	118	869
8	Grievance Redressal Mechanism	03	17	21	12	07	01	-	-	61
9	Miscellaneous	90	38	47	66	153	207	66	73	740
	Total	478	327	567	739	572	485	446	501	4115

### Rating Model

BCSBI, in 2015 published a rating model on the basis of branch visit finding and customer responses obtained were grouped into five

parameters (Information Dissemination, Transparency, Customer Centricity, Grievance Redressal and Customer Feedback). Score awarded to the individual parameters. Based on the overall

score of the bank, a rating was awarded from out of four categories (a) High Level (b) Above average level (c) Average level (d) Below average level. Only 10% banks achieved high level; 50 % achieved above average; 35 get average and rest of them achieved below average rating.

## Suggestions

1. The BCSBI and its member banks should increase awareness of the customers about the code. The BCSBI did survey only in metro cities. The code has been published in July 2006, ten years have been completed. Now survey should be done in urban area branches.
2. A few banks out of the sample have inserted the code on their website. It serves the purpose well in case of net friendly customers. The percentage was very low but they were present in the sample that was from net banking class. It is quite cost effective method of circulating the code in clientele circle.
3. Bank's branches are issuing the Code of Bank's Commitment to Customers. They provide copy to only new customers. They should provide a copy of the code to existing customers also.
4. The sending of the code copy with the account opening kit is also practiced but the font size of words is very small. So the maximum customers cannot read the code. So font size should be increased.
5. The Newsletter "Customer Matters", launched in April 2009, continued as a medium for increasing awareness of current banking issues. The Newsletter contains activities of BCSBI and also findings of any study and branch visits undertaken by BCSBI. The copy of this newsletter should be in the branch customer's table.
6. The code related information should be displayed in Branch LED Television. The customer rights copy available in branch this information should be displayed in each banks ATM.
7. Bank branches can provide financial services to lower income group through No-Frills Account. The Finding of BCSBI annual report of 2008 – 09 is that awareness about the relaxed KYC norms for opening 'No-Frills' account was very poor. The 63 percent branches were unaware about the procedure for opening No-Frills accounts. The branches of SBI and Associates, 14 of the 21 branches of PSBs and 3 of the 4 branches of foreign banks were unaware about No-Frills accounts and related information. Private Banks were relatively more informed about No-Frills account. The RBI should organize workshops for all sectors banks related to the KYC norms of 'No-Frills' accounts.

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## Abbreviations

ATM	Automatic Teller Machine
BCSBI	Banking Code and Standards Board of India
IBA	Indian Banking Association
KYC	Know Your Customer
PSBs	Public Sector Banks
SBI	State Bank of India
TCF	Treat Customer Fairly