

Shri Swaminathan J: A customer centric approach-navigating the path to excellence in customer service

Speech by Mr Shri Swaminathan J, Deputy Governor of the Reserve Bank of India, at the Conference on Customer Service, Mumbai, 21 September 2023.

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Chairmen of Customer Service Committees of banks, Whole Time Directors in charge of Customer Service Verticals, Principal Nodal Officers and my colleagues from the Reserve Bank of India. A very good morning to you all.

We have gathered here today to discuss a crucial aspect of our banking and financial services sector: customer service standards and grievance redress mechanism in RBI regulated entities.

As senior functionaries overseeing this critical domain, you bear a significant responsibility in shaping the quality of customer service rendered by your respective financial institutions. The focus must be on nurturing a customer-centric approach, for trust is the bedrock of the financial services business, and customer service, along with prompt grievance redress, is the bridge to building that trust. Over the course of my address today, I would like to highlight five important areas for your consideration which are:

- i. Need for a customer centric approach
- ii. Addressing the root cause of complaints
- iii. Importance of resolution at first point of contact
- iv. Responsible handling of complaints
- v. Combatting cybercrime

Before closing, I would also like to highlight the importance of cultivating a culture of continuous improvement as ensuring quality of customer service is a journey and not a destination.

The Need for a Customer-Centric Approach

Let me begin by reaffirming a simple truth: financial services institutions exist because of their customers. They entrust regulated entities with their hard-earned money, their dreams, and their aspirations. As you all would know, the predominant source of your liabilities is customer deposits whose interest that we all seek to protect. It is, therefore, imperative to place them at the heart of operations of any bank. In fact, a customer-centric approach is not an optional thing; it is a necessity.

In the world of finance, trust is the currency of the realm. Every transaction, every investment, and every interaction is underpinned by the faith customers place in

financial institutions. When you prioritize customer needs and concerns, you strengthen this trust, which in turn promotes your business and financial resilience, side by side.

Being commercial entities, there is nothing wrong in being target driven but Regulated entities should ensure that employees understand that their primary responsibility is to serve customers' financial needs. There should be clear and transparent incentive structures that reward employees for delivering quality financial advice and services rather than just making sales. Staff should ensure that products are recommended based on the customer's financial situation, goals, and risk tolerance. Towards this, every financial institution should have a policy for customer appropriateness and product suitability framework. By adhering to such a policy framework in letter and spirit, REs can greatly reduce the mis-selling complaints which form a substantial portion of the complaints that we get to see.

Addressing the Root Cause of Customer Complaints

In order to truly embrace customer centricity, we must delve into the root causes of customer complaints. Complaints are not mere inconveniences but vital feedback. As Bill Gates said, "Your most unhappy customers are your greatest source of learning."¹ They point us toward areas needing improvement. By addressing these root causes, we can prevent complaints from arising in the first place.

I would therefore urge you to have a proactive approach in identifying root causes. Regular analysis of customer feedback, complaints, and suggestions can serve as an invaluable compass in navigating toward a service-oriented future. Root cause analysis will not only allow rectification of individual grievances but also enhance systemic processes to prevent reoccurrence. I would urge the Customer Service Committees to allocate adequate time and focus on discussing the outcome of such root cause analysis to ensure that the institutions put in place mechanisms that can prevent recurrence of such complaints.

It has also come to our notice that some of the Banks have adopted an innovative approach to classify certain complaints as queries which results in understating the problem. This results in a false sense of complacency, and the truth will be out in any case. We seek to disincentivise such practices and as a Regulator, we will not hesitate to act in case if it turns out to be an entity wide behaviour. I, therefore, request the Customer Service Committees to keep a close watch and guard against such practices.

Resolution at the Point of First Contact

Every customer grievance is also an opportunity to prove our commitment to service excellence. Therefore, it is essential that customer complaints are addressed promptly and fairly through a robust and efficient complaint resolution process.

Regulated entities should empower their customer facing staff to resolve issues at the point of first contact. The objective should be to ensure that complaints rarely need to be escalated to the Internal Ombudsman or the Reserve Bank Ombudsman.

To achieve this, regulated entities must equip their frontline staff with not only the authority but also the tools and training needed to address customer concerns effectively.

Sam Walton², the founder of Walmart, used to say 'The way management treats associates is exactly how the associates will treat the customers.' Well-informed and empowered frontline staff can transform customer grievances into opportunities for building stronger relationships. After all, staff are your ambassadors - they are the face and voice that customers encounter. A less than satisfying work environment results in employee dissatisfaction which in turn may impact their ability to serve their customers with a smile. It may not be out of place to mention here, that the tone at the top is very important – if you push your employees to do business at any cost, it is likely that they may relegate the customers' interests to the background.

Employees, therefore, must be fully equipped to deal with customer service-related issues. They should be provided adequate training and tools to handle customers well. Further, the commitment to training and development should extend beyond the initial onboarding process. Continuous learning and skill enhancement programs must be in place to adapt to changing customer expectations and the evolving landscape of financial services.

Another related aspect I would like to flag is complaints emanating from staff misbehaviour. While it may not be possible to fulfil the demands of your clients to their full satisfaction, no one has a right to behave badly with the customer. Such complaints must be dealt with firmly and deterrent action must be initiated quickly to ensure that employees don't indulge in such misdemeanours.

Responsible Handling of Complaints

As you are aware, the Reserve Bank launched the Internal Ombudsman (IO) Scheme in banks in India in May 2015 which was subsequently extended to other regulated entities such as non-banking financial companies, non-bank payment system participants and more recently to credit information companies. The intent behind the IO Scheme is to enhance the level of customer service by providing an independent and impartial apex level authority within the regulated entity itself to address customer complaints that are not resolved satisfactorily.

Accordingly, complaints should only be rejected after careful examination by the Internal Ombudsman. To do this effectively, regulated entities must ensure that the Internal Ombudsman is adequately resourced. The role of the IO is pivotal in ensuring fair and just resolution. Therefore, their resources should match the scale and complexity of the task at hand. Our feedback indicates that the IO framework in a few institutions is way below the requirement and adequate importance is not being accorded to this process by the management. This is another area where I would like the Customer Service Committees of the Board to pay enhanced attention.

By investing in the Internal Ombudsman's capabilities, regulated entities demonstrate their commitment to transparent and fair grievance redress. This, in turn, reinforces the trust of customers, knowing that their concerns will be addressed impartially within the regulated entity itself.

Combating Cybercrime

In today's digital age, the battle against cybercrime is constant. Regulated entities must strengthen their systems, raise customer awareness and collaborate with other banks and law enforcement agencies. Cybersecurity is not just a technological challenge; it is sine qua non for safeguarding customers' trust.

Enhancing cybersecurity involves not only implementing robust technologies but also fostering a culture of vigilance amongst employees. Cybersecurity awareness campaigns, regular drills, and collaborative initiatives can fortify our defences against the ever-evolving threats in the digital realm.

Cultivating a culture of continuous improvement

Finally, it's crucial that we cultivate a culture of continuous improvement. Customer expectations evolve, and so must the services offered. We must bear in mind that the way in which Banking as a service being rendered and consumed is rapidly changing. Therefore, regulated entities should actively seek feedback from customers, encourage innovation, and be willing to adapt to changing circumstances.

Continuous improvement is not a one-time effort but an ongoing commitment. Further, the commitment to continuous improvement should extend to every aspect of your operations, from product offerings to digital services to branch experiences. By embracing change and innovation, regulated entities can stay ahead in a rapidly evolving financial landscape.

Fintech companies are reshaping the industry by leveraging technology to provide innovative and convenient financial services. These companies often have agility and flexibility that can outpace traditional institutions. Rather than viewing fintech as a threat, we should see it as an opportunity. Embracing change and innovation is not just about staying competitive; it's about staying relevant. To navigate this changing landscape, traditional institutions must be willing to adapt and evolve as well as collaborate. I am glad that most of you have adopted such a collaborative approach, but please bear in mind that the principal responsibility to your customers lies with you and not with your partners. It is therefore essential to have adequate oversight whenever a product or service is being offered through such partnership channels.

Warren Buffet says "It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you will do things differently". The manner in which you handle customer complaints impacts your reputation to a large extent. Therefore, I would urge you to focus on a customer centric approach in implementing robust, effective and efficient customer grievance redress mechanisms in your respective institution. In this journey, as a Regulator, we are keen to walk alongside the Regulated Entities, as we believe that together we can protect the customers' interest better, so feel free to share

your feedback with our team. With this I wish you successful and meaningful deliberations at this conference.

Thank you.

¹ Gates, Bill. Business @ the Speed of Thought. Grand Central Publishing, 1999

² Walton, Sam. Sam Walton: Made in America. Bantam, Reissue edition 2012