CAIIB – Retail Banking
Module C- Marketing In Retail Banking

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Unit 1: Marketing in Retail Banking

Marketing in Banking

- Sir Frederick Seebohm defines 'the creation and delivery of customer-satisfying services at a profit to the bank'
- Kenneth Andrew defines Bank Marketing as 'the matching of bank's resources with the customer's needs in the most profitable manner'.

Customer is the centre of attraction in retail banking and marketing and all the activities have to be focussed towards

- Identifying the customers' needs,
- Developing appropriate products to satisfy their needs,
- Providing them with efficient delivery channels for availing the products.
- Making them avail the products continuously.

Marketing in Retail Banking

The process of marketing comprises different stage:

- Marketing Analysis
Marketing Mix in Retail Banking

Fundamental ingredients of an effective marketing mix in retail banking which are as follows:

- Product
- Price
- Promotion
- Place
- People
- Process
- Physical evidence

The success of the seven Ps and the marketing strategies are measured only by the responses from the customers from the point of view of need satisfaction.

Unit 2: Delivery Channels in Retail Banking

Physical / Direct Channels

- **Branch**: A branch, banking center or financial center is a retail location where a bank, credit union, or other financial institution offers a wide array of face-to-face and automated services to its customers.
- **Extension Counter**: Extension counters provide limited banking services such as deposit/withdrawal transactions, issuing and encashment of drafts and mail transfers, issue and encashment of travellers cheques, sale of gift cheques and collection of bills.
Electronic & Remote

Automated Teller Machines (ATMs)

- An automated teller machine also known as an Automated Banking Machine (ABM) is an electronic telecommunication device that enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller.

The Services Normally Offered At An ATM Are:

- Cash withdrawal
- Cash Deposit
- Account information
- Regular bills payment
- Balance Enquiry
- Mini Statements
- Money Transfer
- Purchase of Re-load Vouchers for Mobiles

Types Of ATMs

- **White Label ATM**: White Label ATMs are those ATMs which set up, owned and operated by non-bank entities. To aid financial inclusion and drive ATM penetration in the country the Reserve Bank of India has permitted the launch of White Labelled ATMs (WLAs) i.e private non-bank companies to set up, own and operate its own brand of ATMs in the country. These white label ATMs will not display logo of any particular bank. **TATA launched the first white label ATM in India under the brand name of Indicash.**

- **Brown Label ATMs**: These ATMs are owned and maintained by service provider whereas a sponsor bank whose brand is used on ATM takes care of cash management and network connectivity.

- **Onsite ATMs**: These are ATM machines that are set up in the premises where there is a bank branch so that both the physical branch and the ATM can be used. This is known as being on site and this can be used for several purposes. Many people can use this to avoid the lines that are present in the branch and hence save on the time required to complete their transactions.

- **Offsite ATMs**: These are the machines that are set up on a standalone basis. This means that the bank has a place where there is only an ATM machine then this becomes an offsite ATM. This is done to ensure that the bank reaches out to more geographical areas and that people are able to use its services even when there is no bank branch in the area.

Point-of-sale (POS) terminal
A point-of-sale (POS) terminal is a computerised replacement for a cash register which can process credit and debit cards. A customer needs to enter a card PIN to complete the transaction using the PoS terminal.

How to install one?

If you are a merchant, then you can request the bank where you have an account to install PoS machines at your establishment.

What are the charges?

The end-customer does not have to pay any charges for swiping his or debit/credit cards at the PoS terminals.

Separate charges for debit and credit cards

MDR is capped for debit cards but not for credit cards. Effective July 1, 2012, RBI capped the MDR for debit cards at 0.75 per cent of the transaction amount for value up to Rs.2,000 and 1 per cent for a transaction amount for value above Rs.2,000. For credit cards, the MDR varies between 1.5 per cent to 2.5 per cent. Following the withdrawal of legal tender status to the old Rs.500 and Rs.1,000 currency notes, RBI had asked banks to waive off the MDR till the end of December. Last week, RBI also lowered the MDR cap for debit cards effective between January 1 to March 31, 2017. In this period, MDR is capped at 0.25 per cent for debit card transactions up to Rs.1,000 and 0.5 per cent for transactions above Rs.1,000 up to Rs.2,000.

Mobile Banking

Mobile banking is a facility which enables customers to initiate and/or perform banking tasks on their mobile phones. This is provided by most of the banks in India and abroad. Customers can use mobile banking to view their account balance, make instant fund transfers and pay bills, etc.

There are various types of mobile banking, viz. via SMS, USSD and mobile apps. Some of the banks like SBI, have incorporated services like loan approval and linking of insurance policy in their mobile banking apps. Let us read the features and benefits of mobile banking and how to use mobile banking.

Banks provide mobile banking services to their clients in the different ways listed here:

- Mobile Banking over mobile applications (for smartphones; e.g. SBI Yono and iMobile by ICICI Bank, etc.)
- Mobile Banking over SMS (also known as SMS Banking)
- Mobile Banking over Unstructured Supplementary Service Data (USSD)

Immediate Payment Service (IMPS)

The full form of IMPS is an Immediate Payment Service. It enables 24 x 7 electronic fund transfer services in which the transaction is carried out between
two bank accounts in real-time and on an immediate basis. IMPS fund transfer can be done through online banking as well as mobile banking. Immediate Payment Service was launched in 2010 and is now one of the most widely-used forms of electronic payments across India.

Objectives of IMPS

- To enable bank customers to use mobile instruments as a channel for accessing their banks accounts and remit funds
- Making payment simpler just with the mobile number of the beneficiary
- To sub-serve the goal of Reserve Bank of India (RBI) in electronification of retail payments
- To facilitate mobile payment systems already introduced in India with the Reserve Bank of India Mobile Payment Guidelines 2008 to be inter-operable across banks and mobile operators in a safe and secured manner
- To build the foundation for a full range of mobile based Banking services.

IMPS Transfer via MMID and Mobile Numbers

- With IMPS it's easier to transfer money through your mobile number. All you need to do is register your mobile number for IMPS service with your bank (can do it online as well). If not online you can visit the nearest bank branch and get this done. Once your mobile number is registered, you will be given a 7-digit MMID code from your bank. MMID code is essential to initiate IMPS transfers through your mobile number.

With your MMID number, the funds can be transferred easily using the following steps:

- Simply log in to your mobile banking app with your User ID and password
- You will see the fund transfer section on the app, there you can select the IMPS option
- Now enter the beneficiary’s details like the bank account number, mobile number, and the MMID code
- After this, you can simply verify the transaction using an MPIN or by entering the OTP sent you to via SMS

Unified Payments Interface (UPI)

- Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the “Peer to Peer” collect request which can be scheduled and paid as per requirement and convenience.
- With the above context in mind, NPCI conducted a pilot launch with 21 member banks. The pilot launch was on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai. Banks have started to upload their UPI enabled Apps on Google Play store from 25th August, 2016 onwards.
Features of UPI

- Immediate money transfer through mobile device round the clock 24*7 and 365 days.
- Single mobile application for accessing different bank accounts.
- Single **Click 2 Factor Authentication** – Aligned with the Regulatory guidelines, yet provides for a very strong feature of seamless single click payment.
- Virtual address of the customer for Pull & Push provides for incremental security with the customer not required to enter the details such as Card no, Account number; IFSC etc.
- Bill Sharing with friends.
- Best answer to **Cash on Delivery hassle, running to an ATM or rendering exact amount.**
- Merchant Payment with Single Application or In-App Payments.
- Utility Bill Payments, Over the Counter Payments, Barcode (Scan and Pay) based payments.
- Donations, Collections, Disbursements Scalable.
- Raising Complaint from Mobile App directly.

Participants in UPI

- Payer PSP
- Payee PSP
- Remitter Bank
- Beneficiary Bank
- NPCI
- Bank Account holders
- Merchants

**UPI - Benefits to the Ecosystem participants**

**Benefits for banks:**

- Single click Two Factor authentication
- Universal Application for transaction
- Leveraging existing infrastructure
- Safer, Secured and Innovative
- Payment basis Single/ Unique Identifier
- Enable seamless merchant transactions

**Benefits for end Customers:**

- Round the clock availability
- Single Application for accessing different bank accounts
- Use of Virtual ID is more secure, no credential sharing
- Single click authentication
• Raise Complaint from Mobile App directly

Benefits for Merchants:

• Seamless fund collection from customers - single identifiers
• No risk of storing customer's virtual address like in Cards
• Tap customers not having credit/debit cards
• Suitable for e-Com & m-Com transaction
• Resolves the COD collection problem
• Single click 2FA facility to the customer - seamless Pull
• In-App Payments (IAP)

BHIM UPI Payments App

BHIM or Bharat Interface for Money, is a complete payment solution app that works on the Unified Payments Interface (UPI) system. BHIM is a digital payment method that allows users to make various transactions such as sending and requesting money with a Virtual Payment Address (VPA) on a real-time basis. Money can be sent and received instantly on all 365 days in a year on a 24/7 basis. The service can also be used on bank holidays.

• There is no need to provide bank account details such as account number or IFSC code, all transactions can be carried out using a VPA. Customers can directly pay users using their VPA or scan and pay using the QR code option in the BHIM app.

Features of BHIM App:

• Instant money transfer: With the BHIM app, money can be sent on a real-time basis at anytime and from anywhere. Also, there is no cumbersome process of adding beneficiary and filling up account details such as account number and IFSC code.
• No bank holidays: The best part about this app is that you can send and receive money even on bank holidays and weekends.
• Split bill with friends: The app also allows users to split bills with multiple users.
• Payment reminders: Another feature of this app is the facility to schedule payment reminders.

Benefits of BHIM App

• Transactions are simple, fast, and secure
• No additional charges
• The app is free for download
• Payments can be made to non-UPI banks as well
• The app works 24/7

How to Enroll Yourself as a Merchant on UPI
Download the BHIM Aadhaar Baroda Pay Android App
Fill the application form and sign the merchant agreement
The bank will carry out the on-boarding registration process and agreement through its regions/zones

**Transaction Limit and Charges of BHIM**

- You can make a transaction where the **maximum amount is Rs.10,000.** The maximum amount of money you can transfer **within 24 hours is Rs.20,000.** There are now charges for making a transaction via the BHIM UPI app.

**Internet Banking**

What is Internet Banking?

Internet banking, also known as online banking or e-banking or Net Banking is a facility offered by banks and financial institutions that allow customers to use banking services over the internet. Customers need not visit their bank's branch office to avail each and every small service.

Features of Online Banking

- Check the account statement online.
- Open a fixed deposit account.
- Pay utility bills such as water bill and electricity bill.
- Make merchant payments.
- Transfer funds.
- Order for a cheque book.
- Buy general insurance.
- Recharge prepaid mobile/DTH.

Advantages of Internet Banking

The advantages of internet banking are as follows:

- Availability: You can avail the banking services round the clock throughout the year. Most of the services offered are not time-restricted; you can check your account balance at any time and transfer funds without having to wait for the bank to open.
- Easy to Operate
- Convenience
- Time Efficient
- Activity Tracking

**Unit 3: Delivery Models**
The success of the Retail Banking depends on how the products and services are delivered to the customer. Delivery effectiveness in physical channels is determined more by the persons who are delivering the services.

**Delivery Models**

The three important human interventions in physical channels are

- Internal Customer - Staff of the Branch
- Specialised Marketing Personnel
- Direct Selling Associates (DSAs).

**Dedicated Marketing Managers**

- Dedicated Marketing Managers were appointed in addition to existing internal human resources.
- These specialist Marketing Managers (MBAs in Marketing) were young and energetic and recruited from the campuses of management Schools.
- Some banks appointed them in Junior Management and some other banks in middle management.

The expectations from these officers are explained:

- Market Intelligence
- Potential Sourcing
- Product and Service Delivery Presentations to the identified customer segments
- Right selling to the targeted customer group
- Sales Conversions
- Closing the leads with sales
- Compliance of promises made and conforming to the services delivery standards
- Following up with the operations department for effective process and delivery of products sold.

**Direct Selling Agents (DSAs)**
- DSAs are agencies appointed by banks to source business for them on a fee basis.
- DSAs are primarily engaged in sourcing Credit Cards and Retail Loans.
- The employees of the DSAs missell credit card products and make the customers fall into a debt trap by misusing the cards.
- Same is the case with misselling of retail loans and in this space, the pricing for the loans are not explained clearly.
- Ultimately this will result in dissatisfaction for the customers and reputation risk for the bank.

**Reputation Risk is always a threatening factor in the DSA model**

- DSAs focus on pure selling by pushing the products than effective marketing after verifying the needs of the customers and their actual requirements.

**TIE-UP with Institutions/ OEMS/DEALERS ETC....**

Banks enter into tie ups with the following agencies for extending different types of loans.

- Tie up with Builders as a preferred financier for extending Home Loans to prospective buyers.
- Tie ups with auto dealers is another method adopted by banks for expanding retail credit.
- Sanctioning of Personal Loans under tie up with different institutions is another model adopted by banks to expand retail loans.
- Educational loans are disbursed on a tie up basis. Banks set up special counters during the admission season in reputed educational institutions and offer education loans based on merit.

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**Unit 4: Customer Relationship Management In Retail Banking**

Customer Relationship Management In Retail Banking

What is Customer Relationship Management (CRM) in banking in general and retail banking in particular? As we are all aware, there are three elements in CRM viz.

- Customer
- Relationship
- Management

The purpose of CRM is to increase the share of wallet of the customer with the banks’ services and increase the per customer profitability of banks. The stages involved in a CRM initiative are

- Capturing the customers’ profile through a technology enabled model.
- Dissecting the profiles into common information buckets.
• Designing suitable products and services to cater to the different information buckets.
• Offering the products and services to the targeted and segmented customers from the information buckets with the right pricing.
• Providing the right sales and service processes to achieve total customer satisfaction.
• Tracking the customer information on a dynamic basis to design new products and services to meet the changing dynamics of the customers.

Customer optimisation is the essence of CRM and can be addressed through three dimensions viz.

• Acquisition of New Customers who are immediately profitable to the bank.
• Retention of Existing Customers who are most profitable and valuable to the Bank for the longest duration.
• Expansion of the customer relationship with the bank encouraging more purchases and shifting the less profitable customers to lower-cost delivery channels.

WHY CRM?

Why CRM? This is an important question which has to be answered by all concerned in retail banking. Without CRM, whether banks cannot track the customers’ profile and offer those products and services to match their expectations and needs? But the following needs for banks for implementation of a CRM program will answer the above questions.

• Need to increase operational efficiencies
• Need to derive more value from employees.
• Increasing Competition in retail banking.
• Rising NPAs.
• Increasing Importance of Fee Based Income.
• Delivery Channel Efficacy
• Application of Technology

CRM is not just an option for the banks but a compulsion to achieve business synergies and optimization of resources. CRM as a tool can be effectively utilized to explore new frontiers in product development and management and improve the per customer profitability in addition to building and sustaining customer loyalty and brand equity. Let us discuss each of these needs in detail for a better understanding of CRM.

Implementation Aspects of CRM in Bank

How does CRM Work?

CRM systems are designed to compile information on customer across different channels- or points of contract between the Customer and the Bank. Likes telephone, live chat, direct mail, social media Etc.
Security concerns of CRM

Business need to ensure that the strange and analysis of the customer data must have the highest levels of protection against cyber criminals, identity theft and other breaches of securities.

Features of CRM Software

- Marketing automation
- Sales force automation
- Contract centre automation
- Geolocation technology or location-based services

Main Component of CRM

The main Component of CRM are building and managing customer relationship through marketing, observing relationship as they mature through distinct phases, managing these relationship at each stage and recognizing that the distribution of value of a relationship to the firm is not homogenous.

Implementation Process of CRM In Banks

Though CRM is a must in the retail banking scenario in India, the process of implementation is a tough one because of the different nature of business process structure, organization structures and the technology structure and architecture, to name a few. Let us see the different key issues in the implementation of CRM by banks.

- Business Processes
- Information Processes
- Information Systems
- Internal Organisational Culture

Implementation Stages In CRM

Four stages through which CRM is implemented. Let us now discuss the four stages.

- Identification of Customers
- Classification of Customers
- Interaction With the most Valued Customers
- Customisation of Bank's Products and Services for Different Customer Segments

Benefits of CRM

An effective CRM implementation in retail banking will benefit the banks in more than way. The following are some of the important benefits that accrue to banks and enhance the customer focus of the banks:

- Improves the customer satisfaction and cross selling potential for the banks.
- Helps the banks to derive increased share of wallet from the customer.
• Enhances the operational efficiencies of the banks.
• Helps to take on competition as CRM results in more customer focus and retention.
• Helps to understand Customer Lifetime Value through the structured data base on a dynamic basis.
• Improves customer service through effective integration of all remote delivery channels.
• Helps to manage multi delivery channels in a better way to adopt and maintain uniform service standards across channels.
• Enables to achieve seamless information flow across functions in delivery.
• Results in better relationship marketing as customer segments are better target based on the data available in CRM.

Unit 5: Service Standards for Retail Banking

Banking Codes and Standards Board Of India (BCSBI)

In November 2003, RBI had constituted a committee on "Procedure & Performance Audit of Public Service" under the chairmanship of Shri S.S Tarapore (Former Deputy Governor).

Banking Codes and Standards Board of India (BCSBI) prescribed the various compliance requirements for the promises made by the banks for offering services to retail banking customers and they have codified the promises into a document. The commitments made by banks for various services offered by banks are reproduced in the following pages. Most of the prescriptions are applicable to individual customers availing retail banking services.

The Code has been developed to:

• Promote good and fair banking practices by setting minimum standards while dealing with you.
• Increase transparency so that you can have a better understanding of what you can reasonably expect of the services.
• Encourage market forces, through competition, to achieve higher operating standards.
• Promote a fair and cordial relationship between you and your bank.
• Foster confidence in the banking system.

The Banking Codes and Standards Board of India (BCSBI) in collaboration with the Indian Banks' Association (IBA) has evolved two codes - Code of Bank's Commitment to Customers and the Code of Bank's Commitment to Micro and Small Enterprises which have been voluntarily adopted by member banks.
The Code of Bank’s Commitment to Customers was reviewed in the year 2009 in collaboration with IBA. The objective of the review was to bring about greater transparency, more efficient grievance redressal systems and enhancement in the minimum standards of banking practices relating to customer service, keeping in view the contemporary regulatory framework, growing expectations of consumers of banking services, emerging issues in customer service, on-going market developments and innovations in the banking system.

Chairman, BCSBI and members of the Governing Council held a meeting with the Principal Code Compliance Officers of member banks at Mumbai on March 27, 2010 which was very well attended. Issues emanating during discussions are listed below with BCSBI’s clarifications.

### Code of Bank’s Commitment to Customers

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<th>Sl. No.</th>
<th>Para of the Code</th>
<th>Issues Raised by Member Banks</th>
<th>BCSBI Clarifications</th>
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| 1       |                  | There are multiple codes and charters for customer service from BCSBI, IBA and RBI. There may be need to move towards unification thereof. The contents covered in the Fair Practices Code are also covered in the BCSBI Code. BCSBI member banks are required to follow, practice and provide information on | IBA has clarified on its website that the following codes evolved by them are not applicable to members of the BCSBI.  
- Bankers’ Fair Practice Code  
- Fair Practice Code for Credit Card Operations  
- Model Code for Collection of Dues and Repossession of security.  
  
Member banks are, therefore, required to follow BCSBI Codes.  
A reference is invited to the introductory para in the Code which clarifies that the Code does not replace or supersede regulatory or supervisory instructions of the Reserve Bank of India (RBI) and that banks will comply with such instructions/directions issued by RBI from time to time. Provisions of the Code may set higher standards than what is indicated in the regulatory instructions and such higher standards will prevail as the Code represents best practices voluntarily agreed to by banks as their commitment to customers. |
| 2 | **2.1.6 To Publicise The Code We Will:**<br>a. provide you with a copy of the Code, on request, over the counter or by electronic communication or **mail**<br>b. provide you (new customer) with a copy of the Code when you open your account | As the Code is a large document, portions applicable to the product opted for may be given to the customer | The full text of the Code must be given to the customer as he may avail of different products/services offered by the bank and he must be made aware of all his rights. |

| 3 | **3.2 'Do Not Call Service'**<br>When you become our customer, we will automatically register your name under our 'Do Not Call Service. We will not inform/extend to you through telephone calls/SMS/e-mails any new product/service unless and until you inform us in writing that you consent to avail of this | Why cannot there be an entry in the DNC only at the specific instance of the customer?<br>i) The customer is entitled to receive all updated information on our products/services to enable him to take a prudent decision.<br>ii) It is the responsibility of the bank to | The underlying principle of the Code is the need for explicit consent and not implicit consent. The customer has a right to privacy and should not be taken for granted. Member banks can ask the **customer to exercise his option, in writing**, as to whether he would like to receive information about new products/services offered by the bank over the telephone, through SMS or e-mail before using these modes for marketing their products. |
information/service

inform the customers also, as to the latest information on products and services.

iii) In the era of technology the most convenient way of marketing is e-mail, telephone, SMS etc. but item 3.2 of the Code says that it should be done only after seeking specific consent under ‘Do Not Call’ service.

4 3.4.2 Changes in Fees & Charges

If we increase any of these charges or introduce a new charge, it will be notified one month prior to the revised charges being levied/becoming effective.

The medium through which customers can be intimated about changes in fees and charges should be included in the Code. For example: any of the following modes:

i. Notice at the branches
ii. Annexure to the statement of account
iii. Letters

A reference is invited to Para 3.5.1 of the Code wherein the modes of communicating changes to terms and conditions have been listed.

Banks need to ensure that changes to terms and conditions including fees and charges reach the customer 30 days prior to the changes becoming effective.
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| 5 | iv. e-mail  
v. SMS  
vi. Website  
vii. Newspaper | If a customer has registered an e-mail ID with the bank, communications may be sent to him by e-mail. |
|   | Is Email a valid mode of communication for customers who have given their email ID to the bank for regulatory purpose - informing that the account is inoperative / dormant / Nomination confirmation etc |   |
| 6 | 4. Advertising, Marketing and Sales  
d. We may, from time to time, communicate to you various features of our products availed by you. Information about our other products or promotional offers in respect of our products/services, will be conveyed to you only if you have given your consent to receive such | Please see clarifications at items 3 & 4 above. |
|   | In spite of DNC registrations, we (the bank) will continue to intimate changes in product features and send email/SMS alerts for security purposes. |   |
| 7 | **5.1 Credit Reference Agencies**  
|   | d. If your loan account has been in default, and thereafter regularised, we will take steps to update this information with the CRA in the next monthly report. |
|   | This para needs to be modified to read as “If your loan account has been in default, and thereafter regularised, bank will take steps to update this information as applicable with the CRA in 60 days in the format as per guidelines issued by CRA/RBI from time to time.” |
|   | As per Regulation No.10 (a) (ii) (A) to the Credit Information Companies (Regulation) Act, 2005 credit information is to be updated on a monthly basis or at such shorter intervals as may be mutually agreed upon between the credit institution and credit information company. |
| 8 | **6. Collection of Dues**  
<p>|   | Whenever we give loans, we will explain to you the repayment process by way of amount, tenure and periodicity of repayment. However, if you |
|   | ‘Calling and SMS alerts’ should be included as modes for contacting the borrower. |
|   | It is preferable for the bank, in its own interest, to send reminders in writing or through personal visits. |</p>
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<td>do not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding you by sending you notice or by making personal visits and/or repossession of security, if any.</td>
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<td>9</td>
<td><strong>6. Collection of dues</strong>&lt;br&gt;b. We will also make available on request details of the recovery agency firms/companies at our branches.</td>
<td><strong>The provision should be amended to read as “these details are available on the website and can also be obtained by writing to the Nodal officer of the Bank.”</strong>&lt;br&gt;The bank is committed to have details of recovery agents on their websites. Therefore, if a customer requests the branch for details of the recovery agency firms the same can be provided to the customer at the branch.</td>
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<tr>
<td>10</td>
<td><strong>8.1.1 Savings/Curren t Accounts - Statements (a)</strong>&lt;br&gt;a. To help you manage your account and check entries in it, we will provide you with a monthly statement of</td>
<td><strong>Banks should have the freedom to decide periodicity of sending physical statements to customers. However, the customer can walk into the branch to</strong>&lt;br&gt;According to RBI regulations banks must issue monthly statements of account, free of cost to those customers who opt for statements of account.</td>
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<td>11</td>
<td>8.1.1 Savings/Currency Accounts Statements</td>
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<td>e. We will ensure that entries in your pass book / statements are brief and intelligible.</td>
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<tr>
<td></td>
<td>i) Entry of the name of the payee of a cheque in case of debit entries need not be entered as the customer is expected to keep a record of the cheques he issues.</td>
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<td></td>
<td>ii) Existing systems do not allow such entries.</td>
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<td>This is a fraud-prone area and the source of several complaints. It is, therefore, imperative that member banks modify their procedures and systems to enter the name of the payee in the pass book / statements of account.</td>
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<th>12</th>
<th>8.1.2 Term Deposit</th>
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<tr>
<td></td>
<td>When you place a term deposit with us, we will</td>
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<td></td>
<td>f: obtain Form 15 H / 15 G from you at the time of application if you are not liable to pay tax on your interest income.</td>
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<td>The provision may be modified to read as We will accept Form 15 G / 15 H from you at the time of application if you are not liable to pay tax on your interest income. Additionally it needs to be mentioned that:</td>
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<td>For FDs booked through Internet banking /</td>
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<td></td>
<td>The bank is committed to explain the IT rules and obtain Form 15 G /15H, at the time of placement of Term Deposit.</td>
</tr>
<tr>
<td></td>
<td>If a bank is willing to accept an application for FD through electronic media, it can also transmit Form 15G / 15 H through internet to the customer to enable him to submit the same.</td>
</tr>
</tbody>
</table>
phone banking the customer will have to walk into the branch and submit Form 15H/15G

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<thead>
<tr>
<th></th>
<th>8.1.6 Dormant / Inoperative accounts</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>We will</td>
</tr>
<tr>
<td>b.</td>
<td>notify the joint holder/s also before an account is classified as inoperative / dormant</td>
</tr>
</tbody>
</table>

How can the bank notify the joint account holders before an account is classified as dormant, when the address of the joint account holders are different? The system only captures the address of the 1st account holder.

ii) Is it practically possible to assess any account as dormant / inactive?

It is important to advise the joint account holder(s) that the account is proposed to be classified as dormant / inoperative. The joint account holder(s) has the power to operate the account, except if mandated otherwise.

The account opening form should have the provision for address of the joint account holder(s) and the system should be enabled to capture contact details of all the account holders.

Yes.

The Code provides that the account holders be advised that their account is liable to be classified as dormant after a period of inoperation of 1 year and 9 months i.e. three months before the account is classified as dormant / inoperative.
inoperative or unclaimed three months in advance? Decision to classify any account as dormant/inoperative or unclaimed could be taken only after the expiry of the stipulated period?

14 8.2 Clearing Cycle / Collection Services  
b. We will pay you compensation as per our Cheque Collection / Compensation policy for any delay in collection of instruments, without waiting for a demand.

A person who deposits a cheque to be collected from another bank is a 'customer' of the collecting bank. Compensation for delay, must, therefore, be paid by the collecting bank. The customer has a relationship with his bank and not with the paying bank.

i) With regard to collection of cheques, it is mandated that the collecting bank should compensate its customer for delay in collection. No liability is fixed on the paying bank, for delay, if any, at its end. The paying bank is expected to remit the proceeds of the inward instrument as early as possible, but in any case by the following day of receipt. Time limit and compensation amount should be set for delays at the

In the present CBS environment banks should keep all details of accounts including phone number(s) of customer(s) up-to-date so that the data can be accessed at all branches besides the home branch.

Bankers have to use their discretion and exercise due diligence while allowing operations in such accounts.
|   |   | paying bank and such amount should be remitted voluntarily.  
   |   | ii) RBI has instructed that a customer should not be inconvenienced in any way, just because his account has been rendered inoperative. In the scenario of ‘Anywhere banking’ cheques drawn on a dormant account may be presented at another centre. The non-home branch may not be able to contact the customer. Hence, it will be difficult for them to honour the cheque which may cause inconvenience to the customer.  
   |   |   |
|---|---|---|
| 15 | **8.3 Cash Transactions** | While RBI has set a limit of 12 working days for settling these
<p>| d. We will reimburse | Compensation should be paid by the card issuing bank to its <strong>customer</strong>. The customer has a relationship with his bank and not with the ATM owning bank. |</p>
<table>
<thead>
<tr>
<th>Amounts wrongly debited in failed ATM transactions, many a times there is a delay beyond 12 working days when the ATM is owned by some other bank. In such cases, the compensation to be paid should be shared by the other bank and time limit for responding to other bank ATM failed transactions should be specified.</th>
<th>In case of pensioners’ account Life Certificate is obtained during November every year. In the event of death of pensioner say during December and bank not being informed, the bank shall continue to pay pension till October (till due date for next Life Certificate). Standing Instructions “The paying branch before commencement of pension obtains an undertaking from the pensioner in the prescribed form for this purpose and therefore, can recover the excess payment made to the pensioner’s account due to delay in receipt of any material information or due to any bonafide error. The bank has also right to recover the excess amount of pension credited to the deceased pensioner’s account from his/ her legal heirs/nominees.”</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.3.1 Direct debits and standing instructions We will b. act upon mandates given by you for direct debits [say Electronic Clearing Service (ECS)] and other standing instructions. In case of any delay or failure in executing the mandate resulting in financial loss or additional cost, we will compensate as</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>8.9 Foreign Exchange Services</td>
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<td>-------------------------------</td>
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<tr>
<td></td>
<td>f. In case of delay beyond the day when the amount is due for credit, you will be compensated (a) for any loss on account of interest for due period beyond the due date and (b) also for adverse movement of forex rate as per the Compensation Policy of the bank.</td>
</tr>
<tr>
<td></td>
<td>Compensation would be paid provided the beneficiary details are correctly mentioned by the remitting bank.</td>
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<tr>
<td></td>
<td>The beneficiary of the remittance is a customer of the receiving bank. Compensation for delay, must, therefore, be paid by the receiving bank. The customer has a relationship with his bank and not with the remitting bank. The receiving bank has to make efforts to ascertain correct beneficiary details.</td>
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</table>

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<tr>
<th>18</th>
<th>8.11.1 Loan Products Applications for loans and their processing</th>
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<tbody>
<tr>
<td></td>
<td>i) The various terms of the loan are provided to the loan applicants while applying for a loan and</td>
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<td></td>
<td>The MITC must necessarily contain the most important terms and conditions including those which affect the customer adversely.</td>
</tr>
<tr>
<td></td>
<td>The sanction letter may not contain all terms and conditions of the loan. Some conditions may form part of the loan agreement. The Most Important</td>
</tr>
</tbody>
</table>
### Important Terms and Conditions (MITC)

- **governing the loan / credit facility you have availed.**
- Also clearly indicated on the sanction letter which is accepted by the applicant / borrower. In view of the above the MITCs may not be insisted upon
- ii) BCSBI may prescribe a format of MITC so that uniformity is maintained and to avoid subjectivity between most important and important terms of loan sanctioned.

Terms and Conditions may, therefore, be listed separately.

Banks should be able to decide the most important terms and conditions for each of their products. Terms and conditions of similar products may differ from bank to bank.

### 8.11.1 Loan Products Applications for loans and their processing

I. We will compensate you for any delay in return of securities / documents / title deeds to mortgaged property beyond 15 days of the repayment of all dues agreed to or contracted.

Compliance with the provision may not be possible under the following circumstances:
- i) A third party makes final payment and the mortgager does not claim the document;
- ii) Documents have been mutilated /

The mortgager should be advised to collect the documents.

The bank should compensate the borrower and assist the customer in obtaining duplicate documents.

Courts have to be made aware of the Code commitment and compensation has to be paid for the delay.
<table>
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<tr>
<th>20</th>
<th><strong>8.14.3 Credit Card Statements</strong></th>
</tr>
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<tbody>
<tr>
<td>a.</td>
<td>To help you manage your credit card account and check details of purchases/cash drawings using the credit card, we will offer you free of cost a facility to receive credit card transaction details either via monthly mail and, if you so desire, also through the Internet. Credit card statement will be dispatched on a predetermined date of every month free of cost at your mailing address.</td>
</tr>
</tbody>
</table>
|    | Some banks may choose not to send statements in following scenarios-
|    | 1) In case no transactions or outstandings are involved
|    | 2) In cases after sending the statements, the customer is delinquent for over 180 days
|    | 3) For outstandings below Rs. 100 |
|    | Item No. 1 has been noted for consideration at the appropriate time. Credit card statements are required to be sent in the case of scenarios 2 & 3. |

destroyed due to natural calamity;

iii) The account is closed by intervention of Courts and there is a delay in receipt of the title deeds from the Courts.
21 8.14.3 Credit Card Statements

c. We will let you know / notify changes in schedule of fees and charges and terms and conditions. Normally, changes (other than interest rates and those which are a result of regulatory requirements) will be made with prospective effect giving notice of at least one month. The changes will be notified along with the monthly statement of account or copy thereof.

Besides monthly statement we can let a customer know of changes through emails or SMS or letters. However it is also the customer’s responsibility to have latest address/mobile number and email id updated with the bank.

A reference is invited to para 3.5.1 - Changes in terms and conditions. (Account statements is one of the modes)

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**Code of Bank’s Commitment To Micro And Small Enterprises**

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<tr>
<th>Sl. No.</th>
<th>Para of the Code</th>
<th>Issues Raised by Member Banks</th>
<th>BCSBI Clarifications</th>
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5.3 Sanction / Rejection
We will
f. Follow a rating system, the parameters of which will be shared with you.

A bank has suggested that as there are several specific internal parameters on the basis of which a bank rates a customer and takes a call whether to lend or not to lend and would vary from product to product, sharing of the parameters without complete information would not be of any use to the applicants. Moreover, the reasons for rejection are invariably shared with the applicants as prescribed by RBI. Parameters need to be shared so that the customers are able to take appropriate measures to ensure that their performance on these parameters meet the required standards.

### Other Issue

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Issues Raised</th>
<th>BCSB's Clarifications</th>
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</table>
| 1      | Nomination is recorded in the principal account of the depositor (Savings a/c) and FDR is issued at the request of the depositor by debit to the Savings account.  
  - Do we need to obtain a separate nomination for FDR.  
  - Whether position will change when the account is opened with sweep facility. | Fixed Deposit is a separate account and will need separate nomination even though the FDR is issued to the debit of the Savings Bank account of the customer.  
  When an account is opened with sweep facility the application form itself should clearly specify the position regarding nominee for the deposit. |
| 2      | Issuance of chequebook to blind and illiterate person. How will the bank clear such cheques which are with thumb impression? | RBI has issued instructions that banks should offer all the banking facilities including cheque book facility, ATM facility and locker facility to the visually challenged persons and also assist them in withdrawal of cash following the orders dated 05.09.2005 passed, in Case No. 2791/2003, by the Honourable Court of Chief Commissioner for Persons with Disabilities. The Honourable Court observed that visually impaired
persons cannot be denied the facility of cheque book, locker and ATM on account of the possibility of risk in operating / using the said facility, as the element of risk is involved in case of other customers as well.

Banks may please note that a visually impaired person may be able to sign documents just like other customers.

| 3 | BCSBI newsletter can be provided in e-mail format and contents thereof can focus on Banking Codes initiatives so that it can be widely circulated to bank branches |
| 4 | BCSBI can publish small handy booklets of do’s and don’ts regarding customer service which can be purchased by member banks for wide circulation amongst their branches. |
| 5 | Training Plan for the BCSBI Code. |
| 6 | A trend analysis of customer complaints received by BCSBI may be carried out every month and BCSBI can provide findings of the analysis to all member banks, which will facilitate timely review |

BCSBI newsletters are available on our website [www.bcsbi.org.in](http://www.bcsbi.org.in) under quick link - Publications. Banks may make use of the same. Initiatives of the BCSBI are included in the newsletters.

BCSBI has placed FAQs on BCSBI, MSE Code, Housing Loans and Credit Cards on its website [www.bcsbi.org.in](http://www.bcsbi.org.in)

BCSBI also publishes a quarterly newsletter ‘Customer Matters’ to create awareness which is also available on its website.

BCSBI has held workshops for faculty of banks. BCSBI is willing to lend faculty support to any member bank, if required.

Matter is being taken up with IIBF to introduce a Certificate Course on Customer service with due emphasis on the Codes.

BCSBI is taking up the matter with NIBM.

The Annual Report of the BCSBI has a paragraph on customer complaints as also a profile of complaints under various heads.
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<td>7</td>
<td>Keeping in view the technology interface of the banking services and increasing role of IT in banking services and increasing prominence of alternate delivery channels like ATMs and Internet, a periodical interaction of BCSBI and IT heads of banks would be fruitful.</td>
<td>BCSBI has noted the suggestion and is open to dialogue with IT officials of member banks, if necessary.</td>
</tr>
<tr>
<td>8</td>
<td>A periodical report on decisions from Banking Ombudsmen where the bank concerned was found wanting in service levels, can also be provided to all member banks which would also facilitate systemic corrections and improvements in customer service.</td>
<td>Compendium of cases handled by the offices of the Banking Ombudsmen, classified under certain heads like Operations in Deposit accounts, Complaints relating to loans etc. are available at <a href="http://www.bankingombudsman.rbi.org.in">www.bankingombudsman.rbi.org.in</a></td>
</tr>
<tr>
<td>9</td>
<td>BCSBI may suggest inclusion of a para on Customer service Initiatives under Directors’ Report in the Annual Report of banks.</td>
<td>The activities of the Customer Service Committee of the Board of a bank are reported in the Directors Report which forms part of the Annual Report of the bank.</td>
</tr>
<tr>
<td>10</td>
<td>BCSBI can follow the SLBC model for spreading the organisational reach to State capitals. In each of the States, one of the member banks can take the responsibility for holding periodical meetings of all member banks on the subjects related to Banking Code compliance and customer service in which a representative of BCSBI as well as a representative from Head Offices of the member bank can also participate.</td>
<td>BCSBI has requested Convenors of SLBCs to disseminate the MSE Code.</td>
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<tr>
<td>11</td>
<td>BCSBI officials visiting the branches are requested to submit branch-wise report regarding the deficiencies observed to facilitate speedy compliance.</td>
<td>BCSBI’s objective is to ensure that systemic gaps do not exist in any of the bank branches and not mere compliance of Code provisions by a particular branch.</td>
</tr>
<tr>
<td>12</td>
<td>BCSBI officials conduct incognito visits to select branches to evaluate the level of compliance of the codes adopted by the banks. It is considered desirable that the level of compliance is given a rating over a scale of 1-10 or 1-100 and the rating system is made known to the banks so that they can strive for improvement and carry out self assessment periodically.</td>
<td>The suggestion has been noted for consideration</td>
</tr>
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Unit 6: Technology In Retail Banking

Technology Processes in Retail Banking

In terms of processes for integration of technology in retail banking, retail banks are using different approaches to modularise and standardise their processes. Four distinct process models are:

- **Horizontally Organised Model** where individual process platform supports one product only. The sub data in the model are not shared with other products and product platform.
- **Vertically Organised Model** where functionality is provided across all products. In this model, customer information is centralised. Centralised customer information builds common origination and servicing processes across all its retail banking products.
- **Predominantly Horizontally Organised Model** with some modularization within a product oriented feedback. Customer data integration is available to a certain extent for other products.
- **Predominantly Vertically Organised Model** is a hybrid model that offers common information for most of the related services. The basic information is available across products for common services to the various products.

In the retail liabilities and asset side, the software is developed mainly to capture the following types of information viz.,

- **Static Information** - Account Opening, Basic Loan Origination Data etc,
- **Updated Information** - Income Details at different frequencies etc,
- **Transaction Information** - Information from disbursement to final settlement in loan accounts and operation details in liability accounts.
- **Analytics and Alerts** - Both operational and strategic alerts to take action or to develop strategies for further action.

Some Important User Friendly Features

- **Advizor**
- **Key Modules**
  1. Customer Interface
  2. Advisor Interface
  3. Audio/Video Support
  4. Co-browsing
  5. Advisor Performance Management
- **Business Benefits**: Customer Delight - The solution's self-service capabilities empower customers to access comprehensive banking services in a completely secure environment. The interface also enables banking staff to understand customer needs better. The additional comfort of human intervention, through
video, audio and data communication, creates a truly satisfactory customer experience.

- **Robust Inclusivity Framework**: The solution extends the reach of the bank’s services, surmounting the complexities of diverse and far-flung locations. This enables banks to include, through this new channel, their various customer segments, including specific under-banked and unbanked communities.

- **Cost Saving**

**Customer Analytics**

The customer analytics solution, integrated with the universal banking solution, provides holistic customer analytics for banks, through both insightful business reports and rigorous statistical models. This enables the business to cross-leverage analytic output to strengthen its customer engagement and management strategy, resulting in institutionalization of customer relationships and differentiation of service experience.

**Key Modules**

- Campaign Management
- Cross-sell and Product Holding Analysis
- Customer Profitability and Lifetime Value Analysis
- Attrition and Loyalty Analysis
- Transaction Behavior Analysis
- Service Request Analysis

**Business Benefits**

- **Robust Framework for Customer Acquisition, Development and Retention.**
- **The solution encompasses end-to-end analytics across the customer relationship life-cycle.** The interactive modules provide banks with a robust framework to understand the customer better and facilitate differentiated customer experience.

**Enhanced Customer Value**: The analytics solution increases the bank’s relationship revenue through analytical insights that facilitate effective cross-sell and up-sell, improved stickiness, targeted loyalty programs and profitable repositioning of offerings. This enables banks to take customer-centric decisions and enhance customer value.

**Improved Decision-making Support**: Arming banks with best-in-class analytical CRM capabilities throughout the customer lifecycle, customer analytics solutions empower the business with the intelligence to make informed, well-advised and timely decisions.

**Reduced Time to Market**: The solutions provide predefined data mapping, extraction programs and data aggregation, draw analytical outputs through an automated process. The in-built analytical models and reporting templates further reduce time to go-live significantly.

**Low Total Cost of Ownership**: Customer analytics solutions mandate minimal investments in terms of infrastructure capabilities and resources. The technology
Agnostic solution can be deployed on banks' existing reporting and modeling tools with minimal customization effort.

**Institute for Development and Research In Banking Technology (IDRBT)**

RBI constituted a committee on “Technology Upgradation in Payment System” in year 1994 under the Chairmanship of Shri W.S Saraf, the then Executive Director of RBI. IDRBT started functioning from March 06, 1996.

- Indian Financial Network (INFINET)
- Structured Financial Messaging System (SFMS)
- National Financial Switch (NFS)
- Indian Banking Community Cloud (IBCC)

**Wealth management solutions**

Wealth management solutions are mostly modular, fully scalable, integrated core banking and investment management system designed for the specific needs of retail and private banks. They offer unique combination of an extensive portfolio of functions with impressive flexibility that enables end-to-end processing of investment products from diverse asset classes including structured deposits, structured notes, equities, mutual funds and insurance.

**Key Modules**

- Structured Product
- Mutual Funds
- Equities
- Insurance

**Business Benefits**: Leverage the HNWI Opportunity - Finacle wealth management solution enables financial institutions to derive rich integrated insights about the HNWI client's investment portfolio.

**Ease of Enhancing Product Portfolio**: The user-friendly solutions provide flexibility to tailor solutions and create new product flavors for emerging customer segments. It enables business users at the bank to add innovative functionalities and features to their offerings, without changing the source code of the application.

**Higher Operational Efficiency**: The solutions enable Straight Through Processing (STP) and are fortified with a powerful integration framework to interface with the bank’s core banking solution and external data sources. This plays a crucial role in minimizing operational delays and ensuring seamless transaction flows at the bank.
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<tr>
<td>CAIIB Paper-II (Bank Financial Management) Online Mock Tests</td>
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<tr>
<td>CAIIB Optional Paper(Retail Banking in India) Online Mock Tests</td>
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