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ROLE OF RBI IN PROTECTING THE CONSUMERS IN INDIA

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INTRODUCTION

Banks are liable for deficiency in services for which a large number of cases, banks have been pulled up and compensation has been awarded to complainants by the consumer courts, such as wrongful dishonor of bank draft, noncredit of cheque collected, non-issuance of proper receipt, payment of lower rate of interest, default by banks agent, interest not paid on excess amount deposited in violations of PPF rules, Charging High Interest than decided for loans, ATM discrepancies (ATM related problems), Incorrect interest (ROI) / Excess Billing in Credit cards, Not providing NOC for Auto/ Home Loans, Insurance policy given on credit cards without consent, Delay in Housing Loan and Auto Loan, Misbehaviour of DSA's / Call Centres / Recovery Agents, Delay in sanction of loans, Unsatisfactory redressal. For deficiencies consumers can approach consumer forums and can avail compensation under Consumer rights protection Act, 1986. Similarly, RBI as an apex regulating authority of banking sector is also issuing the directions to all banking companies for the safeguard and stability and to protect the interest of bank consumers. The present paper focus on the significance of consumer protection in banking sector, banking ombudsman system, role of RBI in protecting the consumers, and the redressal methods for protecting the interest of consumers in India. The paper is based on the data collected from secondary sources, it is in descriptive nature.

SIGNIFICANCE OF CUSTOMER PROTECTION

The Reserve bank of India is an apex financial institution of the country, entrusted with the responsibility of supervision of commercial banks. Under banking regulation Act 194, RBI vested with a wide range of powers of supervision and control over banking system. One of the objectives of RBI is safeguarding stability and protecting customers, for which it can give directions to entire banking mechanism in the country and all banking companies shall be bound to comply with such directions, it will prevent the transactions of any bank against the interest of bank customers. Banking is a trust-based relationship and the banking license from the regulator provides an assurance of trust to the public at large to the banks, the banking license provides the privilege of accepting uncollateralized deposits from the public. However, the acts of stealth banking, negative option marketing, misleading advertisements, and information gathering from customers for cross selling of products and services, and tie-up arrangements are inconsistent with the concept of a trust-based relationship. The lack of transparency, coupled with the difficulty of consumers in identifying key information from the large volume of material and communication in fine print, leads to an information asymmetry, which renders the banker-customer relationship one of unequal.

RBI bringing fair competition in the banking sector through reforms and allowing the banking sector for private sector for ensuring high quality service to bank customers and to meet the long pending aspirations of the bank customers as competition ensure fair treatment or adequate quality in-services to the customers at a justifiable price, transparency in affairs (Narasimham, 1991). Core work of central bank is to protect the interest of customers, is has highest priority work of RBI (Talwar Committee, 1990). To bring the transparency of products in the banking system it is necessary to regulate the system time to time, as it became the important function of RBI. RBI has started nationwide financial literacy programme. RBI taken several steps by building a strong banking system which enables access to financial services for all and to enhance and expand the reach of the banking system to need people both in qualitative and quantitative terms. RBI initiating measures to increasing customer awareness through micro level observation and grass root level assessments for ensuring the customer protection in India. Financial Crisis all over the world to the

financial sector brought a sharp focus on the importance of consumer protection and to strengthening the financial system by providing financial services to the satisfaction of customers. India has the largest network of banks dominated landscape and the customers are illiterate, vulnerable poor for ensuring the bank consumers protection it became the regulatory obligation to RBI.

BANKING OMBUDSMAN SCHEME

Reserve Bank of India taken an initiative by recognizing the need for an ombudsman in larger public interest as a public good by setting up of the Banking ombudsman Scheme (BOS) 1995 for the redressal of customers' grievances against deficiencies in the banking services. With larger changes in the level of awareness, expectation of the bank customers and wider changes in the products offered by the banks the BOS has undergone extensive changes. Since 2006 the administration of BOS vests with RBI, it was amended to enable appeal against Award, to the appellate Authority, the Deputy Governor in charge of the Department. And its ambit also extended to deficiencies in internet banking and non adherence to the BCBSI Codes and Code of banks commitment to the customers. With the introduction of ombudsman it became necessary to all banks for establishing institutional arrangement for banking services and grievances redressal in place, rules objective, timely and fair implementation of standards and codes promised to customers. Consumer protection and concerns in the new economic order are even more pressing its importance in developing countries to formulate principle on consumer protection particularly in banking /financial sector. Tarapore committee pointed out the on the provisions of banks for public services are as enhancing the timeliness and quality in the services, benchmark the current level of services, rationalize the processes taking into account technological developments, review of the periodical progress in the quality of services to customers, suggest appropriate incentives to facilitate change on an ongoing basis. The reserve bank of India has warned all the state governments about entities indulging in multi-level marketing activities. It has asked the state governments to stay vigilant and take appropriate actions against such firms particularly the chit fund companies are operating under the banner of multi-level marketing companies as that RBI did not regulate those entities for the violation of law only state governments can prosecute them.

RBI CHARTER- CUSTOMERS RIGHTS

Reserve Bank of India has been announced a draft of charter of customer rights after extensive consultations with all stakeholders by studying the global best practices and domestic experience

- Right to Transparency, fair and honest dealing,
- Right to Fair treatment,
- Right to Privacy
- Right to suitability,
- Right to Grievance Redress and Compensation Right to Fair Treatment.

CUSTOMER PROTECTION MEASURES

Bank customers generally expects professionalism, quick and efficient services, transparent, fair and non - discriminatory dealings, clear communication about charges, safety of their deposits in the account and to be listened to with courtesy and respect, considering these all aspects Reserve Bank of India has taken several initiatives by formulating directions and instructions to all banking companies.

Reserve Bank of India has given instructions by liberalizing the procedure in the provisions of Know Your Customer (KYC). A single document as proof of identity and address for which Driving license, voters, card, UNIC Aadhar card, Job card of NREGA, are made officially valid documents for KYC. A simple declaration by customer about their current address would be sufficient. Low risk persons are provided relaxation regarding officially valid documents in opening an account just by submitting identity card with photograph issued by the Government Authorities duly attested by a Gazetted Officer. Period for updating of KYC, the period for updating of KYC for existing low/medium and high risk customer have been increased from 5/2 years to 10/8/2 years, respectively.

RBI directed the all Banks to ensure that the bank customers are treated fairly and reasonably without any discrimination and in a transparent manner at all branches of banks and its service centers under CBS environment and which are expected to follow a uniform, fair and transparent pricing policy without any discrimination between the customers. No discrimination as regards interest charges between the customers at home and non home branches.

To ensure reasonableness and equity in the charges levied by the banks for sending SMS alerts to customers, banks are advised to advanced technology and support of telecom services to ensure that the charges are levied on actual usage basis to all bank customers.

Banks are directed to not levy penal charges for non maintenance of minimum balance for non operating account and which are not permitted to charge foreclosure charges or repayment penalties on floating rate term loans sanctioned to individual borrowers. Premature withdrawals would not attract any penalties.

RBI issued guidelines for opening and operating banks of persons with autism, cerebral palsy, mental retardation, mental illness and mental disabilities and also to made accessibility of bank branches /ATMs to persons with disabilities.

Banks are advised to take appropriate steps in providing of ramps for the persons with disabilities at the entrance of bank branches. All banks should make all new ATMs installed as talking ATMs with Braille keyboards and also to provide magnifying glasses for the use of persons with low vision.

STEPS FOR CUSTOMER PROTECTION

The first is to approach the nodal officers of the banks concerned or the zonal heads. However in a number of banks; the internal redressal mechanisms of the banks are inadequate.

Approach in the Banking Ombudsman Scheme covering the entire country.

In case the above steps do not provide respite, the consumer can approach the Reserve Bank of India.

CONCLUSION

Consumer voluntary organizations and money life consumer activities, complainants, customers vigilantes, all India bank depositors association all play a significant role in providing valuable inputs to Reserve Bank of India for formulation of guidelines and further initiatives for the protection bank consumer. RBI should make mandatory for all banks to appoint a Grievance Manager/Executive sitting at front desk next to customer executive. Our Prime Minister Sri Narendra Modi vision of the JanDhanYojana extended the highest degree of consumer protection to all users of financial services particularly for those vulnerable poor in rural and urban India.

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