



Ask not what your bank can do for you...

October 8, 2017

Today at 6pm on a beautiful Sunday evening of the 8th of October 2017, I had an epiphany. I suddenly realized that Indian Banks and especially the bank I deal with are the best banks in the whole wide world.

It all started with a pleasant WhatsApp call with a friend of mine. The conversation was going along swimmingly when it was interrupted by a voice call I received. The call turned out to be from my bank. The bank was calling me to remind me to link my Aadhar number to my bank account as per the mandate of the Government of our land.

Despite being interrupted in the process of a good conversation, I was beside myself with joy. What a bank! The last day for the linking of Aadhar to the bank account is only 31st December. The Supreme Court of the land might actually rule against this compulsory linking but the bank had taken upon itself the onerous task of reminding me of my patriotic duty 3 months in advance!

This set me thinking of all the incredible things that our banks do for us even when it costs them to do it and even when it might not be in their own best interests.

- **They charge us heavy late payment penalty and interest costs in case we delay the credit card payment by even one day.**

Now normally, you might be forgiven for thinking that this is not a good thing. In a world where savings bank interest is just 3.5% and 10 year Govt bond yields are around 6.6%, you might think that there is no case to charge 18% or more in interest costs. Let me tell you. This money they charge, while it might seem punitive, is the kind of punishment a good parent might inflict on a naughty child- a kind of tough love.

This punishment is really to institute a behavioral change in us. The change they seek for is not something petty like we pay them on time. The banks actually have a huge goal. What they are really aiming for is so big that it will boggle your mind. They are attempting to get us to change our behavior of procrastination! If we start paying credit card bills on time then maybe – just maybe that act will trigger a behavioral change in us and lead us away from procrastination.

And if they succeed in this larger goal of stopping the citizens of this great nation from procrastinating, then the late payment charges will seem like a small cost for such an incredible transformation within us. It will not only serve us as individuals but will lead to a great productivity rise in the general economy thereby favorably impacting the GDP of the entire country. Can you think of a greater service that the bank can provide than to start a process that can actually change the growth trajectory of an entire nation!



- **The banks sell us third party products which pay them a lot of money and give us a paltry return**

Who has not bought ULIPs from their banks? The capital guaranteed products from several insurance companies with their small life covers? I guess a lot of us have. At one time, I really was upset that they sold me a product which paid them a lot of money but did very little for me in terms of returns. But now I know better.

By giving me a product like that in the late 2000s they ensured that I will forever and more read the fine print before buying anything. They ensured that I will put money into plain vanilla mutual funds instead of any structured products or notes.

By making me invest a little into dubious ULIPs the banks cost me a little money. Sure. But as a result they saved me from making even more disastrous investments in the future.

While they copped a lot of blame for this act of selling high commission paying ULIPs, I say that they are to be feted for their act. They have made investors wary of trusting anyone including a person that an investor would normally expect to be on their side.

If this lesson is not a good thing then I do not know what else is. They have really taught us the meaning of Caveat Emptor!

- **They change the relationship manager that we deal with every few months.**

This is one thing that used to irritate me a lot. Every few months the relationship manager used to change. I had to get used to the new person who came in. This was an irritant until I divined the deep thought beyond this seemingly random changes. The bank knew that I liked status quo and was averse to change. But change is a fact of life – it is the one constant like death and taxes. The bank in its own unique way was getting me to accept the truths of life.

- **They reduce the interest rates paid on Savings bank account and Fixed Deposits regularly....**

I have heard a lot of people complain about this. They say that the banks are reducing their costs only to pad up their bottom line. I say, what kind of thinking is this? How unfair to impute a negative motive to this wholly wholesome act! Anyone, who thinks that the banks are wrong in doing reducing rates cannot think beyond the obvious. Do you really believe that the banks need the extra half a percent that they gain by cutting your interest payments? Do you seriously think they can be that petty?

No! I say no! They are doing this only with your best interest in mind. They are doing this only because they want you, my dear reader, to stop procrastinating, think beyond the obvious and invest in instruments like mutual funds which should, over the long term, help you to make more money.

- **...but almost never reduce the interest rates payable on loans taken from them.**

They never reduce the interest rates payable on loans taken from them because they want to disincentivise you from ever taking on debt! Duh!



I can go on. Any complaint that you have about banks is only because you my dear reader are indulging in only first level thinking. You are only looking at the obvious. This is beneath you. Think beyond the obvious and you can see the truly golden heart beating beneath the tough exterior.

Now comes the most important part dear reader. If you have been with me till this point, please continue for the next few lines. Will we just read about all the good things that our banks do for us and do nothing about it? Is it not necessary that we reciprocate? Can we not do something that can help the banks in return?

I say we can. We all can do something if we put our mind to it. Let me just suggest a few action points. I am sure you can think of more if you truly put your mind to it.

1. Do not trouble banks by taking loans. If you have, then pay them off as soon as possible. We must sacrifice our own good for the sake of the larger good. Reduce the workload of the banks. Please.
2. Use debit cards as much as possible. Then the banks will not have to do their thing of showing tough love and charging you penalty and late payment charges on your credit cards.
3. Do not keep your money in Savings Bank Account and Fixed Deposits. The bank has done its best to incentivize us to do the right thing and move the money away from them. They have worked hard and need a break. Please remove the money and invest in mutual funds. Do not let them down by procrastinating. Please do the needful immediately.
4. The banks are really working hard for us. They do too much of your work. Please do not look at only your convenience and add to their workload by buying mutual funds through them. Go beyond just your convenience and use an independent mutual fund distributor who is not part of a bank. He can provide you the same services that the online net banking platform provides.
5. I know that if you invest through the bank, you will get to meet a nice new person every 3 months and enjoy the process of building a new relationship regularly. But again, I implore you to not look at only your convenience and benefit. Use only an external mf and insurance distributor even if it means that you will have to deal with only that one person for a very, very long time. How boring! But suffer you must in order to reciprocate your bank's generosity.

From now on, whenever you get a pesky marketing call from your bank and whenever they ask you to fill up one more KYC form or one more piece of paper please stop getting upset. Please look at the overwhelmingly altruistic thought behind these seemingly irritating actions. I end this note by paraphrasing the great John F Kennedy "Ask not what your bank can do for you. Ask what you can do for your bank"