

Banking Grievances Mechanism in India: A Study of Customer's Awareness and Understanding

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ABSTRACT

Banking industry is now more competitive than ever, therefore banks require an efficient grievance handling system for their customers. Although, there is already a system in place for customer's grievance handling set up by the Reserve Bank of India (RBI). But efficiency of the system has to be confirmed by effective research based on primary data procured directly from the customers.

Through this exploratory research paper we want to find out the awareness level of bank customers about the grievance handling procedures setup by the banks and RBI. Data was collected by structured questionnaire from the homogenous group having almost same education level. 500 respondents considered were having graduation as minimum qualification and Judgemental sampling technique was used for data collection. Statistics like simple tabulation, ranking, and Chi-square has been applied to process and analysis the data.

It has been found that most of the customers are unaware from the grievance handling system of RBI and commercial banks and unsatisfied customers don't even complaint to any authority or system. This phenomenon has been commonly found in Public sector as well as Private sector banks. Further range of problems faced by customer while dealing with the banks has been identified and tabulated.

1. Introduction

In Indian financial system banking services occupy a very dominant and significant place as well as it is an integral part of our lives also

In the current environment of aggressive banking, excellence in the service provided to the customer is most important thing for sustained growth of the business. Customer complaint is an inevitable part of every business type infact there are more customer complaints in banking organizations as these are the service based organizations.

As per one of the RBI's annual report, during the fiscal year 2014-15, the total no. of complaints received by different banking ombudsman were 85,131. This was a hike of 11.17% over the previous year. The above statistics shows that the Indian customer are either not aware about the grievance handing system established by RBI or the system established is not hassle free. Whatever the reason may be but considering the competition in the banking sector and conversion of Indian economy into a globalised economy shows that there is an utmost requirement of a strong yet simple to follow mechanism of customer grievance/ problem handling and RBI should do all the efforts to educate and make the customer aware about this system.

Based on the above discussion we can divide this study in to three segments which can also work as objectives of this study:

1. To assess the need for grievance handling mechanism in Indian banks;
2. To explore the system in place for banking grievance handling mechanism in Indian; and

3. To analyse the awareness and understanding of the bank customers towards the existing system of grievance handling.

2. Review of Literature

To built consumer confidence and trust is very important for banking organizations and even more important is to maintain that confidence and trust. In today's competitive era you cannot think of an industry which is providing variety of services but no customer complaint is there. Complaints/ grievance are the regular problem of the service industry specially the banking industry but the challenge is to swiftly cope up with that problem and provide a hassle free system of grievance handling to your customers to sustain them for a long time. And this task is impossible for banks if they do not have an effective consumer grievance redressal system.

According to Kolekar (2016), customer dispute resolution is an important part of customer satisfaction and the commencement of the Banking Ombudsman Scheme by the Reserve Bank of India is a laudable step in this direction.

Mishra also states that, The Ombudsman scheme is a boon and a very important channel for redressal of grievances by the general public against banks and banking services. It is framed in such a manner that it does not oust the jurisdiction of other courts, and hence, aggrieved people do not hesitate in using the banking ombudsman as a primary forum for resolution of disputes regarding banks.

As per Saxena and Kaur (2018), for an organization to be responsive, accountable, and accessible, an effectual and effective grievance redressal system is of paramount

importance. Thus, it has become significant for banks to render grievance free services to their customers to gain competitive advantage in terms of customer satisfaction and customer retention.

Organizations that invest the time, energy, and resources required to achieve excellence in customer service will be the ones that will thrive and grow.

As the range and volume of banking services has grown, year after year, the public has expressed its dissatisfaction with the poor quality of service or the denial of service. This situation leads to creation of grievance redressal system in a timely and inexpensive manner.

The RBI report said a large number of complaints indicated the lack of awareness about the customer grievance settlement mechanism codes among bank staff as also customers, and that banks need to devote special attention to this aspect and provide appropriate training to their front level staff regarding these codes. According to data available, escalation of complaints is common. As per the RBI report, 49% of the total 84,660 complaints disposed during FY15 were non-maintainable, i.e., these were not under the purview of the banking ombudsman. Plus, of the 43,035 maintainable complaints, about 60% were rejected by the banking ombudsman on various grounds. The remaining (39%) were resolved by mutual settlement. Awards were passed in less than 1% of the cases.

The average cost of handling complaints has increased—from Rs.3, 858 in 2011-12 to Rs.4, 541 in 2014-15 per complaint, as per the RBI report.

As per an article published by Tapestry Networks.com, in these early days of sharper regulatory focus on consumer issues, there has been a high degree of market uncertainty and precedent-setting enforcement actions. Regulators are developing new approaches as they enhance oversight and navigate interactions among agencies with overlapping mandates.

3. Need for Banking Redressal System

Being a service organization, providing better customer service and customer satisfaction should be of utmost importance for banking organizations.

But by the time the range and volume of banking services has grown, an increment in the dissatisfaction customers and complaints of customers' regarding poor service quality has been also noticed.

These problems lead to an establishment of a strong statutory mechanism for grievance handling of the customers. This is a known fact that more innovations in banking services would lead to more customer complaints. Like when no ATMs or credit cards were there no complaints regarding these services were there. So, a new service area also provides scope for new type of problem also.

This shows that modern banking system require a strong and hassle free mechanism of complaint handling to retain the happy and satisfied customers.

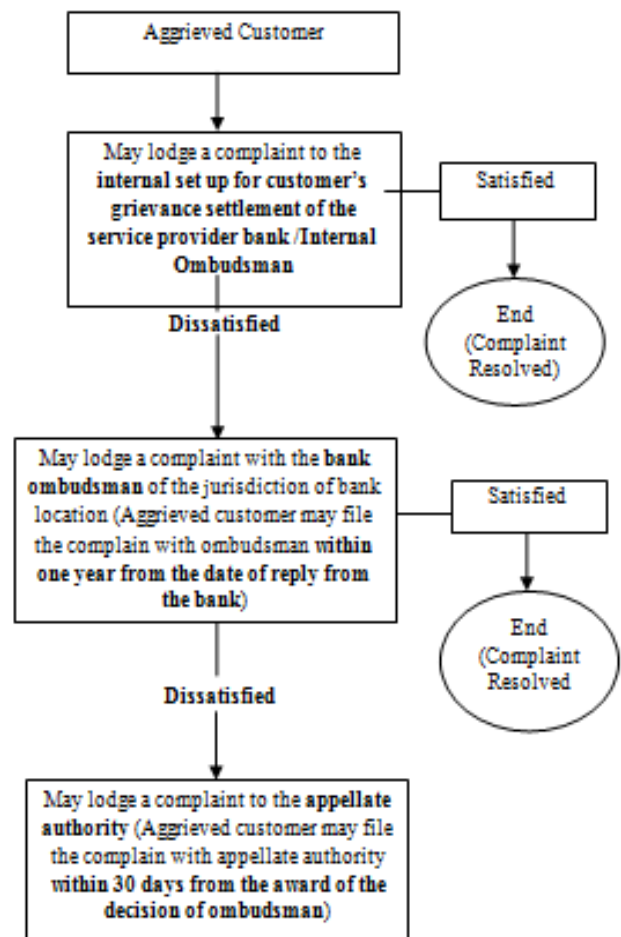
Generally the major factors behind most of the customer complaints are:

1. The attitude/ way of bank employees in dealing with the customers; and
2. Insufficient functions/ facilities/ services made available to the customers or gaps in services expected by the customers and actual deliverables.

A Customer should have all the rights to file a complaint under the grievance mechanism of the banking system, if they are not satisfied with the quality of service provided by the bank.

4. Grievance Mechanism in Indian Banks

The grievance mechanism in Indian banks includes three levels which are depicted in the below figure:



Source: Self

5. Grievance to be addressed to the bank first-

Depositors with any complaint regarding the services rendered by the bank have all the rights to contact the designated authorities of the bank to handle customer complaints. According to RBI guidelines it is mandatory for banks to maintain an internal set up for redressal of customer grievances/ complaints.

As per RBI guidelines (Circular DBOD.No.Leg BC.60/09.07.005/2006-07 dated February 22, 2007) the bank branches are advised to

- Maintain a complaints registers for customers and ensure that these registers are kept at a visibly prominent place in their branches where customers can easily locate and come and can also file their grievances conveniently.
- Maintain a system of acknowledging the complaints, where the mode adopted by customer is a mail, letter or form.
- Allot a time slot to resolve the complaints received by customers at various levels.
- Ensure that the complaints received from rural areas and the complaints regarding priority sector lending finance and financial allocation for government's poverty alleviation programmes to be incorporated in the same process.
- Further to enhance the effectiveness and efficiency of this redressal mechanism all the branches should prominently display the name of officials who can be contacted for customer's complaints. Their names should be displayed alongwith their telephone number, fax number, complete address and email address for contact of the customers.

It is sufficient on the part of customer to follow above procedure of internal mechanism set up of bank with which he or she is having a complaint/ grievance and if this system of internal set up fails to satisfy the customer he or she do not have any obligation to report their dissatisfaction to the senior officials of the branch instead they can opt to lodge their complaint to the banking ombudsman (Who is not a part in internal set up).

6. Banking Ombudsman

The dictionary meaning of ombudsman is 'an official appointed to investigate individuals' complaints against a company or organization, especially a public authority.'

While a banking ombudsman is a quasi- judicial authority who functions under the banking ombudsman scheme of RBI. The authority was created after the Government of India decided to resolve the customer complaints related to deficiency in certain banking services.

Under the Section 35 A of Banking Regulation Act 1949's scheme of Bank Ombudsman, "the Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services." But banking ombudsmen are not the replacement of Consumer forum/courts. They are merely the supplements of court.

Customers who have already raised their complaints/ grievance to the service provider bank but dissatisfied can only file their complaint/ grievance with the banking ombudsman. A complaint can only be lodged with the ombudsman where the same complaints has not received any reply from the concern bank after the completion of 30 days or 01 month from the date

of filing the application, the bank rejects the complaint or the customer is not happy with the kind of reply given by the bank.

As a part of RBI guidelines, banks are also required to exhibit a visible notice board stating that the aggrieved customer can file the complaint with the bank ombudsman and are required to possess literature about grievance mechanism.

Documents required for lodging a complaints/ grievance to the ombudsman

The complaints bring forward to the bank ombudsman must contain the following details:

- Complainant's name and address
- The name and address of the bank branch against which customer wants to file the complaint
- The facts given rise to the complaint
- The nature as well as extent of the loss caused to the customer due to that particular issue
- The relief required

7. Role of Ombudsman

The bank ombudsman sends the notice to both the concerned parties containing a date for hearing. Here the ombudsman offers the term of settlements provided by the bank to the aggrieved party. If the aggrieved customer accepts those terms and conditions and is fully satisfied with the same than ombudsman will pass an order for settlement between the bank and the aggrieved customer considering those terms and conditions. This settlement order binds both the parties, i.e. bank and the aggrieved customer.

8. Appellate Authority

Deputy Governor of Reserve Bank of India is the appellate authority. The aggrieved customer by the award may appeal against the award before the appellate authority within 45 days of the date of receiving the decision of ombudsman. The appellate authority may, if he is satisfied that the applicant had adequate cause for not filing an application for appeal within the given time, also allow a further period not exceeding 30 days.

The appellate authority may

- discharge the appeal; or
- Permit the appeal and set aside the award; or
- Send the subject to the Banking Ombudsman for fresh disposal in accordance with such instructions as the appellate authority may consider necessary or proper; or
 - Modify the award and pass such directions as may be necessary to give effect to the changed award; or
 - Pass any other order deems fit.

9. Research Methodology

Based on the above objectives this study has been divided in to three segments. The first and second objectives have been fulfilled by using the secondary data while for third objective a primary research is conducted based on the questionnaire.

In order to analyse the awareness and understanding of the bank customers towards the existing system of grievance

handling questionnaire has been designed and distributed among 500 respondents who are at least graduate. Assuming the understanding of educated population would be more regarding the grievance handling mechanism in India (Northern Part of the country) as compared to the uneducated. Data is collected from cities like Delhi- NCR, Gwalior (MP), and Agra (UP). Out of 500 questionnaire 494 questionnaire were received by the data collecting team (students of MBA programme). Data is collected from both public sector banking organization and private sector banking organisations'

customers. Collected data is tabulated to understand the awareness level of bank customers about the grievance handling mechanism. Table 1 shows the ranking and details of the problems faced by the customers during banking transaction. Total 542 responses collected from the customers as some respondents marked on more than one problem faced by them during banking transaction. Table 1 shows refusal to close and delay in accounting closing is the biggest problem faced by the banks customers.

Table 1

Problems if ever faced by you during the banking transaction:	Responses	Rank
Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc	26	13
Non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof	13	17
Non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof	28	12
Non-payment or delay in payment of inward remittances	30	7
Failure to issue or delay in issue of drafts, pay orders or bankers' cheques	15	15
Non-adherence to prescribed working hours	14	16
Failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents	43	3
Delays, non-credit of proceeds to parties accounts, non-payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank	16	14
Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters	9	19
Refusal to open deposit accounts without any valid reason for refusal	6	20
Levying of charges without adequate prior notice to the customer	28	12
Non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/Debit card operations or credit card operations	29	9
Non-disbursement or delay in disbursement of pension (to the extent the grievance can be attributed to the action on the part of the bank concerned, but not with regard to its employees	32	5
Refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government	30	7
Refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities	29	9
Forced closure of deposit accounts without due notice or without sufficient reason	12	18
Refusal to close or delay in closing the accounts	64	1
Non-adherence to the fair practices code as adopted by the bank or non-adherence to the provisions of the Code of Banks Commitments to Customers issued by Banking Codes and Standards Board of India and as adopted by the bank	28	12
Non-observance of Reserve Bank guidelines on engagement of recovery agents by banks	51	2
Any other matter relating to the violation of the directives issued by the Reserve Bank in relation to banking or other services	39	4
Total	542	

Source: Self

Table 2 represents the response of the customers having accounts in private sector banks, public sector banks, across three age groups and education levels, regarding their awareness of the grievance handling mechanism established

by Reserve Bank of India and other commercial banks. As per the table 2 most of the customers are not aware about the grievance handling mechanism across all selected categories.

Table 2

Age/Education/Banks Type	20-35		36-45		46 and above		Graduate		Post Graduate		Public Bank		Private Bank	
	Aware	Unaware	Aware	Unaware	Aware	Unaware	Aware	Unaware	Aware	Unaware	Aware	Unaware	Aware	Unaware
Do you know about the banking grievance handling mechanism established by RBI to resolve the complaints of bank customers	150	50	44	68	19	63	68	134	171	121	124	138	109	123
Are you aware about the internal grievance mechanism set up by your bank?	128	172	12	100	26	56	20	182	102	190	66	196	59	173
Are you aware about the banking ombudsman scheme?	114	186	68	44	28	54	62	140	169	123	83	179	110	122
Have you ever seen any notice in your branch/ATM booths regarding the customer grievance handling process?	214	86	68	44	32	50	19	183	36	256	191	71	101	131
If yes, was that notice properly visible?	104	110	33	35	18	14	10	9	20	16	101	90	56	45
Do you know that at the incidences of cash shortage in ATMs you can lodge a complaint to the card issuing bank?	29	271	44	68	38	44	23	179	69	223	42	220	79	153
Do you know that if the grievance is not redressed by card issuing bank then you can file the same complaints to the bank ombudsman?	115	185	56	56	42	40	58	144	88	204	83	179	98	134
Do you know the grounds on which you can file a complaint to bank ombudsman?	129	171	45	67	40	42	59	143	165	127	69	193	92	140
Do you know that the bank ombudsman does not charge any fees for filing and resolving customer complaints?	129	171	56	56	39	43	53	149	84	208	121	141	78	154
Do you know that other than scheduled commercial banks regional rural banks, scheduled primary cooperative banks are also covered under the banking ombudsman scheme.	100	200	56	56	41	41	71	131	79	213	86	176	69	163
Do you know the procedure of lodging/ filing a complaint or grievance to the banking ombudsman?	115	185	44	68	42	40	51	151	176	116	42	220	81	151
Do you know that the customer can also lodge online complaint/ grievance to the banking ombudsman?	143	157	45	67	43	39	76	126	166	126	129	133	48	184
Do you know about the location of ombudsman office for your concerned region?	86	214	24	88	44	38	66	136	71	221	56	206	89	143

Source: Self

Total 494 responses are received across three age groups, which are divided as 300, 112 and 82 responses collected from 25-35, 36-45, 45 and above years respectively. Also 202 responses are collected from graduate customers and 292 responses are collected from the post graduate customers. Whereas 262 respondents are the customers' public sector banks and 232 respondents are the customers' of private sector banks. Total awareness responses and unawareness

responses for each question and respondent primarily tell us poor status of grievance handling mechanics in public and private sector banks.

Further Chi Square test is applied to test the hypothesis that there is no significant difference in the awareness level about banking grievance handling mechanism across three age groups.

Table 3

S.N.	Age	Age and awareness of customers about banking grievance handling mechanism		Total
		Aware/ Expected frequency	Unaware / Expected frequency	
1.	25-35	1556 (1574)	2158 (2140)	3714
2.	36-45	595 (598)	817 (814)	1412
3.	45 & Above	452 (431)	564 (585)	1016
	Total	2603	3539	6142

Now, the calculated value of chi-square, $\chi^2_{cal.} = \sum \{(O - E)^2 / E\} = 2.1738$

At 5% level of significance, for 2 degrees of freedom, the tabulated value of chi-square, $\chi^2_{tab.} = 5.99$

Since the calculated value of chi-square is less than the tabulated value of chi-square at 5 % level of significance, so we do not reject the null hypothesis.

Chi Square test is applied to test the hypothesis that there is no significant difference in the awareness level about banking grievance handling mechanism across education groups.

Table 4

S.N.	Education	Education and awareness of customers about banking grievance handling mechanism		Total
		Aware/ Expected frequency	Unaware / Expected frequency	
1.	Graduate	636 (829)	1807 (1613)	2443
2.	Post Graduate	1396 (1202)	2144 (2338)	3540
	Total	2032	3951	5983

Now, the calculated value of chi-square, $\chi^2_{cal.} = \sum \{(O - E)^2 / E\} = 25.17$

At 5% level of significance, for 1 degrees of freedom, the tabulated value of chi-square, $\chi^2_{tab.} = 3.8415$

Since the calculated value of chi-square is more than the tabulated value of chi-square at 5 % level of significance, so we reject the null hypothesis.

banking grievance handling mechanism across education groups.

Chi Square test is applied to test the hypothesis that there is no significant difference in the awareness level about

Further, there is no significant difference in the awareness level of banking grievance handling mechanism between the Public sector bank customers and Private sector bank customers.

Table 5

S.N.	Bank	Banking sector and awareness of customers about banking grievance handling mechanism		Total
		Aware/ Expected frequency	Unaware / Expected frequency	
1.	Public Sector	1193 (1213)	2142 (2122)	3335
2.	Private Sector	1069 (1049)	1816 (1836)	2885
	Total	2262	3958	6220

Now, the calculated value of chi-square, $\chi^2_{cal.} = \sum \{(O - E)^2 / E\} = 1.117$

At 5% level of significance, for 1 degrees of freedom, the tabulated value of chi-square, $\chi^2_{tab.} = 3.8415$

Since the calculated value of chi-square is less than the tabulated value of chi-square at 5 % level of significance, so we do not reject the null hypothesis.

Most of the complaints are communicated to the bank manager of public and private sector banks by the customers. It could be seen that out of 468 customers 124 do not complaint to anyone.

Chi Square test is applied to test the hypothesis that there is no significant difference in the awareness level about banking grievance handling mechanism across Public sector banks and Private sector banks.

Table 6 shows us the details of survey data which conveys us the pattern of complaining against banks.

Table 6 – To whom customers' complaint against bank related problems

Complaints	
Manager	233
Not Complained	124
The internal set up of bank's grievance handling system	69
Any other staff	42
Total	468

10. Findings and Conclusion

Most of customers are unaware from the grievance handling procedure of the Reserve Bank of India and other commercial banks. There is no significant difference in the awareness level about banking grievance handling mechanism across education groups, and public and private sector banks. But there is significant difference in the awareness level about banking grievance handling mechanism across graduate and post graduate students. Where post graduate are more aware about grievance handling as compared to graduate customers.

Customers of bank facing major problems like non cooperative behaviour of banks when customers approaching them for closer of their accounts. Failure to provide information, delayed pension disbursement and non-compliance of the RBI norms by commercial banks while recovering loans are some major problems faced by the customers along with the other issues visible in table 1. It has been found from the survey that most of the discontented customers don't even complaint to any authority.

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