AN ANALYTICAL STUDY OF CUSTOMER SATISFACTION WITH REFERENCE TO BANKING OMBUDSMAN SCHEME IN INDIA

Vijay Prakash Gupta
Research Scholar
Uttarakhand Technical University
Dehradun

Dr. Rajesh Manchanda
Professor
Omkarananda Institute of Technology
Rishikesh Uttrakhand

Dr. K. Ajay Singh
Professor
IMS Unison University
Dehradun

1. INTRODUCTION

The current economic environment and financial inclusion has exposed the whole banking system to new challenges of competition for existence of commercial banking Industry in India. In the current era after the Banking and Financial Sector Reforms in India, banking industry has faces many vital changes in their banking system, procedure and working and tries to solve customer problems as soon as possible to avoid threats and cut throat competitions from rivals and tries to increase customer satisfaction.
Banks have to deal with many customers and render various types of services to its customers and if the customers are not satisfied with the services provided by the banks then they will defect which will impact economy as a whole since banking system plays an important role in the economy of a country, also it is very costly and difficult to recover a dissatisfied customer.

This main aim of this paper is focus on various complains of customers received by Banking Ombudsman with aim and objective to do the analytical study of customer satisfaction in commercial banks on the basis of complaints on deficiency of banking services for common bank customers.

1.1 BACK GROUND OF THE STUDY

The present research is based on secondary data focused on Banking Ombudsman Scheme, We have chosen the Kanpur territorial jurisdiction of OBOs for the study of customer satisfaction with the antecedent of customer perception towards banking services and customer satisfaction and customer forthcoming relationships with the banks.

In the study of customer satisfaction in banking, it is most important to know whether banking organizations fail to provide adequate banking services to their customers. The present research deals with the issues regarding to customer satisfaction with the available data on Banking Ombudsman of RBI on banking services and on the basis of this data it has been tried to relate customer future behavioral responses. With the help of current stream of research we collect the information to understand consumer’s perceptions towards available banking services and customer satisfaction with the available services in commercial banks in India.

1.2 PURPOSE OF THE STUDY

Customer satisfaction offer businesses an opportunity to maintain the value exchange relationship fair between consumer and provider. In addition, a service providing organisation can seek constructive ideas for improving products or services, and a feedback from a satisfied customer frequently provides organisation and opportunity to adapting new marketing practices, upgrading services, or modifying promotional material and product information. Even it is very prone that some service problems occasionally occurs with service of merchandise are, to some extent, inevitable, dissatisfied customers are not. Thorough study of customer satisfaction creates an opportunity to the organisation, can learn to recover from past mistakes. A good reformation services or process has potential to turn dissatisfied and frustrated customers into loyal ones.

OBJECTIVES OF THE PRESENT STUDY

In the light of the above literature review, the main objectives of the study are:

1. To investigate the customer awareness & perception about Banking Ombudsman. scheme through an analytical study.
2. To measure the satisfaction level of customers on the basis of complains in Banking Ombudsman.

REVIEW OF LITERATURE
After searching the literature on Banking Ombudsman Scheme with related with customer satisfaction it has been found that very less effort has been done to study regarding the services of banking ombudsman to their customers.

The number of studies has been conducted regarding the services of banking Ombudsman to their customers. Some of them are listed below:

Aparna Meduri (2006); has tries compare Banking Ombudsman with Consumer Protection Act under the Banking Ombudsman Scheme cases on deficiency of banking service. However, there exists a difference both in terms of redressal machinery and the procedure for redressal and makes an attempt to give out the reasons why most of the disappointed bank customers prefer to take shelter under the Consumer Protection Act instead of under their Banking Ombudsmen Scheme, and lastly the suggested remedy for it.

Chatterjee (2007); has analytically assessed numerous schemes of banking ombudsman schemes in operation from time to time and tried to judge the nature and causes of complains.

Singh (2006); found that majority of respondents (63%) surveyed had no information about the bank ombudsman scheme and none of the surveyed respondents had ever filed a complaint with bank ombudsman which shows unawareness about banking ombudsman schemes in India.

Khan (2010); suggested that attempts should be made to increase the instances of disputes being resolved by mediation/conciliation rather than by awards. Further, in the event, if ombudsman has to give an award; it must be made final and binding on the parties with only single appeal allowed to a higher court of law. As far as performance of bank ombudsman is concerned no exhaustive study has been conducted so far.

Aparna Meduri (2006); observed that the Banking Ombudsman under the Banking Ombudsman Scheme and the Consumer Redressal Authorities under the Consumer Protection Act both redresses the same type of cases i.e. insufficiency or grievances of banking service, though, there role are different in terms of redressal machinery, the procedure for redressal.

2.0 BANKING OMBUDSMAN SCHEME OF RBI IN INDIA.

The Reserve Bank of India (RBI) had introduced the Banking Ombudsman Scheme (BOS) in India on June 14, 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by banks. The Banking Ombudsman is a consumer protection agency for the banking customers in India; RBI operates the BOS, free of cost, so as to make it common people oriented. In order to increase its effectiveness and utility, BOS is fully staffed and funded by RBI.

Any person, whose grievance against a bank is not resolved to his satisfaction by that bank within a period of one month, can approach the Banking Ombudsman (BO) if his complaint pertains to any of the 27 matters specified in the Scheme. There are 15 Offices of Banking Ombudsman (OBOs), spread across the country to handle the complaints on deficiency of banking services received from the bank customers within their jurisdiction.

The Scheme is reviewed periodically by the RBI to expand its scope to all newly introduced banking services and products. As on date the Scheme specifies 27 grounds of complaints which customer complaints relating to ATM/debit/credit cards, recovery agents, failure of banks to
provide promised services, levying service charges without prior notice to the customer, non-adherence to the fair practices code/BCSBI Codes, internet banking etc.

The objective of the Scheme is mainly settlement of dispute through conciliation and mutual agreement between customers and banks with the Banking Ombudsman acting as the mediator.

GROUND OF COMPLAINTS IN BANKING OMBUDSMAN

Dissatisfied customer can filed their complains on following grounds which are given below:

1. The Banking Ombudsman can receive and consider any complaint relating deficiency in banking services as well as online services i.e. internet marketing and mobile marketing also.
2. Customer can file complains for the delay in payment of collection and clearance of cheque and draft.
3. Some times banks not accepted of small denomination notes without any sufficient cause and also charges commission for this, on this grounds customer can file complains.
4. Non-payment or delay in payment of inward remittances ;
5. Some times banks fail to issue drafts, pay orders or bankers’ cheques.
6. Banking employees are not adhering to give their services on time as well as they can change their reporting timing and lunch times as per their convenience.
7. If banks fails to provide banking facility- on time or on promised time.
8. 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;
9. 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 ;
10. Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters;
11. Refusal to open deposit accounts without any valid reason for refusal;
12. Levying of charges without adequate prior notice to the customer;
13. Non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/Debit card operations or credit card operations;
14. 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);
15. Refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government;
16. Refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities;
17. Forced closure of deposit accounts without due notice or without sufficient reason;
18. Refusal to close or delay in closing the accounts

Areas of handling complaints
The Banking Ombudsman can receive and consider any complaint relating to the following deficiency in banking services (including internet banking):

- Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.;
- Non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof;
- Non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof;
- Non-payment or delay in payment of inward remittances;
- Failure to issue or delay in issue of drafts, pay orders or bankers’ cheques;
- Non-adherence to prescribed working hours;
- 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;
- 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;
- Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters;
- Refusal to open deposit accounts without any valid reason for refusal;
- Levying of charges without adequate prior notice to the customer;
- Non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/Debit card operations or credit card operations;
- 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);
- Refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government.

2.1 DETAILS OF COMPLAINTS RECEIVED BY BANKING OMBUDSMEN

During the year 2014-15 the 15 offices of Banking Ombudsmen received 85131 complaints. A detailed analysis of the complaints handled by the offices of Banking Ombudsmen during the year is given in the ensuing chapters.

2.1.2 Bank group-wise classification

Classification of complaints received by OBOs based on bank group is indicated below.

<table>
<thead>
<tr>
<th>Bank Group</th>
<th>No of Complaints Received During</th>
<th>% change (Year-on-year)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012-13</td>
<td>2013-14</td>
</tr>
<tr>
<td>Nationalized Banks</td>
<td>21609</td>
<td>24391</td>
</tr>
<tr>
<td></td>
<td>(31%)</td>
<td>(32%)</td>
</tr>
<tr>
<td></td>
<td>18%</td>
<td></td>
</tr>
</tbody>
</table>
Public Sector Banks accounted for 65% of the total complaints out of which 31% complaints were against SBI & Associates group. Private Sector Banks accounted for 23% whereas Foreign Banks accounted for 4% of total complaints received. Regional Rural Banks and Scheduled Urban Co-operative Banks accounted for 2% of the complaints received. 6% of the complaints were received against other non-bank entities not covered under the BOS.

Year-on-year basis, compared to last year, complaints received against Public Sector banks increased by 27% and against Private Sector banks by 16%. On the contrary, there was a 32% decline in complaints against foreign banks.

### 2.1.3. NATURE OF COMPLAINTS HANDLED

Grounds of complaints on which the complaints can be lodged with the BO are laid down in the BOS. There are 27 grounds of complaints regarding deficiency in banking services covering almost entire gamut of banking services. Periodically these grounds are reviewed to cater to various new products and services in the banking sector.

#### Table 2.1.3– Category-wise distribution of complaints

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of complaints received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012-13</td>
</tr>
<tr>
<td>Deposit accounts</td>
<td></td>
</tr>
<tr>
<td>(6%)</td>
<td>3913</td>
</tr>
<tr>
<td>Remittances</td>
<td></td>
</tr>
<tr>
<td>(4%)</td>
<td>2664</td>
</tr>
<tr>
<td>Card Related (ATM/ Debit / Credit Card)</td>
<td></td>
</tr>
<tr>
<td>(25%)</td>
<td>17867</td>
</tr>
<tr>
<td>Loans and advances</td>
<td></td>
</tr>
<tr>
<td>(9%)</td>
<td>5996</td>
</tr>
</tbody>
</table>
Levy of Charges without prior notice | 3817 (5%) | 4547 (5.9%) | 5510 (6.5%)
---|---|---|---
Pension Payments | 5740 (8%) | 6555 (8.5%) | 5777 (6.8%)
---|---|---|---
Failure to meet commitments/Non-observance of fair practices code/BCSB Code | 18130 (26%) | 20368 (26.6%) | 24850 (29.2%)
---|---|---|---
DSAs and recovery agents | 351 (0.8%) | 295 (0.4%) | 347 (0.4%)
---|---|---|---
Notes and coins | 56 (0.2%) | 63 (0.1%) | 61 (0.1%)
---|---|---|---
Others | 8635 (12%) | 9861 (12.9%) | 14482 (17%)
---|---|---|---
Out of Subject | 3372 (5%) | 4064 (5.3%) | 3774 (4.4%)
---|---|---|---
Total | 70541 | 76573 | 85131

(Figures in bracket indicate %age to total complaints of respective years.)

Source: Annual Report on Banking Ombudsman Scheme - http://bankingombudsman.rbi.org.in

The above data provides the enough strong background to conduct the study on customer satisfaction on banking to the researcher. The banking ombudsman report provides more than sufficient reasons and motivates the researcher to conduct the research on customer satisfaction in the selected Indian banking organization. It also helped the researcher in the selection of banks, service facilities and geographical area for the study.
From the above figure it is clear that out of the 15 offices of Banking Ombudsmen all the offices have a good rate of disposal. The rate of disposal is highest for the Ahmedabad office standing at 100% followed by Jaipur at 99.9%. The lowest rate of disposal of complaints is at Bhopal office which stood at 81.1%. The offices where the rate of disposal of complaints is towards a lower side should put in more efforts and reach the average rate of disposal of complaints of all the offices.

In an endeavour to assess the efficiency of the revised Banking Ombudsmen Scheme grievance resolving ratio was calculated using the methodology used by (Manpreet, 2014). Looking at the grievance resolving ratio it can be concluded that the revised scheme is very efficient and is on a continuous path of improvement as the grievance resolving ratio has increased from 94% in 2010-11 to 96% in 2014-15. Therefore, the revised scheme has truly empowered the customers in banking industry and is fully able to handle the grievances of the customers.

**Customer Service Initiatives by Reserve Bank of India**

For development of transparent and efficient financial market, empowerment of consumers is a pre-requisite. Transparency and disclosures are two basic parameters which empower the consumers with requisite information and knowledge to take informed decision while availing any financial service or products.

Technological innovation and increased competition for financial services have created a wide array of financial services and products available to consumers coupled with new risks and rewards. This has made it difficult for the consumer to take an informed decision suitable to his/her requirements. In the Indian scenario, asymmetry in information and awareness about
financial products and services between customers and financial institutions acts as a barrier to an effective system of protection of customer rights. A large number of financial consumers end up in making wrong choices while availing of financial services and/or accepting what is thrust upon by the service providers. Under such conditions, the regulator by per force has to step in to take up the mantle of protecting the consumers. As a regulator of the Banking Sector, RBI assigns a lot of importance to consumer education and protection.

The appointment of CCSO as Internal Ombudsman in the long run will ensure that only a minimum number of complaints are escalated to Banking Ombudsman and the role of Banking Ombudsman would be extended to provide valuable inputs for policy formulation.

- **Advertisement campaign on fictitious mails in Print Media**
  In view of increase in number of instances of people receiving emails/SMS/Telephone calls about fictitious offers of money by camouflaging the communication to appear as sent by the Governor, the Top Management or officials of RBI, a joint countrywide awareness campaign with Department of Consumer’s Affairs, Government of India on fictitious offers of money was conducted through print media. Advertisements cautioning members of public about such fictitious offers of money were released in 290 newspapers across the country. From April 1, 2015 banks will have to notify the customer by SMS/email/letter before applying penal charges for non-maintenance of minimum balance in the savings account. Furthermore, penal charges are required to be directly proportional to the extent of shortfall observed and will be levied after one month from the date of notice to a customer.

- **KYC norms simplified further**
  To give wide publicity to KYC’s simplification, the Reserve Bank of India issued a press release and advised banks to promote public awareness about KYC at their branches. Following an amendment to the Prevention of Money Laundering (Maintenance of Records) Rules, 2013, KYC requirements were simplified and streamlined. The list of ‘officially valid documents’ (OVDs) for KYC was clearly enumerated to minimize banks’ discretion in the process. OVDs include passport, driving license, permanent account number (PAN) card, voter’s identity card, job card issued under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) duly signed by an officer of the state government and the letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any document as notified by the central government in consultation with the regulator. Banks were also advised to apply simplified measures for low-risk customers. Banks can now rely on third party due diligence at the time of account opening, provided the third party is regulated, supervised and monitored and has adequate measures in place for compliance with client due diligence.

- **Partial freezing of accounts in case of KYC non-compliance**
  In case of non-compliance of KYC requirements by customers despite repeated reminders by banks, banks should impose ‘partial freezing’ of such accounts in a phased manner. The main objective is to prevent money laundering and financing of terrorism.
However, the account can be revived by submitting KYC documents as per the instructions in force. In case of such KYC non-compliant accounts, banks are advised to give an initial notice of three months to a customer to comply with KYC requirements, and follow this with a reminder for a further period of three months. Thereafter, banks may impose ‘partial freezing’ of the account by allowing all credits and disallowing debits with the freedom to close the account. If the account is still KYC non-compliant after six months of imposing ‘partial freezing’ the banks may disallow all debits and credits from/to the account, rendering it inoperative. However, the customer can always close the account.

- **Digital life certificates for pensioners**
  The government has launched “Jeevan Pramaan”, a digital life certificate based on the Aadhaar biometric authentication, which is aimed at further simplifying the process of submission of life certificates and facilitating accuracy and timeliness in pension disbursements. Agency bank branches will be able to obtain digital information about their pensioner customers through the “Jeevan Pramaan” website and their own CBS framework, or through communication from pensioner customers. Banks have been advised to create adequate awareness about this facility among their pensioner customers.

- **Online Display of Interest Rate Range**
  In order to further enhance transparency in pricing of credit, banks have been advised to display on their websites the interest rate range of contracted loans for the past quarter for different categories of advances granted to individual borrowers, including the mean interest rates, total fees and other applicable charges. Banks will also have to provide a clear, concise, one page key fact statement to all individual borrowers at every stage of the loan processing, and in case of any change in any terms and conditions.

- **Acknowledgement of receipt of life certificates**
  In order to alleviate the hardships faced by pensioners on account of misplacement of life certificates at the bank branches, RBI has advised all agency banks handling Government pension payments to issue a duly signed acknowledgement to the pensioners on receipt of the life certificate submitted in physical form. Banks are also advised to consider entering the same in their CBS immediately on receipt and issue a system based receipt to the pensioner as this would ensure both acknowledgement as well as real-time updating of records.

- **Relaxation in requirement of Additional Factor of Authentication (AFA) for small value card present transactions**
  RBI relaxed the need for Additional Factor Authentication for small value card present transactions using contact-less cards, up to a maximum limit of Rs. 2000/- per transaction. Banks have also been advised to create awareness on the features of the product to its customers including the maximum liability devolving on the customer in case of loss of cards reported to the bank.

- **Dispensing with ‘No Due Certificate’ for lending by banks**
  In order to ensure hassle free credit to all borrowers, especially in rural and semi-urban areas and keeping in view the technological developments and the different ways available with banks to avoid multiple financing, the RBI advised banks to dispense with obtaining ‘No Due Certificate’ from the individual borrowers in rural and semi-urban areas for all types of loans including loans under Government Sponsored Schemes.
irrespective of the amount involved unless the Government Sponsored Scheme itself provides for ‘No Dues Certificate’.

3.0 CRITICAL ANALYSIS OF COMPLAINTS OF BANKING OMBUDSMEN

➢ 3.1: On the basis of about data of BO it has been analyzed that the complaints pertaining to failure to meet commitments, non-observance of fair practices code, BCSBI Codes constituted the major category of complaints received with 29.2% of complaints received. On the basis of about data of BO it has been analyzed that the complaints pertaining to breakdown to meet commitments, non-observance of fair practices code, and lack of bank’s commitment to adhere to agreed terms & conditions are major reasons for these complaints. The banks must have to pay additional consideration to this part in the course of sensitization and training of their staff.

➢ 3.2: On the basis of about data of BO it has been analyzed that the complains related to ATM/Debit Cards comprised 21.2% of the total complaints and was the second largest category of complaints. Out of a total of 18123 ATM/Debit Cards related complaints, this complaints were related to failure of ATM cash withdrawal transactions involving short payment/non-payment of cash. With expansion of customer base and the ATM network, proportion of such complaints is on the rise. These complaints were mainly about issue of unsolicited cards, sale of unsolicited insurance policies and recovery of premium along with card charges, charging of annual fees in spite of being offered as 'free' card, authorization of loans over phone, wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, exorbitant charges, high-handed practices by recovery agents, wrong reporting of credit information by banks.

CONCLUSION:

Banks being the institutions of financial importance in every part of the business environment, the resolution of the complaints relating to their conduct is also an essential attribute of consumer satisfaction. Therefore the ombudsman for dealing with consumer grievances and complaints related to the banks has been appointed by an authority in various nations. The Ombudsman scheme is a boon and a very significant 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. It has been seen that in last 09 years, a good number of complaints is received and resolved by the bank ombudsman at various locations of India. It proved the effectiveness and relevance of BOS as banking grievance Redressal machine in India.

Above said details give a clear picture about nature and growth of banking ombudsman scheme. When we go through table, is shows the willingness of the people to settled the disputes relating to banking through alternative rather than judicial adjudication. But the
success of the ombudsman depends the willing of the parties to settle the dispute through banking ombudsman. If one of the parties is not willing the scheme becomes useless.

On the other hand it has been seen that more than ninety percent complaints are settled down by mutual settlement of the parties concerned. It is a fact that the RBI has done a good job by establishing BOS. However, for the effective implementation of BOS, RBI is required to issue strict guidelines & directions to all banks of India for real time compliance. Strict action should be taken in case of violation of the order or decision BOS in India which help in enhancement of customer satisfaction.

References:

8. Banking Ombudsman Scheme, 2006, source Reserve Bank of India.