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COMPLAINTS MANAGEMENT IN BANKS: AN AID TO CUSTOMER SATISFACTION

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ABSTRACT

Customer satisfaction today is the pre-requisite for the success of any organization providing services to customers. It has become one of the biggest challenges in the service sector today as customers' awareness has increased tremendously. Information technology revolution, coupled with rapid urbanization has created net-savvy customers who demand various products at the press of a button. Banks are no exception to this as they are leveraging on technology and have entered greatly into para-banking activities which have provided them higher fee-based incomes, thereby augmenting their profitability. Public sector banks in India in the last decade have metamorphosed themselves through a phase of technology up-gradation and have migrated to core banking solution (CBS) platform. Complaints management has become a vital issue for banks as proper grievance handling can enhance customer satisfaction and help in retaining customers. Thus, an attempt is made to study the nature of customers' complaints, analyse their causes and suggest remedial measures for the same so that they can be redressed at the earliest, without losing the customers.

KEYWORDS

Customer satisfaction, card related complaints, complaints via e-mail, complaints related to non-adherence, charges without notice.

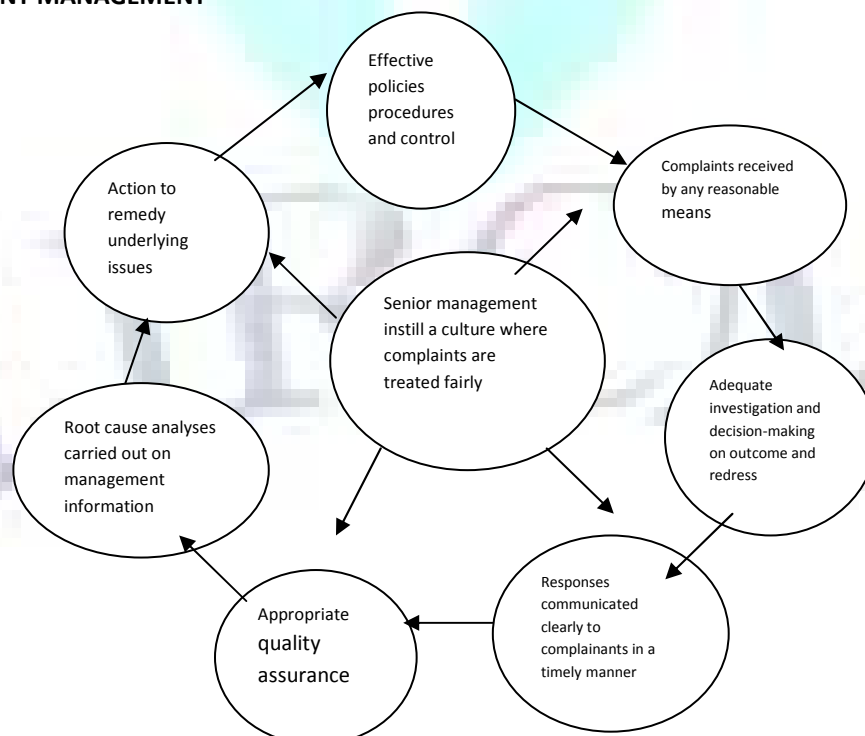
INTRODUCTION

Customer satisfaction today is the pre-requisite for the success of any organization providing services to customers. It has become one of the biggest challenges in the service sector today as customers' awareness has increased tremendously. Information technology revolution, coupled with rapid urbanization has created net-savvy customers who demand various products at the press of a button. Banks are no exception to this as they are leveraging on technology and have entered greatly into para-banking activities which have provided them higher fee-based incomes, thereby augmenting their profitability. Public sector banks in India in the last decade have metamorphosed themselves through a phase of technology up-gradation and have migrated to core banking solution (CBS) platform. It is highly imperative that banks have an effective complaints management system in place as it can go a long way in retaining customers by redressing their grievances timely. Thus, an attempt is made to study the nature of banks' customers' complaints, analyse their causes and suggest remedial measures for the same so that they can be redressed at the earliest, without losing the customers.

MEASURES BY RBI TO ENHANCE CUSTOMER SERVICE

RBI has formulated and issued guidelines on Fair Practices Code for both banks and non-banking finance companies. The Indian Banks' Association has formulated a "Model Code for collection of dues and repossession of security." RBI has set up an exclusive department for ensuring customer services in 2006. The functions of the Customer Service Department include:

- Dissemination of information relating to customer grievance redressal by banks and RBI;
- Overseeing the grievance redressal mechanism in respect of service by various RBI departments;
- Administering the Banking Ombudsman Scheme;
- Acting as a nodal department for the Banking Codes & Standards Board of India (BCSBI)
- Ensuring the redressal of complaints received directly by RBI against other banks;
- Liaison between banks, IBA, BCSBI and RBI's departments on matters related to services and grievance redressal.

ESSENTIALS OF COMPLAINT MANAGEMENT

Source: JeyaKumar, S (2010), "Complaint Management in Banks for Improving Customer Satisfaction," Vinimaya, Vol. XXXI, No.3, Oct-Dec.

COMPLAINT MANAGEMENT SYSTEM IN BANKS

Effective complaint management is vital for banks to satisfy and retain its customers. It consists of:

- *Classification of Customer Complaints* on the basis of nature.
- *Analysis and Trend Reporting*: The complaint data should be analysed regularly to identify trends that occur with front-line delivery.
- *Timely Action*: Management needs to timely measures like updating customer service standards, training the staff etc.
- *Better Complaint Management System*: The information obtained regarding complaints can be effectively used to remove the lacunae in customer service, thereby improving customer satisfaction.

GROUND OF COMPLAINTS OF BANK CUSTOMERS

Some of the common grounds of complaints of bank customers are:

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 banks' 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 RBI directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank; Levying of charges without adequate prior notice to the customer; Non-adherence by the bank or its subsidiaries to the instructions of RBI on ATM/Debit card operations or credit card operations etc

SCENARIO OF COMPLAINTS IN INDIAN BANKS**Receipt of Complaints**

The complaints pertaining to deficiency in service provided by banks, as depicted in Table 1.

TABLE 1 - NUMBER OF COMPLAINTS RECEIVED BY THE BO OFFICES

Period	No. of BO offices	No. of complaints received during the year	Rate of increase (% over previous year)
2006-07	15	38,638	22
2007-08	15	47,887	24
2008-09	15	69,117	44
2009-10	15	79,266	15
2010-11	15	71,274	(-10)

Source: www.rbi.org.in

The number of complaints received has recorded increase of 22% in 2006-07 as new grounds of complaints such as credit card issues, failure in providing the promised facilities, non-adherence to fair practices code and levying of excessive charges without prior notice, etc were included in ambit of the Scheme. Complaints related to internet banking were added as a new ground for complaint which increased awareness among the public about the Banking Ombudsman Scheme (BOS) and online accessibility to BO office through internet contributing to the increase in receipt of complaints of 44% in 2008-09. The number of complaints received in 2009-10 increased by 15% but declined by 10% in 2010-11.

Region-wise Receipt of Complaints

The offices of the Banking Ombudsman received maximum number of complaints from rural and metropolitan areas during the year 2009-10 as a consequence of the awareness efforts undertaken by the Offices of the Banking Ombudsman as well as the RBI Regional Offices through personal/village visits, media campaign etc. The detailed region-wise position of complaints is given in Table 2:

TABLE 2

Region	No of complaints received during 2008-09	No of complaints received during 2009-10	No of complaints received during 2010-11
Rural	13915(20)	25,055 (32%)	7,816(11%)
Semi Urban	9817(14)	10,741(14%)	10,816(15%)
Urban	15,723(23)	16,423 (21%)	21,218(30%)
Metropolitan	29,662(43)	27,047(34%)	31,424(44%)
Total	69,117	79,266 (100%)	71,274

Source: www.rbi.org.in Figures in parentheses indicate the share of complaints of each region in the total complaints

The share of complaints from rural areas decreased from 20% in 2008-09 to 11% in 2010-11, while complaints from the semi-urban areas increased mildly from 14% to 15% during the same period. The share of complaints from urban areas increased from 23% to 30% during the same period, along with a rise from 43% to 44% from 2008-09 to 2010-11 from the metropolitan areas.

Mode-wise Receipt of Complaints

During the years 2007-08, 2008-09 and 2009-10 the complaints received by different modes are depicted in Table 3:

TABLE 3 – MODE-WISE RECEIPT OF COMPLAINTS AT THE BO OFFICES

Mode	No. of Complaints received during 2008-09		No. of Complaints received during 2009-10		No. of Complaints received during 2010-11	
	No.	%	No.	%	No.	%
Email	15,927	23%	9221	12%	9,736	14%
On line	9352	14%	11,400	14%	9,265	13%
Letter, post-card, Fax, etc.	43,838	63%	58,645	74%	52,273	73%
Total	69,117	100	79,266	100	71,274	100

Source: www.rbi.org.in Figures in parentheses indicate the share of complaints of each mode in the total complaints

During the period 2008-09 to 2010-11, the share of complaints received has been maximum through Letters, post-card, Fax, etc and has risen from 63% to 73%. This is due to the fact that 32% of complaints have been received from rural areas and 14% of complaints have been received from semi-urban areas (as per Table 2) and urbanites are more techno-savvy as compared to ruralites who do not have access to internet. Complaints via E-mail have declined from 23% to 14% from 2008-09 to 2010-11 along with online complaints, which decreased slightly from 14% to 13% during the same period.

Bank Group-wise Analysis Receipt of Complaints

The complaints received by BO offices against different bank groups are indicated in Table 4:

TABLE 4

Bank group	2006-07	2007-08	2008-09	2009-10	2010-11
Nationalized Banks	10543 (30%)	12033 (26%)	14974 (22%)	19092 (25%)	20,417 29%
SBI Group	11,117 (33%)	13,532 (29%)	18,167 (27%)	22,832 (30%)	22,307 31%
Private Sector Banks	9,036 (23%)	14,077 (29%)	21,982 (32%)	22,553 (29%)	17,122 24%
Foreign Banks	3,803 (11%)	6,126 (13%)	11,700 (17%)	11,450 (15%)	7,081 10%
Scheduled Primary Co-op. Banks and RRBs	849 (3%)	1121 (3%)	1148 (2%)	968 (1%)	1,130 (2%)
Total	35,348 (100%)	46,889 (100%)	67,971 (100%)	76,895 (100%)	

Source: www.rbi.org.in. Figures in parentheses indicate the share of complaints of each bank group in the total complaints

During the period from 2005-06 to 2010-11, the share of complaints has declined for Nationalised banks, i.e. from 30% to 29%, for SBI Group, from 33% to 31%, from 11% to 10% for Foreign Banks, while it increased for Private Sector Banks, from 23% to 24%, which is alarming. Regional Rural Banks and Scheduled Cooperative Banks recorded a reduction in complaints, from 3% to 2% during the said period. On the whole, in 2010-11, the largest share of complaints has been for SBI Group, i.e. 31%, followed by Nationalised banks, i.e. 29%, Private Sector Banks, i.e. 24%, Foreign Banks, i.e. 10% and Regional Rural Banks, i.e. 2%. This clearly indicates that Public Sector Banks need to pay more attention towards the quality of customer services to remain competitive.

Nature of Complaints Handled

The grounds of complaints have been enumerated in Clause 8 of the Banking Ombudsman Scheme 2006. Table 5 gives the broad category-wise complaints received during the last three years:-

TABLE 5 - CATEGORY-WISE RECEIPT OF COMPLAINTS

NATURE OF COMPLAINTS	COMPLAINTS RECEIVED DURING (%age to aggregate complaints)				
	2008-09	2009-10	2010-11	2009-10	2010-11
Deposit accounts	6,706	3,681	1727	4.7	2
Remittances	5,335	5,708	4216	7.2	6
Credit cards	17,648	18,810	17,116	23.7	24.0
Loans and advances -	8,174	6,612	4,564	8.3	6.0
Charges without notice	4,794	4,764	4,149	6.0	6.0
Pension	2,916	4,831	5,927	6.1	8.0
Failure to meet commitments	11,824	11,569	2,962	14.6	4.0
DSAs and recovery agents	3,018	1,609	1,722	2.0	2.0
Notes and coins	113	158	146	0.2	0.2
Others	8,589	18,840	20,451	23.8	29.0
Out of Subject	-	2,684	8,204	3.4	11.0
Total	47,887	69,117	79,266	100.00	100.00
Deposit accounts	6,706	3,681	1727	4.7	8.0
Remittances	5,335	5,708	4216	7.2	4.0

Source: www.rbi.org.in Figures in parentheses indicate the share of complaints of each category in the total complaints

Among the various types of complaints received by Banking Ombudsmen, the largest share of complaints has been received in respect of other complaints, i.e. 29.0% in 2010-11, comprising of non-adherence to prescribed working hours, refusal to accept or delay in accepting payments towards taxes as required by RBI/ Government of India, refusal to accept/delay in issuing or failure to service or delay in servicing or redemption of Government securities, refusal to close or delay in closing of accounts, etc. The second major type of complaint has been received in relation to Credit cards, i.e. 24.0% in 2010-11, which was 23.7% in 2009-10. Card-related complaints consists of items like issuance of unsolicited credit cards and unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free' card and issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, abusive calls, excessive charges, wrong debits to account, non dispensation of money from ATM, etc. The third major source of complaints has been received in respect of Pension, which have increased from 6.1% in 2009-10 to 8.0% in 2010-11. The next important cause of complaints has been due to failure to meet commitments made, consisting of non-adherence to fair practices code as adopted by the bank, failure to provide or delay in providing banking facilities other than loans and advances etc., which declined tremendously from 14.6% in 2009-10 to 4.0% in 2010-11. Complaints related to loans and advances declined from 8.3% to 6.0% during the same period. Complaints related to Remittances decreased marginally from 7.2% in 2008-09 to 6% in 2009-10. Charges without notice have been the bone of contention between banks and customers, their share declining from 6.9% to 6.0% during the same period. Grievances related to Pension, however increased from 4.2% in 2008-09 to 6.1% in 2009-10. Complaints related to Coins and Notes have been constant at .2% during the same period.

CONCLUSIONS & SUGGESTIONS

There has been increase in the receipt of complaints received through the postal mode as compared to on-line complaints and complaints via email, indicating the technology-savvy nature of the urbanites residing in urban and metropolitan areas. Among the various bank groups, the Nationalised Banks and SBI Group need to hone up their customer management skills as they have received the highest number of complaints. The Foreign Banks have been most efficient in providing customer services as they have received the least number of complaints—a lesson to be learnt by all other bank groups. Complaints pertaining to non-adherence to prescribed working hours, refusal to accept payments towards taxes as required by RBI etc have been the major bone of contention between banks and customers. These complaints are of very basic nature and should be redressed at the branch level instead of being taken up to the offices of the BOs. Complaint related to credit cards has also been a major contributor to the complaints, due to the difficulty in accessing the credit card issuers and the poor response from the call centres. Pension related grievance need to be tackled with care and sensitivity.

Banks face certain challenges relating to providing IT related infrastructure in the branches, hence, they need to resolve the software and hardware issues causing hurdles in providing hassle-free customer service at the branches. Certain loopholes need to be plugged, viz. system failures, connectivity, backup support, data mining, unauthorized access, data integrity etc. Enabling the customers to use technology based products and services so as to make a transition from manual mode to technology modes can be instrumental in reducing complaints and enhancing customer satisfaction.

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