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CUSTOMER EXPERIENCE AND GRIEVANCE REDRESSAL MECHANISM IN BANKING SERVICES: A STUDY IN TRICHY DISTRICT

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Abstract

The Banking Ombudsman is a quasi-judicial body that was created in 2006 to expedite the handling of consumer complaints about banking services. It was based on a system that was first implemented in 1995 and updated in 2002. This research investigates customer experiences and the effectiveness of grievance redressal mechanisms in banking services in the Trichy District, emphasizing the role of the Banking Ombudsman in enhancing service quality. Despite increased financial inclusion in India, many customers remain unaware of their rights and the available grievance redressal processes, negatively impacting their banking experiences. The study analyzes primary data from a structured questionnaire administered to 52 urban respondents and secondary data from RBI reports and academic literature. The objective of this study is to assess customer experiences and the effectiveness of grievance redressal mechanisms in banking services within the Trichy district, aiming to identify areas for improving service quality and resolving customer issues effectively.

Keywords: Banking Ombudsman, RBI Report, Grievance Redressal, Customer Awareness.

Introduction

A quasi-judicial body known as the Banking Ombudsman was created in 2006 in response to the Government of India's intention to establish a more efficient procedure for handling consumer complaints about banking services. The program was first implemented in 1995 and updated in 2002 with the goal of giving consumers a dependable way to file complaints and improving the general standard of banking services. The present Banking Ombudsman Scheme, which went into effect on January 1, 2006, is still operating according to the rules set forth until July 1, 2017.

With over 36,000 cases resolved

between 2002 and 2006, the Banking Ombudsman has successfully managed a significant amount of complaints since its establishment. There are 22 regional offices around India, including recently opened ones in Jammu, Raipur, Mumbai-II, and other places to better service clients.

Customers can file a variety of grievances with the Banking Ombudsman, including:

- Inadequate or delayed check, draft, and bill processing.
- In addition to unfair fees, tiny value coins or notes are not accepted for any reason.
- Problems pertaining to inward transfers.
- Hold-ups in issuing banker's checks, pay

- orders, or drafts.
- A disregard for banking hours.
- Not keeping promises made in relation to letters of credit.
- The inability to deliver the financial services (loans excluded) that were promised.
- Prolonged crediting of revenues and disregard for RBI interest rate regulations.
- Prolonged processing of export earnings.
- Refusal to open deposit accounts without cause.
- Charging clients without informing them in advance.
- Failure to abide by RBI rules on the use of cards and ATMs.
- Bank activities that result in pension payments being delayed or not made at all.
- Refusing to accept taxes as

Statement of the Problem

Despite significant efforts by the Reserve Bank of India (RBI) and the Government of India to increase financial inclusion, resulting in a substantial rise in the number of bank accounts, many educated individuals remain unaware of the issues they face within the banking system. While most people now have bank accounts, they often encounter various challenges without realizing that these issues can be resolved at little to no cost, often from the comfort of their homes. This lack of awareness about the available grievance redressal mechanisms hinders customers from effectively addressing their concerns, ultimately impacting their overall banking experience.

Objectives

- ❖ To understand the demographic profiles of bank customers for effective service tailoring.
- ❖ To analyze customer usage patterns of banking services to identify trends and preferences.
- ❖ To assess customer awareness of the banking ombudsman for improving dispute resolution processes.
- ❖ To identify common challenges faced by customers to enhance service accessibility.
- ❖ To evaluate customer redressal approaches and the success rate of solutions received.

Review of Literature

Rupani, R., & Ali, S. (2022) highlight that customer satisfaction is vital for building trust in the banking sector and enhancing

financial inclusion. The Banking Ombudsman Scheme, introduced in 1995 and amended in 2002, addresses complaints about specific banking services. This descriptive study analyzes secondary data from the RBI's "Annual Report" (2015-16 to 2019-20) using percentages for evaluation. The Ombudsman scheme is essential for resolving public complaints, with consumer satisfaction largely depending on the speed of complaint resolution. Increasing banking transactions are driven by new payment methods and services. The RBI should enhance the capabilities of Ombudsman offices, which have begun customer awareness campaigns, particularly in rural areas.

P. Suganya and R. Eswaran (2015) in their article "Banking and Bank Ombudsman: Requirement, Changes, Complaint Analysis, and the Way Forward" discuss whether complaints can be filed with the Banking Ombudsman in India. They affirm that the Banking Ombudsman, established by the RBI, handles banking-related complaints. The authors illustrate this with a scenario where a customer's attempt to withdraw Rs. 500 from an ATM fails, yet their account is debited. Despite repeated complaints, the bank delays the refund for months, leading to frustration. They highlight that customers can receive compensation such as Rs. 16,200 for banks not adhering to RBI rules, illustrating the Ombudsman's power and the types of complaints received.

Research Methodology

This study employs both primary and secondary data to investigate customer experiences and grievance redressal mechanisms in banking services in the Trichy district. Primary data were collected from 52 respondents residing in urban areas through a structured questionnaire, focusing on their banking experiences and awareness of grievance redressal mechanisms. Secondary data were gathered from reputable sources, including websites, RBI publications, and relevant research articles, to provide contextual insights. The collected data were analysed using the simple percentage tool and draw meaningful conclusions about customer experiences and grievance resolution in the banking sector.

Limitations of the Study

- The results and findings are based on a limited sample of respondents residing in

- the urban areas of the Trichy district.
- There is a potential for respondent bias, which may affect the accuracy of the opinions collected.
 - The study's small sample size may limit the generalizability of the findings to a broader population.

Scope of the Study

This study explores customer experiences and the grievance redressal mechanisms in banking services within the Trichy district. It investigates various factors, including geographic and age profiles, the difficulties encountered when accessing banking services. It also measure the overall customer satisfaction on banking services. By covering these aspects, the research aims to provide valuable insights into the current state of customer experiences in the banking sector.

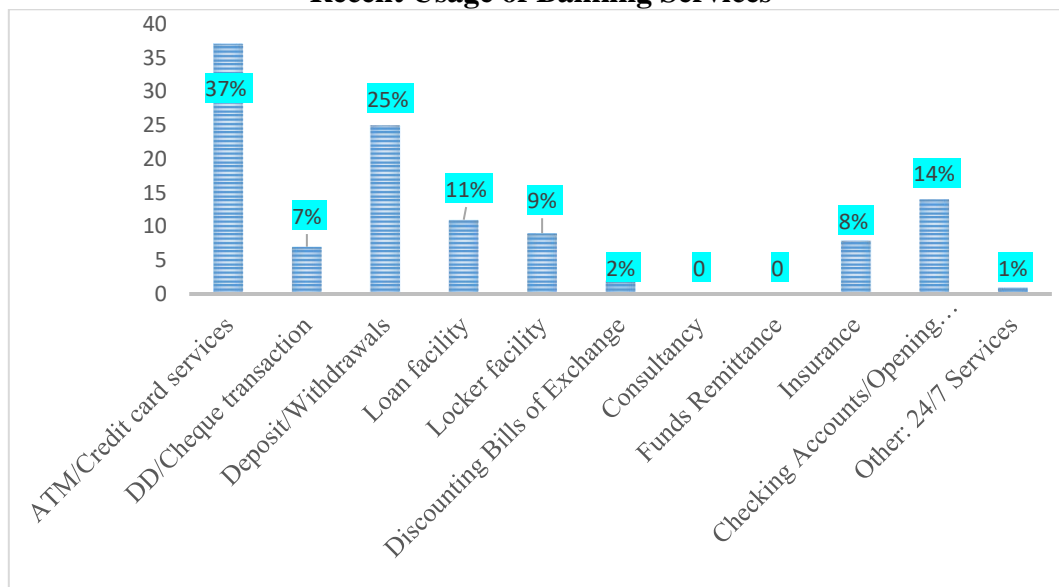
Analysis and Interpretation

Demographic Profiles

Particulars	
Gender	%
Male	37%
Female	63%
Age	
21-30	79%

31-40	10%
41-50	10%
Above 50	1%
Occupation	
Self-employed	54%
Private Sector	34%
Public Sector	6%
Govt. employee	6%
Self-employed	54%
Location	
Rural	19%
Urban	44%
Semi-Urban	8%
City	29%
Educational Qualification	
Below SSLC	15
Higher Secondary	8%
Degree	46%
PG	31%
Income (Per Month)	
Below 30,000	67%
31,000-40,000	19%
41,000-50,000	8%
Above 50,000	6%

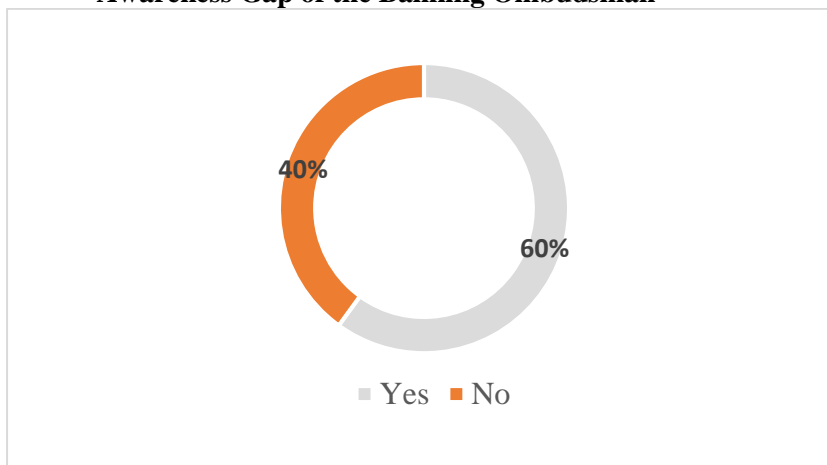
Recent Usage of Banking Services



The above picture shows that **ATM/Credit Card** and **Deposits/Withdrawals** are the most frequently used banking services, highlighting their daily importance. **Loan** and **Locker Facilities** see moderate use, while **Consultancy**, **Funds Remittance**, and

Insurance have minimal engagement, possibly due to lower demand or awareness. Banks could enhance ATM and deposit services for better user satisfaction and promote lesser-known services to broaden customer engagement.

Awareness Gap of the Banking Ombudsman



The diagram shows that 40% of the population is unaware of the banking ombudsman, revealing a significant knowledge gap. This highlights the need for targeted outreach campaigns to educate consumers about their rights and dispute resolution options in banking. With 60% already aware, it's clear that enhancing awareness is crucial for empowering consumers and ensuring they can effectively address grievances. Addressing this gap can lead to better communication strategies and improved financial literacy within the community.

Challenges Faced by Bank Customers

The analysis indicates that all bank customers encounter challenges when accessing banking services, reflecting a substantial concern regarding customer experience. This underscores the necessity for banks to identify and address the root causes of these challenges to enhance overall customer satisfaction and improve service accessibility.

Source : Primary Data

Kinds of problem

Kinds of Problems	Percentage
Credit/Debit card handling	39.5
Refusal to open deposit accounts without any valid reason for refusal	7
Levying of charges without adequate prior notice to the customers	2.3
Account debited but cash not dispensed by ATM	23.3
Account debited More than once for one withdrawal in ATMs.	18.6
Less/Excess amount of cash dispensed by ATMs.	9.3

Charging of annual fees on cards issued free for life.	4.7
Wrong Billing/Wrong Debits	4.7
Delay or failure to effort online payment/fund transfer	11.6
Unauthorised electronic payments/Fund transfer.	0
Refusal to close or delay in closing the account	7
Non acceptance of application for loans without furnishing valid reasons to the Applicants	0
Others : Bank mobile app related	2.3

The data reveals several key problems encountered by customers in banking.

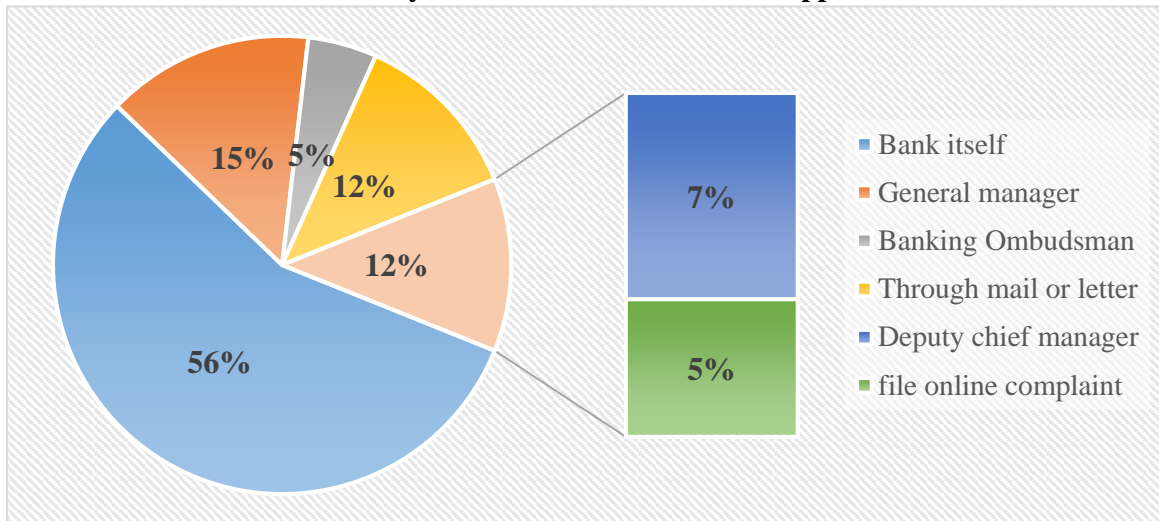
- Card Handling Issues:** The most prevalent issue, at **39.5%**, underscores the need for better customer service and card management.
- ATM Complaints:** Significant concerns include **23.3%** experiencing account debits without cash dispensed and **18.6%** facing multiple debits for a single withdrawal, indicating operational inefficiencies.
- Communication Gaps:** Issues like refusal to open accounts without valid reasons (**7%**) and charging fees without notice (**2.3%**) point to a lack of transparency.
- Minor Issues:** Problems such as wrong billing and unexpected fees (**4.7% each**) can negatively impact customer trust.
- Security Confidence:** The **0%** reporting of unauthorized payments suggests a general perception of security in electronic transactions.

Overall, banks should focus on improving card handling, enhancing ATM operations, and fostering better

communication to address prevalent customer

complaints effectively.

Issues Faced by Bank Customers and Their Approaches



The above picture reveals how customers seek resolution for banking issues:

- **Direct Bank Approach:** 56% of respondents approach the bank directly, indicating reliance on frontline customer service.
- **Escalation to Management:** 15% escalate concerns to the general manager, reflecting the need for higher-level intervention.
- **Limited Ombudsman Use:** Only 5% contact the banking ombudsman, suggesting low awareness or trust in this option.
- **Written Communication:** 12% write letters or send emails to higher officials, showing a preference for formal documentation.
- **Further Escalation:** The remaining 12% includes 7% approaching the deputy chief manager and 5% filing online complaints.

Overall, while many customers prefer direct communication with banks, there is a gap in awareness of formal complaint mechanisms. Enhancing customer service and promoting these channels could improve satisfaction and trust.

Is Customers Received Solutions to Their Banking Issues?

The data reveals that 69% of respondents received solutions to their banking issues from the concerned authority, indicating a relatively high resolution rate and customer satisfaction with the process. However, 31% of respondents have not yet received solutions, pointing to a significant portion of customers

still facing unresolved problems. This underscores the need for banks to enhance their complaint handling processes to ensure timely and effective resolutions for all customers

Customer Satisfaction with Overall Banking Services

The data shows that 59% of customers are satisfied with their banking services, indicating a generally positive perception. However, 15% reported moderate satisfaction, while only 16% expressed high satisfaction. Additionally, 10% of respondents were not satisfied, highlighting areas for improvement. This underscores the need for banks to enhance service quality to better meet customer expectations and increase overall satisfaction.

Conclusion

The study highlights significant findings regarding customer experiences with grievance redressal mechanisms in the banking services sector in the Trichy district. Key conclusions include:

- **Awareness and Engagement:** A substantial portion of customers remains unaware of their rights and the Banking Ombudsman, with 40% lacking knowledge of the complaint resolution mechanism. This indicates a crucial need for banks to improve customer education and outreach initiatives to empower clients to resolve grievances effectively.
- **Preference for Direct Interaction:** The majority of customers (56%) prefer to approach their banks directly for problem resolution, reflecting a trust in the internal

mechanisms of banks. However, the low engagement with the Banking Ombudsman (only 5%) suggests that customers may not fully understand the external complaint channels available to them.

- **Challenges in Service Delivery:** The research identifies significant challenges faced by customers, such as issues with card handling and ATM operations. These operational inefficiencies highlight the need for banks to enhance service delivery and communication regarding policies and procedures.
- **Resolution Rates and Satisfaction Levels:** While 69% of respondents reported receiving solutions to their problems, the 32% who did not underscores the need for banks to enhance their grievance handling processes. Overall customer satisfaction is relatively positive (59%), but there are clear areas requiring improvement to elevate service quality and meet customer expectations.
- **Diverse Approaches to Grievance Resolution:** Customers utilize various channels to address their grievances, with 15% escalating issues to management and others utilizing written communication. This suggests that banks must ensure a cohesive and effective grievance redressal framework that accommodates different customer preferences.

Recommendations

To enhance customer experience and improve the grievance redressal mechanism in banking services, the following recommendations are proposed:

- **Awareness Campaigns:** Implement targeted educational campaigns to inform customers about their rights and the available grievance redressal mechanisms, particularly the Banking Ombudsman.
- **Operational Improvements:** Focus on

streamlining ATM operations and card management to reduce customer complaints and improve overall service efficiency.

- **Strengthening Customer Feedback Loops:** Establish robust systems for collecting and analyzing customer feedback on service quality and complaint handling, ensuring that banks can respond to issues promptly.
- **Enhancing Complaint Handling Processes:** Develop clear guidelines and timelines for resolving complaints to improve customer trust and satisfaction.

By addressing these areas, banks in the Trichy district can significantly improve customer experiences and ensure effective grievance redressal, ultimately fostering greater customer loyalty and satisfaction in the banking sector.

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