

REDRESSAL SYSTEM FOR ONLINE BANKING GRIEVANCES IN INDIA

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Abstract

In the modern era, electronic banking model advancement have developed a novel process to practise the banking transactions through online banking channels. Online Banking provides an Internet portal which helps the customers to get easy accessibility to wide spectrum of services availed by banks spreading from payment of bills to making investments. Online banking leads to quick access, service delight and customer satisfaction. The RBI and Government of India have been continuously putting emphasis on promotion of Internet banking and improving the service quality. But in the changing Global era banking sector is facing high competition and intense customer service pressure. There are numbers of complaints received by banks every year and at the end of the year many of them remain unsolved, that shows inefficacy in redressal system of customer grievances. Thus, banks are keeping these in consideration taking necessary steps to provide better quality customer service and customer protection in terms of Customer Grievances Redressal System (CGRS) in banks for customer's welfare. This paper attempts to study the problems relating to online banking. The aim of present paper is to pinpoint the grievances received by banking sector regarding online banking and how many of them are entertained, for which data relating to past ten years i.e. from 2009-10 to 2018-19 are analysed. The redressal system for dealing with such grievances are also studied through this paper. This present study is based upon secondary data and various Annual Reports of RBI, Banks Ombudsman Annual Reports are used as sources of data. This research is helpful for analysing the hassles in the field of mobile and electronic banking and redressal process to resolve them.

Key Words: Online, Banking, Customer, Grievances, Redressal, Service

INTRODUCTION:

Now we are in 21st Century, everything has been digitalized and people are technology savvy. The technological revolution has changed the scenario of every field. The advent of Internet has transformed the fundamentals of society, so the shape of communication as well transaction process has also been changing. Banking industry is a leading business industry in the development. Banking eliminates physical and geographical boundaries through use internet and attracts customers all over the world. All vital sources of information are available in the fingertips and innovative retail banking system named as 'Online Banking'. It enables the users to connect with service-based computer systems customised to their exact needs. The rapid and significant growth of electronic commerce (E-Commerce) resulting to the advancement of electronic banking and payment in tandem with e-commerce. Online Banking is otherwise called as Internet Banking or Web banking, because it is an electronic payment structure which facilitates the customers of a bank or other financial institution to

handle a spectrum of financial transactions via financial institution's website. Typically, the core banking system operated by a bank connected with the online banking system and is in divergence to branch banking which was conventional method customers accessed banking service. Internet Banking offers ease and convenience of transacting in a comfortable environment rather than standing in a queue, which we can say banking at our fingertips. Thus, we can say Banks in India are exhibiting a progressive change from 'conventional banking to convenience banking'. All major banks provide e-banking services to their customers in terms of Automated Teller Machine (ATMs), Mobile Banking, Smart Cards, Electronic Funds Transfer (EFT), Electronic Clearing Services (ECS) etc. Online Banking provides various facilities like bill payment anytime anywhere, checking of account statement, fund transfer, order of cheque book, recharge of mobile/ TV and a lot more financial and non-financial services. The novelty banking sector in terms of evolution of E-Channel eliminates the personal interaction with the customers which was in Conventional Banking, the customer relationship marketing was used as a core apparatus for function of banks. In modern era, banks are losing personal interaction with customers and they are informed about any advancements through e-mail, which is reducing customer's loyalty and continuity in banking.

OBJECTIVES OF THE STUDY:

- To point out problems faced by online banking.
- To identify number of grievances received by scheduled commercial banks.
- To analyse the redressal systems adopted by banking sector.

REVIEW OF LITERATURE:

Mukherjee Avinandan (2003)¹, "A model of trust in online relationship banking" examined that trust, communication, shared value are the key determinants of consumers' relationship commitment. Online banking should safeguard propaganda of authentic information to the customers so that the users will not make any negative illustration in their minds.

TeroPikkarainen et al. (2004)², "Consumer acceptance of online banking: an extension of the technology acceptance model" examined about main factors influencing online banking acceptance and found that anticipated usefulness and robust information on online banking over the websites are the compelling factors.

Sylvie Laforet, Xiaoyan Li (2005)³, "Consumer's attitude towards online and mobile banking in China" observed that the issue of security is major factor which motivated Chinese to adopt online banking. But the risk consciousness, computer and technological skills, cash carry culture are the major hinderances for online banking. So, awareness should be created among Chinese and make them understand about the benefits of mobile banking.

Nripendra P. Rana (2013)⁴, "Examining factors affecting adaptation of online public grievances redressal system: A case of India" studied the factors affecting adaptation of Online Public Grievance Redressal System (OPGRS) and the model developed on the basis of Unified Theory of Acceptance and Use of Technology (UTAUT) builds performance expectancy, effort expectancy, self-efficacy and behavioural intention.

Dr. Charu Saxena et al. (2016)⁵, "A study on measuring consumer grievance redressal service quality in banks in India: A banker's perspective" observed that a bank's success depends upon customers satisfaction and it can be achieved by availing maximal facilities in their services along with grievances redressal service.

RESEARCH METHODOLOGY:

This paper is studied on the basis of secondary data, for which various annual reports of bank ombudsman are taken as sources. The data of last ten years i.e. 2009-10 to 2018-19 are taken for the study.

GRIEVANCES REGARDING ONLINE BANKING:

Every year banks receive various grievances regarding different issues, from which online banking issue is one of the major issues. Around 24 percent of complaints received by the Banks are about plastic money. The issues and challenges in the online banking are:

- Security and fraud instances due to cyber criminals.
- Privacy risk and fear of identity theft.
- Transaction difficulty due to time consuming transactions.
- Technical issues etc.

Grounds of Complaints to Banking Ombudsman in Digital Transactions: –

For allegation regarding deficiency in service with respect to digital transactions, complaints can be filed by any person having jurisdiction on any one of the following grounds:

A. Prepaid Payment Instruments: –

Violation of either of the following directions of RBI by system participants:

- I. Failing to credit merchant's account within plausible period.
- II. Failure in loading funds in wallets / cards within warranted time.
- III. Illegitimate electronic fund transfer.
- IV. Non-Transfer / Refusal to transfer/ failure to transfer the balance in the prepaid payment instruments to the holder's own bank account, expiry of validity period etc of the Prepaid Payment Instrument within a reasonable time period.
- V. Non-remittance of funds within a stipulated period / refuse to refund, in case of unsuccessful/ returned/ rejected/ cancelled transactions.
- VI. Failure to credit/ delay in time to time crediting the account of the Prepaid Payment Instrument holder according to terms and conditions of promotion offer, if any.
- VII. Not adhering to any other instructions of RBI regarding prepaid payment instrument.

B. Mobile/ Electronic fund Transfers: -

Non-adhere to either of the following directions of RBI by system participants:

- I. Negligence in accomplishing online payment/ fund transfer within stipulated time period.
- II. Unauthorised electronic fund transmission.
- III. Failure in performing stop-payment instructions within reasonable time.
- IV. Failure to refund the amount debited from customer's account in case of unsuccessful payment transactions within the warranted period.

C. Mobile Payment App: –

Non-compliant to the guidelines of RBI system provider to system participants in respect of payment transactions through Unified Payment Interface (UPI)/ Bharat Bill Payment System (BBPS)/ Bharat Interface for Money (BHIM)/ Bharat QR Code/ UPI QR Code on the following areas:

- a) Failure to credit the funds to the recipient's account.
- b) Non-recovery of the amount to the originating within a proper time frame, in case of failure in crediting the funds to the recipient's account.
- c) Delay in refund/ non-refund of money back to account encase unsuccessful transaction or declined transaction.

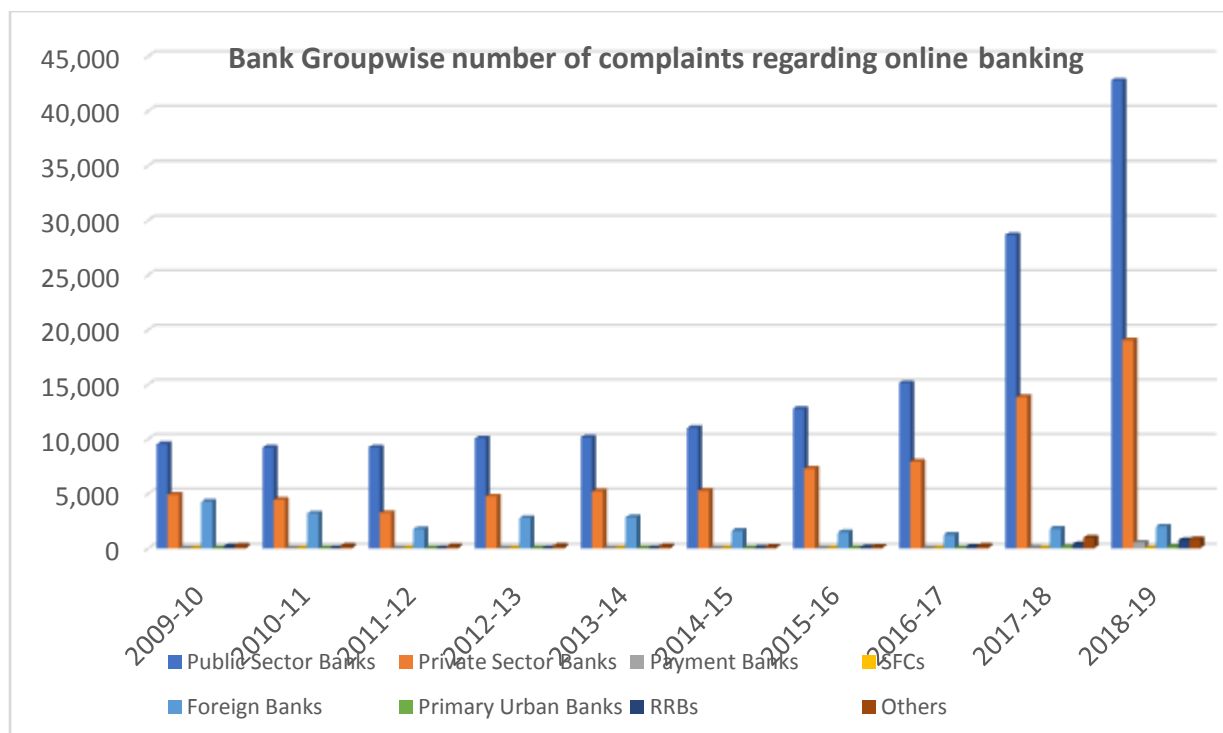
- D.** Failure to reverse/ Non-reversal of funds in a prescribed time, which have mistakenly transferred to the beneficiary's account because of decline at the end of System Participant.
- E.** Violation of any other directives promulgated by RBI with respect to digital transactions inclusive of fees/ charges.

Table 1: Bank Groupwise number of complaints regarding online banking

Year	Public Sector Banks	Private Sector Banks	Payment Banks	SFCs	Foreign Banks	Primary Urban Banks	RRBs	Others
2009-10	9,550	4918	-	-	4258	10	181	265
2010-11	9,217	4458	-	-	3196	17	29	245
2011-12	9,221	3245	-	-	1771	11	24	220
2012-13	10,067	4756	-	-	2789	9	19	227
2013-14	10,147	5220	-	-	2837	20	28	222
2014-15	11,016	5268	-	-	1603	23	78	135
2015-16	12,758	7296	-	-	1464	39	108	157
2016-17	15,104	7937	-	-	1237	40	179	234
2017-18	28,641	13834	56	6	1803	124	383	960
2018-19	42,768	19,032	545	39	2,008	136	746	866

Source: Bank Ombudsman Annual Report (2009-10 to 2018-19)

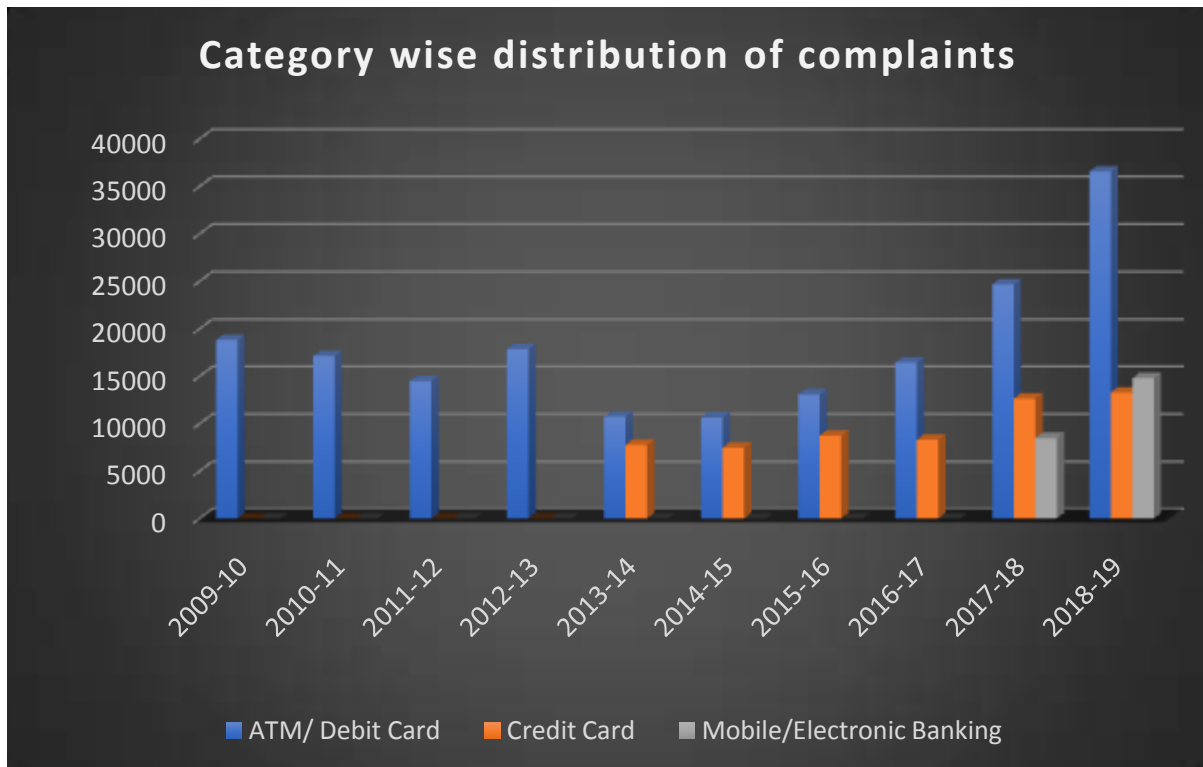
The above table shows that the number of complaints is more in case of public sector banks. The number of complaints were 9550 in 2009-10, whereas it is increased to 42,768 in 2018-19. Public sector banks are followed by private sector banks in terms of receiving the highest number of complaints. Small Financial Corporations (SFCs) and Payment Banks have the recent origin. But, the number of complaints is more in Payment Banks as compared to SFCs. The number of complaints of Payment Banks increased to 545 from 56 within a year. In case of foreign banks, the highest number of grievances received in the year 2009-10 i.e. 4258. However, in case of Regional Rural Banks (RRBs) the number of complaints decreased by 84 percent in 2010-11 but again increased by 47 percent in 2013-14 from 2012-13 and the increment continued. Likewise, in urban banks the numbers of complaints are increased from 10 to 136 in ten years.

**Table 2: Category wise distribution of complaints**

Year	ATM/ Debit Card	Credit Card	Mobile/Electronic Banking
2009-10	18,810 (24%)	-	-
2010-11	17116 (24%)	-	-
2011-12	14492 (21%)	-	-
2012-13	17867 (25%)	-	-
2013-14	10714 (14%)	7760 (10%)	-
2014-15	10651 (12.5%)	7472 (8.70%)	-
2015-16	13081 (12.70%)	8740 (8.50%)	-
2016-17	16434 (12.55%)	8297 (6.33%)	-
2017-18	24672 (15.08%)	12647 (7.73%)	8487 (5.19%)
2018-19	36539 (18.65%)	13274 (6.78%)	14794 (7.55%)

Source: Bank Ombudsman Annual Report (2009-10 to 2018-19)

The grievances regarding ATM is more as compared to other digital transaction issues. The percentage of ATM related issues out of total grievances is highest in 2012-13 i.e. 25 percent, but the numbers of complaints are more in 2018-19. Recently the mobile banking apps are developed and people are using the mobile banking. The number of complaints is increased by 74 percent within one year.



REDRESSAL OF COMPLAINTS:

Banks assure the customers to provide best of their services at all times, so the banks have widened their complaints redressal mechanism. The grievances redressal policies have been drafted by taking into consideration:

- Customers should always be served unprejudicial.
- The complaints produced by the customers are dealt with generosity and promptly.
- Complete information should be provided to the customers regarding the avenues to raise their complaints within the bank and in case of dissatisfaction with the response of the bank their rights to alternative solution.
- Efficient and effective proceedings of all grievances.
- Employees of the bank work in bona fides and unprejudiced to the customers interest.

Modes of Redressal of Grievances -

To make the redressal mechanism more substantial and potent a deliberate system has been framed. The system should assure that redressal is made under a given framework of rules and regulations. Hence, the redressal of grievances regarding online banking follows certain procedures:-

➤ **Branch Level –**

- A customer can lodge complaints on debit and credit cards, Internet Banking, mobile/ electronic fund transfer, ATM related issues in the complaint register at branch or through telephonic channel, because every bank has a grievances redressal cell. If not available the customer service desk, the customer can fill it up online on bank's website.
- The customer can meet the Branch Manager of the concerned branch explaining the details concerned.
- In case of the customer is dissatisfied with the above level, then he can appeal to Principal Nodal Officer. Banks have a nodal officer for complaint redressal.

- **Internal Banking Ombudsman** - If the resolution provided at the branch level does not meet the expectation, then the customer can approach to the internal banking ombudsman designated as Chief Customer Service Officer (CCSO) through email or fax, courier, post or by hand.
 - The internal ombudsman will entertain the complaint if it is under its purview i.e. maintainable and attempts to settle that between customer and bank. But if that does not ensue within 30 days, then the ombudsman will pass an award after being heard to both parties. Then, one can escalate the case to banking ombudsman.
- **Banking Ombudsman Scheme**—In case the grievance is not settled at that level within 30 days, the customer can approach the Banking Ombudsman within the concerned territorial jurisdiction. Banking Ombudsman is governed through the evidence provided by both the parties, BCSBI Code, the principles of banking law and practice, directives and protocols issued by RBI from time to time and other determinants which, in his viewpoint, are essential to resolve the complaint.
- **Appellate Authority** - When a customer is not satisfied with the decision of ombudsman, then he can appeal to an appellate authority within 45 days. The appellate authority is vested with the RBI Deputy governor.
- **Consumer Court** - After appeal before RBI Deputy governor, the customer can appeal to the consumer forum regarding any unresolved matter within the jurisdiction. Depending on the amount of financial damage, the customer can file a complaint before a District Consumer Redressal Forum, a State Consumer Disputes Redressal Commission, or the National Consumer Disputes Redressal Commission for which a fee is charged depending on the amount of dispute.

Table: 3 Disposal of Complaints by Banking Ombudsman

Year	Number of Complaints					
	Received during the year	B/F from previous year	Handled during the year	Disposed during the year	Rate of Disposal (%)	C/F to the next year
2009-10	88,699	9,433	98,132	83,336	94%	5,363
2010-11	71,274	5,364	76,638	72,020	94%	4618
2011-12	72,889	4,618	77,507	72,865	94%	4642
2012-13	70,541	4,642	75,183	69,704	93%	5479
2013-14	76,573	5,479	82,052	78,745	96%	3307
2014-15	85,131	3,307	88,438	84,660	96%	3778
2015-16	1,02,894	3,778	1,06,672	1,01,148	95%	5524
2016-17	1,30,987	5,524	1,36,511	1,25,296	91.78%	11,215
2017-18	1,63,590	11,215	1,74,805	1,68,623	96.46%	6,182
2018-19	1,95,901	6,182	2,02,083	1,90,014	94.03%	12,069

Source: Banking Ombudsman Annual Reports (2009-10 to 2018-19)

From the above table, we can analyse that the number of complaints is increasing from year to year and the rates of disposal of complaints are average in last ten years. But the rate disposal of complaints is highest in the year 2017-18 i.e. 96.46 percent. In the year 2017-18 highest number of complaints was brought forward from previous year. However, it is decreased by 45 percent in the subsequent year. Number of complaints carry forward to next year is least in 2013-14, whereas highest in 2018-19 i.e. 12,069.

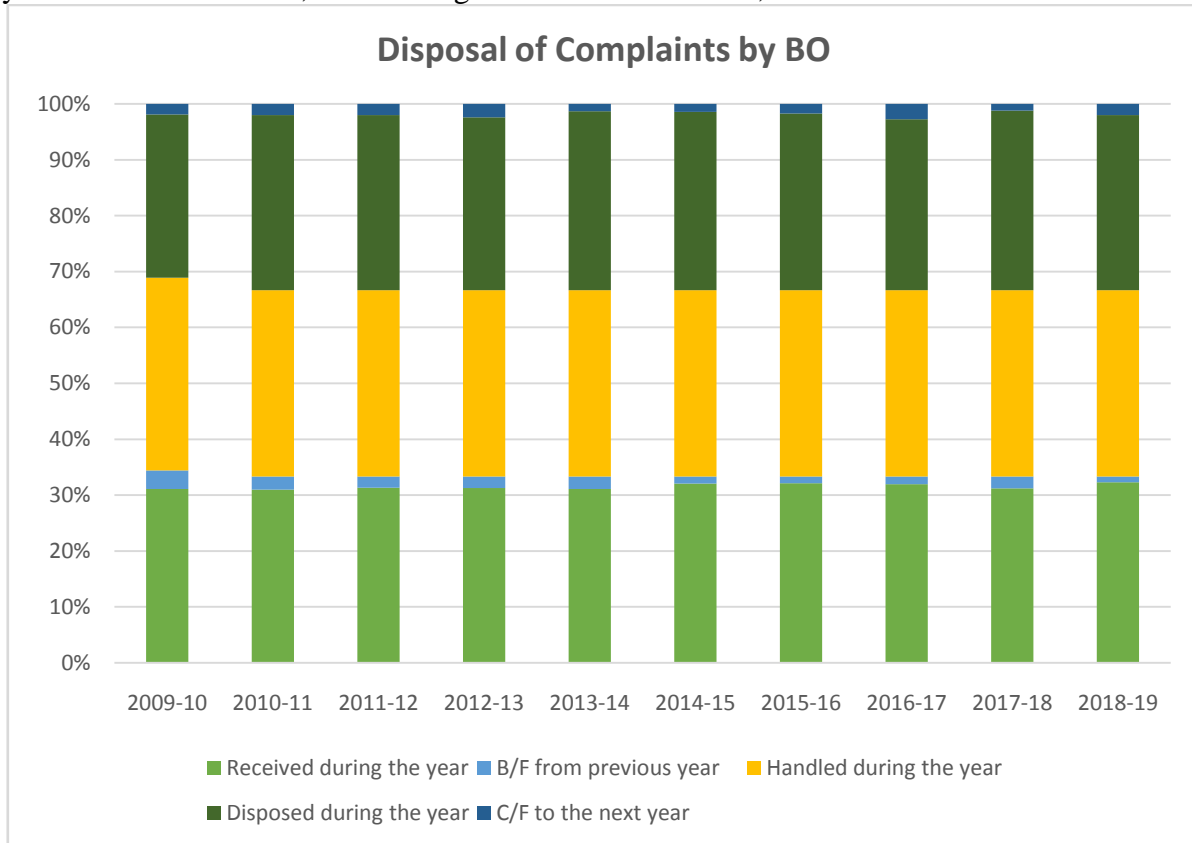
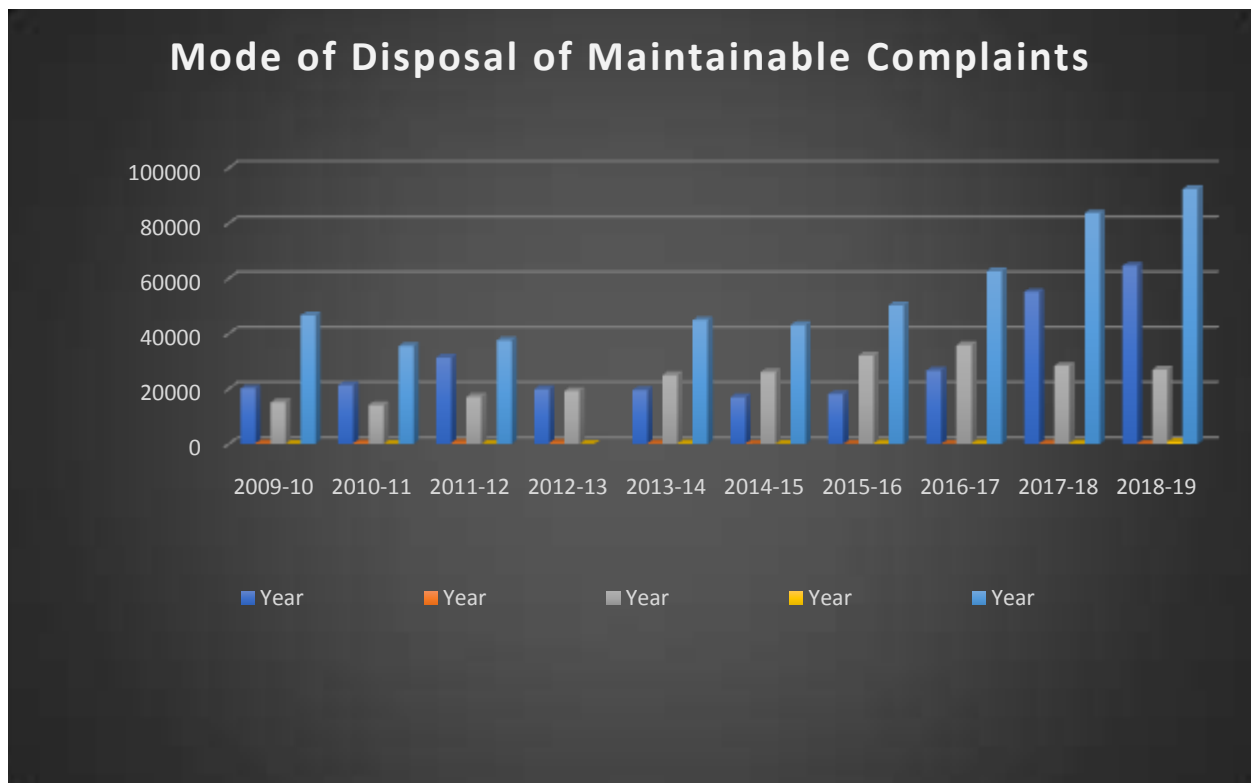


Table 4: Mode of Disposal of Maintainable Complaints

Year	Disposal of maintainable complaints				Total
	By Mutual settlement	By Award	Complaints rejected	Complaints withdrawn	
2009-10	20,092(54%)	211(1%)	15,066(32%)	-	46555
2010-11	21,269(60%)	278(1%)	13,952(39%)	-	35499
2011-12	31,278(67%)	327(1%)	17,036(45%)	-	37455
2012-13	19883(50%)	312(1%)	19205(49%)	-	39400
2013-14	19469(43.50%)	207(0.5%)	24960(55.60%)	186(0.4%)	44822
2014-15	16893(39.30%)	87(0.2%)	25976(60.30%)	79(0.2%)	43035
2015-16	18031(35.93%)	18(0.04%)	31946(63.65%)	192(0.38%)	50187
2016-17	26535(42.43%)	31(0.05%)	35,792(57.23%)	181(0.29%)	62539
2017-18	54987(65.82%)	133(0.16%)	28,259(33.82%)	153(0.18%)	83532
2018-19	64470(69.88%)	98(0.11%)	26,905(29.16%)	791(0.86%)	92264

Source: Banking Ombudsman Annual Report 2009-10 to 2018-19

The above table, shows that many complaints are resolved by mutual settlement, while it is highest in the year 2018-19 i.e. 69.88 percent. But the number of complaints disposed by award is more in 2011-12. In the year 2016-17 highest number of complaints rejected, but in the year 2018-19, 791 complaints are rejected which highest in ten years.



SUGGESTIONS:

- Public Sector banks should provide personal attention on customers best interest.
- The bank official should keep good relations with the clients for the modernization of social banking environment.
- The redressal period should be least and more numbers of complaints should be redressed.
- To accept greater appreciative with modes of complaining, frequent awareness programme for customers should be conducted.
- A great effort should be made by the bank officials to redress the grievances of customers without any complain.
- At branch level in every bank, set up of a separate redressal department should be mandatory and every employee must beskilled in technical as well as behavioural facets.

CONCLUSION:

Customers are the essential component of any tertiary sector and the key of the success is relay on them. So, bank as a service sector should serve the customers with their best interests along with the effective grievances redressal services. The grievances redressal mechanism has not been properly implemented, because IT has not been properly implemented which leads lagging in disposal of complaints. Any lagging in this aspect should be revived by the banks at their level best and try to redress the complaints promptly. If cost effective technology with appropriate delivery model can be brought into banking sector, then that will enhance the pace, efficacy and condition of banking business.

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