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# Complaint Redressal by Private and Public Sector Banks in India—A Review

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## Abstract

*Customers' complaints are a part of business life of any corporate entity and so is a major concern for Indian Banks. With the upcoming privatization and globalization of banks in India, there is a considerable increase in the volume of disputes between the customers and banks. A complaint redressal system is a procedure for receiving, registering and disposing of grievances expressed by a customer. Prevailing competition in the banking sector, increasing expectations of the customer in terms of facilities, high degree of personalisation, fast delivery of service, etc. have imposed pressure on banks to facilitate an efficient "Complaint Redressal System" in order to provide prompt and satisfactory solutions to customer complaints. Advent of technology has not only enabled banks to provide varied types of services but it has also led to more complex and diversified complaints raised by the customer.*

*This research paper study the 'Complaint Redressal' system in Indian Banks to receive and redress the customers' complaints, has been analysed and a comparison has been drawn between private and public sector banks in India with special reference to ICICI Bank (private sector bank) and SBI (public sector bank). An attempt has been made to discover the major reasons for customers' complaints, efficiency of Indian banks to handle complaints and proposed suggestions to reduce grievances of bank customers and improve the efficiency of complaints redressal system.*

*Complaint Redressal System, Customer, Bank, Complaint, Grievance*

## Introduction

Complaint is defined as any communication that expresses dissatisfaction about an action or lack of action about the standard of service/deficiency of service of a bank/company and asks for remedial action. A Complaint Redressal System is a provision offered by many organizations including banks for fast handling and resolution of customers' complaints. Customer complaints and disputes have become a major concern for Indian Banks. Since globalization and upcoming private sector banks, volume of disputes between customers and banking organizations has considerably increased. With the advent of technology, today banks are not only able to provide more varied

services, it has also increased the frequency and types of complaints by the banking customer.

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The main purpose of a complaint redressal system of a bank is to place an appropriate mechanism whereby the customer who believes that he/ she has been wronged by any act of the Bank, receive a fair opportunity to redress his/ her Grievance.

### **OBJECTIVES**

- To explore the major grounds for bank customers' complaints.
- To analyse the efficiency of Indian banks in handling the customer's complaints.
- To make a comparative analysis the frequency of complaints received by private and public banks.
- To make comparative analysis on the Redressal of complaints by private and public banks.

### **Methodology**

Data/information collection for this research paper are completely from secondary source. This paper is based on the literature review on the complaint Redressal system adopted by the private (ICICI Bank) and public (SBI) banking sectors in India. The material is sourced from newspaper, journals and Internet.

### **LITERATURE REVIEW**

Though increasing diversified complaints were always imposed as the challenge for Indian banking sector, there seems to be a recent decline in the receipt of complaints. As per the report of Economic Times, 2<sup>nd</sup> February 2014, Press Trust of India, there was an increase in the number of banking customers' complaints received during 2011-2012 over the previous year whereas in the year 2012-2013 there is a 3% decline in the receipt of complaints as compared to previous year. The report further states that State Bank of India (i.e. the public bank) has the highest number of 20030 grievances against it, followed by HDFC Bank & ICICI Bank (i.e. private banks) with 5143 and 4571 complaints respectively against them.

### **Major Grounds for Banking Customers' Complaints**

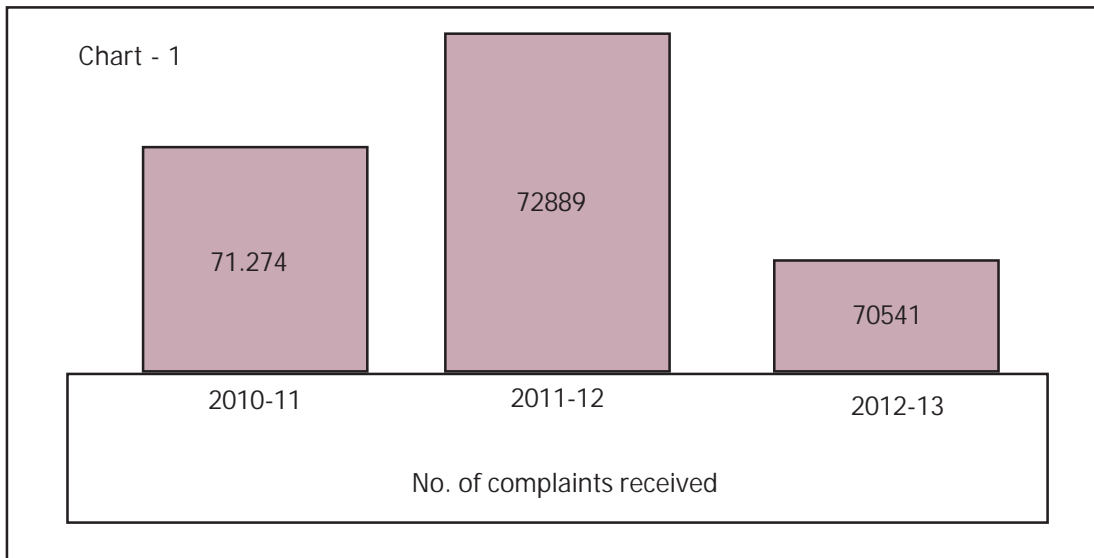
According to Annual Report of Banking Ombudsman Scheme, 2012-13 there were major problems as reported by banking customers in India. It is disclosed that out of total 17867 card complaints in 2012-13, about 10123 complaints were pertaining to ATM/Debit Cards. The main reasons for these card-related complaints include issue of unsolicited cards, sale of unsolicited insurance policies and recovery of premium, charging of annual fee 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, excessive charges, wrong debits to account, non-dispensation/short dispensation of cash from ATM, skimming of cards. According to this report, complaints related to Loans and Advances are mainly due to non-sanction/delay in sanction of educational loans, charging of excessive rate of interest, non-return of Registration Certificate in case of vehicle loans, non-issuance of No-Due Certificate, non-return of title deeds of properties pledged, wrong reporting to Credit Information Bureau (India) Limited (CIBIL), etc. Complaints related to pension payments are mostly regarding delayed payments, calculation errors, etc. Many customers complain that without giving any prior notice the bank levies charges on non-maintenance of minimum quarterly balance, renewal charges, processing fees and pre-payment penalties in loan accounts, cheque collection charges, etc.

An approach of banks aiming to find the root causes of customers' complaints can not only fix problems but also gains customer loyalty. Annual Report on Banking Ombudsman Scheme, 2012-13 highlights category-wise complaints against the deficiencies in the banking services that had been lodged with the Office of Banking Ombudsman (OBO).

**Table 1: Category-wise Distribution of Complaints**

Complaint Category	No of complaints received		
	2010-11	2011-12	2012-13
Deposit accounts	1727	8713	3913
Remittances	4216	3928	2664
Card Related (ATM/ Debit / Credit Card)	17116	14492	17867
Loans and advances	4564	6016	5996
Levy of Charges without prior notice	4149	3806	3817
Pension Payments	5927	5944	5740
Failure to meet commitments /Non observance of fair practices code/BCSBI Codes	16,302	18365	18130
DSAs and recovery agents	1722	459	351
Notes and coins	146	165	56
Others	7201	7327	8635
Out of Subject	8204	3674	3372
Total	71,274	72889	70541

**Source:** Annual Report of Banking Ombudsman Scheme, 2012-2013



Increase of 2.26% is noticed in the receipt of total number of complaints during the year 2011-12 in comparison to the previous year 2010-11. However,

it is followed by a decline of 3.22% during 2012-13 in comparison to the year 2011-12. This is further supported by Economics Times, 2<sup>nd</sup> February 2014, PTI.

Chart - 2

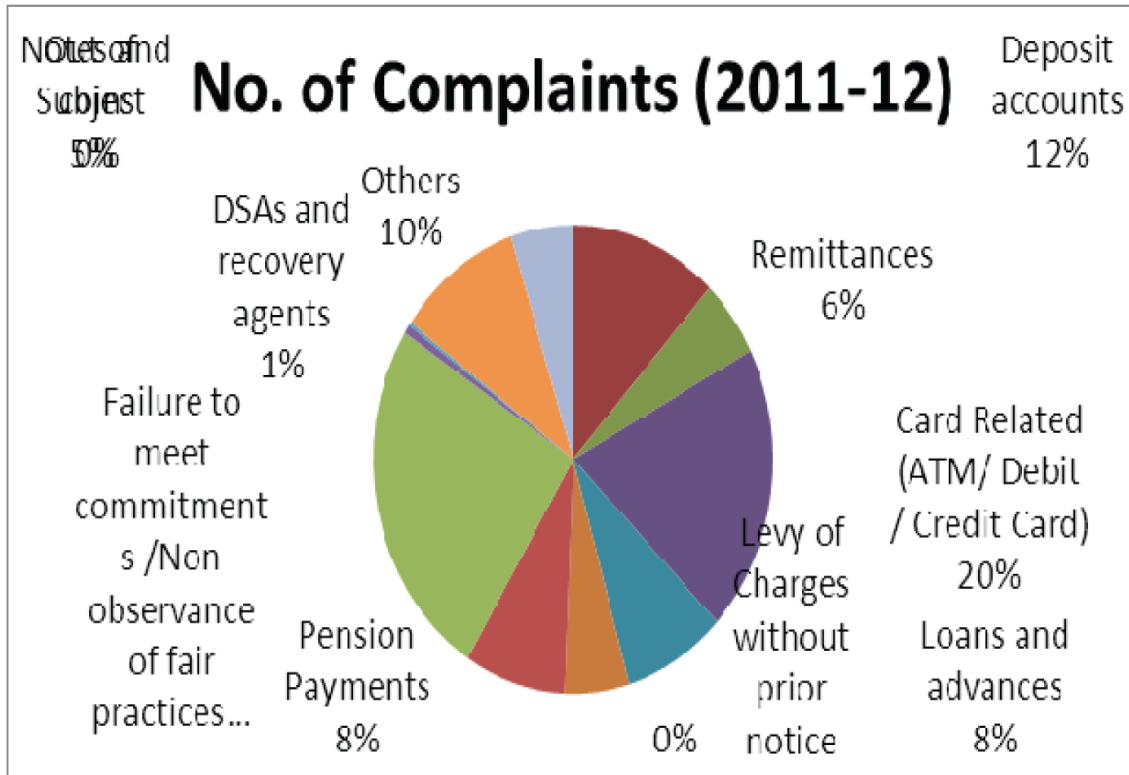
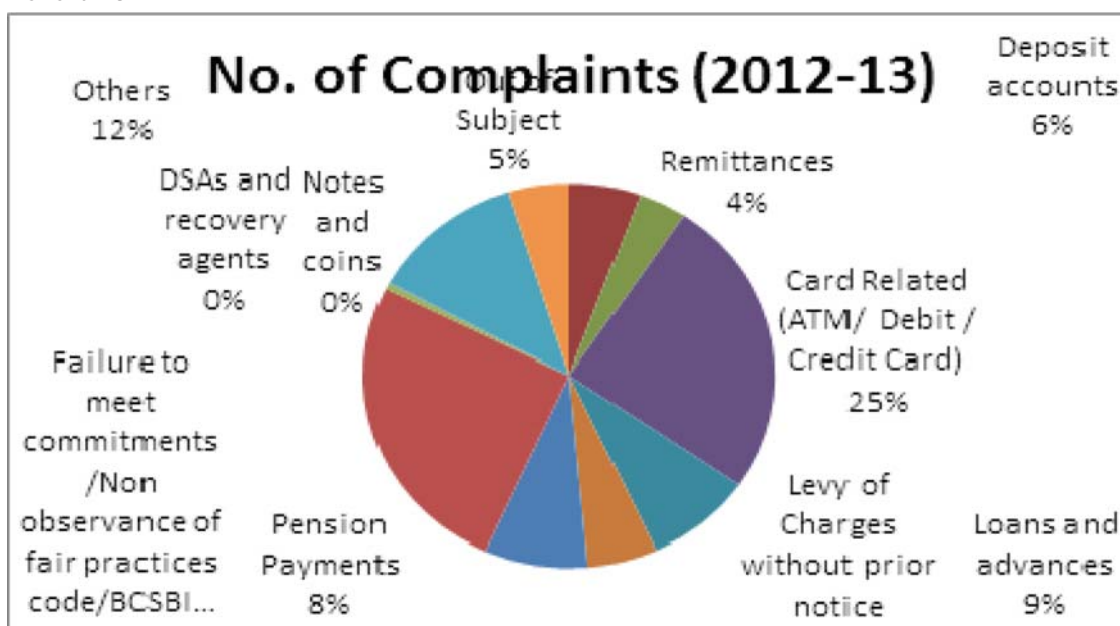


Chart - 3



It's revealed that major ground of complaint is due to the failure to meet commitments/Non-observance of fair practices code constituting about 26% of complaints followed by card related complaints constituting about 25% of complaints in the year 2012-13. Also, loans & advances, pension payments, deposit accounts and levy of charges without prior notice are other noticeable reasons for bank customers' complaints. However, in comparison to the previous

year 2011-12, it has been found that there is a decrease of 1% in the complaints due to failure to meet commitment/Non-observance of fair practices code but also an increase of 5% in the complaints due to card related problems. Though there is no significant change in the proportion of complaints related to pension payments in two years, still it constitutes a significant proportion in the volume of complaints.

**Analysis on grievance handling by SBI (public sector bank) and ICICI Bank (private sector bank)**

**Table 2 A: Complaint Analysis at SBI**

Particulars of Customers' Complaints	2012-13	2013-14
No. of complaints pending at the beginning of Financial Year	13414	32705
No. of complaints received during the Financial Year	1886249	1503638
No. of complaints redressed during the Financial Year	1866958	1514930
No. of complaints pending at the end of Financial Year	32705	21413

Analysis on grievance handling by SBI (public sector bank) and ICICI Bank (private sector bank)

Table 2 B: Complaint Analysis at SBI

Particulars of Customers' Complaints	2012-13	2013-14
<b>Awards Passed by Banking Ombudsman</b>		
No. of unimplemented Awards at the beginning of the year	21	28
No. of Awards passed by the Banking Ombudsman during the year	159	63
No. of Awards implemented during the year	152	82
No. of unimplemented Awards at the end of the year	28	9

**Source:** Statements of complaints received and disposed during FY 2012-13 and 2013-14 from website <https://www.sbi.co.in/portal/web/customer-care>

Chart - 4

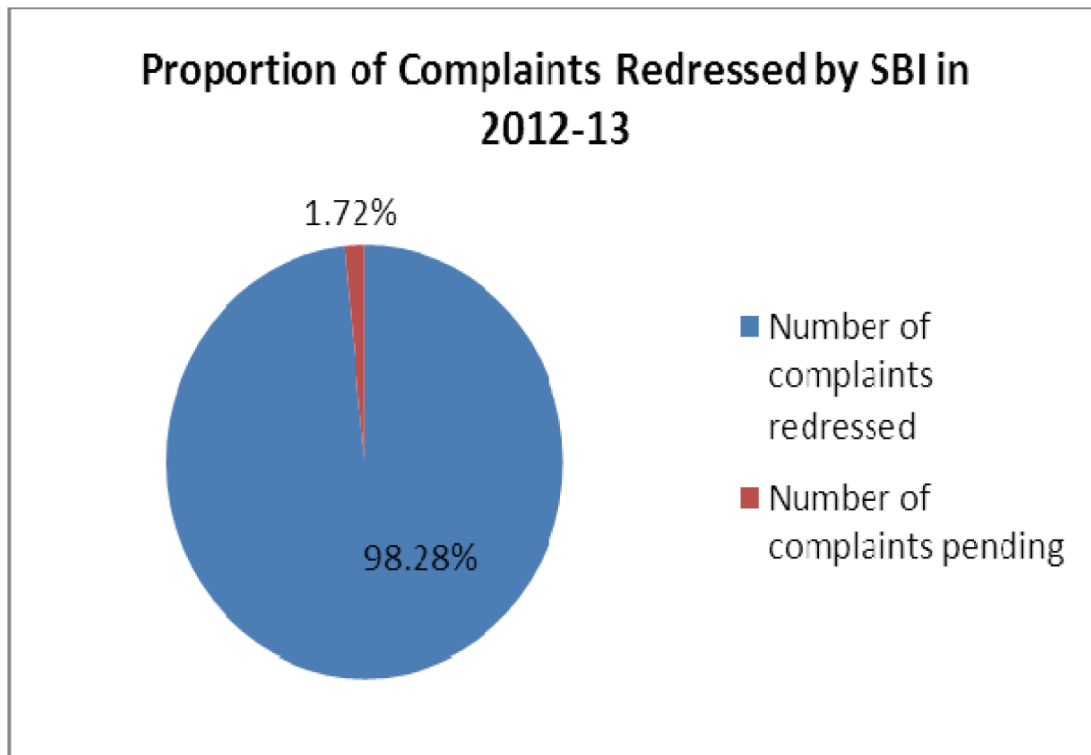
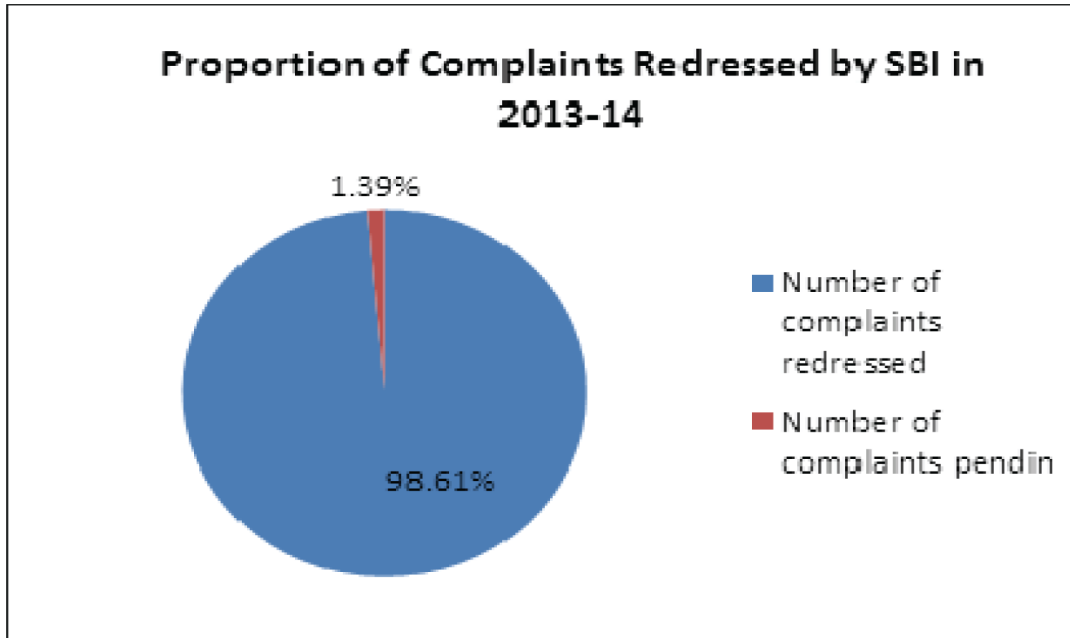


Chart - 5



In comparison to the financial year 2012-13 there is an improvement in the complaint redressal efficiency of SBI in the financial year 2013-14. During the financial year 2012-13, SBI redressed about 98.28% of complaints while during 2013-14, SBI redressed about 98.61% of complaints. Also the number of complaints received during 2013-14 lowered down by 20.28% in comparison to previous year. Due to increased complaint redressal efficiency, the number of

complaints pending at the end of financial year 2013-14 is significantly less in comparison to that pending in the beginning of the year. This statement supports the enhanced efficiency of SBI in handling customers' complaints. However, very small proportions of awards have been passed and implemented by Banking Ombudsman during the two financial years though decline is noticed during 2013-14 in comparison to 2012-13.

**Table 3: Complaint Analysis at ICICI Bank**

Particulars of Customers' Complaints	2012-13	2013-14
No. of complaints pending at the beginning of Financial Year	3837	2,628
No. of complaints received during the Financial Year	101,408	92,380
No. of complaints redressed during the Financial Year	102,617	93,190
No. of complaints pending at the end of Financial Year	2,628	1,818

**Table 3: Complaint Analysis at ICICI Bank**

Particulars of Customers' Complaints	2012-13	2013-14
<b>Awards Passed by Banking Ombudsman</b>		
No. of unimplemented Awards at the beginning of the year	0	0
No. of Awards passed by the Banking Ombudsman during the year	0	0
No. of Awards implemented during the year	0	0
No. of unimplemented Awards at the end of the year	0	0

Source: ICICI Complaint Analysis: 2013-2014, April 18, 2014

Chart - 6

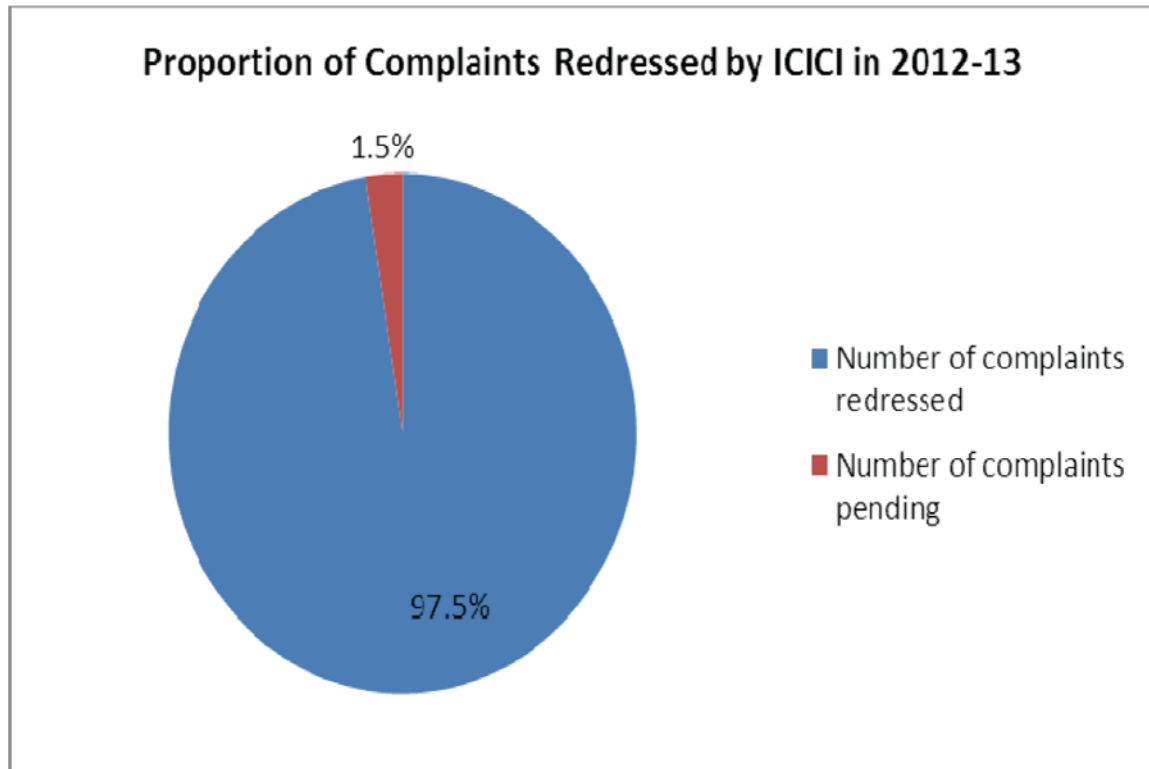
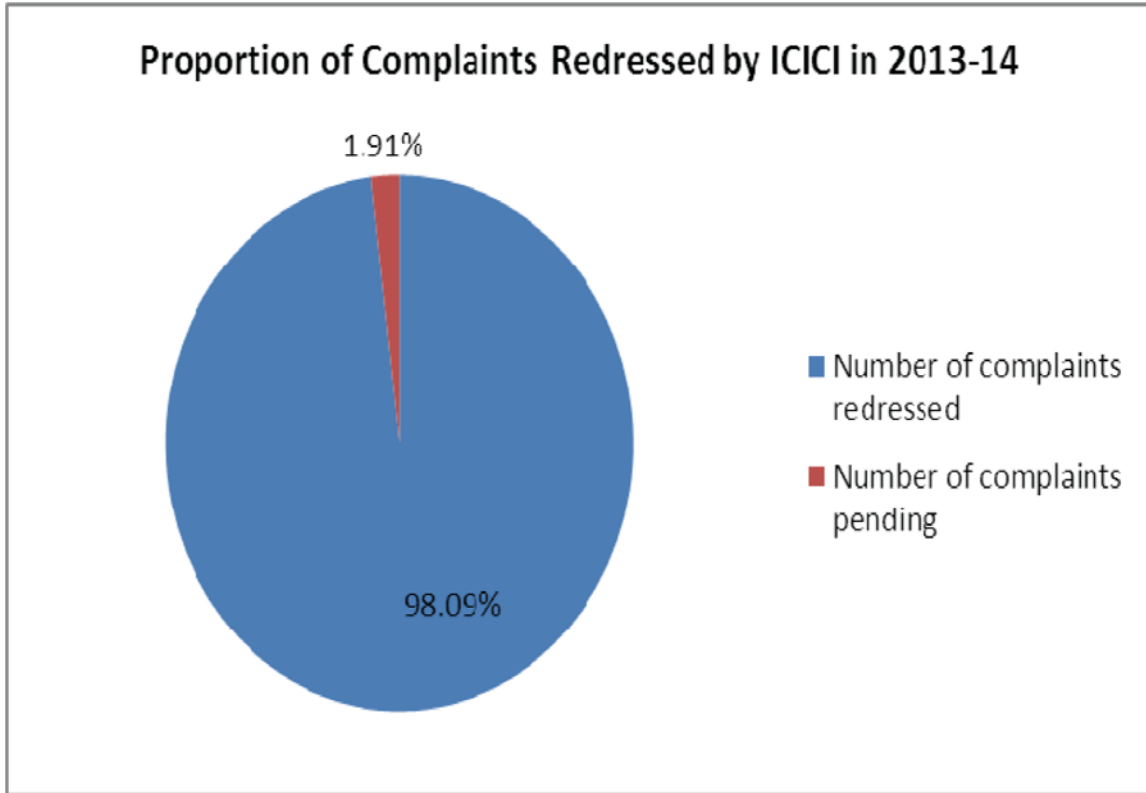




Chart - 7

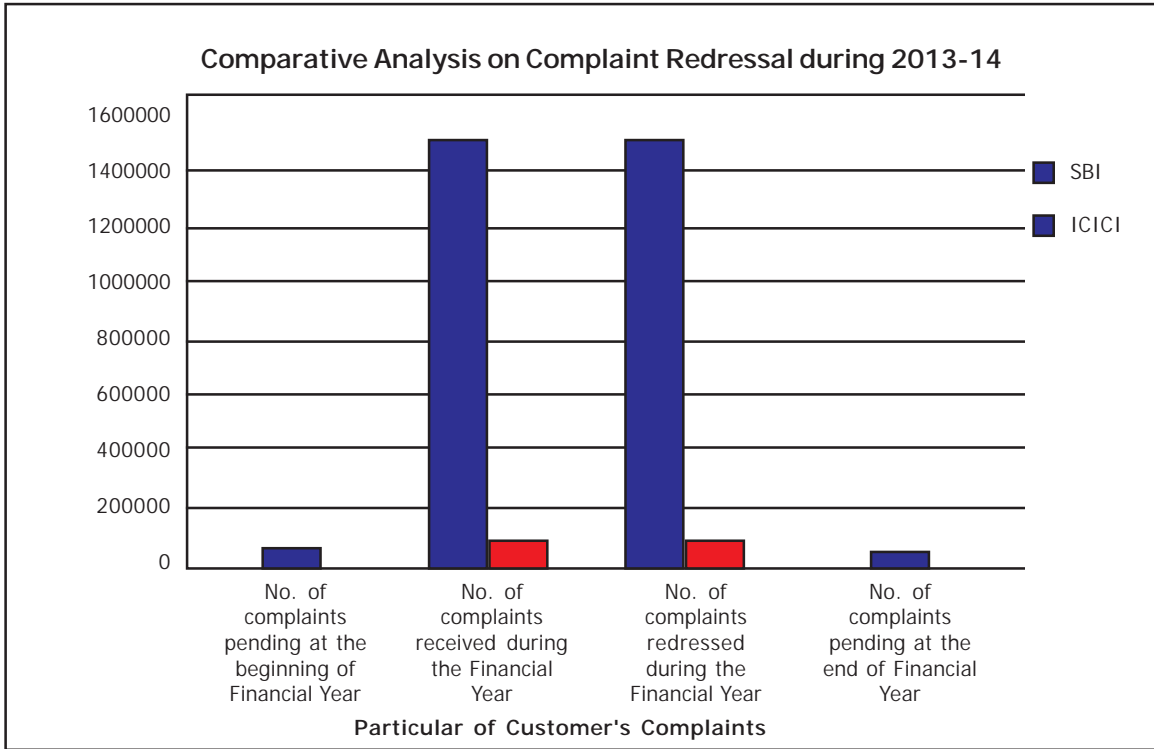


In comparison to the financial year 2012-13 there is little improvement in the complaint redressal efficiency of ICICI Bank in the financial year 2013-14. During the financial year 2012-13, ICICI Bank redressed about 97.50% of complaints while during 2013-14, SBI redressed about 98.09% of complaints. Also the number of complaints received during 2013-14 lowered down by 8.90% in comparison to previous year. Also, the number of complaints pending at the end of financial year 2013-14 is less in comparison to that pending in the beginning of the year. This statement supports the slightly improved efficiency of ICICI Bank in handling customers' complaints. No awards being passed by Banking Ombudsman during both financial years indicate that ICICI Bank is successful in resolving the disputes at its own level.

#### Comparative Analysis

Mengi (2009) emphasized that customers of public sector banks are more satisfied with the service quality in comparison to those of the private sector banks. However, according to Vidhayaa (2009) private banks are more successful in satisfying and retaining the customers. Many customers prefer to choose ICICI bank (private bank in India) over SBI (public bank in India) because customers find ICICI bank is more reliable, good in service and efficient in complaint handling in comparison to SBI. As per the report of Economic Times Mumbai, 24th February 2012, "Customers filed highest number of complaints against SBI and its associates".

On the basis of data given in Table 2 and Table 3, the outcome of comparative analysis between SBI and ICICI complaint redressal is shown below.  
 Chart - 8



Undoubtedly, the number of complaints received and redressed by SBI (public sector bank) is significantly higher than that of ICICI Bank (private sector bank). But when it comes to proportion of complaints redressed out of the total complaints (pending plus received complaints), there is not much difference between SBI and ICICI. Also, Rather (2013) found during the assessment and comparison between public and service sector banks that there is no significant difference in the case of customers' satisfaction levels when it comes to the products, facilitating services and accessibility. Both private and public sectors are striving hard to win the customers with varieties of innovative services including complaint handling.

**CONCLUSIONS**

It seems that the pressure of competition, advancement in technology and enhanced customers' expectations has kept the banks on their toes resulting in visible improvement in handling of customers' complaints. Though the list of reasons for the banking

customers to complain is wide, yet, the major grounds of immediate concern are failure to meet commitments/Non-observance of fair practices code and card related complaints.

Indian banks are moving towards enhanced efficiency in serving the customers as it is witnessed by the reduction in frequency of complaints. Moreover, there is an observable improvement in handling customers' grievances. It is reflected from this research paper that though there is a significant difference in the frequency of complaints received by the private bank (ICICI) and the public bank (SBI), the privatization of banking sector has generated a competitive environment for the public sector banks to bring improvement in their services including the redressal of customers' complaints.

**RECOMMENDATIONS AND SUGGESTIONS**

Within the banking industry, "Complaints Redressal System" has become an integral part of business both

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from a regulatory perspective as well as customer service point of view. It is the formal process of recording and resolving a customer complaint.

**“Prevention is better than cure”.** A good complaints redressal system not only receives and resolves the customers’ complaints promptly but it should also identify the major grounds of complaints and minimize the possibility of a customer’s complaint. It is required to highlight the areas of improvement in banking service.

Bank needs to pay attention towards the training of its employees on BCSBI (Banking Codes & Standards Board of India) Codes and ensure observance of fair practices code. Banks must educate the customers about the use of credit card and maintain transparency regarding the charges and terms/conditions of using it before issuing card to the customers. Every transaction should be instantaneously intimated to card-holder irrespective of the amount transferred. In today’s arena of information technology banks can easily intimate/alert its customers before levying any sort of charges. Also there is need for complete transparency in the sanctioning and payment of loan amount by banks.

An ideal complaint redressal system should be preventive, simple & easy to access and prompt in resolving customers’ complaints.

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