



A STUDY ON PROBLEMS FACED BY THE CUSTOMERS WITH REFERENCE TO RETAIL BANKING SERVICES IN MANGALORE CITY

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Abstract:

Indian banking system has evolved from a small group of merchant banks to a huge network of commercial banks. Today's era, is an era of financial inclusion where all possible measures are taken to provide banking services to the unbanked areas. Banks have managed to reach the remotest of the regions and that has been possible not only because of the measures of the banks and government but also because of the readiness of the customers (people) to adapt to the change. Hence, when the vast majority of Indian population has opened up for the change, it becomes imperative for the banks and government to take measures to protect and safeguard the interest of its banking customers. In the present socio economic scenario the customers often become the victims of many unfair tactics. In this background our paper attempts to analyse the problems faced by the consumer in the banking sector and study the awareness of the various banking services and Customer redressal mechanisms of banks.

Index Terms: Problems, Banking Sector & Awareness

1. Introduction:

A Bank is a financial institution whose primary function is accepting deposits and using these deposits for lending purposes. It is basically a link between those who have surplus capital and those who are in need of capital. Banking in India has come a long way since its origin. With the nationalisation of banks in 1960 to liberalisation and globalisation of banking system in 1990s, however the most eventful move was that of comprehensive financial inclusion launched through a scheme of Pradhan Manthri JAN Dan Yojna in 2014. The objective of financial inclusion is to extend to the large section of un-served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making financing available to the poor in particular. Thus, today banking has moved from traditional class to mass banking. As larger no of people come under the ambit of banking, protection has become even more imperative.

2. Consumer Protection:

Consumer protection is the need of the hour. Parliament of India had enacted various legislations in the interests of consumers for transparency, for fair competition, and for preventing the businesses to indulge in unfair practices or fraud. In 1986, the Consumer Protection Act was passed, but that is not explicitly for consumers of the financial sector. Matrix for financial consumer protection:

- ✓ Banking Codes the standards Bureau, India, (BCSBI) or the fair practices code followed by respective banks.
- ✓ The in- house complaint redressal mechanism set by banks
- ✓ Ombudsman office
- ✓ Courts of law

3. Consumer Protection Act 1986:

As per section 2(1) (d), Consumer includes a person who avails or hires a service for consideration. Hence any person who owns an account in bank or takes a service from bank can file complaints under this act for "deficiency" or regarding unfair practices by the banks. Consumer courts not only compensate for the defect but also for the mental agony suffered or harassment faced.

4. Banking Ombudsman Scheme:

As an alternate mechanism for dispute resolution, this scheme launched in 1995, had been modified by RBI to bring under its ambit the growing number of grievances. Banking Ombudsman is basically a senior person appointed by RBI. Since then it is being used as a primary forum for dispute resolution. It is not bound by any precedent and in some cases is also not bound by procedural laws and hence the decisions are as per the specific cases. Also banking ombudsman offices create awareness camps, exhibitions, advertisements etc. But there also exists the fact that the scheme is limited to just 27 grounds (including internet banking) and hence it's needed to expand its scope. The scheme is fully managed by RBI.

5. Charter of the Customer Rights:

This is a recent step taken by RBI regarding consumer protection. It includes various principles listed as follows:

- ✓ Right to Fair Treatment
- ✓ Right to Honest, Transparent, and Fair Dealing
- ✓ Right of Suitability
- ✓ Right to Privacy
- ✓ Right to Grievance Redressal

(Source: racolblegal.com/consumer-protection-in-the-banking-sector/)

6. Consumer Protection in the Banking Sector:

A healthy banking system is essential for any economy striving to achieve good growth and yet remain stable in an increasingly global business environment. The Indian banking system, with one of the largest banking networks in the world, has witnessed a series of reforms over the past few years like deregulation of interest rates, dilution of the government stake in public sector banks and the increased participation of private banks. The growth of the retail financial services sectors has been a key development on the market front. Indian banks have not only been keen to tap the domestic market but also to compete in the global market place. New foreign banks have been equally keen to gain a foothold in the Indian market.

Listed are the few deficiencies in banking services as laid down by consumer commissions and courts of law:

- ✓ Exorbitant bank charges in the form of ATM charges, SMS charges, Service charges etc.
- ✓ Not applying Auto Renewals on maturity of fixed deposits.
- ✓ Lengthy procedures for granting of loans forcing the customers to opt for other alternatives.
- ✓ Refusing or holding back the amount that was due on fixed deposit after maturity.
- ✓ Delay in the payment of amount on term deposits after maturity.
- ✓ Dishonor of cheques because of mistake or negligence by bank.
- ✓ Dishonoring of demand drafts because of omission by bank officials.
- ✓ Refusing to grant loans without any bonafide reason.
- ✓ Causing undue delay in discharging installments of loan
- ✓ Charging interest at higher rate than what has been specified in loan agreement.
- ✓ Refusing cheque book facility to customer just because of the fact that the minimum balance has not been maintained.
- ✓ Failure of bank cashier to account for money deposited at the counter with him(vicarious liability)
- ✓ Rude behavior of bank officials resulting in discomfort or mental agony to customers
- ✓ Without even demanding repayment giving notice to “face the auction or make payment”.
- ✓ Failure at returning the dishonored cheque.
- ✓ Failure on the part of the bank to warn customers regarding the need to maintain secrecy of bank account details.

7. Objectives of the Study:

- ✓ To analyze case study relating to consumer protection in retail banking
- ✓ To find out level of awareness among the customers about banking services and redressal mechanisms.
- ✓ To study the problems faced by the customers in banking sector
- ✓ To suggest measures to protect the interest of customers.

8. Methodology:

The validity of any research of any research is based on a systematic method of data collection and analysis. Both primary and secondary data are used. The primary data is collected from 100 respondents through questionnaire and direct personal interview. The secondary data are obtained from the journals, books, manuscripts, reports, magazines and websites.

9. Limitations of the Study:

Time is the major constraint in collecting the data. Most of the respondents are from creamy layer of the society and they are afraid to reveal data like income, wealth etc. The study was restricted to Mangalore region. Further survey method was adopted for collecting the data has its own limitation restricting the generalization of the findings. Following are the cases where the banks were held liable for deficiency in service. Some of the important cases are analysed as under:

Refund of Bank deposit: P. Nabhushanrao vs The Union Bank of India (App dated 28/1990 Result 9/11/90), by the state forum, Hyderabad, Andhra Pradesh, in this case the Complainant applies for the refund of money of the deposit certificate, the bank delayed the payment of the same. The forum declares that the Bank had delayed the Payment, so this is considered as negligence of the service by the bank.

Wrongful Dishonor of Bank Draft: SBI vs. N. Raveendran Nair [1992 (2) CPR 400], the issue before the National Commission was that the bank refused to encash the demand draft on the ground that the signature of one of the two officials of the bank was missing. The State Commission held that the dishonor of the draft was

due to the fault of the bank, and therefore, there was deficiency in service by the bank. Hence, a compensation is awarded by the Commission for the inconvenience and mental agony caused.

Noncredit of Cheque Collected: In *Sovintorg (India) Ltd. vs. SBI* [1999 (2) CPJ 4 (SC)], the issue before the Supreme Court was that the proceeds of the cheque deposited with the bank for collection were not credited to the account of the complainant though the same were collected by the bank. The State Commission awarded only interest of 12 percent for withholding of the customer's money against the complainant's claim of 24 percent interest and payment of compensation. The National Commission, on appeal by the complainant confirmed the order of the State Commission. On further appeal before the Supreme Court by the complainant, the Apex Court partly allowed the appeal by directing the payment of interest at the rate of 15 per cent but refused the claim of payment of compensation on the ground that the allegation of negligence was not proved.

Non-Issuance of Proper Receipt: Where the bank did not adjust the loan repaid in its books nor issue proper receipt to the complainant, the award of compensation by the District Forum for deficiency in service was confirmed by the Chattisgarh State Commission in *Jila Sahakari Kendriya Bank vs. Sarda Ram Nayak* [2004 (2) CPJ 534].

10. Findings:

- ✓ The study shows that Out of 100 respondents 58 number of respondent are Male and 42 are female. That means 52% of the people are in the category of Male and 42% are in the category of Female.
- ✓ The study shows that 69% of Male are from urban and 31% from rural area. Among Females respondents 61% are from Urban and 39% from rural area.
- ✓ The study shows that 28% of Male is Business employees, 10% are Government employees, 21% are Self employees, 34% are Private employees and 7% are Students. In Female respondents 16% are Business employees, 16% are Government employees, 26% are Self employees, 23% are Private employees and 9% are Students.
- ✓ The study shows that 24% of Male respondents are Post Graduate, 59% are Graduate, and 17% are 10th pass. In Females respondents 45% are Post Graduate, 40% are Graduate, 15% are 10th pass.
- ✓ The study shows that 14% of Male has Income up to 10000, 21% has Income in between 10000-20000, 31% has between 20000-30000, 24% has between 30000-40000 and 10% has income Above 50000. In Female 20% has Income up to 10000, 27% has Income in between 10000-20000, 23% has between 20000-30000, 18% has between 30000-40000 and 12% has income Above 50000
- ✓ The study shows that 21% of Male are Below 25, 55% are Above 25 and Below 50 and 24% are Above 50. In Female 26% are Below 25, 58% are Above 25 and Below 50 and 16% are Above 50.
- ✓ The study shows that 10% of Male have an account in ICICI bank, 14% have an account in HDFC bank, 14% have an account in Federal bank, 14% have an account in South Indian bank, 17% have an account in Axis bank and 31% have an account in other banks. In Female 10% have an account in ICICI bank, 13% have an account in HDFC bank, 13% have an account in Federal bank, 10% have an account in South Indian bank, 10% have an account in Axis bank and 45% have an account in other banks.
- ✓ The study shows that 24% of Male visit the bank for withdrawal, 38% visit for Deposit, 14% visit for Repayment of loan, 7% for Passbook Updation, 10% for Money Transfer, 7% for using locker. In Female 19% visit the bank for withdrawal, 19.5% visit for Deposit, 19.5% visit for Repayment of loan, 19% for Passbook Updation, 10% for Money Transfer, 13% for using locker.
- ✓ The study shows that 97% of Male agree that their money is secure in bank and 3% are not. In Female 97% agree that their money is secure in bank. And 3% are not
- ✓ The study shows that 100% of Male and Female says that Bank doesn't reveal the customers details without their Knowledge
- ✓ The study shows that 56% of Male and 52% of Female agree that bank revealed all information about Loan and 44% and 48% are not respectively
- ✓ The study shows that 47% and 52% says that bank charges unnecessarily and 53% of Male and 48% of Female says that bank doesn't charge unnecessarily.
- ✓ The study shows that 41% of Male and 35% of Female agree that bank inform them about the change in interest rate and 59% of Male and 65% of Female are not agree with it.
- ✓ The study shows that 52% of the Male respondents are unhappy with ATM service and 48% are happy. In female respondents 32% are unhappy with ATM service and 68% are happy.
- ✓ The study shows that 34% of the male respondents found that ATMS of their bank are not suitably situated, 35% felt that there is always crowd in the peak hours 12% felt that there is always insufficiency of cash and 19% are happy with ATM service.
- ✓ Among the female respondents 20% were unhappy about the ATM location, 32% felt that there is always crowd in the peak hours, 10% felt that there is always insufficiency of cash and 38% are happy with the ATM service.

- ✓ The study shows that 55% of Male and 48.5% Female agree that they promote services always, 24% and 32.5% Male and Female say sometimes, 21% and 19% of Male and Females say rarely..
- ✓ The study shows that 86% of Male agree that bank issues them proper Receipt and 14% are not. In Female 84% agree that bank issues them proper Receipt and 16% are not.
- ✓ The study shows that 45% of Male and 39% of Female agree that their payment is of lower rate of interest and 55% of Male and 61% of Female are not agree with it.
- ✓ The study shows that 76% of Male and 90% of Female are satisfied by the response from bank staff while filing a complaint and 24% of Male and 10% of Female are not satisfied
- ✓ The study shows that 55% of Male and 58% of Female are aware on Consumer Protection Act and 45% and 42% of Male and Female are not aware on Consumer Protection Act
- ✓ The study shows that 41% of Male and 48% of Female have the knowledge of consumer organization and 59% of Male and 52% of Female are not
- ✓ The study shows that 48% of Male and 55% of Female have knowledge about Consumer Protection through the Newspaper, 21% of Male and 10% of Female through magazine, 10% of Male and 19% of Female through Friends and 21% of Male and 16% of Female through other ways.
- ✓ The study shows that 17% of Male had a complaint with bank and 83% not have any more complaint with the bank. In Female 23% of Male had a complaint with bank and 77% not have any more complaint with the bank.
- ✓ The study shows that 24% of Male and 13% of Female are very satisfied when complaint was handled. 62% of Male and 77% of Female are satisfied, 14% of Male and 10% of Female are not satisfied when their complaint was handled.

11. Suggestions:

- ✓ 'Customer is a king', no bank can exist or survive without customers. Therefore, every possible effort must be taken to ease his dealings with the bank at every stage. This will instill his confidence in the banking customers.
- ✓ Display the information about services like NEFT, RTGS, DD and their charges etc.
- ✓ Familiarize the customers with new machines like CDM, pass book updating machine and charges associated with it.
- ✓ Place more help desk to assist the illiterate customers with banking formalities.
- ✓ Popularize E-Banking system and develop a cost effective anti-virus system which will protect the customers from ebanking hazards.
- ✓ Caution the customers about the telebanking hazards.
- ✓ Encourage the customers to go cashless.
- ✓ Consumer should organize together to develop the strength and influence to promote and protect their own interest
- ✓ Campaign should be set in motion to involve each and every consumers for making them more conscious and aware of their right and responsibilities
- ✓ Government and other consumers agencies should make efforts in the directions of propaganda and publicity of district forum, state and national judiciary established for consumer protection so as to make more and more consumers aware about machinery for their greater involvement and seek justice in case of grievances
- ✓ Redressal procedure should be made more logical, easy enough to be understood by a large number of consumers. Further procedures must be so designed as to have easy handling and quick disposal of cases

12. Conclusion:

A healthy banking system is essential for any economy striving to achieve good growth and yet remain stable in an increasingly global business environment. The Indian banking system, with one of the largest banking networks in the world, has witnessed a series of reforms over the past few years like deregulation of interest rates, dilution of the government stake in public sector banks and the increased participation of private banks. The growth of the retail financial services sectors has been a key development on the market front. Indian banks have not only been keen to tap the domestic market but also to compete in the global market place. But an important aspect is that there is a lack of knowledge on the part of consumers and they are not organized as opposed to the sellers who are well informed and organized to protect the consumers from unscrupulous businessmen and to provide easy remedy for their complaints.

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