

Banking Ombudsman Scheme – A decade review of implementation and effectiveness

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Abstract: Banks are the financial institution which directly impacts the nation's economy as they represent monetary institution that receives deposits from different means and sources and channels those deposits into lending activities by acting directly or through capital markets. A bank connects the customers with capital shortages to customers with capital excess. Banking provides opportunity for the investors and links available resources for the growth and sustenance of business and industry. Banking is a service industry where customer satisfaction is the most important aspect to sustain the solid competition among the different players. Often the banking customers experience dissatisfaction due to banking services which in turn leads to grievances reporting to the service bank. In order to provide quick and effective grievance redressal for banking customers the Reserve Bank of India established the Banking Ombudsman Scheme in the year 1995 to provide efficient and inexpensive redressal of grievances against deficiencies in services provided by Commercial Banks, Scheduled Primary Co-operative Banks and Regional Rural Banks. Later the Banking Ombudsman Scheme was amended in June 2002 and 2006 respectively. This research article provides an insight on implementation of Banking Ombudsman scheme through the decade from 2005-2015. Implementation and effectiveness was evaluated based on the secondary data available in the form of RBI annual reports, Research Journals etc. Outcome of this research has confirmed significant improvements in the banking sector through effective implementation of Banking Ombudsman scheme.

Keywords: Indian Banking Sector, Bank, Banking Ombudsman (BO), Banking Complaints, Banking Ombudsman Scheme (BOS), Office of Banking Ombudsman (OBO), Reserve Bank of India (RBI).

I. INTRODUCTION

The word 'Ombudsman' in general means a public official who is appointed to investigate the citizen's complaints against the administration. As an effective step towards ensuring best services by banks in India to their customers, The Banking Ombudsman Scheme (BOS) was introduced in the year 1995 by the RBI. The purpose behind introducing the BOS was to provide efficient and inexpensive redress of customers' grievances against deficiencies in banking services provided by Commercial Banks, Scheduled Primary Co-operative Banks and Regional Rural Banks. Owing to changing levels of expectations of the customers of various banks and the range of new products offered by these banks, the BOS has undergone extensive changes in June 2002 and December 2005. BOS of 2002 introduced "Review Authority" and "Arbitration and Conciliation Procedure" in the Scheme. While augmenting the scope of the Scheme, BOS 2006 removed the above two major provisions of BOS 2002. The BOS 2006 brought in the concept of "Appellate Authority" and made the administration of the Scheme, the responsibility of RBI. In May 2007, the BOS 2006 was amended further to enable appeal against Award or rejection of a complaint for reasons specified under the BOS, to the Appellate Authority. The BOS 2006 was amended last in February 2009 to include deficiencies arising out of internet banking. Under this amended BOS, a customer can complain to the Banking Ombudsman (BO) against the deficiencies in almost any banking service including credit cards, ATM and internet banking.

Any person, whose grievance against a bank is not resolved to his satisfaction by that bank within a period of one month, can approach the Banking Ombudsman (BO) if his complaint pertains to any of the 27 matters specified in the Scheme. The BO, on receipt of the complaint, sends a copy thereof to the bank branch named in the complaint under advice to the Nodal Officer and endeavours to promote a settlement of the complaint based on mutual agreement between the

complainant and the bank through mediation. For promoting a settlement of the complaint, the BO has been allowed to follow such procedures as BO may consider appropriate and BO is not bound by any legal rule of evidence. BOs shall be guided by the evidence placed before him by the parties, BCSBI Code, the principles of banking law and practice, directions, instructions and guidelines issued by the RBI from time to time and such other factors which, in his opinion, are necessary in the interest of resolving the complaint.

Significant work has been done in this area and effectiveness and role of banking ombudsman was evaluated by many researchers. Dr.Dinakar G and Girivasuaki K in their research Analysis of Banking Ombudsman Scheme observed effectiveness of Banking Ombudsman scheme. They evaluated that scheme during its routine working is very effective because there were no more pending complaints more than a month. Dr Devendra Singh and Dr.Gaurav Agarwal evaluated the effectiveness of the Banking Ombudsman Scheme as a banking dispute redressal body and also pointed out that a good number of complaints are received and resolved by the offices of bank ombudsman located at various locations of India. Dr. Tejinderpal Singh in his research “Redressal of customers’ grievances in banks: A study of bank ombudsman’s performance in India” evaluated that there is a significant increment in the complaints received by the banking ombudsman, it shows that awareness are increased in the customer regarding banking ombudsman scheme, but it still has not reached to rural poor.

II. RESEARCH DESIGN

Based on the secondary data available for this subject this research was done to evaluate the implementation and effectiveness of Banking Ombudsman scheme in Indian Banking sector from the year 2005 to 2015. Thrust topics for assessment as part of this research includes:

1. Evaluation of Complaints handled by Offices of Banking Ombudsman (OBO)
 - 1.1. Total number of Complaints received at the OBO
 - 1.2. Population wise complaint distribution at the OBO
 - 1.3. Nature wise complaints reported at OBO
 - 1.4. Mode of receipt of complaints at OBO
2. Disposal of Complaints by OBO
3. Cost of Running Banking Ombudsman Scheme
4. Complaints received through Centralized Public Grievance Redress and monitoring system (CPGRAMS)
5. Complaints received through Right to Information Act 2005

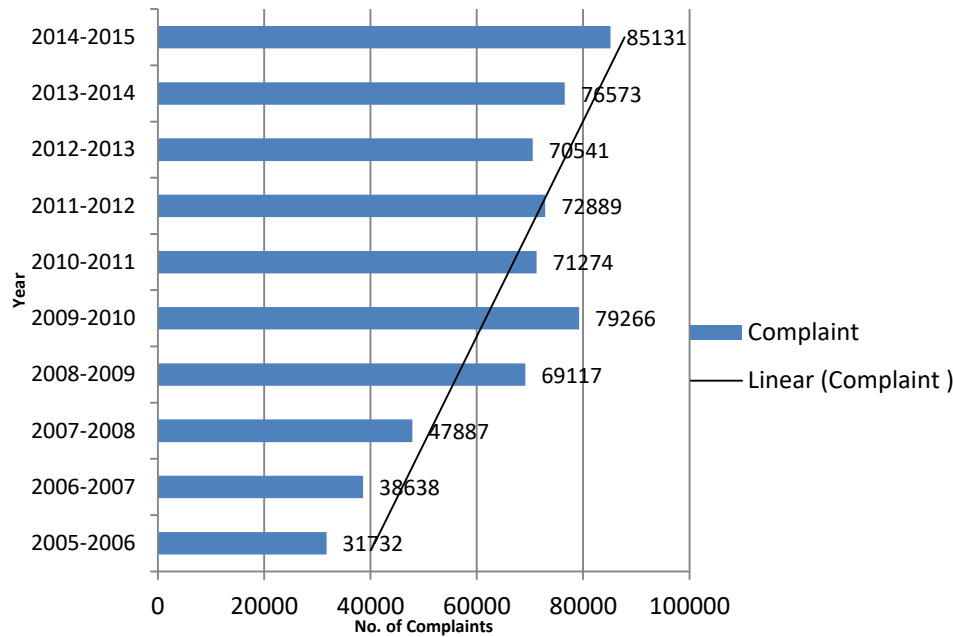
III. ANALYSIS AND INTERPRETATION OF RESULTS

1. Evaluation of Complaints handled by Offices of Banking Ombudsman (OBO)

- 1.1. Total number of Complaints received at the OBOs

TABLE 1: Cumulative year wise customer complaints received at OBO from 2005-2015

Year	Number of Complaints Received at OBO
2005-2006	31732
2006-2007	38638
2007-2008	47887
2008-2009	69117
2009-2010	79266
2010-2011	71274
2011-2012	72889
2012-2013	70541
2013-2014	76573
2014-2015	85131



GRAPH 1: Graphical representation of Number of complaints received at OBO from 2005 – 2015

Above Table 1 and Graph 1 shows the cumulative complaints received at the OBO from the year 2005 to 2015. A liner progressive trend in the number of complaints received at the OBO’s were observed for the review period. The total number of complaints increased from 31,732 in 2005-2006 to 85,131 in the year 2014-2015. The huge increase in the number of complaints received during the year 2005-06 was on account of the increased scope of the Banking Ombudsman Scheme, 2006 Since the Banking Ombudsman Scheme, 2006 was introduced with result from 1st January 2006. This Scheme had new areas, such as credit card complaints, within its domain and facilitated complaint submission in any form including online and by email. Further, a centralized campaign was undertaken by the bank once the new theme was introduced. All these factors led to increase in the number of complaints received during the year 2005-06.

The increase in grievances was attributed to new areas like master card grievances enclosed and to facilitation of complaint submission by permitting complaint submission in any kind including by on-line and by email allowed within the Banking investigator theme, 2006. Failure in providing the promised facilities, non-adherence to fair practices code and levying of excessive charges without prior notice were included. Increased awareness and accessibility also contributed to the increase in receipt of complaints. Per month receipt in the number of complaints received under the BO Scheme 2006 was more than thrice the number of complaints received under the BO Scheme, 2002. The increase in the number of complaints received under the Banking Ombudsman Scheme 2006 as compared to the previous scheme clearly indicates the extent to which the scheme has benefited larger sections of the banking customers.

Further, internet banking related complaints were added as a new ground for complaint as per amendment of the Scheme dated February 3, 2009. Increased awareness among the public about the BOS and online accessibility to BO office through internet also contributed to the increase in receipt of complaints. Introduction of variety of banking products and services, increasing customer base coupled with rise in awareness about the grievance redress mechanism under the BOS 2006 are some of the reasons for the increase in number of complaints received at the OBOs. Compared to previous year there was significant increase in the complaints received in the OBOs during the year 2014-15. This gives an indication about increasing awareness amongst bank customers about their rights and how to exert them. This also shows that the consistent and concerted efforts of RBI and OBOs of spreading awareness about the BOS are yielding the desired results.

1.2. Population wise Complaint Distribution at the OBO

TABLE 2: Population wise customer complaints received at OBO from 2007-2015

	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Rural	8418	13915	25055	7816	8190	8598	9927	11484

Semi Urban	6641	9817	10741	10816	11982	10868	12314	13363
Urban	10978	15723	16423	21218	24565	24246	25448	30710
Metropolitan	21850	29662	27047	31424	28152	26829	28884	29574
Total Complaints	47887	69117	79266	71274	72889	70541	76573	85131

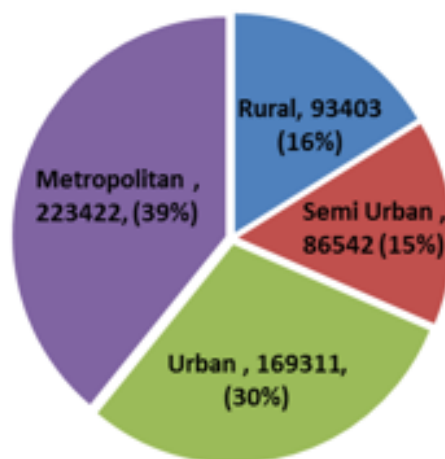


Fig.1: Percentage representation of population wise complaints received at OBO from 2007 – 2015

The offices of the Banking Ombudsman received complaints from each and every region of the country. The reason for larger number of complaints from the urban and metropolitan regions is due to increased penetration of banking at urban and metropolitan levels mainly due to significant increase in number of branches pertaining to private and public sector banks. Further increased awareness and increased expectations of customers from Banking sector is also the secondary cause of increased complaints from these sectors. There is also a clear evidence of increase in the receipt of complaints from rural and semi-urban areas due to increased awareness of Banking Ombudsman scheme in such areas. The same is ensured by the office of Banking Ombudsman through personal visits, print and electronic media and local advertisements.

1.3 Nature wise Complaint Distribution at the OBO

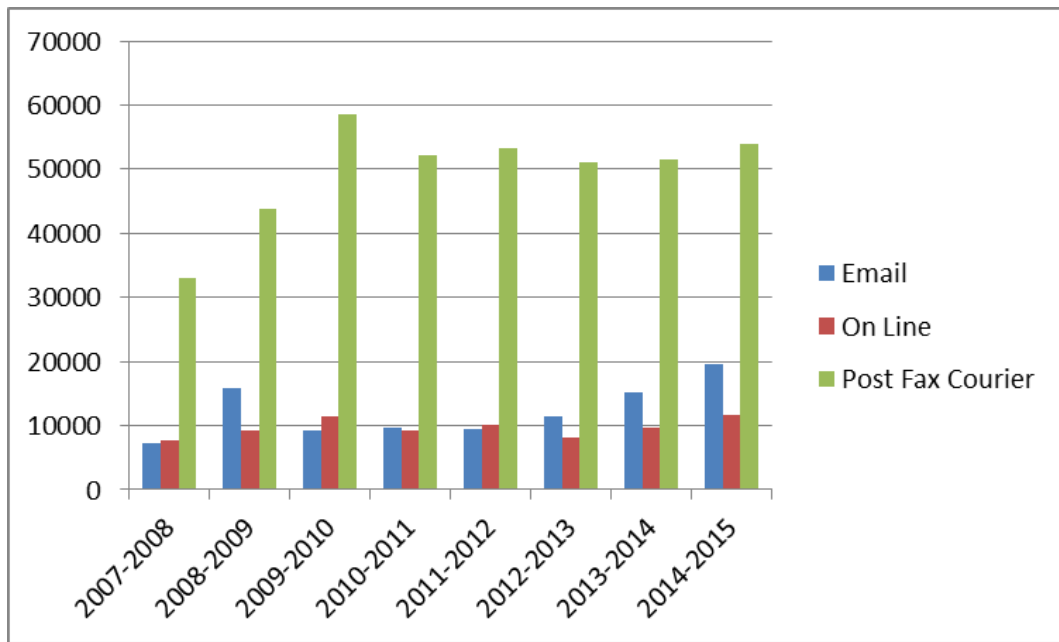
TABLE 3: Nature wise customer complaints received at OBO from 2007-2015

Category of Complaints	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Deposit accounts	5803	5612	6706	3681	1727	8713	3913	4032	4661
Remittances	4058	5213	5335	5708	4216	3928	2664	2659	2700
Card Related (ATM / Debit / Credit Card)	7688	10129	17648	18810	17116	14492	17867	18474	18123
Loans and Advances	5151	6054	8174	6612	4564	6016	5996	5655	4846
Levy of charges without prior notice	2594	3740	4794	4764	4149	3806	3817	4547	5510
Pension payments	1070	1582	2916	4831	5927	5944	5740	6555	5777
Failure to meet commitments / Non Observance of fair practices code / BCSBI Codes	1469	6388	11824	11569	16302	18365	18130	20368	24850
DSAs and recovery agents	1039	3128	3018	1609	1722	459	351	295	347
Notes and coins	130	141	113	158	146	165	56	63	61
Others	9636	5900	8589	18840	7201	7327	8635	9861	14482
Out of Subject	NA	NA	NA	2684	8204	3674	3372	4064	3774

1.4 Mode of receipt of complaints at the OBO

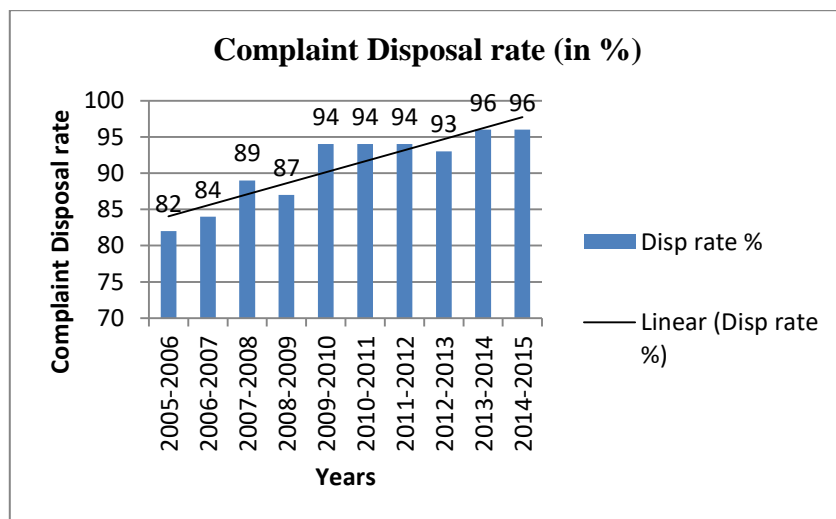
TABLE 4: Mode of receipt of complaints at OBO from 2007-2015

Mode	Complaints received (Years)							
	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Email	7183	15927	9221	9736	9499	11381	15181	19508
On Line	7662	9352	11400	9265	10026	8160	9785	11634
Post Fax Courier	33042	43838	58645	52273	53364	51000	51607	53989



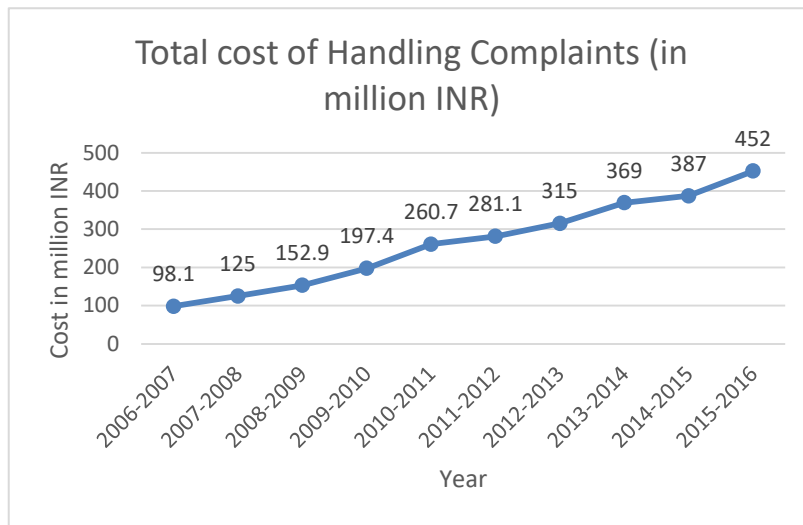
GRAPH 2: Mode of receipt of complaints at OBO from 2007-2015 : A comparative graphical evaluation

2. Disposal of Complaints by OBO

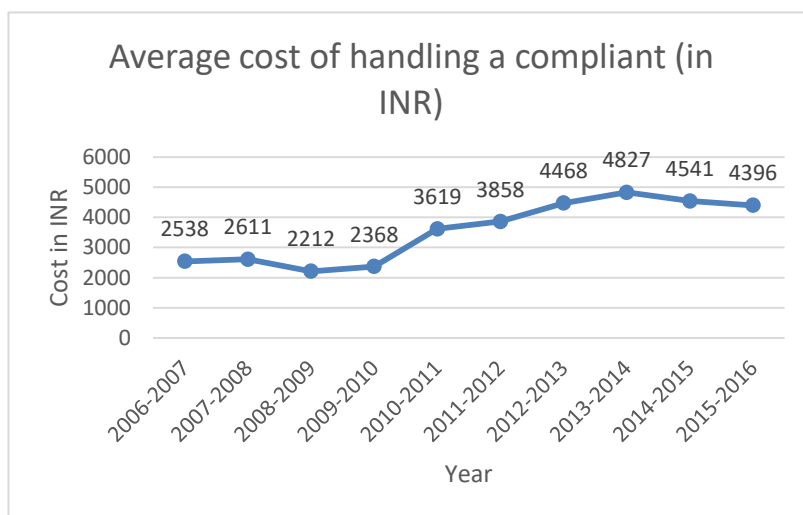


GRAPH 3: Complaint disposal rate by OBO from 2005-2015

3. Cost of Running Banking Ombudsman Scheme



GRAPH 4: Cost of Handling complaint from 2006-2016



GRAPH 5: Average Cost of Handling a complaint from 2006-2016

4. Complaints received through Centralized Public Grievance Redress and monitoring system (CPGRAMS)

TABLE 5: Complaints received through CPGRAMS: An assessment

Years	2012-2013	2013-2014	2014-2015	2015-2016
Complaints received through CPGRAMS	2200	261	178	330

Public Grievances Redressal monitoring system initiated by Government of India is one of the flagship initiatives for the reformation in governance. It was started in June 2007 by DARPG (Department of Administrative Reforms & Public Grievances). Under this any citizen of India can raise their problems, grievance or pleas to the central or state government Ministries and Departments. Grievance can be submitted to all important portfolio ministers and Departments. Government Departments and banks are sub-ordinate offices under this system to receive and redress complaints forwarded with help of this portal. CEPD, RBI is the Nodal Office for RBI. Twenty OBOs are sub-ordinate offices. Number of banking complaints received by CPGRAMS system from 2012-2016 are given in TABLE 5. It is imperative that significant high number of complains were recorded in the year 2012-2013. In later years this quantity was reduced

significantly due to the fact that people as complainant directly approached the banking ombudsman instead to reporting their grievances to centralized public grievance database. Nevertheless, CPGRAMS represented the user-friendly electronic system which simplified the grievance reporting process and added advantage due to ease of operation and time saving benefits along with flexibility and ease of application tracking electronically. CPGRAMS holds a limitation of being accessible to only Government & Public sector banks.

5. Complaints received through RTI act 2005

The Banking Ombudsmen is designated as the Central Public Information Officers under the Right to Information Act 2005. His responsibility is to receive applications and furnish received information relating to complaints handled by the OBOs. Data associated with the complaints received through RTI act 2005 from the year 2013 to 2016 is provided in TABLE 6. Based on the number of complaints received at different Offices of Banking Ombudsmen through India it is identified that public is aware about the RTI act. States of Uttar Pradesh, Tamil Nadu, New Delhi, Rajasthan and Maharashtra represents the regions where maximum significant high number of complaints were reported through RTI act as compared to other regions. Orissa, Kerala, Assam represented the states where comparatively low reporting of banking complaints were done through RTI Act. Like CPGRAMS, RTI too holds advantage over the conventional method of banking complaint reporting to OBO due to the fact that RTI can be filed easily through electronic system without any significant costs associated with travelling, documentation and time factor.

TABLE 6: Complaints received through RTI act 2005: An assessment

OBO	2013-2014	2014-2015	2015-2016
Ahmedabad	11	10	9
Bangalore	11	11	19
Bhopal	13	11	34
Bhubaneshwar	4	5	5
Chandigarh	21	22	31
Chennai	81	50	55
Guwahati	9	1	9
Hyderabad	40	22	20
Jaipur	51	52	51
Kanpur	131	112	137
Kolkata	28	19	14
Mumbai	62	32	59
New Delhi	90	60	94
Patna	31	35	63
Thiruvananthapuram	13	12	16
Total Complaints	596	454	616

IV. CONCLUSION

Based on the research work carried on this topic, it is concluded that the decade from 2005 to 2015 emerged as a successful phase for implementation and development of Banking Ombudsman Scheme in India. The ever-increasing banking customer grievances were very well handled by the offices of Banking Ombudsman through India. Increase in number of complaints was managed effectively by the banking ombudsman through an increasing complaint disposal rate. This confirms the increasing efficiency of Offices of Banking Ombudsman. Reserve Bank of India played a significant role in strengthening of Banking Ombudsman Scheme in India. Centralized Public Grievance Redress and monitoring system (CPGRAMS) and RTI Act 2005 emerged as an alternative way for complaint reporting and redressal. Increase in average cost of handling a complaint and total expenditure of handling complaints confirms that Reserve Bank of India had invested significant resources for upliftment of Banking Ombudsman Scheme. An overall positive development associated with implementation of Banking Ombudsman scheme is confirmed.

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