



ROLE OF BANKING OMBUDSMAN - A GRIEVANCE REDRESSAL

MECHANISM

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Abstract

The Indian banking sector may currently have the broadest reach for providing customers with financial services. The Ombudsman program is a means for quickly and affordably resolving customer complaints and banking issues. Customers who are dissatisfied or having issues with the services provided by their bank may file a complaint with the Banking Ombudsman for resolution of their issues. Under the Banking Ombudsman Scheme of the RBI, the Banking Ombudsman supports complainants by offering them a satisfying resolution to their issues.

Therefore, the current article attempts to investigate the function of the Banking Ombudsman in India and also attempts to assess its efficacy as a mechanism for banks to resolve grievances.

KEYWORDS: Customer Complaints, Banking Disputes, Redressal Mechanism, and Banking Ombudsman.

Introduction

A crucial aspect of modern living is banking. Excellent customer service is the most crucial tool for long-term business growth in the current competitive banking environment. After the financial sector reforms and the use of cutting-edge technology, customer service has proven

to be the most difficult profession in the banking business. Commercial banks prioritize rapid and effective service in order to draw in and keep new clients. The Reserve Bank of India has made improving bank customer service its top goal.

All commercial banks now have their own grievance redressal cells to manage the complaints of their clients as a result of the RBI's initiatives. However, banks occasionally fail to adequately address customer complaints, which can leave customers unhappy. Customers are currently unsure on where to file a complaint regarding the inadequate services provided by the banks. Not all concerns should be handled through the courts. By establishing the Bank Ombudsman in India in 1995, the Reserve Bank of India has provided an alternative option to address the complaints of the customers. The main reason the Bank Ombudsman was established was to give bank clients a quick and affordable forum to resolve their concerns over poor banking services.

There are several client complaints in the banking industry, which can differ on various grounds. Numerous complaints are made to banks every day as a result of which the banking industry is frequently criticized by the press, the general public, and estimate committees. Since 1972, a number of committees, commissions, and working groups have been established to study the topic of customer service. Examples include the Banking Commission, which is led by Sri R.G. Seraiya, the Sri. R.K. Talwar Committee, the Goiporia Committee, and others. Although banks have more fully adopted the recommendations, there has been no discernible improvement in the standard of client services, and the weak spots continue to be obvious and the customers' dissatisfaction persists.

The Narasimhan Committee on "Banking and Financial Sector Reforms" looked at these many customer service sectors and suggested the "Banking Ombudsman Scheme 1995" be implemented. The RBI accepted the suggestion, and on June 14, 1995, Governor Dr. C. Rangarajan launched the "The Banking Ombudsman Scheme" in accordance with Section 35A of the Banking Regulation Act 1949. This program's major goal was to give bank customers a quick and affordable venue to resolve any issues with the scheduled commercial banks, scheduled primary cooperative banks, and scheduled regional rural banks' provision of banking services. The RBI modified this program in the years 2002, 2006, 2007, and 2009 to include

consumer complaints on new topics such as credit card complaints, internet banking complaints, shortcomings in providing the promised services by both the bank and its sales agents, levying service fees without prior notice to the customers, non-adherence to the Fair Practices Code adopted by specific banks, etc. Currently, the Bank Ombudsman Scheme of 2006 is in effect, with modifications made in 2007 and 2009.

Review of the literature

The synthesis of the many features and issues already addressed both at the national and international level is presented in the review of literature. It will help to direct the current study and lead to some significant results. Additionally, it aids in preventing the repeat of already completed tasks. Even though there have only been a few studies on the banking industry's grievance resolution process, an effort has been made to better comprehend the study's goals.

In India's public, private, and foreign banks, **Uppal (2010)** examined the quantity and type of complaints. The parameters of the study included complaints by bank group, by region, by type of complaint in public, private, and international banks, and between the years of 2006–07 and 2007–08. It was discovered that public sector banks received the most complaints, which were continuously rising and had a negative impact on customers' performance and happiness. Among other recommendations, it was suggested that each bank establish a customer service center, appoint nodal officers, train staff to handle complaints, deliver customers through management of lower order satisfaction as well as higher order loyalty, use a judicious mix of process audits and voice of customer studies, establish the link between the superior customer experience and a tangible business outcome, invest in adequate training and resource incentives for s The RBI should direct all public sector banks to address consumer complaints as soon as feasible.

Singh (2011) investigated the procedures and systems in India and assessed the effectiveness of the handling of complaints from 2005–2006 to 2009–2010 based on a number of factors, including complaints received by ombudsman offices, complaints received by region, complaints received by method, nature of complaints handled, pending cases, operating costs, etc. It was determined through descriptive analysis that there was a significant increase in the

number of complaints received throughout the course of the time period. It was discovered that more than 99% of complaints were resolved through mutual settlement, which reduced the number of open cases. A further recommendation made in the study was that, in light of recent technology developments and the growing popularity of the Ombudsman program in rural and semi-urban areas, more complaint categories had to be included to its overview.

In 2013, Gill, Williams, Brennan, and Brien conducted research on the future of ombudsman programs in the UK. It was discovered that advancements in consumer behavior, service supply, and policy environments were driving changes in ombudsman schemes, and that these drivers need a response from individual ombudsman schemes and the ombudsman community. It was also determined that the ombudsman scheme should be informal. Timely settlement of complaints, with an emphasis on oral communication, through which ombudsman schemes should be informed, with encouragement about future opportunities for ombudsman schemes to develop but also with a word of warning against the notion that the ombudsman brand is sacred. It was stated that ombudsman schemes need to clearly convey the benefits of ombudsman model justice and why it should be favoured over alternative dispute resolution methods if they wish to continue to play a significant role in consumer dispute resolution and administrative justice.

Prakash and Badiger (2014) investigated the effects of the banking ombudsman system in Bangalore, as well as the causes of consumers' unhappiness, the banking ombudsman action to address customers' complaints, and the mechanisms for raising awareness. The study's methodology was a questionnaire. The criteria utilized for analysis include any loss incurred as a result of negligence, excessive charges assessed without adequate notification, etc. They discovered that consumer unhappiness is primarily caused by bank service delays, and that just 45% of the urban population is aware of the banking ombudsman scheme, whereas the rural population is still unaware of it. They proposed that in order to reduce unnecessary risk, people should be made aware of the banking ombudsman. They also stated that it would be advantageous for customers if each bank's head office had its own ombudsman to handle complaints.

Objectives of the research

The study's goals are to:

- Evaluate the bank customer ombudsman's grievance resolution process; and
- Research complaints made to the banking ombudsman by zone, population, and bank.

Research Techniques

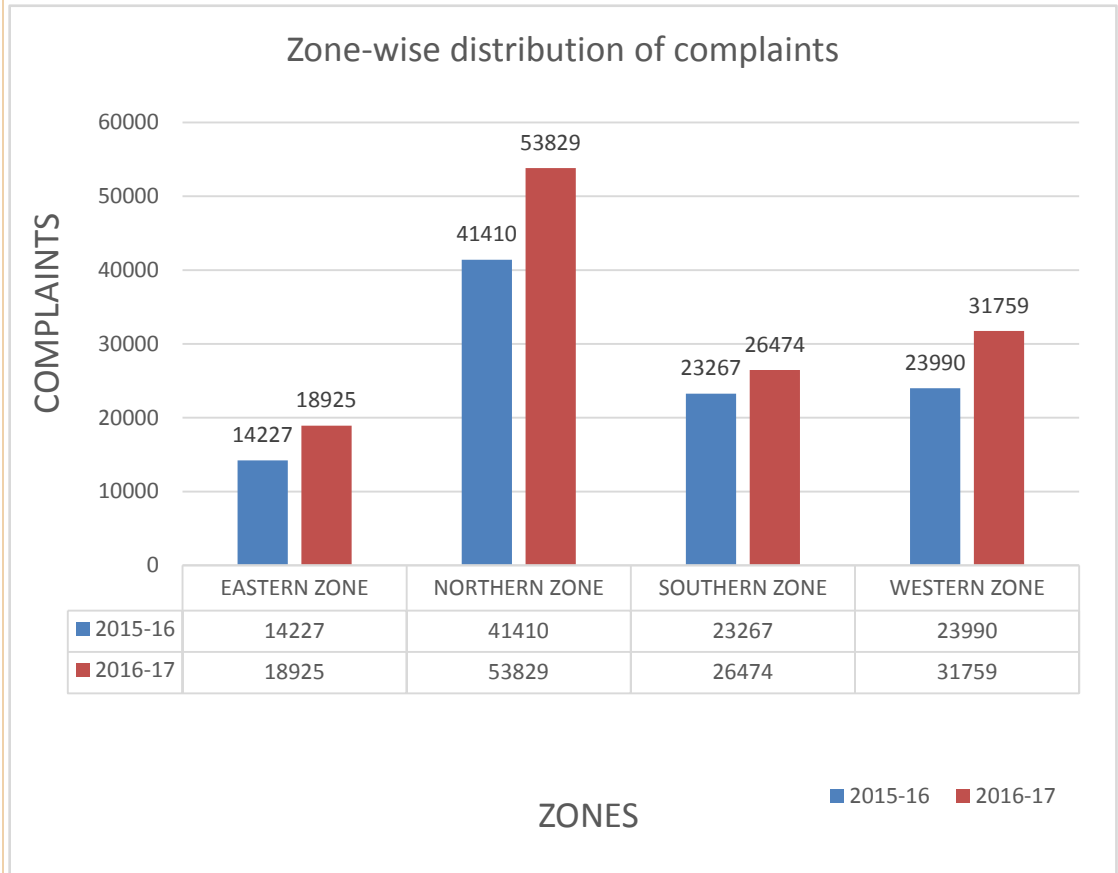
The research is supported by secondary data. The secondary data were gathered through articles, prior research, committee reports, Indian Banks Association Bulletin (IBI) bulletins, the RBI India website, and the annual report of the Reserve Bank of India's Banking Ombudsman Scheme.

Data Analysis

- **Zone-wise distribution of complaints:-** Zone-wise distribution of complaints is shown in Table 1 and chart 1

Table 1- Zone-wise distribution of complaints			
EASTERN ZONE	2015-16	2016-17	%change
Bhubaneswar	3050	2582	-15.34%
Guwahati	1328	1569	18.15%
Kolkata	4846	7834	61.66%
Patna	5003	6225	24.43%
Ranchi*	0	715	-
	14227	18925	33.02%
NORTHERN ZONE			
Chandigarh	4571	8189	79.15%
Dehradun *	0	948	-
Jaipur	4664	6740	44.51%
Jammu *	0	30	-
Kanpur	9621	8150	-15.29%
New Delhi	22554	24837	10.12%
New Delhi II *	0	4935	-
	41410	53829	29.99%
SOUTHERN ZONE			
Bengaluru	5119	7042	37.57%
Chennai	8645	9007	4.19%
Hyderabad	5910	6570	11.17%
Thiruvananthapuram	3593	3855	7.29%
	23267	26474	13.78%
WESTERN ZONE			
Ahmedabad	5909	9552	61.65%
Bhopal	5748	5671	-1.34%
Mumbai	12333	16299	32.16%
Raipur *	0	237	-
	23990	31759	32.38%

*OBO Ranchi operationalised wef 22.12.2016, Dehradun wef 16.12.2016, Jammu wef 12.4.2017, New Delhi II wef 20.10.2016 and Raipur wef 7.4.2017



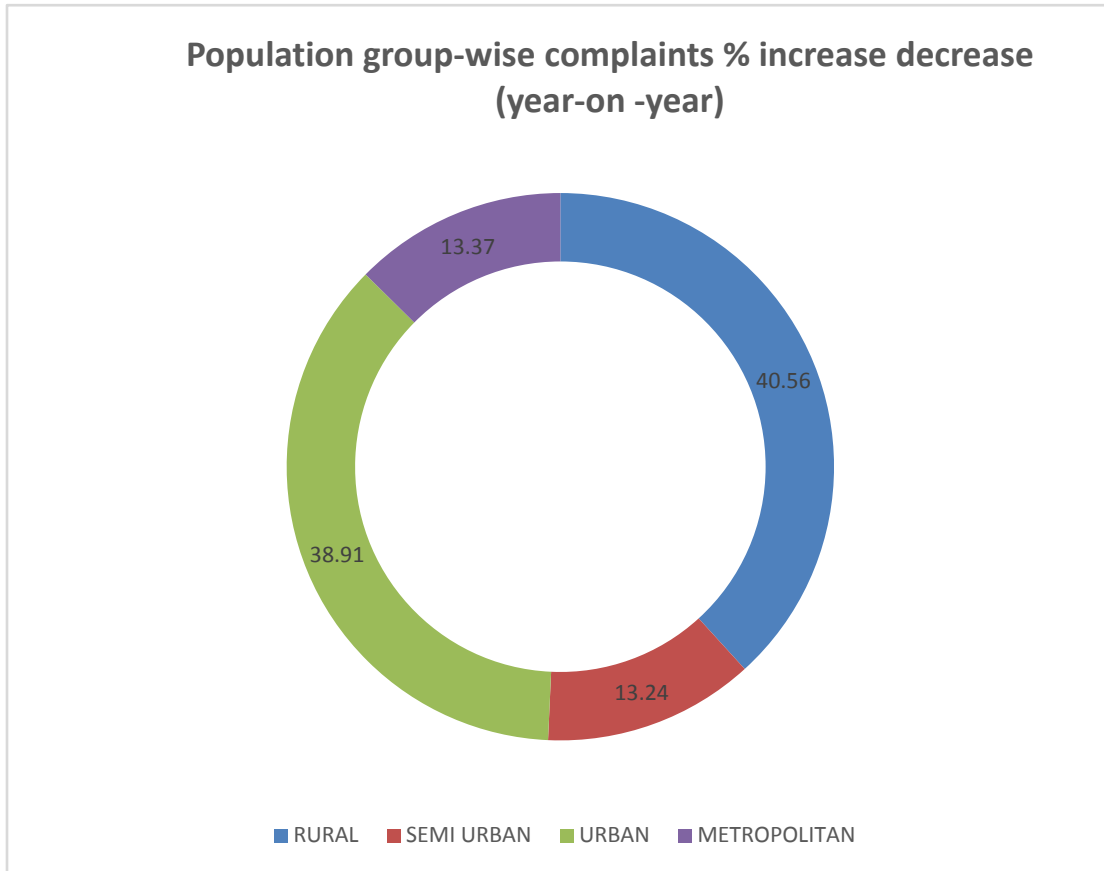
Northern Zone accounted for 41% of total complaints received. Eastern, Southern and Western Zones accounted for 14.5%, 20.2% and 24.3% respectively. Year-on-year basis, complaints increased by 33% in Eastern and Western zone, 30% in Northern Zone and 14% in Southern Zone.

- **Population group-wise distribution of complaints received:-**Population group-wise distribution of complaints during the last three years is given in Table 2 and chart 2

Population Group	No of complaints received during			% increase decrease (Year-on- year)
	2014-15	2015-16	2016-17	
Rural	11,484 (13%)	12,420 (12%)	17,458 (13.5%)	40.56%
Semi Urban	13,363 (16%)	15,048 (15%)	17,040 (13%)	13.24%
Urban	30,710 (36%)	42,994 (42%)	59,721 (45.5%)	38.91%
Metropolitan	29,574 (35%)	32,432 (31%)	36,768 (28%)	13.37%
Total	85,131	102,894	130,987	

(Figures in bracket indicate %age to total complaints of respective year)

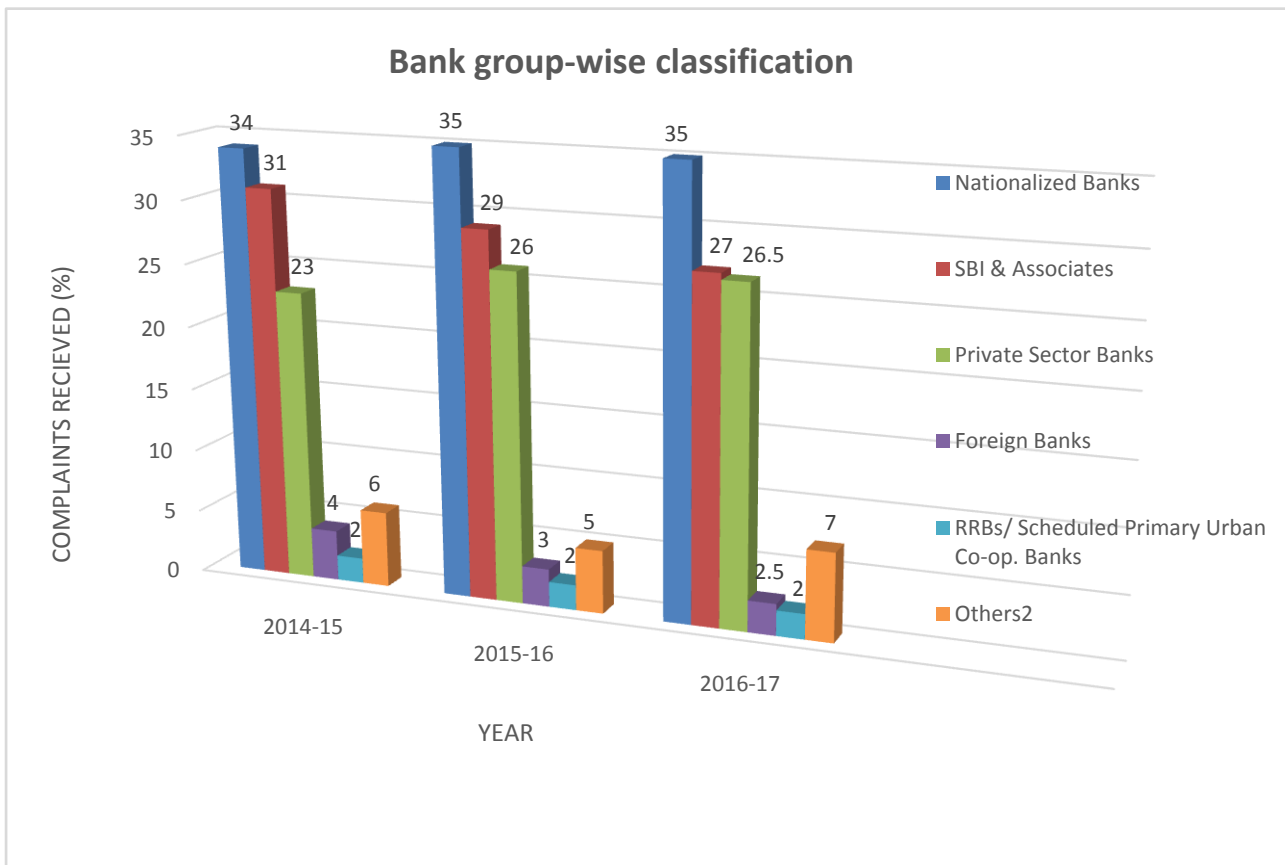
From the table above, it can be observed that the proportion of complaints from Metropolitan regions has linearly decreased from 35% of all complaints in 2014–15 to 31% in 2015–16 and then further to 28% in 2016–17. Similar trends were observed in urban regions, where the percentage of complaints rose from 36% in 2014–15 to 42% in 2015–16 and 45.5% in 2016–17. The increase in complaints in urban areas outpaces the downward trend in metros and semi-



- 73.5 percent of the overall complaints originated in urban and metropolitan areas. In comparison to complaints from urban regions, which climbed by 39%, metropolitan areas, which increased by 13%, and rural and semi-urban areas, which increased by 13% each, the rural population group experienced a stunning growth of 41% year over year.
- Bank classification by group:- In Table 3 and Chart 3, complaints received by OBOs during the past three years are categorized by bank groups.

Table 3 - Bank group-wise classification

Bank Group	No of Complaints Received During				% change (Year-on-year)
	2014-15	2015-16	% (year on year)	2016-17	
Nationalized Banks	28,891 (34%)	35,447 (35%)	22.69%	45,364 (35%)	27.98%
SBI & Associates	26,529 (31%)	29,585 (29%)	11.52%	35,950 (27%)	21.51%
Private Sector Banks	19,773 (23%)	26,931 (26%)	36.20%	35,080 (26.5%)	30.26%
Foreign Banks	3,406 (4%)	3413 (3%)	0.21%	3284 (2.5%)	-3.78%
RRBs/ Scheduled Primary Urban Co-op. Banks	1966 (2%)	2293 (2%)	16.63%	2481 (2%)	8.20%
Others	4,566 (6%)	5225 (5%)	14.43%	8828 (7%)	68.96%
Total	85,131	102,894		130,987	27.30%



62% of all complaints were about public sector banks, and 27% of those were about SBI & Associates. However, from 2014–15 to 2015–16, the percentage of complaints declined from 31% to 29%, and from there to 27% in 2016–17. The last three years have seen an increase in complaints to private sector banks. Private sector banks handled 26.5% of complaints, while foreign banks handled 2.5% of them. 2% of the complaints were against Regional Rural Banks and Scheduled Urban Co-operative Banks. 7% of the complaints were against organizations that weren't banks and weren't protected by the Scheme.

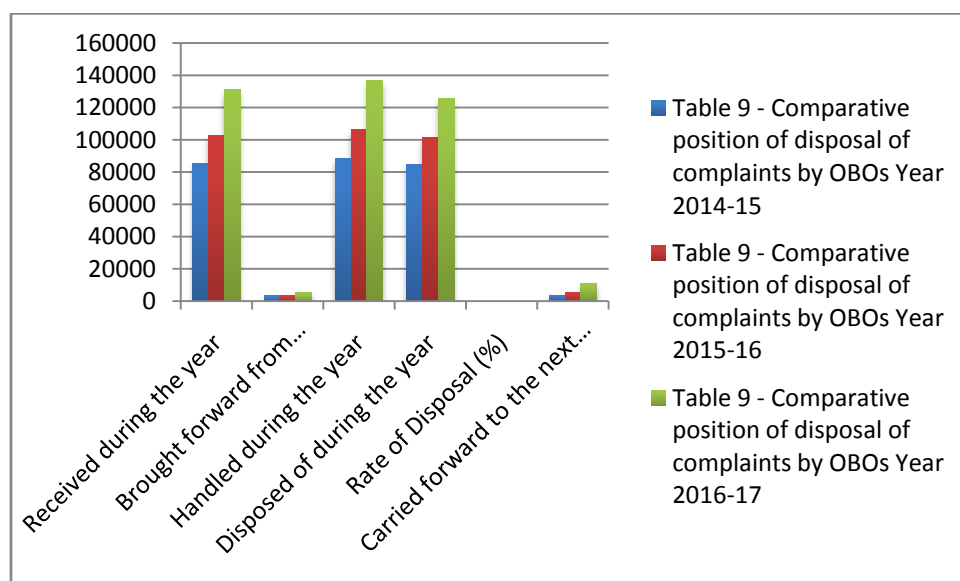
- Types of Complaints Resolved: The BOS 2006's Clause 8 outlines the reasons for filing a complaint with OBO. There are 30 complaint reasons, including
- Types of Complaints Resolved: The BOS 2006's Clause 8 outlines the reasons for filing a complaint with OBO. The BOS 2006 lists 30 grounds for complaints. The table below lists the main categories into which complaints received on these grounds are divided. The percentage of complaints received under these categories relative to all complaints received over the previous three years is shown in Table 4

	No of complaints received		
	2014-15	2015-16	2016-17
Failure to meet commitments /Non observance of Fair Practice Code/BCSBI Codes	24850 (29.2%)	34928 (33.9%)	44379 (33.9%)
Others	14482 (17%)	16988 (16.5%)	23169 (17.7%)
ATM/ Debit Cards	10651 (12.5%)	13081 (12.7%)	16434 (12.5%)
Pension Payments	5777 (6.8%)	6342 (6.2%)	8506 (6.5%)
Credit Cards	7472 (8.7%)	8740 (8.5%)	8297 (6.4%)
Levy of Charges without prior notice	5510 (6.5%)	5705 (5.5%)	7273 (5.6%)
Deposit accounts	4661 (5.5%)	5046 (4.9%)	7190 (5.5%)
Out of purview of BO Scheme	3774 (4.4%)	3751 (3.7%)	6230 (4.8%)
Loans and advances	4846 (5.7%)	5399 (5.3%)	5559 (4.2%)
Remittances	2700 (3.2%)	2494 (2.4%)	3287 (2.5%)
DSAs and recovery agents	347 (0.4%)	357 (0.3%)	330 (0.25%)
Notes and coins	61 (0.1%)	63 (0.1%)	333 (0.25%)
Total	85,131	102,894	130,987
(Figures in bracket indicate %age to total complaints of respective years)			

In The number of complaints has grown in 2016–17 as compared to previous years. The majority of complaints were from violations of fair practice codes. In compared to 2014–15, there were considerably more complaints about ATMs and debit cards.

- Resolution of Complaints: OBOs addressed 1,36,511 complaints throughout the year, 5,524 of which were from the previous year. By June 30, 2017, OBOs had resolved 92% of the complaints they had received for the year. Following are tables 5 and chart 5 that compare how OBOs handle complaints.

Number of complaints	Year		
	2014-15	2015-16	2016-17
Received during the year	85131	102894	130987
Brought forward from previous year	3307	3778	5524
Handled during the year	88438	106672	136511
Disposed of during the year	84660	101148	125319
Rate of Disposal (%)	96%	95%	92%
Carried forward to the next year	3778	5524	11192



Complaints climbed by 11% in 2014–15, 21% in 2015–16, and 27% in 2016–17 when compared to the prior years. The actual number of complaints handled increased by 28% even though the percentage of disposal fell from 95% to 92% throughout the course of the year.

CONCLUSIONThe number of complaints received by the Bank Ombudsman offices has significantly increased, which demonstrates the consumers' growing confidence in the Bank Ombudsman. The northern regions were the source of the most complaints. It demonstrates the

urgent need for awareness-raising activities in this area. In terms of banks as a whole, more complaints have been made regarding all nationalized institutions. Regional rural banks and primary cooperative banks make up a very small portion of the total number of complaints, indicating that this program has not yet gained traction in these banks. The number of complaints regarding violations of fair practice codes has increased significantly across all complaint categories, making up the majority of the overall number of complaints. It demonstrates that banks are not treating their consumers fairly according to the law. The role and motivation of the bank ombudsman are clearly explained by the fact that more than 90% of complaints are resolved through mutual settlement of the parties involved. More than one-fourth of all complaints are now submitted online, indicating the success of RBI's additional initiative to enable online complaint submission. Even if the amount of complaints coming from rural areas has increased, they still don't seem to be up to par. Additionally, the twenty-seven grounds on which a client may lodge a complaint against a bank are the only ones covered by the Bank Ombudsman. In fact, the evolving IT environment makes it urgently necessary to broaden the ombudsman's purview. When a bank is found to be breaking a banking law or regulation, the ombudsman may be given the authority to recommend to the RBI that it be subjected to coercive action. In conclusion, if the consumer is aware of the Bank Ombudsman, he will undoubtedly complain to him about his issue.

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