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## Original Research Article

# An analytical study on the performance of the banking ombudsman scheme in India

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### ABSTRACT

**Context:** Customer satisfaction is an integral element in inculcating trust among the common people in the banking sector, which may also boost financial inclusion. Customer satisfaction can be measured in terms of complaints received about the bank services. The Banking Ombudsman Scheme was introduced in India in 1995 and revised in 2002 to enable the resolution of complaints of customers of banks relating to certain services rendered by the banks.

**Materials and Methods:** To analyse the performance of the Banking Ombudsman Scheme in India based on selected parameters, a descriptive research design has been used. The present study is based on secondary data compiled mainly from “The Banking Ombudsman Scheme-Annual report” which is published by RBI every year from 2015-16 to 2019-20. For analysis purposes, descriptive statistics tools such as percentages have been used.

The Ombudsman scheme is a blessing and a very prominent medium for redressal of grievances by the general public against banks and banking services. The resolution and the pace of resolution of the complaints is an essential aspect of consumer satisfaction. Also, the total number of banking transactions is growing because of inclusion, new modes of payments & settlements coming, and newer products, offerings & services. considering this, RBI should increase the number of Ombudsmen proportionately. BO’s offices have started outreach activities for creating awareness among customers But still, it needs to be more rigorous, especially in rural areas.

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## 1. Introduction

The Banking Ombudsman is a quasi-judicial authority created in 2006, and the authority was created according to a decision made by the Government of India to enable the resolution of complaints of customers of banks relating to certain services rendered by the banks. The Banking Ombudsman Scheme was introduced in India in 1995 and revised in 2002. The Reserve Bank first notified the Banking Ombudsman Scheme (BOS) in 1995 under Section 35 A of the Banking Regulation Act, 1949.

The current scheme became operative on 1<sup>st</sup> January 2006 and replaced and superseded the banking Ombudsman Scheme 2002. Presently the Banking Ombudsman Scheme 2006 (As amended up to July 1, 2017) is in operation.

There are 22 regional offices of Banking Ombudsmen in India. The latest offices are opened in Jammu, Raipur, Mumbai-II & New Delhi-III. The Reserve Bank administers it through 22 Offices of Banking Ombudsman (OBOs) covering all states and union territories.<sup>1-5</sup>

The CMS platform, launched in June 2019, brought all stakeholders namely Reserve Bank, the Regulated Entities (REs), and their customers on one web-based platform; and digitalized the entire process of handling customer

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grievances by the Reserve Bank.

## 2. Review of Literature

Several studies have been conducted analyzing the performance of services of the banking ombudsman schemes for bank customers.

*Malyadri and Sirisha* in their paper evaluated the performance of the Banking Ombudsman Scheme 2006 in terms of complaints received on Deposits, Loans, ATM Debit cards and credit cards, pension, non-observance of fair practices, total complaints, and region-wise complaints and in this paper we have analyzed the impact of Banking Ombudsman Scheme on service quality provided by banking institutions. Using the Trend analysis technique, the study indicated that the number of complaints against banking institutions has been continuously increasing under the Banking Ombudsman Scheme in some regions and decreasing in some regions. The total complaints against foreign banks have been decreasing while the total complaints against private sector banks have been increasing. Also, they expressed that through some proactive measures taken by the RBI and awareness campaigns conducted by the Ombudsman, the scenario looks much brighter today. Even then, a lot needs to be done to make the Scheme function more effectively.

*Tejinderpal Singh (2011)* has made a detailed study on the performance of the Banking Ombudsman Scheme. The performance of the Bank Ombudsman has been evaluated based on various parameters such as complaints received by ombudsman offices, region-wise receipt of complaints, mode-wise receipt of complaints, nature of complaints handled, disposal of complaints, mode of disposal of complaints, the pending position of complaints, cost of running the scheme, etc. for the period of 2005-06 to 2009-10.

He found that there has been a substantial increase in the number of complaints received by the Bank Ombudsman offices which shows the increased faith of customers in the Bank Ombudsman. In Bank group-wise Scheduled Commercial Bank shows this trend, however primary Co-Operative Banks and Regional Rural Banks constitute a very nominal share of the total number of complaints. Among different categories of complaints, credit card-related complaints were the major part of the total number of complaints.

More than ninety-nine percent of complaints received were disposed of by the mutual settlement of the parties and the number of complaints pending for more than three years declined sharply. In the end, the study suggested including more categories of complaints under the preview of ombudsman keeping in mind the new technological advancements and popularizing the scheme in rural and semi-urban areas.

*P. Suganya, and R. Eswaran*, raise, through their study, some basic questions, Can we complain to Banking Ombudsman in case of any complaints against the bank in India? Yes. The Banking Ombudsman is a body created by RBI to look after banking-related complaints. Imagine the scenario – while an ATM card is inserted to withdraw Rs. 500 if the transaction fails, but the account is debited by Rs. 500. It leads to frustration and irritation; even it has complained to the bank about the money being debited after the failed transaction. The bank tells you that your money will soon be credited to the account, but nothing happens for weeks. . . Six months pass, with all of this up-down in-out stuff, all done, but nobody is listening! Can we imagine getting a compensation of Rs. 16,200 because of the bank's inability to honor the rules set by RBI? Can a person imagine not getting Rs. 500 within a few days, he will get Rs. 100 penalties for each waited 162 days. Yes, it can happen! And it has happened! This article discusses the power of the Banking Ombudsman and Ombudsman officers and the complaints' profile.

*Singh Rajdeep (2016)* in his study found that the rural sector is not acting as the urban and semi-urban sectors. The major reasons for this trend are the lack of awareness and ability among the rural sector population to file complaints against the bank's misdeeds. He also found that complaints against Public Bank are large. However, the grievance resolving ratio has increased from 94% to 96% from 2010-11 to 2014-15.

The author *Uppal (2010)* in his paper analyses the extent of complaints in three types of bank groups, namely: public sector banks, Indian private sector banks, and foreign banks. The numbers of complaints are maximal in public sector banks and the maximum complaints are related to deposits, credit cards, and housing loans. The study was related to 2006 - 2007 and 2007 - 2008. However, the paper intends to solve these complaints with different methods.

*Kavitha (2015)* in her paper aims to study consumer awareness and factors affecting online shopping. The study has used Qualitative and Quantitative research methods to study the impact of Demographic factors of consumers on online shopping, respondents' behavior, awareness of the rules and regulations of online shopping, and benefits and services of online shopping. Results of the study reveal that online shopping in India is significantly affected by various Demographic factors like age, gender, marital status, family size, and income.

*Ghosh and Kailash (2010)* have strongly argued that customer knowledge is also one of the most important factors which can affect satisfaction.

*Patil: (2011)*, in his study pointed out that the awareness of the Banking Ombudsman Scheme provided by RBI is much low and the need is to create awareness of the scheme. The most specific observation the study rendered it shall be appropriate if the individual UCBs have their ombudsman

for speedy settlement of the customers' grievances

*Mahesh Baburao: (2011)*, points out that the awareness provided by the Reserve Bank of India is much low and still awareness has to be created. He also points out that if there is an individual ombudsman for each urban co-operative bank, then objectives would be satisfied.

### 3. Scope of the study

#### 3.1. Research is carried out on the following parameters

1. Total number of complaints received by BOS (Banking Ombudsman Scheme).
2. Number of complaints received city-wise.
3. Zone-wise complaints received.
4. Bank Group-wise complaints received.
5. Region-wise complaints received.
6. Mode-wise complaints received.

### 4. Research Methodology

#### 4.1. Research objective

To analyze the performance of the Banking Ombudsman Scheme in India based on selected parameters.

#### 4.2. Research design

A descriptive research design has been followed within which the research was conducted to obtain the objectives of the study.

#### 4.3. Period of study

The period of the study is from 2015-16 to 2019-20.

### 5. Methods of Data Collection

The present study is based on secondary data. Secondary data has been compiled from technical books, articles, previous studies, committee reports, Indian Bank Association (IBA) bulletins, RBI bulletins, articles & from "The Banking Ombudsman Scheme-Annual report" which is published by RBI every year.<sup>6-10</sup>

#### 5.1. Statistical tools-for analysis purposes, descriptive statistics tool such as percentages has been used

##### Data analysis and representation

It is depicted in Table 1 that the number of complaints received at the OBOs has increased during the last five financial years, along with the increase in the number of banking ombudsman offices. Lack of sufficient banking ombudsman offices, as well as lack of sufficient officers and required staff, are the crucial factor that accounts for the increase in complaints year by year.

Complaints received from Ombudsman offices situated in 22 major banking centers are shown in Table 2. There was a surge of 200% in complaints received from 2015-16 to 2019-20. There was a continuous increase in the number of complaints in all cities. Also, there is a major hike in complaints received in all metropolitan regions. Among the banking ombudsman offices, Mumbai leads in an increase of complaints received nearly by 203% (from 12333 to 37390) and New Delhi leads in an increase of complaints received nearly by 115% (from 22554 to 48553).

Also, New Delhi records the highest number of complaints in total i.e., 48553 as compared to other cities over an entire period of study. The major factor which can be attributed to this is an increase in the number of banking ombudsmen offices. From Table 2, it can be inferred that the awareness level of customers has been raised about the existence of the ombudsmen's office and now banks shall improve their service quality by reduction of the number of complaints in the future.

As revealed in Table 3, continuing the trend and due to the huge volume of complaints received at OBOs of New Delhi, Chandigarh, and Dehradun, the North zone has always accounted for the maximum share of complaints (42.63%) in 2019-20, followed by the West zone (23.20%) and South zone (20.37%). By and large East zone continued with the least share of complaints as compared to other zones.

Table 4 Indicates that the number of complaints received from the Nationalised Banks, SBI & Associate, and Private Sector Banks is maximum, whereas the number of complaints received from the Foreign Banks and RRBs and Urban Cooperative Banks is minimal during the five financial years. The main reasons may be that the nationalized banks, SBI, and private banks have the highest customer base and the quality of service rendered to customers is not satisfactory.

It is also noted that in the year 2019-20 private banks have surpassed all other groups in the number of complaints marking 31.96%. Among the group, foreign banks, RRBS/Scheduled Primary / Urban Co-operative banks, and others are showing a decrease in the complaints received percentage-wise compared to the year from 2015-16 to 2019-20.

It is quite clear from Table 5 that the offices of the Banking Ombudsman received complaints from almost all the regions of the country. Data on complaints with the Ombudsman shows a relatively large number of complaints from urban and metropolitan areas. The urban-centric nature of the offices and the level of literacy required to file grievances have impeded easy access. RBI has also created more awareness in such areas through personal visits, media coverage, and advertisements.

It is understood from Table 6 that complaints were received in the OBOs through various modes,

**Table 1:** Total number of complaints received by banking ombudsman offices during 2015-16 to 2019-20.

Period	Number of Banking Ombudsman Offices	Number of Complaints received during the year	Rate of increase over the previous year (%)	Average per office
2015-16	15	102894	20.87	6859.60
2016-17	20	130987	27.30	6549.35
2017-18	21	163590	24.89	7790
2018-19	22	195901	19.75	8904.59
2019-20	22	308630	57.54	14028.64

Note: Rate of increase over the previous year (%) and Average per office is self-calculated

Source: Annual Reports on Banking Ombudsman Scheme 2015-16 to 2019-20, RBI

**Table 2:** City wise number of complaints received by the OBO during 2015-16 to 2019-20.

OBO	2015-16	2016-17	2017-18	2018-19	2019-20
Ahmedabad	5909 (5.74%)	9552 (7.29%)	9607 (5.87%)	9796 (5.00%)	16008 (5.19%)
Bangalore	5114 (4.98%)	7042 (5.38%)	8906 (5.44%)	11044 (5.64%)	18475 (5.99%)
Bhopal	5748 (5.59%)	5671 (4.32%)	4050 (2.48%)	6107 (3.12%)	14510 (4.70%)
Bhubaneswar	3050 (2.96%)	2582 (1.97%)	2811 (1.72%)	4138 (2.11%)	5311 (1.72%)
Chandigarh	4571 (4.44%)	8189 (6.25%)	10026 (6.13%)	13063 (6.67%)	31599 (10.24%)
Chennai	8645 (8.40%)	9007 (6.88%)	10642 (6.50%)	11557 (5.90%)	17724 (5.74%)
Dehradun	0	948 (0.72%)	1371 (0.84%)	3958 (2.02%)	7858 (2.55%)
Guwahati	1328 (1.29%)	1569 (1.20%)	1601 (0.98%)	2061 (1.05%)	3641 (1.18%)
Hyderabad	5910 (5.74%)	6570 (5.01%)	8049 (4.92%)	10391 (5.30%)	19947 (6.46%)
Jaipur	4664 (4.53%)	6740 (5.15%)	9068 (5.54%)	11455 (5.85%)	18144 (5.88%)
Jammu	0	30 (0.02%)	501 (0.30%)	908 (0.46%)	1530 (0.50%)
Kanpur	9621 (9.35%)	8150 (6.22%)	13314 (8.14%)	14314 (7.30%)	23895 (7.74%)
Kolkata	4846 (4.70%)	7834 (5.98%)	10631 (6.50%)	11793 (6.02%)	11699 (3.79%)
Mumbai-1	12333 (11.99%)	16299 (12.44%)	18085 (11.06%)	13106 (6.69%)	19473 (6.31%)
Mumbai-2	0	0	1884 (1.15%)	10162 (5.19%)	17917 (5.81%)
New Delhi-1	22554 (21.92%)	24837 (18.96%)	26653 (16.29%)	33690 (17.20%)	18147 (5.88%)
New Delhi-2	0	4936 (3.77%)	9084 (5.55%)	11242 (5.74%)	20817 (6.74%)
New Delhi- 3					9589 (3.11%)
Patna	5003 (4.86%)	6225 (4.75%)	7946 (4.86%)	7998 (4.08%)	17392 (5.64%)
Raipur	0	237 (0.18%)	1211 (0.74%)	1906 (0.97%)	3682 (1.19%)
Ranchi	0	715 (0.55%)	1894 (1.16%)	2174 (1.11%)	4581 (1.48%)
Thiruvananthapuram	3593 (3.49%)	3855 (2.94%)	4456 (2.72%)	5038 (2.57)	6696 (2.17%)
	102894	130987	163590	195901	308630

Note: Figures in parenthesis indicate percentages that are self-calculated.

Source: Annual reports on banking ombudsman scheme 2015-16 to 2019-20, RBI.

predominantly through the online portal (i.e., the CMS). The other modes were emails, hand delivery, post, courier, and fax. With the launch of CMS, physical lodgement of complaints has declined from 51% to 14.36% of the total complaints received during the year. A comparative position of the various modes through which the complaints were received during the last five years is given in Table 6. The trend of complainants shifting to online mode is indicative of the ease in filing complaints on CMS, as compared to the earlier portal - Complaint Tracking System (CTS), and also the result of intensive awareness campaigns undertaken by RBI.

## 6. Conclusions and Suggestions

The Ombudsman scheme is a blessing and a very prominent medium for redressal of grievances by the general public against banks and banking services. Banks being the institutions of financial importance in every part of the world, the resolution of the complaints relating to their conduct is also an essential aspect of consumer satisfaction.

Also, the total number of banking transactions is growing because of inclusion, new modes of payments & settlements coming, and banks increasingly bringing in newer products, offerings & services. The number of OBOs has not increased over the years proportionately with the increasing complaints, RBI should consider increasing the number of Ombudsmen.

**Table 3:** Zone-wise number of receipts of complaints during 2015-16 to 2019-20

<b>Eastern zone</b>	2015-16	2016-17	2017-18	2018-19	2019-20
Bhubaneswar	3050	2582	2811	4138	5311
Guwahati	1328	1569	1601	2061	3641
Kolkata	4846	7834	10631	11793	11699
Patna	5003	6225	7946	7998	17392
Ranchi	0	715	1894		
Total (Eastern zone)	14227 (13.83%)	18925 (14.45%)	24883 (15.21%)	25990 (13.27%)	38043 (12.33%)
<b>Northern zone</b>					
Chandigarh	4571	8189	10026	13063	31594
Dehradun	0	948	3171	3958	7858
Jaipur	4664	6740	9068	11455	18144
Jammu	0	30	501	908	1530
Kanpur	9621	8150	13314	14314	23895
New Delhi-1	22554	24837	26653	33690	18147
New Delhi-2	0	4935	9084	11242	20817
New Delhi-3	0			0	9589
Total (Northern zone)	41410 (40.25%)	53829 (41.09%)	71817 (43.90%)	88630 (45.24%)	131574 (42.63%)
<b>Southern zone</b>					
Bengaluru	5119	7042	8906	11044	18475
Chennai	8645	9007	10642	11557	17724
Hyderabad	5910	6570	8049	10391	19947
Thiruvananthapuram	3593	3855	4456	5038	6696
Total (Southern zone)	23267 (22.61%)	26474 (20.21%)	32053 (19.59%)	38030 (19.41%)	62872 (20.37%)
<b>Western zone</b>					
Ahmedabad	5909	9552	9607	9796	16008
Bhopal	5748	5671	4050	6107	14510
Mumbai -1	12333	16299	18085	13106	19473
Mumbai -2			1884	10162	17917
Raipur	0	237	1211	1906	3682
Total (Western zone)	23990 (23.32%)	31759 (24.25%)	34837 (21.30%)	41077 (20.97%)	71590 (23.20%)
All Zone Total	102894	130987	163590	195901	308630

Note: Figures in parenthesis indicate percentages that are self-calculated

Source: Annual Reports on Banking Ombudsman Scheme 2015-16 to 2019-20, RBI.

**Table 4:** Bank group-wise number of complaints received during 2015-16 to 2019-20.

<b>Bank Group</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Nationalized Banks	35447 (35%)	45364 (34.63%)	54970 (33.60%)	61755 (31.52%)	92503 (29.97%)
SBI & Associations	29585 (29%)	35950 (27.45%)	46993 (28.73%)	59522 (30.38%)	91584 (29.67%)
Private Sector Banks	26931 (26%)	35080 (26.78%)	42443 (25.94%)	54922 (28.04%)	98623 (31.96%)
Foreign Banks	3413 (3%)	3284 (2.50%)	3850 (2.35%)	4196 (2.14%)	5935 (1.92%)
RRBS/Scheduled Primary / Urban Co-operative banks	2293 (2%)	2481 (2%)	3229 (1.97%)	3660 (1.87%)	6060 (1.96%)
Others	5225 (5%)	8828 (6.74%)	11632 (7.11%)	10092 (5.15%)	8698 (2.82%)
Total	102894	130987	163590	195901	308630

Note: Figures in parenthesis indicate percentages that are self-calculated.

Source: Annual Reports on Banking Ombudsman Scheme 2015-16 to 2019-20, RBI

**Table 5:** Region-wise receipts number of complaints received during 2015-16 to 2019-20

Population Group	Number of complaints received				
	2015-16	2016-17	2017-18	2018-19	2019-20
Rural	12420 (12%)	17458 (13.32%)	20600 (12.59%)	22862 (11.67%)	30979 (10.04%)
Semi-urban	15048 (15%)	17040 (13.01%)	18570 (11.35%)	23629 (12.06%)	56286 (18.23%)
Urban	42994 (42%)	59721 (45.59%)	81124 (49.59%)	94745 (48.36%)	70081 (22.71%)
Metro	32432 (31%)	36768 (28.07%)	43296 (26.47%)	54665 (27.90%)	151284 (49.02%)
Total	102894	130987	163590	195901	308630

Note: Figures in parenthesis indicate percentages that are self-calculated.

Source: Annual Reports on Banking Ombudsman Scheme 2015-16 to 2019-20, RBI.

**Table 6:** Mode-wise number of complaints received during the year 2015-16 to 2019-20.

Mode- Wise Number of complaints	2015-16	2016-17	2017-18	2018-19	2019-20
E-mail	35169 (34%)	57472 (43.88%)	79550 (48.63%)	96925 (49.48%)	109740 (35.55%)
Online (CMS)	15378 (15%)	22366 (17.07%)	24512 (14.98%)	44496 (22.71%)	154580 (50.09%)
Post/Fax	52347 (51%)	51149 (39.05%)	59528 (36.39%)	54480 (27.81%)	44310 (14.36%)
Total	102894	130987	163590	195901	308630

Note: Figures in parenthesis indicate percentages that are self-calculated.

Source: Annual Reports on Banking Ombudsman Scheme 2015-16 to 2019-20, RBI.

The resolution and the pace of resolution become very important because if the complaints rise and lie unsettled, the customers would shift from bank to bank thus churning business from one bank to another. Banking ombudsman schemes need to maintain complaint handling efficiency, maintain reputation and trust and avoid backlogs. To instill consumer confidence in the scheme, the RBI has to ensure that the banks implement the awards of the ombudsman.

Education that can improve awareness of banking sector customers will assist to safeguard the interest of the biggest stakeholder i.e. customers of the bank. Given that, BO's offices have started outreach activities for creating awareness among customers like interfacing with banks organizing awareness camps, participation in exhibitions, responding to readers' queries in newspapers, and broadcasting advertisements through AIR and Doordarshan, and many others. But still, it needs to be more rigorous, especially in rural areas.

## 7. Limitations

1. The study is confined to the period of five years only.
2. Only a few parameters were selected for this study.
3. The result is based on secondary data which has its own inherent limitations.

## 8. Source of Funding

None.

## 9. Conflict of Interest

None.

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