

## Analysis of Banking Ombudsman Scheme

\* Girivasuki K  
\* \* Dr. Dinakar G

\* Research Scholar, Bharathiar University, Coimbatore  
Assistant Professor, SJB Institute of Technology, Bangalore, Karnataka, India  
\*\* Director, Brindhavan College, Bangalore, Karnataka, India

### Abstract

In the new business trend, attracting the customer is the major thing because they are the one who decide the profit of the organization. Whichever the bank it is, the customer will have a complaint always. It's the duty of the banks to solve the issues related to their operations. In this paper we are trying to analyse the Banking Ombudsman Scheme. This research aims to identify the effectiveness of Banking Ombudsman Scheme in Indian Banking sector and to analyze the performance of Banking Ombudsman Scheme in Indian Banking sector. The data's are collected from the various websites and journals. This study is based on the descriptive analysis. Rate of disposal during the year 2012-11 and 2011-12 were (94%) remaining the same and during 2012-13 it was 93%. It shows the effectiveness of Ombudsman Scheme.

**Key Words:** Introduction, customer service initiatives by RBI, Objectives, Research Methodology, Data Analysis & Interpretation, Findings.

### Introduction

Ombudsman scheme introduced by the Government of India by the recommendation of Santhanam Committee to provide better customer service. Ombudsman is a person who is appointed by the Government of India to handle the customer complaints and to solve the same. Banking Ombudsman scheme is introduced under Section 35A of the banking regulation Act 1945 by RBI with effect from 1995. There are 15 banking ombudsman is appointed to redress customer complaints against deficiency in some banking services.

Customer can file a complaint, if the replay is not received from the bank in a month or the bank rejects the complaints or if the customer is not satisfied with the answer given by the bank for his/her complaint. In addition, customer can file a complaint against the bank for its non-adherence to the provisions of the fair practices code for lenders or code of bank's commitment to the customer issued by the Banking codes and Standards Board of India (BCSBI). Due to changing levels of customer expectations of various banks and the range of new products offered by these banks the banking ombudsman scheme was an undergone extensive change in June 2002 and December 2005. Based on this in 2002 this scheme introduced "Review authority" and "Arbitration and Conciliation procedure". But due to some reasons BOS had cancelled or removed these two provisions in the year 2006.

### **Customer Service Initiatives by RBI**

- Inter-Sol charges
- Levy of panel charges by banks for delay in re-presentation of cheques returned on technical grounds
- Payment of pension to the central Government pensioners- continuation of either or survivor pension account after death of a pensioner.
- Loss of pension payment order in transit
- Bank customers can ask for CCTV recording of ATM transactions
- Security in card payment

### **Review of Literature**

The Disputes Redressal Agencies (District Forums, State Commissions and National Commission) under the Consumer Protection Act, 1986 adjudicate upon the complaints of consumers relating to defaults in products and deficiency in service. 'Service' as defined in the Act includes the provision of facilities in connection with banking (RBI). Analysis of the various judgments of the Consumer Courts reveals that they have not only been awarding the value of the goods or services for the defect and deficiency in service but also the compensation for the mental agony and harassment (Sharma Vijaykumar Ramchandra). Deregulation and information technology initiatives in banking sector have given competitive advantage to banks in India. Present thinking is that competition would take care of consumer welfare more than any other legislative measure. This apart, the ombudsman should demonstrate its impartiality for consumer protection to win the confidence of small consumers (Malyadri, P. & Sirisha, S).

### **Objectives of the Study**

This study aims

- To identify the effectiveness of Banking Ombudsman Scheme in Indian Banking sector
- To analyze the performance of Banking Ombudsman Scheme in Indian Banking sector.

### **Statement of the Problem**

Due to the competition, banks are coming with the variety of innovative products. But they are not concentrating more on service quality and also the customer benefit. We had gone through the RBI website to collect information about banks. We found that lots of complaints are filed about banking services by the customers are various banks. So, we wanted to know the effectiveness of Banking Ombudsman Scheme that is whether the Scheme is working towards solving the maximum number of complaints.

## Research Methodology

This study is purely based on secondary data which is collected from RBI website and other journals. And to analyze the performance of Ombudsman scheme we had collected the data from annual report 2012-13 of Banking Ombudsman Scheme 2006 published by RBI. For the purpose of analyzing the data we have used descriptive statistics tools such as simple percentage and simple growth rate analysis.

The formula for simple growth rate is as follows,

$$PR = \frac{(V_{Present} - V_{Past})}{V_{Past}} \times 100$$

Here,

PR = Percent Rate

$V_{Present}$  = Present or Future Value

$V_{Past}$  = Past or Present Value

## Data Analysis and Interpretation

**Table: 1 Number of Complaints received by the OBOs**

Particulars	2010-11	2011-12	2012-13
No. of OBOs	15	15	15
Complaints received	71274	72889	70541

**Source: RBI**

During the year 2012-12 OBOs received 70541 complaints and in 2011-12, it is 72889 and in the year of 2010-11, 71274.

**Table: 2 Receipt of complaints Mode-wise**

Mode	Number of complaints received during		
	2010-11	2011-12	2012-13
Email	9736 (14%)	9499 (13%)	11381 (16%)
On line	9265 (13%)	10026 (14%)	8160 (12%)
Post/Fax/Courier	52273 (73%)	53364 (73%)	51000 (72%)
Total	71274	72889	70541

**Source: RBI**

Customer prefer post/courier/fax to send the complaints (OBOs received most of the complaints through the post/courier/fax). Electronic and online modes are less preferred by the customer.

**Table: 3 Bank group-wise classification**

Bank Group	Number of complaints received during		
	2010-11	2011-12	2012-13
Nationalized Bank	20417 (29%)	22326 (31%)	21609 (31%)
SBI & Associates	22307 (31%)	25848 (35%)	23134 (33%)
Private sector Banks	17122 (24%)	15090 (21%)	15653 (22%)
Foreign Banks	7081 (10%)	5068 (7%)	4859 (7%)
RRBs/ Scheduled Primary Urban co-operative bank	1130 (2%)	1439 (2%)	1489 (2%)
Others	3217 (4%)	3118 (4%)	3797 (5%)

**Source: RBI**

There are more complaints against SBI & its associates and other Nationalized bank where the customers also more in numbers than other banks. Highest percentage of complaints against Private sector banks (24%) in the year 2010-11.

**Table: 4 category-wise distributions of complaints**

Complaint Category	Number of complaints received during		
	2010-11	2011-12	2012-13
Deposit accounts	1727 (2%)	8713 (12%)	3913 (6%)
Remittances	4216 (6%)	3928 (5%)	2664 (4%)
Card related (ATM/Debit/Credit)	17116 (24%)	14492 (21%)	17867 (25%)
Loans & Advances	4564 (6%)	6016 (8%)	5996 (9%)
Levy of charges without prior notice	4149 (6%)	3806 (5%)	3817 (5%)
Pension Payments	5927 (8%)	5944 (8%)	5740 (8%)
Failure to meet commitment/ non observance of fair practices code/ BCSBI code	16302 (23%)	18365 (26%)	18130 (25%)
DSAs & Recovery agents	1722 (2%)	459 (1%)	351 (0.8%)
Notes & Coins	146 (0.2%)	165 (0.2%)	56 (0.2%)
Others	7201 (10%)	7327 (10%)	8635 (12%)
Out of subject	8204 (11%)	3674 (5%)	3372 (5%)

**Source: RBI**

Complaints regarding cards (25%) (ATM/Debit/Credit) and failure to meet commitment/non observance of fair practices code/BCSBI code are higher in percentage. And the next highest complaint is about deposit accounts. Loans and Advances, pension payments, deposit accounts, and levy of charges without prior notice were other major source of complaints. In Loans and Advances, complaints were mainly related 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 CIBIL, etc.

**Table: 5 Comparative position of disposal of complaints by OBOs**

Number of complaints	Number of complaints received during		
	2010-11	2011-12	2012-13
Received during the Year	71274	72889	70541
Brought forward from previous year	5364	4618	4642
Handled during the year	76638	77509	75183
Disposed of during the year	72020	72865	69704
Rate of Disposal (%)	94%	94%	93%
Carried forward to the next year	4618	4642	5479

**Source: RBI**

During the year 2010-11 OBOs received the 71274 complaints from that 4618 complaints were carried to next year. During 2012-13 they received 70541 complaints which includes 4642 complaints are carried from 2011-12. Rate of disposal during the year 2012-11 and 2011-12 were (94%) remaining the same and during 2012-13 it was 93%.

**Table: 6 Mode of disposal of maintainable complaints**

Disposal of Maintainable complaints	2010-11	2011-12	2012-13
By mutual settlement	21269 (60%)	20092 (54%)	19883 (50%)
Disposal by award	278 (1%)	327 (1%)	312 (1%)
Maintainable Complaints rejected/withdrawn	13952 (39%)	16946 (45%)	19205 (49%)
Total Maintainable complaints disposed	35499	37365	39400

**Source: RBI**

In total maintainable complaints 50% of the complaints were disposed by mutual settlement. And 49% maintainable complaints were rejected or withdrawn by the customers. Awards were provided only for 1% of the maintainable complaints.

**Table: 7 Reasons for rejection of compliance**

Reasons	2010-11	2011-12	2012-13
First resort complaints	16755 (23.51%)	14352 (19.69%)	8660 (12.28%)
Time barred complaints	874 (1.23%)	778 (1.07%)	683 (0.97%)
Complaints dealt earlier	2633 (3.69%)	2771 (3.80%)	2634 (3.73%)
Frivolous complaints	99 (0.14%)	32 (0.04%)	31 (0.04%)
Incomplete address, beyond pecuniary jurisdiction, pertaining to other institutions/ departments, miscellaneous unrelated complaints, etc	5162 (7.24%)	3144 (4.31%)	3039 (4.31%)
Complaints without sufficient cause	5447 (7.64%)	5268 (7.23%)	4705 (6.67%)
Not pursued by the complaints	219 (0.31%)	62 (0.09%)	55 (0.08%)
Complicated requiring elaborate evidence	4441 (6.23%)	4328 (5.94%)	5340 (7.57%)
No loss to the complainants	254 (0.36%)	43 (0.06%)	44 (0.06%)
Complaints not on grounds on complaints (clause 8 or sub-class (3) of clause 9 of the Scheme	10866 (15.25%)	17867 (24.51%)	19217 (27.24%)
Outside territorial limits of BO	2838 (3.98%)	3026 (4.15%)	4028 (5.71%)
Total rejected complaints (Maintainable & Non-maintainable)	50474	52376	49391

**Source: RBI**

Complaints which are not covered under clause 80 of the BO (27.24%) were rejected by OBOS. The complaints which are received from the customer directly to the OBS without approaching the bank first (12.28%) are also a reason for rejection. And complicated requiring elaborate evidence 7.57%, complaint without sufficient cause 6.67%, also outside territorial limit of BO 5.71%.

**Table: 8 Age-wise classification of pending complaints**

Pending up to	June 30, 2011	June 30, 2012	June 30, 2013
1 Month	2889 (3.76%)	2701 (3.42%)	3281 (4.36%)
1-2 Month	1397 (1.82%)	1655 (2.13%)	1675 (2%)
2-3 Months	297 (0.38%)	277 (0.37%)	492 (0.60%)
More than 3 Months	35 (0.04%)	9 (0.1%)	31 (0.04%)
Total pending	4618 (6%)	4642 (6%)	5479 (7%)

**Source: RBI**

Total pending in all OBOs were remaining the same during the year 2011 & 2012 and during 2013 the total pending is 7% out of which 4.36% were pending for a month, 2% were pending for 1-2 months and 0.60% were pending for 2-3 months.

**Table: 9 Cost of handling complaints at OBOs**

Particulars	2010-11	2011-12	2012-13
Total Cost (Rs. In Million)	261	281	315
Complaints Received	72021	72889	70541
Average cost of Handling a complaint (in Rs.)	3619	3858	4468

**Source: RBI**

Cost of handling complaints during the year 2012-13 (Rs. 4468) is high as compared to 2010-11 (Rs. 3619) and 2011-12 (Rs. 3858).

**Findings:**

- Number complaints are reduced during 2012-12 (70541) than 2011-12 (72889).
- Customer gives more preference to post/courier/fax mode to send the complaints.
- There are more complaints a Nationalized bank and SBI & its associates where the customers also more in number than other banks.
- Complaints regarding cards (25%) (ATM/Debit/Credit) and failure to meet commitment/non observance of fair practices code/BCSBI code are higher in percentage. And the next highest complaint is about deposit accounts.



- Rate of disposal during the year 2012-11 and 2011-12 were (94%) remaining the same and during 2012-13 it was 93%. It shows the effectiveness of Ombudsman Scheme.
- In total maintainable complaints 50% of the complaints were disposed by mutual settlement. And 49% maintainable complaints were rejected or withdrawn.
- Complaints which are not covered under clause 80 of the BO (27.24%) were rejected by BOS. So, the RBI should provide the awareness to the customer about clause 80 and Ombudsman Scheme.
- Total pending in all OBOs were remaining the same during the year 2011 & 2012 and during 2013 the total pending is 7% out of which 4.36% were pending for a month, 2% were pending for 1-2 months and 0.60% were pending for 2-3 months.
- Cost of handling complaints during the year 2012-13 (Rs. 4468) is high as compared to 2010-11 (Rs. 3619) and 2011-12 (Rs. 3858).

### **Conclusion:**

From the above discussion and analysis shows that the Banking Ombudsman Scheme is during their duty effectively because the disposal rate is 94%. Obviously, performance of the OBOs is also good, because there were no much pending complaints more than a month. Even though OBOs are running effectively and efficiently the customers are not aware about the Ombudsman Scheme and clause 8. So, it is the duty of RBI to create the awareness among the customers.

### **Reference:**

- Banking Ombudsman Scheme 2006, Annual Report 2012-13, [www.rbi.org.in](http://www.rbi.org.in)
- C.R. Kothari (2004), Research Methodology Methods & Techniques, New Age International (P) Limited.
- (Economy) Banking Ombudsman: Meaning, functions, appointment, reforms explained, <http://mrunal.org/>
- Malyadri, Pacha & Sirisha, S, Success of banking ombudsmen scheme: Myth or reality, International Journal of Research Studies in Management, 2012 April, Volume 1 Number 1, 17-24, Online ISSN: 2243-7789.
- Pragya Mishra, A Brief Analysis of the Banking Ombudsman Scheme in India, <http://www.manupatrafast.com>.
- Sharma Vijaykumar Ramchandra, A study of consumer protection act related to banking sector, Asia Pacific Journal of Marketing & Management review, December 2012, Volume 1 (4), 78-84, ISSN 2319-2836.