

# Grievance Redressal Level: Impact Of Banking Ombudsman Scheme In Banking Sector In India

E.VANITHA <sup>1</sup>, Dr. K. VIJAYARANI <sup>2</sup>

<sup>1</sup>Dept of commerce

<sup>2</sup>Professor, Dept of commerce

<sup>1,2</sup> Annamalai University, Annamalai Nagar - 608002, Chidambaram, Tamil Nadu.

**Abstract-** *The banking system in India today has perchance the largest outreach for delivery of financial services and is also serving as an important instrument for delivery of financial services. The Reserve Bank of India set up the Banking Ombudsman in year 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. The Ombudsman scheme is a system of expeditious and inexpensive resolution to customer complaints. The customers who are unhappy with the services rendered by a bank or face problems while dealing with one can apply to the banking ombudsman for redressal under the RBI's Banking Ombudsman Scheme. Banking ombudsman exploits the redressal policy to reach out to the large number of customers which are beyond the reach of traditional redressal systems. In this regard the paper evaluates the performance of Banking Ombudsman Scheme 2006 in terms of complaints received on Deposits, Remittances, credit/debit cards, loan and advances, charges without notice, pension, failure to meet commitments, DSAs and recovery agents, notes and coins and non observance of fair practice and in this paper analyzed the impact of Banking Ombudsman Scheme on grievance redressal level provided by Indian Banking sector. For this purpose Trend analysis technique have been employed. The study indicates that the number of complaints against banking sector has been continuously increasing under the Banking Ombudsman Scheme in banks wise like Scheduled Commercial Banks and Nationalizes Banks. The total complaints against foreign banks have been decreasing while the total complaints against private sector banks have been increasing. No doubt, the scheme will gain more popularity in future and its impacts on services quality by banks will be positive.*

**Keywords-** Grievance, Banking Sector, Complaints, Banking Ombudsman

## I. INTRODUCTION

In the present circumstances of competitive banking, excellence in customer service is the most important tool for sustained business growth. Customer service has been the challenging job in the banking industry, specifically, after the

financial sector reforms and implementation of new age technology. Providing prompt and efficient service is on the top agenda of commercial banks to attract retain the new customers. Making banks more customer-friendly has also been high on the agenda of the Reserve Bank of India. Reserve Bank of India has taken so many steps in this regard, which includes deregulation of interest rates, deregulation and setting of ATMs, payments system initiatives like RTGS (Real Time Gross Settlement) and NEFT (National Electronic Fund Transfer), adoption of fair practices code (Lender's liability), issuance of guidelines for handling of card products, implementation of code of conduct for Directing Selling Agents (DSA) and Directing Recovery Agents(DRA), setting up of a mechanism to handle the customer complaints, etc. it is the result of RBI's initiatives that today all commercial banks have their own grievance redressal cells to handle the grievances of their customers. However, sometimes, customers' complaints against are not be handled properly by banks which may result in dissatisfaction to the customers. At this point of time customer is in an impasse about where to file a complaint against the deficiency in services rendered by the banks. Courts may not be the right choice because of long time involved in setting of cases and heavy costs. Here, Reserve Bank of India has provided an alternative mechanism to handle the customers' grievance by setting up of Banking Ombudsman in India. The prime objective behind the setting up of Banking Ombudsman was to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. In India, Bank Ombudsman is in operation for more than one and half decade but its existence and working are not known to many customers (Singh, 2006). So, firstly, it is important to understand the working of Banking Ombudsman and to make the bank customers aware about its existence. It will help the bank customer to avail the maximum benefit from this institution. Secondly, it is also important to evaluate the performance of bank ombudsman regarding the handling of complaints to have an idea about the success of failure of this institution.

## II. REVIEW OF LITERATURE

Singh (2011) studied the performance of banking ombudsman scheme prevalent in the country for a period of five years i.e. from 2005-06 to 2009-10 and concluded that there is increase in No. of complaints over a period of time and there is dire need to familiarize the customer residing in rural areas regarding the ombudsman scheme.

Sujatha Susanna Kumari (2012) studied the customer services through the banking ombudsman scheme and evaluated for a period of five years from i.e. 2006-07 to 2012-11 and concluded that there is the total number of complaints received and handled under the BOS has been growing steadily.

Pani and Swain (2013) have studied the conceptual frame work of banking ombudsman scheme. Moreover, the researcher also conducted complaint analysis and studied the complications involved over a period of four years i.e. 2008-09 to 2011-12.

Selvi (2013) examined the performance of banking ombudsman scheme in terms of receipt and disposal of complaints, nature and mode of complaints received, region wise coverage of complaints and the grounds under which rejection of complaints takes place for the period of three years i.e. 2011-12 to 2013-14.

## III. OBJECTIVE OF THE STUDY

- To analyze the bank group wise categorization of grievances received by Banking Ombudsman for the period under study.
- To know the grievance level of banking sector provided by the Banking Ombudsman Scheme.

### Methodology of the study

The present study is mainly based on the secondary data. The relevant data have been collect from the annual reports of the RBI. A reference has also been made to various journals and magazines. The study is intended to examine the performance of Banking Ombudsman in terms of each category of complaints received by banking sector wise. For the purpose of study the researcher has chosen five years i.e. 2011-12 to 2015-16. In order to analyze the data and to draw the conclusions statistical tool used like trend percentage has been used.

### Bank Ombudsman's Performance in India

The paper analyses the performance of Bank Ombudsman in India on the basis of selected parameters. The performance of Bank Ombudsman has been analyzed the following tables.

Table 1  
Complaints on Deposits Accounts

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	3003	1303	1339	1615	1716	100	43.39	44.59	53.78	57.14
State bank group	2607	1262	1415	1415	1371	100	48.41	54.27	54.27	52.59
Public sector banks	5742	2678	2785	3082	3222	100	46.64	48.50	53.67	56.11
Old private sector banks	250	133	102	184	172	100	85.32	40.80	73.60	68.80
New private sector banks	1644	796	811	967	1235	100	48.42	49.33	58.82	75.12
Foreign banks	506	159	134	110	122	100	31.42	26.48	21.74	24.11
PCB/RRBs/others	571	197	200	318	296	100	34.50	35.02	55.67	51.84
Scheduled commercial banks	8142	3716	3872	4661	4751	100	45.64	47.38	57.25	58.35

Source: Report on Trend and Progress of Reserve Bank of India

### Interpretation

The above table presents trend for deposits for five years i.e. 2011to2015. These base year on which the analysis based is 2011. The index is 100 for the base year 2011. The above trend analysis gives a picture of how deposits changed over time. The index for deposits indicate whether the deposits is increasing or decreasing and at what rate. The table 1shoes a decline trend in all the five years of the study as compared to the base year 2011.

Table 2  
Complaints on Remittance

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	1429	932	1016	1152	961	100	65.62	71.09	80.62	67.25
State bank group	1131	996	939	912	751	100	88.06	83.02	80.64	66.40
Public sector banks	2806	1976	1978	2096	1756	100	70.42	70.50	74.70	62.58
Old private sector banks	82	63	69	64	63	100	76.83	84.15	78.05	76.83
New private sector banks	709	460	429	409	562	100	64.88	60.51	57.69	79.27
Foreign banks	165	55	86	60	42	100	33.33	52.12	36.36	25.45
PCB/RRBs/others	171	110	97	71	70	100	64.33	56.72	41.52	40.96
Scheduled commercial banks	3757	2554	2562	2700	2423	100	67.98	68.19	71.87	64.49

Source: Report on Trend and Progress of Reserve Bank of India

### Interpretation

The table 2 shows that complaints on Remittance are decreasing trend in all banking sector compare to base year. Though there is very highly decrease in the complaints of remittance (25.45%) in the year in the case of foreign banks and very lowly decrease in the complaints (88.06%) in the year 2012 in case of SBI group banks.

Table 3  
Complaints on Loans and advances

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	2086	2292	2191	1983	2158	100	109.87	105.02	95.16	103.45
State bank group	1851	1806	1941	1438	1334	100	97.56	104.86	77.69	72.07
Public sector banks	3937	4152	4132	3458	3540	100	105.46	104.95	87.83	89.92
Old private sector banks	335	238	267	238	160	100	71.04	80.42	71.69	47.76
New private sector banks	993	929	722	684	1226	100	93.55	72.71	68.88	123.46
Foreign banks	422	1161	375	371	338	100	275.11	88.86	87.91	80.09
PCB/RRBs/others	329	167	159	103	135	100	50.76	48.33	31.31	41.03
Scheduled commercial banks	5594	5486	5280	4846	5061	100	98.07	94.39	86.63	90.47

Source: Report on Trend and Progress of Reserve Bank of India

### Interpretation

From the table 3 it is observed that there is a continuous increase in the complaints on loan and advances expect 2014 in the year in case of Nationalized Banks. Thought there is increase in the complaints on loan and advances in the year 2013 in case of SBI Groups and Public sector Banks as compared to base year. Yet over all complaints Private Sector Banks is comparatively as compared to Public Sector Banks. In case of Foreign Banks the complaints on loans and advances declined in the year 2014 as compare to another year.

Table 4  
Complaints on ATM/Credit Card/Debit Card

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	3223	3961	4565	4869	5918	100	122.88	141.64	151.07	183.62
State bank group	5998	6106	5582	5955	6541	100	101.80	93.06	99.28	109.05
Public sector banks	9221	10067	10147	11016	12758	100	109.17	110.04	119.47	138.36
Old private sector banks	141	196	253	285	371	100	138.00	179.43	202.13	263.12
New private sector banks	3104	4560	4967	4983	6925	100	146.91	160.02	160.53	223.10
Foreign banks	1771	2789	2837	1603	1464	100	157.48	160.19	90.51	2.67
PCB/RRBs/others	255	255	270	236	314	100	100	105.88	92.55	123.18
Scheduled commercial banks	14237	17612	18204	18123	21518	100	123.71	127.86	127.30	151.14

Source: Report on Trend and Progress of Reserve Bank of India

**Interpretation**

From the Table 4 inferred that complaints on ATM/Debit Cards and Credit cards shown as decreasing trend in case of SBI Group Banks (93.06%, 99.28%) and Primary Co-operative/RRB/other Banks (92.55%) . if compare to both Nationalized Banks and Scheduled Commercial Banks. Nationalized Banks increasing trend is more than that of Scheduled Commercial Banks.

Table 5  
Complaints on levy of Charges without prior notice

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	928	944	1137	1443	1358	100	101.72	122.32	155.50	146.37
State bank group	3818	748	1146	1410	1404	100	19.59	30.01	36.93	36.77
Public sector banks	5793	5614	2319	2876	2955	100	96.91	40.03	49.65	51.00
Old private sector banks	163	132	179	192	134	100	80.98	109.82	117.29	82.21
New private sector banks	1307	1470	1576	2001	2272	100	112.47	120.58	153.11	173.83
Foreign banks	411	307	298	261	192	100	74.70	72.51	63.50	46.72
PCB/RRBs/others	92	160	175	180	152	100	173.91	190.21	195.65	165.21
Scheduled commercial banks	3714	3657	4372	5510	5553	100	98.47	117.72	148.36	149.52

Source: Report on Trend and Progress of Reserve Bank of India

**Interpretation**

From the above table shows that complaints on levy of Charges without prior notice is year by year increase in Nationalized Banks, Primary Co-operative Banks/RRBs/Others and Scheduled commercial Banks expect (98.47%) in the year 2012 and New Private Sector Banks. Though there is decrease trend in complaints on levy of Charges without prior notice in case of SBI Groups and Public Sector Banks. Then up-down trend in Old private Sector banks (80.98%, 109.92%, 117.29% & 82.21%).

Table 6  
Complaints on Pensions

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	1974	2017	2325	1996	2654	100	102.18	117.78	101.14	134.45
State bank group	3818	3596	4118	3707	3619	100	94.19	107.78	97.09	94.79
Public sector banks	5793	5614	6444	5705	5273	100	96.91	111.24	98.48	91.02
Old private sector banks	1	13	4	3	1	100	1300	400	300	100
New private sector banks	38	17	19	18	14	100	44.74	50	47.37	36.84
Foreign banks	13	2	4	4	8	100	15.38	30.76	30.76	61.54
PCB/RRBs/others	99	94	84	47	46	100	94.94	84.84	47.47	46.46
Scheduled commercial banks	5845	5644	6471	5777	6297	100	96.60	110.71	98.84	107.73

Source: Report on Trend and Progress of Reserve Bank of India

**Interpretation**

From the Table 6 shows that complaints on pensions are increasing trend in case of nationalized banks and Old private sector Banks and in the case New Private Sector Banks it is decreasing trend. In case of foreign banks the trend line is fluctuating and as a result the overall performance of Scheduled Commercial Banks is showing variations in the trend line.

Table 7  
Complaints on Failure to meet commitments

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	2331	2557	2385	3312	4119	100	109.70	102.23	142.08	176.71
State bank group	1165	2227	2222	2659	3434	100	191.16	190.73	228.24	294.76
Public sector banks	4408	4888	4679	6076	7683	100	110.89	106.15	137.84	174.29
Old private sector banks	192	158	146	164	130	100	82.29	76.04	85.42	67.71
New private sector banks	1703	1200	1457	1440	2444	100	70.46	85.55	84.56	143.81
Foreign banks	657	276	266	213	296	100	42.00	40.49	32.42	45.05
PCB/RRBs/others	311	566	290	543	630	100	181.99	93.25	174.60	202.57
Scheduled commercial banks	6960	6522	6248	8440	10558	100	93.71	89.77	121.26	151.70

Source: Report on Trend and Progress of Reserve bank of India.

**Interpretation**

From the table shows that Complaints on Failure to meet commitments is continuous increasing trend in case of Nationalized Banks, SBI Group and Public Sector Banks. In case of Old private Sector banks the trend line is decline and in case of Foreign Banks, PCB/RRBs/others and Scheduled Commercial Banks the trend line are fluctuate and as result the overall performance of New Private Sector Banks is showing variations in the trend line.

Table 8  
Complaints on Notes and Coins

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	55	10	21	20	25	100	18.18	38.18	36.36	45.45
State bank group	60	17	23	21	19	100	28.33	38.33	35.00	31.67
Public sector banks	119	28	45	44	46	100	23.53	37.82	36.97	38.66
Old private sector banks	4	3	4	1	1	100	75.00	100	25.00	25.00
New private sector banks	29	10	7	5	11	100	39.48	24.14	17.24	37.93
Foreign banks	5	1	0	0	0	100	20.00	0	0	0
PCB/RRBs/others	8	14	7	11	5	100	17.5	87.50	137.5	62.50
Scheduled commercial banks	157	42	56	61	58	100	26.75	35.67	38.85	33.14

Source: Report on Trend and Progress of Reserve Bank of India

**Interpretation**

From the above table it is observed that there is a continuous zero per cent trend in the complaints on Notes and Coins in the years (2013, 2014, and 2015) in case of foreign

banks. Though there is all sector banks the trend line is fluctuate. Highest decrease trend in case of SBI Group Banks. In case of Old Sector Banks is same per cent compare base year (100% in 2013) and continuous same per cent in the years 2014 and 2015.

Table 9  
Complaints on DSAs and Recovery Agents

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	54	40	26	60	28	100	74.07	48.15	111.11	51.85
State bank group	87	56	40	53	45	100	64.37	45.98	60.92	51.72
Public sector banks	145	97	68	115	75	100	66.90	46.90	79.31	51.72
Old private sector banks	8	5	7	7	1	100	62.5	87.5	87.5	12.50
New private sector banks	215	188	164	160	232	100	87.44	76.28	74.42	107.91
Foreign banks	83	45	38	37	36	100	54.22	45.78	44.58	43.37
PCB/RRBs/others	8	11	18	28	13	100	137.5	225.0	355	162.50
Scheduled commercial banks	451	235	277	347	344	100	52.111	61.42	76.94	76.27

Source: Report on Trend and Progress of Reserve Bank of India

### Interpretation

From the table 9 shows that complaints on DSAs and Recovery Agents s/others in compare to base year 2011. Then in case of SBI Group, Public Sector Banks, Old Private Sector Banks, foreign Banks and Scheduled Commercial Banks are decrease trend lines. Though there is in case of New Private Sector Banks up-down trend line (37.44%, 76.28%, 74.42% and 107.91%) in the year 2015.

Table 10  
Complaints on Non Observance of fair practice

Name of The Bank	2011	2012	2013	2014	2015	2011%	2012%	2013%	2014%	2015%
Nationalized banks	3136	3485	4891	6004	9015	100	110.42	154.97	190.24	285.64
State bank group	4169	3138	3601	4558	6119	100	75.30	86.36	109.33	146.77
Public sector banks	7539	6813	8673	10765	16275	100	90.37	115.04	142.79	215.88
Old private sector banks	181	308	424	369	505	100	170.17	234.25	203.87	136.86
New private sector banks	1920	2519	2773	3589	5011	100	131.20	144.43	186.93	260.99
Foreign banks	548	616	703	524	518	100	112.41	128.28	95.62	94.53
P	916	786	1257	1163	1442	100	85.81	137.22	126.97	157.42
CB/RRBs/others										
Scheduled commercial banks	10188	10256	12573	16140	22309	100	100.67	123.41	158.42	218.97

Source: Report on Trend and Progress of Reserve Bank of India

### Interpretation

The above table presents complaints on Non Observance of fair practice is increasing trend in case of Nationalized Banks, Private Sector Banks (both) and Scheduled Commercial Banks as compare to base year. In case of SBI Group, foreign Banks and PCBs/RRBs/others banks the trend line are fluctuating and as a result the overall performance of Public Sector Banks is showing variations in the trend line.

### Findings and Recommendations of the Study

- In case of complaints related to deposit accounts it is predicted from the trend analysis that in future period the complaints trend regarding deposit accounts may increase

as compared to the base year in all bank groups expect foreign banks it is predicted that the complaints may show decreasing trend as compared to base year. Delays in credit, non-credit of proceeds to parties accounts, non-payments of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in savings, current or other account maintained with a bank were the major reasons for complaints in the category of Deposit Accounts.

- In case of complaints pertained to loan and advances if is predicted from the analysis that future period the complaints trend regarding loans and advances witness the upward trend in case of public sector banks, whereas in the case of foreign banks it witnessed the downward. The reason why public sector banks and private sector have more complaints as compared to foreign banks because complaints pertaining to non-sanction/delay in sanction of loans, charging of excessive rate of interest, non-return of title deeds, non-issuance of no due certificate, wrong reporting to CIBIL etc may be more.
- In case of complaints related to ATM/Debit cards and Credit cards the trend analysis proved that the future trends of public sector banks and private sector banks consist of upward trend and the foreign banks consist of downward trend. Again if the analysis between public sector banks and private sector banks the complaints on ATM/Debit cards and Credit Cards are growing at much faster speed in case of private sector banks as compare to public sector banks. The reason for these card-related complaints may be issue of unsolicited cards sale of unsolicited insurance policies and recovery of premium, charging of annual fees in spite of being offered as 'free' card, authorization of loans over phone, wrong billing, settlement offers conveyed telephonically, non-settlement of Insurance claims after the demise of the card holder, exorbitant charges, wrong debits to account, non-dispensation/short dispensation of cash from ATM, skimming of cards, fraudulent withdrawals using debit/credit cards etc.
- Pension related complaints were mainly regarding delayed payments, errors in calculations and difficulties in switching over to family pension and these complaints are more in case of Nationalized banks.
- Complaints in the category of Non-Observance of fair practices indicate the lack of awareness about the codes amongst bank staff as also the customers. It also reveals the lack of bank's commitment to adhere to agreed terms & conditions. There is a need for the banks to devote special attention to this aspect and provide appropriate training to their front level staff regarding these codes.

#### IV. CONCLUSION

It is concluded that the trend analysis with regard to public sector banks and private sector banks are showing increasing trend in most of the categories of complaints as compared to base year but if the trend, the increasing trend is slow that says that bank groups are taking care to avoid the complaints but the force and the strategies have to be improved as compare to foreign banks. The total complaints received by banking ombudsman against different bank groups reveals that the majority of the complaints pertain to public sector banks and private sector banks and the number of complaints against foreign banks are less as compared to the base year which shows that Indian customers are most satisfied with the foreign banks carrying out operations in India. Each and every bank should establish a customer care centre to solve the complaints of the customers. Consequently, if the Indian public sector banks will not improve themselves to mitigate the complaints of the bank customers, their survival will become difficult in the competitive era. However, the Reserve Bank of India should instruct all the public sector banks to solve the complaints of the customers at the earliest.

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