

# An analytical study on effectiveness of Ombudsman Scheme on Indian Banking Sector

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**Abstract:** Ombudsman Scheme is blessing to the banking customers regarding their problems and complaints. It provides solution to the customers for their complaints against banks. This paper provides an analytical study on the RBI annual report of 2024 regarding ombudsman scheme. So, it is centered on the secondary data as per the yearly reports of RBI. The previous reports are also analyzed and conclusions are drawn. This paper also suggests different suggestions regarding complaints of customer and solutions. It is also analyzed that complaints in metropolitan cities are reducing while increasing in numbers of complaint count in urban, semi-urban and rural areas which shows that the customers are getting aware of their rights and ombudsman facility available by RBI. For analysis, percentage analysis is done to withdraw some conclusion.

**Keywords:** Ombudsman Scheme, Annual Report, Complaint count.

## 1. INTRODUCTION

The Government of India made the decision to establish the quasi-judicial Banking Ombudsman body in 2006 in order to facilitate the handling of bank customers' complaints regarding services provided in banks. Financial India's Ombudsman Scheme was established in 1995 while updated during 2002. First, the Central Bank informed the BOS in 1995 in Section 35A of Ombudsman Scheme Banking Regulation Act of 1949.

The National level Awareness Programme, Ombudsman Speak, added Contact Centers having Enterprise Continuity as well as Disaster Recovery abilities, different edges designed towards improving the customer safety frameworks, and the operations and functioning of the Ombudsmen are all covered in the Yearly Report of Ombudsman Scheme 2022–2023.

The Banking Ombudsman program of 2002 was superseded and replaced by the present program, which went into effect on January 1, 2006. Currently in effect is Banking Ombudsman Scheme of 2006 (as revised through 01/07/2017).

In India, Banking Ombudsmen has 22 regional offices. The most recent locations are in New Delhi-III, Raipur, Mumbai-II, Jammu, and Raipur. It is managed by the Reserve Bank through its twenty two Offices of Banking Ombudsman (OBOs), which are located in states and union territory.

When the CMS platform was introduced in June 2019, it unified all parties involved—the Central Bank, Regulated Entities, its clients—at single online platform and digitalized Reserve Bank's whole consumer complaint management procedure. Reserve Bank's Integrated Ombudsman Scheme (RB-IOS) of 2021 is represented its first stand-alone report, the Yearly Report of Ombudsman Scheme 2022–2023, which explain activities of 22 Ombudsman Reserve Bank's Offices (ORBIOs), the Centralized Receipt and Processing Center (CRPCs), Contact Center throughout year.

## 2. LITERATURE REVIEW

Following literatures are reviewed while conducting this study:

- *S. P. Mishra and T. Kumar (2018)* assesses how well India's ombudsman institutions are performing. Case studies, institutional performance analysis, and complaint handling are all included. The assessment points out advantages and disadvantages while providing suggestions for future developments.
- *A. Singh and N. Reddy (2019)* presents review scrutinizes the function of state Lokayuktas and the Lokpal in advancing public accountability. It evaluates these institutions' workings and how they affect administrative changes, stressing obstacles like political meddling and financial limitations.
- *M. Patel and S. Singh (2022)* a review that compares and contrasts ombudsman systems across different nations, with recommendations for India. It examines how the efficacy of

India's ombudsman institutions may be increased by adapting best practices from other countries.

- *A. Gupta and P. Sharma (2017)* An outline of recent changes to India's ombudsman system is given in this review. It evaluates how these reforms, including alterations to the legislation and amendments to the institutions, would affect the Lokpal and Lokayuktas.
- *N. Jain and A. Rao (2020)* assessment of the literature assesses how ombudsman institutions affect public sector governance. It looks at how these organizations have affected India's accountability, openness, and administrative effectiveness.
- *S. Reddy and J. Nair (2017)* review traces the evolution of ombudsman institutions in India, from their inception to the present day. It discusses major milestones, legislative changes, and current challenges facing these institutions.
- *L. Kumar and R. Sharma (2023)* influence of Lokpal Act on accountability in the public sector is evaluated in this assessment. It assesses the extent to which the Lokpal has successfully tackled issues related to transparency and corruption in public sector and pinpoints areas that require further development.
- *P. Singh and A. Kumar (2022)* This study examines the ombudsman systems of developing democracies, such as India. It draws attention to parallels and divergences and offers suggestions for improving India's ombudsman system through the adoption of efficient procedures from other developing democracies.

### 3. SCOPE OF STUDY

Following parameters are considered to conduct this research:

1. The number of BOS (Banking Ombudsman Scheme) complaints received.
2. Complaints of different cities.
3. Complaints of different zones.
4. Complaints of different Banks.
5. Complaints of different regions.

### 4. RESEARCH METHODOLOGY

#### 4.1. Research Objective

To evaluate Banking Ombudsman Scheme's effectiveness in India using a few chosen variables.

#### 4.2. Research Design.

To attain the objectives, a descriptive research design is employed during this research process.

#### 4.3. Period of Study

The period of research is 2020-21 to 2022-23.

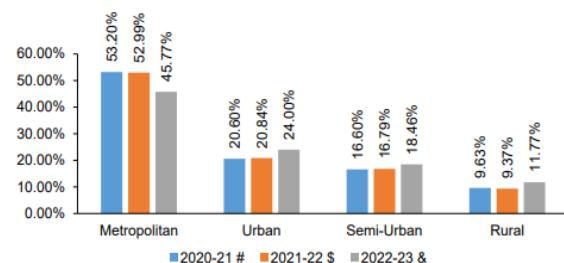
#### 4.4. Methods of Data Collection

The main source of secondary data for this study was Indian Bank Association (IBA) bulletins, articles, technical books, past studies, committee reports, and "The Banking Ombudsman Scheme-Yearly report," which is released annually at RBI's website. Descriptive statistics methods, like percentages, have been applied for analysis purposes.

### 5. DATA ANALYSIS AND INTERPRETATION

Table 1 illustrates how, over the course of the previous three fiscal years, the complaints acknowledged by OBOs has escalated in tandem with expansion of the banking ombudsman offices. One key element that explains the yearly rise in complaints is the insufficient number of banking ombudsman offices, officers, and necessary staff.

Table 2 displays complaints addressed by Ombudsman offices located in 22 significant financial hubs. The number of complaints received increased by around 200 percent between 2020-21 and 2022-23. Every city had a steady rise in the quantity of complaints. Additionally, complaints have decreased significantly across all metropolitan areas as presented in graph



Graph 1: Provides the Classification of receipt of complaint in different areas.

Source: RBI Annual Report on Ombudsman Scheme 2022-23

Graph 1 also shows that Metropolitan cities complaints are reducing while increase in Urban, Semi Urban and Rural areas this also provide that consumer awareness is increasing rapidly.

The States / UTs the National Capital Territory of Delhi, Chandigarh, Haryana, Gujarat, and Rajasthan are noted to have contributed the most complaints to the Ombudsman throughout the course of the year, whilst the States of Manipur, Nagaland, Meghalaya, Arunachal Pradesh and Mizoram contributed the least.

The biggest change can be seen in the context of Delhi office i.e. the complaints has been reduced from 34673 (9.07%) to 8921 (3.80%) in year 2020-21 to 2022-23. It is the success of north zone

regarding the reduction in complaints. Even in Chandigarh also the complaint counts has been reduced from 9.58% to 4.76% only.

Out of 22 offices 10 offices are providing bad results as the complaint count are increasing at faster rates. Especially in case of south India zone offices where complaints were very less their counts are increasing at very faster rate. On the other hand it also gives a better impact that the customers are getting more aware of their rights and complaint redressal system.

Table 1: Total Complaints in Ombudsman framework

Structure	2020-2021 (April-March)		2021-2022 (April-March)		2022-2023 (April-March)	
	Figure	Share (Perc.)	Figure	Share (Perc.)	Figure	Share (Perc.)
BOSs	341747	89.39	209196	50.02	-	-
OSNBFCs	36951	9.67	20439	4.89	-	-
OSDTs	3594	0.94	2281	0.54	-	-
RB-IOs	-	-	72580	17.35	234690	33.36
Sub-Total	382292	100	304496	72.81	234690	33.36
CRPCs	-	-	113688	27.19%	468854	66.64%
Overall Total	382292	100%	418184	100%	703544	100%
% Change	15.7%		9.39%		68.24%	

Note: Percentage calculations have been done.

Source: RBI Ombudsman Annual Report 2024

Table 2: Complaints reported at different ORBIOs

ORBIOs	2020-2021 (April-March)	Percentage	2021-2022 (April-March)	Percentage	2022-2023 (April-March)	Percentage
Ahmedabad	21078	5.51	16426	5.39	11467	4.89
Bengaluru	17407	4.55	13996	4.60	10996	4.69
Bhopal	15787	4.13	12841	4.22	10364	4.42
Bhubaneswar	6920	1.81	7806	2.56	10728	4.57
Chandigarh	36619	9.58	20270	6.66	11177	4.76
Chennai	27446	7.18	21396	7.03	11613	4.95
Dehradun	7970	2.08	8342	2.74	10462	4.46
Guwahati	3543	0.93	5444	1.79	8753	3.73
Hyderabad	22161	5.80	15212	5.00	10713	4.56
Jaipur	22094	5.78	18145	5.96	10639	4.53
Jammu	1767	0.46	4300	1.41	10068	4.29
Kanpur	26499	6.93	24214	7.95	10259	4.37
Kolkata	17160	4.49	14766	4.85	11455	4.88
Mumbai I	22479	5.88	18806	6.18	11847	5.05
Mumbai II	30999	8.11	20672	6.79	12313	5.25
New Delhi I	23238	6.08	15310	5.03	11234	4.79
New Delhi II	34673	9.07	24259	7.97	8921	3.80
New Delhi III	11091	2.90	8883	2.92	8474	3.61

Patna	17456	4.57	13606	4.47	10675	4.55
Raipur	4018	1.05	5362	1.76	10660	4.54
Ranchi	4765	1.25	6307	2.07	10495	4.47
Thiruvananthapuram	7122	1.86	8133	2.67	11377	4.85
Total	382292	100.00	304496	100.00	234690	100.00

Note: Percentage calculations have been done.

Source: RBI Ombudsman Annual Report 2024

Table 3: No. of complaints received from Public and Private Banks.			
Entity Type	2020-21	2021-22	2022-23
Public Banks	174974	154725	102144
Private Banks	126303	94275	73764
Total	301277	249000	175908

Note: Percentage calculations have been done.

Source: RBI Ombudsman Annual Report 2024 In 2022-23, the highest no. of complaints are coming from Mumbai Office i.e. 12313 which is 5.25 % of total complaints though if we identify and examine the previous complaints of this office that gives the actual results that this office is also providing the better results as before, the complains are reduced to 12313 from 30999.

In overall office-wise comparison the complaint count has been reduced and banks are performing well. There is awareness among customers regarding ombudsman scheme as the complaint cunt is increasing at faster rate in urban, semi urban and even in the rural areas also. This one is one of the best successes of ombudsman scheme.

Table 3 presents that no. of complaints from public and private both banks are reducing at better rate which gives a better insight that no. of complaints are reducing and both banks are performing well in their respective areas.

Between 2019 and 2022, the average time to resolve complaints at ORBIOs was 95 days; by 2022–2023 it had dropped to 33 days. This decrease is consistent with the increased system efficiency brought about by the structural and process re-engineering modifications implemented in accordance with the RB-IOs, 2021.

## 6. CONCLUSION AND SUGGESTION

The Ombudsman program is a gift and a well-known avenue for the public to voice complaints about banks and financial services. Given that banks are globally significant financial entities, resolving complaints about their behavior is equally crucial to

ensuring customer happiness. Inclusion, the introduction of new payments and settlement methods, and the rising introduction of additional goods and services by banks are all contributing factors to the rise in the overall volume of banking transactions. Since the number of complaints has not risen over time in proportion to the number of OBOs, the RBI need to think about raising the number of Ombudsmen.

The greatest stakeholder, the bank's clients, have the most to lose, thus education that raises understanding of their needs will help protect them. As a result, BO's offices have begun implementing outreach programs to raise consumer awareness. These include speaking with banks, setting up awareness camps, taking part in exhibitions, answering reader inquiries in newspapers, airing commercials on Doordarshan and AIR, and other initiatives. However, it still has to be stringent, particularly in rural sections.

Customers will move from bank to bank, causing business to be disrupted, if complaints increase and remain unresolved. For this reason, the resolution process and its speed become critical. Banking ombudsman programs must prevent backlogs, preserve reputation and confidence, and handle complaints efficiently. In order to foster customer trust in the program, the RBI must guarantee that the banks carry out the ombudsman's recommendations.

## 7. LIMITATIONS

1. The study is based on three years data only.
2. A very few bases are taken for the study.
3. This study is done on secondary data as published by RBI in Yearly Reports.

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## Abbreviations Used:

- 1. CMS- Complaint Management system
- 2. CRPC- Centralised Receipt and Processing Centre
- 3. OBOs- Office of Banks Ombudsman
- 4. ORBIOs- Office of Reserve Bank of India Ombudsman
- 5. RB-IOS- Reserve Bank – Integrated Ombudsman Scheme