



Performance Evaluation of Banking Ombudsman Scheme in the Indian Banking System

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ABSTRACT

The banking system in India today has perhaps the largest outreach for delivery of financial services and is also serving as an important conduit for delivery of financial 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. This study is an attempt of exploring the facts related to the performance of Banking Ombudsman Scheme regarding the 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. Suitable statistical tools have been applied to highlight the findings. The result shows a positive trend related to the performance of Banking Ombudsman Scheme.

KEYWORDS: Banking Ombudsman Scheme, Customers, Complaints, disposal, rejection, region

Introduction:

The importance of customer service for capturing business in banks has become a focal point in all stages of marketing of banking services to achieve the targets. Since almost all the bank offers more or less same products with little changes in nomenclature. Hence, the concept of enhancing customer satisfaction is a pivotal point to attract more and more people to transact at a particular bank. Nowadays, a customer are becoming more and more demanding thus forcing the bankers to evolve new strategies as well as new and innovative products to keep pace with the growing customer expectation. With the opening up of the economy, customer satisfaction has acquired new meaning and different dimensions. Moreover, the customer preferences are changing at a rapid pace and their demands are turning insatiable. In order to cater to the changing preferences and to survive in the midst of intense competition, bankers are bound to provide suitable services per the customer needs. Simultaneously, customers are not ready to accept delay in service charges delivery and are in need of information for taking instant decisions. Therefore providing customer satisfaction has become more important than mere delivery of service charges.

Banking Ombudsman Scheme in Banks (BOS)

In the present scenario of competitive banking, excellence in customer service is the most important tool for sustained business growth. Customer complaints are part of the business life of any corporate entity. This is more so for the Bank because Banks are service organizations. Banking Ombudsman is a quasi judicial authority functioning under India's Banking Ombudsman Scheme 2006, and the authority was created pursuant to the a decision by the Government of India to enable resolution of complaints of customers of banks relating to certain services rendered by the banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995 and was revised in 2002. The current scheme became operative from 1st January 2006, and replaced and superseded the banking Ombudsman Scheme 2002. Like the Courts, the Banking Ombudsmen resolve individual disputes. Unlike the Courts, they can also deal with consumer enquiries and feedback the lessons from their work to help Governments, Regulators, banks and consumers to improve things for the future. The Banking Ombudsmen help to support improvements and reduce disputes, help banks themselves to resolve disputes with consumers, resolve any consumer disputes that banks fail to resolve themselves and reduce the burden on the Courts. Internationally, it is becoming increasingly evident that both consumers and service providers find it easier to resolve disputes through Ombudsmen than through the Courts.

Receipt of complaints by BOS:

The 15 OBOs receive and consider complaints from customers relating to the deficiencies in banking services in respect to their territorial jurisdiction. The receipt of complaints at Ahmedabad, Bhopal, and Patna was higher by 25 - 35% in 2010-11 compared to the previous year, while it was lower by 12-25% at the major metros viz., Chennai, Mumbai and New Delhi. The four OBOs located at Ahmedabad, Chen-

nai, Mumbai and New Delhi accounted for 54% of the total complaints received in 2010-11. The OBOs at Bhubaneswar, Guwahati, Patna and Thiruvananthapuram continued to have low volume of complaints. In numerical terms, New Delhi received the highest number of complaints i.e. 10508 and Guwahati received the least number of complaints at 584 during the year 2010-11. There are no specific reasons that can be attributed to the sudden rise or fall in the number of complaints at a given OBO. It could be witnessed from the analysis that the complaints received and handled have been reduced during the year 2010-11 when compared to the previous year 2009-10. The complaints pending have been drastically reduced from 15.9 percent in the year 2006-07 to just 6 percent in the year 2010-11. In the same way the complaints pending for more than three months have also been reduced notably. This shows the effective performance of the redressal scheme implemented in the banks.

Region wise receipt of Complaints:

During the year 2010-11, the OBOs received maximum number of complaints from urban and metropolitan areas. The complaints from metropolitan centres were 44% and from urban areas were 30% of total complaints. The complaints received from rural and semi urban centres constituted 11% and 15% of the total complaints received, respectively. The products and services available at the semi urban and rural branches are limited in number and volume. This is cited as an important reason for lower level of complaints from these population groups. On an average the complaints received from metropolitan region is high to the tune of 42 percent which is followed by Urban region 24 percent, Rural region 20 percent and Semi Urban region 14 percent. But the trend on the total cases filed is getting fluctuated as it gets on increasing to the extent of 66 percent in the year 2009-10 and then declining to 49 percent in the year 2010-11.

Category of Complaints:

Complaints relating to credit cards comprising 24 % of the total complaints in 2009-10 as compared to 25.5% previous year show a declining trend this year. These complaints include complaints related to debit cards and ATM cards also. The types of card-related complaints consists of items like issuance of unsolicited credit cards and unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free' card and issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, abusive calls, excessive charges, wrong debits to account, non dispensation of money from ATM and so on. A general source of these complaints continues to be the difficulty in accessing the credit card issuers and the poor response from the call centers. As per data complaints under the head 'Others' have constituted 24 % of the total complaints as against 12.4% during the previous year. These include mainly non-adherence to prescribed working hours, refusal to accept or delay in accepting payments towards taxes as required by RBI/ Government of India, refusal to accept/delay in issuing or failure to service or delay in servicing or redemption of Government securities, refusal to

close or delay in closing of accounts, etc. These complaints are of very primary in nature and need not had to be escalated to the offices of BOs and should have been redressed at individual banks' level. On an average the complaints are more for Credit/debit/ATM cards to the tune of 23 percent and are nil in case of complaints with Notes and Coins.

The Mode wise Receipt of Complaints received during the period from 2007-08 to 2010-11. Since 46% of the complaints are received from the rural (32%) and semi urban (14%) areas, the receipt of complaints through the postal mode has increased from 63% to 74% during the current year, indicating the less access to internet facilities in the rural/semi urban areas as compared to the urban and metro. Email complaints have decreased from 23 % to 12 % of the total complaints during the year. However, on an average 70 percent of the complaints have been received through Letter, post-card, Fax, etc., 16 percent through Email and 14 percent through Online.

Rejected complaints:

The number of complaints rejected on various grounds is showing a rising trend. While 62% of the total complaints disposed in 2009-10 were on account of rejection, the same accounted for 71% of the complaints disposed during 2010-11. Broadly, around 30% of the complaints dealt with have been settled by way of mutual settlement or by issue of awards while 70% of the complaints have been disposed off (rejected) citing reasons. Complaints such as Complicated complaints requiring elaborate evidence, Complaints without sufficient cause, complaints dealt with earlier and the like are rejected after due processing. Although 50474 complaints were rejected during 2010-11, it may be mentioned that, in most of these cases, the Scheme could provide relief to the complainant to a large extent by way of reversal of bank charges, overdue interest, over limit charges, partial settlement/write off of overdue, etc., during the process of resolution. The percent-

age of rejection getting on increased over the years under study and the trend percent showed that it has its peak in the year 2010-11 to the extent of 72 percent.

Conclusion:

Banking being a service industry a well defined and functional mechanism to ensure fairness and satisfaction to the bank users is important hence RBI has undertaken a large number of initiatives on ensuring fair treatment to customers. However, a number of challenges still need to be addressed to make customer services responsive to the 'small customer'. The Banking Ombudsman Scheme (BOS) attempts to 'Treating the bank customers fairly' with the awakening of consumers on the issues of investor/consumer protection. Banking Ombudsman (BO) offices receive the complaints from general public relating to their grievances against commercial banks, regional rural banks and scheduled primary co-operative banks. Complainants have the facility to send the complaints by email, online or by post. These complaints are tracked by BO offices by means of a complaint tracking software. It is inferred from the analysis that the redressal mechanism is functioning well in adhering to the needs of the customers with speedy disposal of complaints. The study which has been attempted to know the performance of the redressal mechanism of Indian Banking System reveals the fact that the performance is good as the disposal of complaints are fast tackling more number at lesser time. It is suggested that as more complaints have received from rural and semi urban areas in the form of postal mode, technological accessibility should be enhanced to the rural people to lodge their complaints easier and on time. Moreover awareness building regarding the ways and means through which the problems can be addressed and analysed should be known to the general public by way of awareness building with regards to the grievance cell and its functioning.

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