

Role of Ombudsman in Online banking and recommendation based on future trends in India

Sinduja S

2nd Year LLM Student, Saveetha School of Law, SIMATS, Chennai, India

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Abstract

This paper discusses the role of the Banking Ombudsman in India's online banking problems. Fast-paced advancement in digital banking services means that customers today increasingly face unauthorized transactions, technical breakdowns, and delayed services. The Banking Ombudsman Scheme, amended to include complaints regarding online banking, plays a vital role in redressing some of these issues and rescuing consumer rights. The convenience sampling method and the data obtained from SPSS software have been used. This paper examines the efficacy of the Ombudsman in dealing with online bank complaint issues, evaluates consumer satisfaction, and determines gaps in the existing framework. This paper reveals that the major challenge the banking ombudsman would have to deal with when it comes to online transactions is technical glitches related to failed transactions and gives recommendations to Banks that shall collaborate with Fintech companies and cybersecurity experts, among others, for innovative solutions to reduce technical glitches.

Keywords: *Banking Ombudsman, Online Banking, Unauthorised transaction, Technical glitch and Consumer Rights.*

Introduction

The most stringent test for the banking sector remains quality customer service, mainly in the wake of the financial sector reforms and the emergence of recently introduced technologies. For commercial banks, it is among the most critical objectives to provide swift and efficient service to attract both new and existing customers. Even the reputation and progress of a bank would depend upon the quality of service rendered by the bank, which is based on the service provided to clients. In an attempt to bring betterment in customer services through the banking industry, the RBI has acted. These programs aim to ensure that the clients find suitable grounds to air their grievances and complaints. Every commercial bank should have a grievance redressal unit as part of these activities. This is aimed at solving any challenges that the clients may face when they interact with the bank, such as in transactions, services, or even other functions associated with the bank.

RBI launched an ombudsman program in India to provide consumers with some additional security and to ensure that their complaints are being resolved. The Banking Ombudsman is an objective, independent body that helps resolve consumer grievances against a bank. If the consumers are not satisfied with the redressal offered by the grievance redressal unit of the bank, they can seek further redressal from the Banking Ombudsman.

Review of Literature

Riya and Rupani (2022), review the functioning of the Banking Ombudsman scheme in India, which is aimed at customer redressal concerning specified bank services to enhance consumer satisfaction and confidence in the banking system. The study applied a descriptive research design and collected secondary data from "The Bank Ombudsman Scheme- Annual Report". It is seen that the Banking ombudsman scheme is effective in redressing customer grievances but there is a need to enhance the number of Ombudsman and outreach activities.

Uponder and Sethi (2023), argue through an analysis, that the RBI-managed Banking Ombudsman Scheme in India aims to protect customers through the timely redressal of grievances related to banking services and to ensure that accountability and transparency characterize the banking sector. Exploratory study based on secondary data Collection of data from various reports published by RBI. India needs more professional customer-friendly

banking. Education and public awareness are the only keys to a better grievance redressal system.

Pranay, S., Dhande., Adarsh, Shandilya., Prithviraj, Deshmukh (2022) The paper determines the possibilities and limitations of digital banking. The horizon for digital banking is going to be embodied through the emergence of banking, new banking for Generation Z, and economic openness. The limitations facing Digital Banking are a lack of knowledge in cybercrime; there is poor infrastructure with unreliable access to Internet services, less exposure to technology, and online fraud.

A, N, Tamragundi., Seema, Badiger (2022), The RBI has brought in the Banking Ombudsman scheme in India to settle consumer complaints against the provision of bank services and ensure a fair outcome that also complies with banking regulations for the customers and the bankers. Primary information was collected through a structured questionnaire from the bank staff. The Banking Ombudsman Scheme has proved to be a roaring success in the redressal of grievances due to a practical random sampling approach used for participant selection. It makes sure banks and clients are duly following the RBI standards. The Banking Ombudsman helps the people who follow RBI laws. The paper aims to explore the grievance redressal process from the bankers' point of view.

Bhausahab and Nanasaheb (2017) Since 1995, the Reserve Bank of India has operated the Banking Ombudsman system which offers a forum for redressing grievances related to banking services. Since the year 2005, RBI has borne all system costs. RBI's role in BOS operation Cost analysis associated with BOS operations. The paper focuses on the role of RBI, budget planning for BOS, and cost analysis. This paper discusses RBI, Cost Analysis, and Budget Preparation since 2005, the RBI has provided all the expenses of the Banking Ombudsman Scheme.

Gouri and Sankar. et al.(2016) discussed the introduction of the Banking Ombudsman Scheme in 1995 for customers' protection and 2006 modifications that have been undertaken for better performance. This study was based on the Review of Performance of Banking Ombudsman Scheme 2010-2015. The RBI created the Banking Ombudsman Scheme in India in 1995 to protect the interest of banking clients along to ensure high-quality service. It was further

amended in the year 2006 to widen its scope and the performance of the Banking Ombudsman Scheme reviewed between the years 2010-2015.

Anoop and Kumar (2012), Discuss how India built the Banking Ombudsman in the year 1995 with issues. It tries to provide speedy, low-cost remedies for failures in banking services. The data have been collected from Case studies and Studies of reports. There are instances of poor-quality banking services that have caused consumer grievances in India. In India, the Banking Ombudsman Scheme was implemented in 1995 to offer a speedy and low-cost remedy for consumer grievances over poor quality of banking services. India enacted the Banking Ombudsman Scheme in 1995 and did so to fulfill the objective of resolving the grievances of consumers over banking services effectively.

Richa and Sinha., (2013) review the issues encountered in complaint ratios and the expectations of consumer complaints in Indian banking. It tries to bring better complaint handling into stronger client relations. The study of the Indian banking industry complaint handling identified behavior elements relating to the complaints. The research examines how complaints have been handled within the Indian banks, public as well as private sectors, and found the behavioral elements attached to complaints towards the banking services.

Objectives of the study

- To evaluate the role of the banking ombudsman in resolving the complaints and disputes relating to online banking.
- To examine the impacts of future trends on the nature and volume of complaints related to online banking.
- To study regulatory measures and certain policy changes that could strengthen the ombudsman framework in the context of evolving online banking trends.

Limitation of the study

- Data was collected within a short period.
- Some respondents were reluctant to give true responses.

- The data was collected among individuals in and around Chennai City only so inference cannot be generalized.

Research Methodology

This study is mainly based on the primary data. A well-structured questionnaire is issued to the customers, to analyze the role of the banking ombudsman in resolving complaints relating to online banking. After the pilot study, the questionnaire was administered to 202 respondents who have accounts with the bank. The sampling method used here is convenience sampling and data is obtained from SPSS software.

Results and Discussions

The demographic profile of the sample is given below

Table 1- Profile of Sample

Variable	Category	Percentage frequency
Gender	Male	48
	Female	52
Age	Less than 20 years	12.9
	21-30 years	15.3
	31-40 years	25.7
	41-50 years	32.7
	Above 50 years	13.4

Education Qualification	School level	11.9
	UG (currently pursuing also)	56.9
	PG (currently pursuing also)	17.8
	No formal Education	13.4
Occupation	Self-Employed (Business)	32.7
	Private	15.3
	Public	25.7
	Yet to be employed	12.9
	Retired	13.4
Monthly Income	Less than Rs.10,000	33.7
	Rs.10,001-Rs.30,000	27.2
	Rs.30,001-Rs50,000	25.7
	Not yet employed	13.4
Marital Status	Single	33.7
	Married	66.3

The above table explains that among 202 respondents, 52% of the responses are collected from women and 48% are from men, among which the maximum age group covered would be 41-50 years which counts 32.7%. Most of the respondents 56.9% have an Undergraduate

qualification or are currently pursuing one. 32.7% of the responses are collected from self-employed and 12.9% of responses are from respondents who are yet to be employed. Most of the respondents 33.7% fall under the monthly scale of less than Rs.10,000 and 66.3 of the respondents are married.

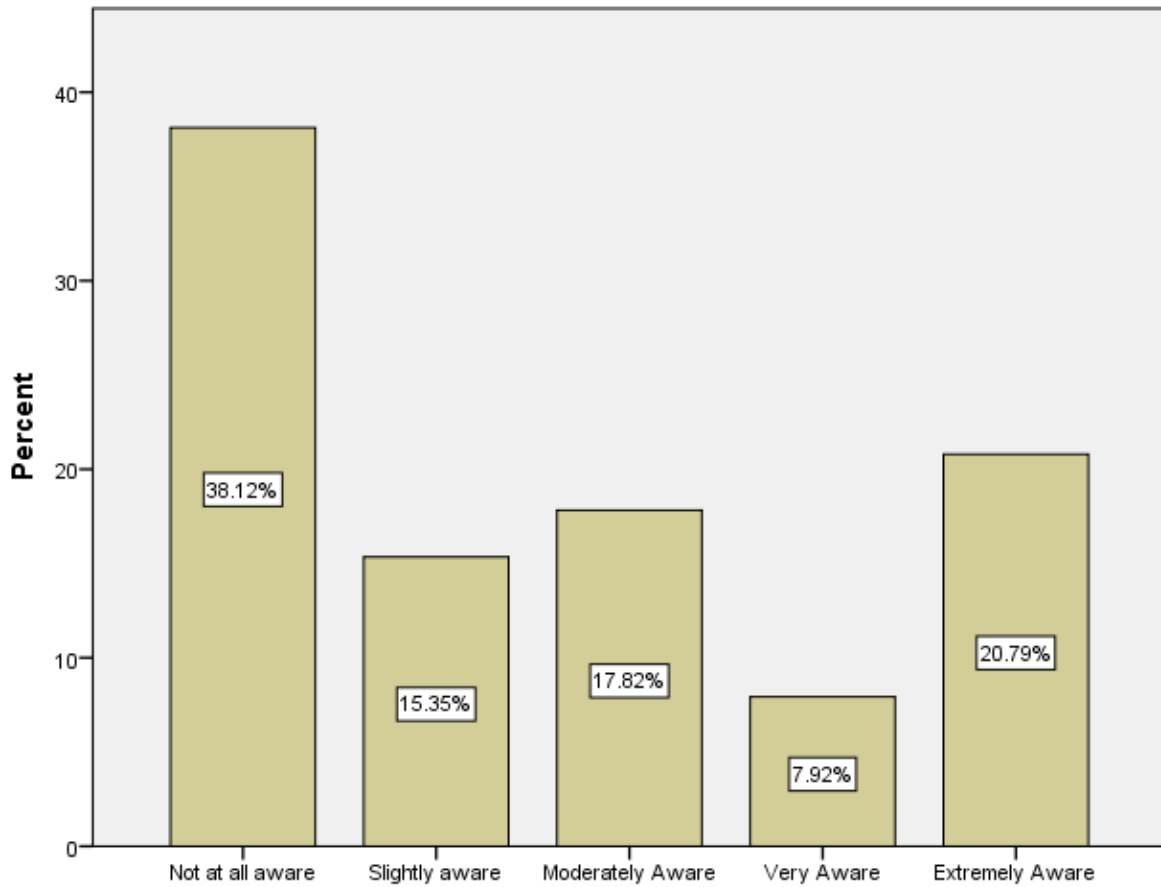
The challenges for which the customers frequently raise complaints under the banking ombudsman are explored and the details are as follows.

Table 2- Challenges faced in online banking

Challenges	Rarely	Sometimes	Often	Always
Unauthorised transactions through mobile banking	-	41.6%	46.5%	11.9%
Technical glitches leading to a failed transaction	-	17.8%	34.2%	48%
Excessive or incorrect bank charges	15.3%	76.7%	-	7.9%
Issues with NEFT/RTGS/IMPS transaction	-	44.1%	48%	7.9%

The most frequently occurring challenges in online banking are technical glitches leading to failed transactions (48%) followed by issues with NEFT/RTGS/IMPS transactions (48%) which happens often. The respondents occasionally encountered issues with excessive or incorrect bank charges (76.7%) and unauthorized transactions through mobile banking (41.6%).

Figure 1- Customer Awareness of Banking Ombudsman Scheme



From the above table, it is seen that (38.12%) of the respondents are not at all aware of the banking ombudsman scheme available for them to lodge complaints regarding challenges in online banking and (7.29%) are very aware and (20.79%) are extremely aware, making a total of (28.08%) know the banking ombudsman scheme.

Table 3- Relationship between lodging complaint under the banking ombudsman and profile of the respondents

	Individual Characteristic	Chi-Square value	P value	Results
Lodging	Age	50.124	0.004	H0 is rejected

complaint under the Banking Ombudsman Scheme	Educational Qualification	13.146	0.000	H0 is rejected
	Occupation	50.124	0.004	H0 is rejected

It can be inferred from the above results that age, educational qualification, and occupation have influences over the lodging of complaints relating to challenges in online banking to the Banking Ombudsman. From the data, only (31-40 years) of age have the education qualifications of (UG), working in the (Public sector), responded that lodging complaints under the banking ombudsman is easy. So there is an association between complaints under the Banking Ombudsman and individual characteristics of respondents.

Table 4- Relationship between Challenges faced in online banking and educational qualification of the respondents

Online Banking Challenges	Anova value	P value	Results
Unauthorized transactions Through mobile banking	141.033	0.000	H0 is rejected
Technical glitch leading to failed transaction	217.645	0.000	H0 is rejected
Excessive or incorrect bank charges	0.003	1.000	H0 is accepted
Issues with NEFT/RTGS/IMPS	60.156	0.000	H0 is rejected

Online Banking Challenges	Anova value	P value	Results
transaction			

It can be inferred from the above table that educational qualifications influence the challenges in online banking. Respondents who have educational qualifications up to the school level) always face challenges like unauthorized transactions through mobile banking, technical glitches leading to failed transactions, and often issues with NEFT/RTGS/IMPS transactions. Respondents under (UG) often face technical glitches leading to failed transactions and most of the respondents sometimes face excessive or incorrect bank charges & fees, so there is a significant difference between educational qualifications and challenges faced in online banking.

The Banking Ombudsman Scheme has had limited success in putting an end to complaints related to online banking. Complaints about mobile banking unauthorized transactions (41.6%) and negligence (46.5%), are considered mild but given their high correlation with low education levels, it seems that sensitization programs or complaint procedures for that matter may be streamlined to improve the success rates of such redress. 48% of the respondents have an issue with technical failures which fail transactions. Whenever bank charges are slightly too high, 76.7% of the respondents have an encounter. Such grievances do not appear to be causally related to education. They require a boost in the level of posting and standard grievance redressal procedures. Similar grievances against NEFT/RTGS/IMPS transactions, often (48%) with a high correlation with higher education, suggest that partial efficiencies exist and that specific actions are required to improve the durability of the transaction system and the accountability structure. In all, this scheme does benefit to a large scale, with most areas scoring well, unauthorized transactions, exceptions with these areas include technical failure and the deceased transactions make this area of focus. The current framework emphasizes the need for improved awareness, technology deployment, and focused supervision to enhance customer satisfaction and trust in the scheme.

Conclusion

The banking ombudsman in India is critical in solving issues that emerge between consumers and online transactions. Problems such as fraudulent activities, unauthorized transactions, technical malfunctions, and wrongful charges are on a steady increase, with the increased incorporation of digital banking. Consumer disputes related to these conflicts can easily be resolved through the cheap, consistent, and neutral redressal forum provided by the banking ombudsman. There are several recommendations proposed to make the banking ombudsman even more effective in handling online challenges. First is consumer education wherein the rights of customers are depicted and, more importantly, the recourse provided by the ombudsman is told to the public. Leverage advanced technological innovations that may include artificial intelligence and machine learning to improve efficiency in complaint resolution processes. Routine changes to policies and procedures will also be important since the concept of digital banking is very rapid and occurs very frequently.

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