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RESEARCH ARTICLE

**A COMPARATIVE ANALYSIS OF LEGAL FRAMEWORKS OF THE BANKING
OMBUDSMAN SCHEMES IN INDIA AND BANGLADESH**

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Banking Ombudsman, Consumer Protection, Financial Governance, India, Bangladesh, Alternative Dispute Resolution, Digital Banking.

Abstract

This study presents a comparative analysis of the Banking Ombudsman Schemes in India and Bangladesh, examining their legal foundations, institutional frameworks. It highlights how India’s Banking Ombudsman, first introduced in 1995 and consolidated under the Integrated Ombudsman Scheme, 2021, has evolved into a technologically advanced and consumer-centric model with wide jurisdiction, binding authority, and robust digital grievance mechanisms. In contrast, Bangladesh’s scheme, established in 2006 under the Banking Companies Act, remains limited in scope, with weaker statutory backing, non binding recommendations, and relatively low levels of public awareness and usage, particularly in rural areas. The main objectives are To examine the legal and regulatory frameworks governing the Banking Ombudsman schemes in India. This research adopts a qualitative, comparative, and doctrinal legal methodology, supported by limited empirical insights where necessary. The main research question is what are the key legal provisions and regulatory guidelines that define the Banking Ombudsman schemes in India and Bangladesh. India’s Banking Ombudsman, launched in 1995 and upgraded under the 2021 Integrated Ombudsman Scheme, has grown into a modern and consumer-friendly system. Meanwhile, Bangladesh’s version, set up in 2006 under the Banking Companies Act, still struggles with limited powers and low public awareness. The findings affirm that continuous legal, institutional, and technological innovations are essential for both India and Bangladesh to strengthen consumer trust, enhance financial governance, and align their Ombudsman systems with international standards in the era of digital banking.

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Introduction:-

One of the most crucial components of modern financial systems is the concept of a banking ombudsman, whose role it is to keep banks and their clients honest and hold them accountable. Both the banking sectors of the two populous countries of Bangladesh and India, which are undergoing rapid transformation, recognize the importance of procedures that provide an easily accessible, unbiased, and reasonably priced platform for resolving consumer

complaints against banks and financial institutions.¹Section 35A of the Banking Regulation Act of 1949 established the Banking Ombudsman Scheme in India in 1995. Since then, it has been revised many times to expand its authority, streamline operations, and improve client access to redressal processes. An improvement in the plan's efficacy has been made possible by the Reserve Bank of India's Integrated Ombudsman plan, 2021. This scheme brought about a "One Nation, One Ombudsman" approach by standardizing the procedure for resolving complaints in relation to digital transactions, nbfc's, and banks.

At now, the system is applicable to all major types of Indian banks and financial institutions. It comes with a full-fledged online Complaint Management System (CMS) that lets people submit and track complaints using various digital platforms. The program's data demonstrates a considerable decrease in litigation and an increase in customer satisfaction, as well as a high rate of complaint resolution and continuous improvement in response time.²Despite having the same constitutional and legislative provisions as India to establish an ombudsman (Article 77 and the Ombudsman Act of 1980), Bangladesh has yet to fully implement a Banking Ombudsman Scheme comparable to India's. As part of its larger efforts to promote financial integrity, the Bangladesh Bank addresses consumer complaints, however its procedures are less well-defined, less widely accessible, and less digitally integrated than those in India.

The system has several practical limitations that make it difficult to resolve banking-related concerns swiftly and fully. These disadvantages include a lack of institutional experience, a low degree of public awareness, and a centralized online complaint portal.³Investigating the legal frameworks, technical developments, operational efficiency, and ongoing issues in each jurisdiction is necessary for a comprehensive comparison of the Banking Ombudsman Schemes in India and Bangladesh. For regulators, lawmakers, customers, and financial institutions working for more openness and better service in banking, a thorough analysis of these aspects may reveal lessons learned, best practices, and problem areas that need fixing.

Literature Review:-

(Hossain, Md. Zahid, Quddus, Md. Tareque, 2015)⁴Satisfaction of customers is an asset. Customers nowadays are very picky about the services they pay for. In order to determine the discrepancy between client expectations and satisfaction, the study centered on evaluating banking services in Bangladesh. Customers have a favorable impression of Prime Bank Limited Rangpur Branch and are generally happy, according to the study's findings. Their dissatisfaction with the current services is further evidenced by this. In order to obtain a competitive edge, have an impression that lasts, and contribute to the development of the industry in a fair competitive climate, the research suggests focusing more on services and offering clients something new.

(Amir et al.,2022)⁵This study focuses on financial abnormalities, particularly bank frauds in Bangladesh. This empirical study uses a well-structured Likert-scaled questionnaire to identify human behaviors, psychologies, and emotions that significantly affect financial incongruities in Bangladesh. The suggested model supported the structural equation model (SEM) and used SPSS Amos (Version 24) to develop an attitudinal and behavioral model for this paper's intricate interactions. People justify unreasonable, immoral, and irrelevant concerns for self-gain, according to research. Furthermore, businesses are exempt from punishment. Bank frauds in Bangladesh are also caused by greediness, discontent with what individuals have, societal prestige, possession and position, rivalry with peer groups for luxury, and inclination to emulate undesirable things. Bangladesh's banking industry's bad loan and default culture lacks implementation laws, rules, and regulations.

¹Mr. Bharat Bagul, "AN ANALYTICAL STUDY OF BANKING OMBUDSMAN SCHEMES IN BANKING SECTOR IN INDIA," 11 International Research Journal of Management and Commerce (2024).

²Riya Rupani and Shaukat Ali, "An analytical study on the performance of the banking ombudsman scheme in India," 9 Journal of Management Research and Analysis 130–6 (2022).

³Nishat Tabassum, "Investigating the Necessity of an Ombudsman in Bangladesh," 14 Jurnal Administrasi Publik Public Administration Journal 133–40 (2024).

⁴Md. Zahid Hossain and Md. Tareque Quddus, "Testing of Banking Services in Bangladesh: A Study on Prime Bank Limited Rangpur Branch," 5 Asian Business Review 50–3 (2015).

⁵Md. Khaled Bin Amir, Md. Zobayer Bin Amir and Mohammad Ariful Islam, "Phenomenon of bank scams in Bangladesh: Analysis on behavioral issues," 11 International Journal of Research in Business and Social Science (2147- 4478) 189–200 (2022).

Discussion:-

With a diverse range of institutions, including cooperative banks, public sector banks, private banks, and an ever-expanding digital banking ecosystem, India's banking industry is expected to be among the most advanced and expansive in Asia by 2025.

Legal Basis and Governing Laws in India:-

Indian law establishes the legal basis for the Banking Ombudsman Scheme, which the Reserve Bank of India (RBI) uses to administer and oversee a mechanism for consumers to resolve complaints. Part 35A of the Banking Regulation Act of 1949 lays up the legal groundwork for this. To address customer concerns regarding banks and their services, the Reserve Bank of India (RBI) can appoint a Banking Ombudsman or ombudsmen under this clause. This legislative provision creates the position of ombudsman as a quasi-judicial entity with the authority to arbitrate conflicts, therefore avoiding costly and time-consuming court proceedings. Further legal backing is derived from the Reserve Bank of India Act, 1934, under which the RBI operates, along with the Payment and Settlement Systems Act, 2007, which grants the scheme jurisdiction over complaints related to digital payments and other financial transaction systems overseen by the RBI.

The Reserve Bank - Integrated Ombudsman Scheme (RB-IOS), 2021, consolidates previous separate schemes for banking, non-banking financial companies (nbfc), and digital transactions into one comprehensive, jurisdiction-neutral framework, simplifying complaint redressal by providing a single window system covering all regulated entities.⁶The scheme applies broadly to all scheduled commercial banks, regional rural banks, cooperative banks, nbfc, and payment system providers regulated by the RBI, with clearly defined powers for the ombudsman including the ability to issue awards up to ₹20 lakh as compensation for financial loss and ₹1 lakh for mental anguish or harassment experienced by the complainant. The ombudsman's decisions and awards are binding on the banks but subject to specific appeal provisions to ensure a fair process for all parties. Annual reporting to the RBI's Governor and continuous oversight ensure transparency and accountability within the framework.

Legal Basis and Governing Laws in Bangladesh:-

The legal basis for the Ombudsman in Bangladesh is primarily established by the Ombudsman Act, 1980 (Act XV of 1980), enacted under the enabling provision of Article 77 of the Constitution of Bangladesh. Article 77 empowers the Parliament to provide for the establishment of the office of an Ombudsman with powers to investigate actions taken by ministries, public officers, or statutory public authorities that cause injustice, undue favor, or personal gain. The Ombudsman Act 1980 outlines the powers and functions of the Ombudsman, including the authority to investigate administrative actions, prepare reports, and recommend legal, departmental, or disciplinary actions based on findings. The Act defines key terms such as "public officer," "action," and "competent authority," and provides the Ombudsman with investigative powers akin to those of a civil court such as summoning witnesses, requiring the production of documents, and conducting searches. The Ombudsman is empowered to punish obstruction of investigations through fines or imprisonment. Furthermore, the Ombudsman is obligated to submit an annual report to the President, which is then laid before Parliament to ensure transparency and accountability.

While the Ombudsman Act covers administrative grievances across government departments and public authorities, it does not include a specific legal provision exclusively covering the banking sector. Consequently, there is no dedicated banking ombudsman scheme in Bangladesh akin to India's. Instead, consumer protection and grievance redressal in banking primarily fall under the regulatory authority of Bangladesh Bank (the central bank), which implements policies and customer protection frameworks as part of its supervisory role. The Ombudsman Act, 1980 provides a constitutional and statutory framework for administrative grievance redressal in Bangladesh but lacks specialized provisions for the banking sector, highlighting a gap that the banking regulator seeks to address through alternative complaint mechanisms.

Comparative discussion between Banking Ombudsman of India and Bangladesh:-

To comprehend the efficacy of the banking ombudsman schemes in India and Bangladesh, it is necessary to compare them on the basis of some most important comparative parameters like the legal framework and organizational structure, jurisdiction, powers, and limitations, and nature and type of cases resolved.

⁶Ajay Singh and Ashutosh Singh, "Complaints and their redressal: A study on the Indian banking system" Indian Journal of Finance (2021).

Legal Framework and Institutional Structure:-

In India, the Reserve Bank of India (RBI) initiated the Banking Ombudsman Scheme for the first time in 1995 under Section 35A of the Banking Regulation Act, 1949. The scheme has been subject to various amendments since then, the last being the Integrated Ombudsman Scheme, 2021, which merged three pre-existing grievance redressal structures — banking, NBFC, and digital transactions into one system. The scheme is being run centrally by the RBI, with ombudsmen being appointed through RBI across regional offices, providing institutional autonomy and centralized oversight.

In Bangladesh, the Banking Companies Act, 1991 and directions issued by the Bangladesh Bank regulate the operation of the Banking Ombudsman. Established in 2006, the framework authorizes the Bangladesh Bank to appoint an ombudsman who is tasked with settling disputes between banks and their customers. Compared to India, Bangladesh has a relatively limited institutional framework, fewer appointed ombudsmen, and a relatively narrower field of coverage.

Jurisdiction, Powers, and Limitations of Ombudsmen:-

In India, the banking ombudsman has jurisdiction over all scheduled commercial banks, regional rural banks, and RBI-regulated nbfc's. The ombudsman can make binding awards up to ₹20 lakh, with further compensation up to ₹1 lakh for mental agony or harassment. But the powers are restricted to customer-service-related complaints and not to cases relating to commercial decisions, e.g., policy of sanctioning loans or investments by the bank.

In Bangladesh, the jurisdiction of the ombudsman is over commercial banks, but not over non-banking financial institutions. The ombudsman's recommendations and mediation efforts are effective, but their findings are not always binding on banks unless endorsed by the Bangladesh Bank. In comparison with India, the coverage is less extensive, and the enforcement provisions are weaker, making the ombudsman less effective overall.

Nature and Types of Complaints Handled:-

In India, typical grievances are payment or cheque collection delays, refusal to issue drafts, non-compliance with RBI instructions, and misuse of digital payments, unfair fees, and credit card complaints. With the launch of the Integrated Ombudsman Scheme, categories of complaints have widened to include digital payments, NBFC services, and online fraud. The complaints in Bangladesh are primarily related to ATM breakdowns, high service charges, loan recovery behaviors, financial product mis-selling, and disregard of central bank directives. Yet, owing to minimal digital integration, Bangladesh receives fewer cases involving fintech or digital payment complaints compared to India.

Findings:-

Although both schemes aim to promote accountability, India's framework demonstrates a better-developed and organized regulatory regime with broader jurisdiction and appellate oversight. The scheme of Bangladesh, however, needs stronger regulatory support, broader publicity, and binding enforcement powers to make it more credible.

In practice, oversight by central banks grounds both models, yet outcomes of accountability are critically contingent on transparency, awareness, and enforcement authority, where India has demonstrated stronger institutional resilience than Bangladesh.

Suggestion:-

Strengthen Legal Authority:-

- Grant the Ombudsman legally binding powers, ensuring that banks and financial institutions comply with its awards.
- In Bangladesh, enact a dedicated enabling statute to establish full independence in recruitment, finance, and decision-making.
- In India, expand jurisdiction to cover emerging areas such as fintech platforms, digital wallets, cryptocurrency disputes, and cross-border transactions.

Enhance Institutional Independence:-

- Provide both countries' Ombudsman offices with financial and administrative autonomy to reduce political or bureaucratic interference.
- Develop specialized units within Ombudsman offices to handle complex complaints, particularly in digital and cyber-banking.

Improve Accessibility and Public Awareness:-

- Launch multilingual complaint portals, AI-enabled chatbots, and mobile applications for easy filing and tracking of grievances.
- Partner with ngos, self-help groups, and educational institutions to spread awareness in rural and semi-urban areas.
- Conduct targeted campaigns to inform first-time account holders, women, and marginalized communities about their rights.

Conclusion:-

In conclusion the comparative study of the Banking Ombudsman Schemes in India and Bangladesh highlights both shared goals and striking divergences in structure, scope, and effectiveness. The research establishes that while both systems were envisioned as inexpensive, accessible, and quasi-judicial alternatives to conventional litigation, their institutional trajectories have differed significantly. India’s model, introduced in 1995 and now integrated under the 2021 “One Nation, One Ombudsman” framework, demonstrates a robust, technology-driven, and legally supported system covering banks, nbfc, and digital transactions. The findings affirm that the Ombudsman model, when empowered by statutory force, technological innovation, and institutional autonomy, becomes a vital pillar of administrative justice and consumer protection.

For India and Bangladesh alike, the challenge is to balance accessibility with authority, inclusiveness with efficiency, and redressal with prevention. If India sustains its trajectory of modernization and Bangladesh embraces deeper reforms, both can create Ombudsman systems aligned with international best practices and responsive to the evolving demands of digital-era banking. In conclusion, the study argues that Ombudsman schemes are indispensable for building transparent, accountable, and consumer-oriented financial ecosystems, and those continuous legal, institutional, and technological innovations will determine their future relevance and effectiveness in safeguarding citizen rights and reinforcing financial governance.

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