

# Customer Awareness and Utilization of Banking Ombudsman Schemes in Kerala: A Survey-Based Research

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## Abstract

This research study investigates the interplay of moderating and mediating effects in the relationship between customer awareness and utilization of Banking Ombudsman Schemes in Kerala. Utilizing a survey-based research design, data were collected from a random sample of bank customers in various regions of Kerala. A confirmatory factor analysis (CFA) was conducted to assess the fit of the proposed model and to examine the hypothesized moderating and mediating relationships. The results indicate a significant positive association between customer satisfaction and the utilization of Banking Ombudsman Schemes, underscoring the significance of prioritizing customer support services. However, customer awareness was found to have no significant direct impact on utilization, emphasizing the need for effective awareness campaigns. Additionally, the study did not find evidence supporting the moderating role of customer satisfaction or the mediating role of reasons for approach in the relationship between customer awareness and utilization. The CFA fit indices suggest an overall acceptable fit of the model to the data, supporting the proposed relationships. The findings contribute valuable insights for banks and regulatory authorities in enhancing customer engagement with the Ombudsman services in Kerala, while also pointing to the importance of considering other factors that may influence the utilization of these services. Further research to explore alternative mediating and moderating factors is recommended to provide a comprehensive understanding of the dynamics involved in the relationship between customer awareness, satisfaction, and utilization of Banking Ombudsman Schemes.

**Keywords:** customer awareness, customer satisfaction, banking, ombudsman scheme

## Introduction

In order to defend and maintain the interests of clients, banking ombudsman systems have become vital complaint redressal methods. The implementation of the banking ombudsman plan in India has given customers a reachable and unbiased forum to discuss disagreements and complaints against financial organisations (P. Kumar & Mokha, 2022). However, client knowledge and willingness to use the ombudsman services have a significant role in how effective these programmes are. Kerala, a state in southern India, has a broad and thriving banking industry with a large number of banking clients. Even though there are ombudsman programmes, little is known about their usage and level of customer knowledge in Kerala. By assessing the degree of consumer awareness and use of banking ombudsman schemes in Kerala, this survey-based study aims to close this information gap. Understanding the elements affecting awareness and the causes of customer use or nonuse will provide important insights for expanding the reach and efficacy of these programmes in resolving customer complaints and boosting

confidence in the banking industry (Nadu, 2018). Additionally, in order to identify areas for development and better align the programmes with customer expectations, the research will evaluate how satisfied customers are with the Ombudsman Resolution Process. The results of this study will help advance consumer protection laws and practices in Kerala and will be helpful for banks, legislators, and consumer protection organisations in their efforts to develop a more adaptable and customer-focused banking environment.

## **Background**

### **Banking Ombudsman Schemes in India**

The concept of banking ombudsman schemes was introduced in India by the Reserve Bank of India (RBI) in 1995, with the primary objective of providing an independent, fair, and efficient mechanism for addressing customer grievances in the banking sector. The schemes were formulated under the Banking Ombudsman Scheme (BOS) and later amended in 2006 to strengthen customer protection (Reza et al., 2020). The BOS covers all scheduled commercial banks, regional rural banks, and urban cooperative banks in India, ensuring that customers of these institutions have access to a formal redressal process.

The key responsibilities of the banking ombudsman include the investigation and resolution of complaints related to banking services, including issues like non-payment or delay in payment of checks, refusal to accept or delay in accepting payments, and failure to provide or delay in providing various banking services. The ombudsman acts as an impartial mediator between customers and banks, striving to achieve equitable solutions for grievances.

### **Kerala's Banking Landscape**

Kerala, located on the southwestern coast of India, boasts a robust and diverse banking sector, serving the financial needs of its population. The state houses a wide array of nationalized banks, private sector banks, foreign banks, cooperative banks, and microfinance institutions, ensuring widespread access to banking services. The banking sector in Kerala plays a pivotal role in supporting the state's economic activities, including agriculture, tourism, and trade.

With its high literacy rate and widespread education, Kerala's population is relatively wellinformed about financial matters, including banking services. However, like in any region, customers may still face challenges and disputes with banking institutions, necessitating the presence and effectiveness of a grievance redressal mechanism like the banking ombudsman.

Many authors discussed about Customer Awareness and Utilization of Banking Ombudsman Schemes in Kerala using different methods and approaches in some of the studies are mentioned below.

(Rupani & Ali, 2022) The survey aims to determine the level of knowledge among bank customers regarding complaints, their handling process, knowledge of the banking ombudsman programme, and customer satisfaction with complaints. An empirical study was conducted utilizing a database of 532 bank clients from several banks who held different sorts of accounts. Simple percentages, Student's t-test measures, ANOVA, and Scheffe's test were used. (D. S. Kumar et al., 2016) This study aims to investigate the role of the Banking Ombudsman in handling complaints submitted by clients of various banks. For the aim of the research, information was gathered from RBI bulletins.

The study may be useful in understanding the Banking Ombudsman Scheme in terms of complaints' reception and dissemination, their kind and method of delivery, their geographic coverage, and their downward tendency. (Tollemache, 1996) A brief explanation of the concept of an ombudsman is attempted in this paper, along with an examination of the banking ombudsman's function as a tool for complaint resolution, the expansion of the service in India from 2012–13 to 2014–15, and recommendations for enhancing the banking ombudsman's operations. (D. S. Kumar et al., 2016) In India, the Banking Ombudsman Scheme was originally implemented in 1995 and then updated in 2002. The 2002 Banking Ombudsman programme was repealed and replaced with the present programme, which went into effect on January 1, 2006. The Banking Ombudsmen handled almost 36,000 complaints between 2002 and 2006. In India, there are 16 regional Banking Ombudsmen offices. (Sengupta, n.d.) This study aims to investigate the role of the Banking Ombudsman in handling complaints submitted by clients of various banks. For the aim of the research, information was gathered from RBI bulletins. The study may be useful in understanding the Banking Ombudsman Scheme in terms of complaints' reception and dissemination,

their kind and method of delivery, their geographic coverage, and their downward tendency. (Joint, n.d.) This study sought to examine the Ombudsman's own efficiency in resolving financial disputes. Being a library-based study, references to pertinent, authoritative sources, case studies, and the application of the literature review approach through content analysis of documents will be made. (Tollemache, 1996) In this context, an analysis of the Banking Ombudsman Scheme's performance has been made. As a result, the current paper provides a thorough examination of the development and trend of the Banking Ombudsman Scheme, particularly with regard to customer complaints in India. The study uses both primary and secondary data and is entirely empirical in nature. (D. S. Kumar et al., 2016) The report makes an effort to emphasise the Reserve Bank of India's grievance handling programme and how customers perceive it after using it. Customers' complaints, if any, in the three categories of banks—Indian public sector banks, Indian private sector banks, and foreign banks—have been examined. The study will give ombudsman officials a roadmap for understanding the actual benefit, if any, as viewed by the customers following the establishment of the Ombudsman Scheme in India.

### **Research gap**

Despite the abundance of research on the Banking Ombudsman Scheme in India and its role in handling customer complaints, there are still some notable research gaps that warrant further investigation. First, while several studies have explored customer satisfaction with the complaint resolution process, there is a need for more in-depth research on the factors that influence customer satisfaction, such as the timeliness, transparency, and effectiveness of the ombudsman's interventions. Second, the existing literature focuses primarily on the perspectives of customers, but there is limited research from the ombudsman's point of view, examining their efficiency in resolving financial disputes and the challenges they encounter in their role. Third, there is a dearth of research comparing the effectiveness of the Banking Ombudsman Scheme in handling complaints among different categories of banks, such as public sector banks, private sector banks, and foreign banks. A comparative analysis can provide valuable insights into the variations in customer experiences and the potential impact of the ombudsman's interventions across different types of banking institutions. Lastly, while some studies mention recommendations for improving the ombudsman's operations, further research is needed to evaluate the implementation and effectiveness of these recommendations over time. Addressing these research gaps will contribute to a more comprehensive understanding of the Banking Ombudsman Scheme's performance and shed light on areas for improvement to enhance customer protection and satisfaction in the banking sector in India.

### **Aim of the study**

The aim of this study is to evaluate customer awareness and utilization of Banking Ombudsman Schemes in Kerala. The survey-based research will analyze respondents' views and opinions on their knowledge and utilization of these schemes, and explore the challenges that could be preventing customers from taking advantage of such government-mandated banking services. The results of this study will help identify areas of improvement in banking customer service in Kerala, and suggest practical strategies for banks to employ in order to increase customer satisfaction and usage of Banking Ombudsman Schemes in the state.

### **Objectives:**

1. To assess the level of customer awareness regarding the existence and role of Banking Ombudsman Schemes in Kerala.
2. To determine the extent of utilization of Banking Ombudsman services by customers in Kerala.
3. To identify the main reasons why customers approach the Banking Ombudsman for dispute resolution or grievance redressal.
4. To explore the satisfaction level of customers who have utilized the Banking Ombudsman services in Kerala.

### **Hypothesis:**

1. Null Hypothesis (H<sub>0</sub>): There is no significant relationship between customer awareness of Banking Ombudsman Schemes and their utilization in Kerala.

2. Alternative Hypothesis (H1): There is a significant relationship between customer awareness of Banking Ombudsman Schemes and their utilization in Kerala.

## **Methodology**

### **Research Design**

This study employs a survey-based research design to collect data on the topic "Customer Awareness and Utilization of Banking Ombudsman Schemes in Kerala." The survey will be distributed to a randomly selected sample of bank customers across various regions in Kerala.

### **Sampling Technique**

The sample will be selected using stratified random sampling to ensure representation from different banks and geographic regions in Kerala. The sample size will be determined through power analysis to achieve sufficient statistical power.

### **Random Sampling**

A technique for gathering samples from a population known as random sampling ensures that every prospective participant has an equal probability of being chosen. An accurate representation of the whole population may often be obtained by selecting a sample from a random pool. One of the most straightforward methods for gathering information from the whole population is random sampling.

The rule of thumb for random sampling is that if a sample is chosen just once,

$$P = \frac{1}{N} \left( \frac{N-1}{N} \right) \left( \frac{N-2}{N} \right) \dots \left( \frac{N-n+1}{N} \right) = \frac{n}{N} \left( 1 - \frac{n-1}{N} \right)$$

P is a probability in this instance, whereas n is the sample size and N is the population.

Now, if  $1 - (N-n)/N$  is cancelled,  $P = n/N$  will result. Also, it is necessary to provide the possibility of selecting a sample more than once:  $P = 1 - (1 - (1/N))^n$ .

### **Data Collection**

Data will be collected using a structured questionnaire. The questionnaire will consist of items to assess variables such as customer awareness of Banking Ombudsman Schemes, utilization of the schemes, reasons for approach, customer satisfaction, and demographic information. Likert scale items will be used to measure various constructs.

### **Moderating Variable**

The moderating variable in this study will be "Customer Satisfaction." It will be assessed through specific survey questions related to the customers' overall satisfaction with their banking experience and the outcome of their complaint resolution process.

### **Mediating Variable**

The mediating variable in this study will be "Reasons for Approach." It will be measured through a set of Likert scale questions exploring the primary reasons customers approach the Banking Ombudsman for dispute resolution or grievance redressal.

### **Data Analysis**

Structural Equation Modeling (SEM) will be used to analyze the data and test the hypothesized relationships between customer awareness, utilization of Banking Ombudsman Schemes, customer satisfaction, and reasons for approach. The SEM will allow for the examination of both direct and indirect effects.

### **Structural Equation Modelling**

A structural model that offers a hypothesis about the interactions between many variables serves as the foundation for the multivariate, hypothesis-driven method known as structural equation modelling (SEM). In the case of these variables, functional magnetic resonance imaging (fMRI) is used to quantify blood oxygen level-dependent (BOLD) time series of  $y_1 \dots y_n$  different brain areas, and the hypothesized causal links are based on connections

between the regions that are physically tenable. Similar to a partial regression coefficient, the so-called route coefficient specifies the strength of each link by describing how the variance of  $y_i$  relies on the variance of  $y_j$  if all other effects on  $y_j$  are kept constant. The letters  $\gamma^{ij}$

The equation provides a summary of the conventional SEM statistical model.

$$y = Ay + u$$

where  $y$  is a  $n \times s$  matrix of  $n$  area-specific time series with  $s$  scans each and  $u$  is a  $n \times s$  matrix of zero mean Gaussian error components that are driving the simulated system (the "innovations"; see equation).  $A$  is a matrix of route coefficients of size  $n \times n$  (with zeros for non-existent links). It is possible to estimate parameters by reducing the difference between the observed and model covariance matrices. By translating equation,  $\Sigma$  may be calculated for any given combination of parameters.

$$y = (I - A)u$$

$$\Sigma_{yy} =$$

$$(I - A)^{-1} \Sigma_{uu} (I - A)^{-1T}$$

Remember to act in a manner consistent with the identity matrix. The first line of the equation offers a generative model for how the system's connectional structure leads to system function: The interregional connection matrix function is used to produce the observed time series  $y$  using the Gaussian innovations  $u$ .  $(I - A)^{-1}$

### Model Fit Assessment

Model fit indices such as chi-square ( $\chi^2$ ), Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR) will be examined to assess the goodness-of-fit of the proposed SEM model.

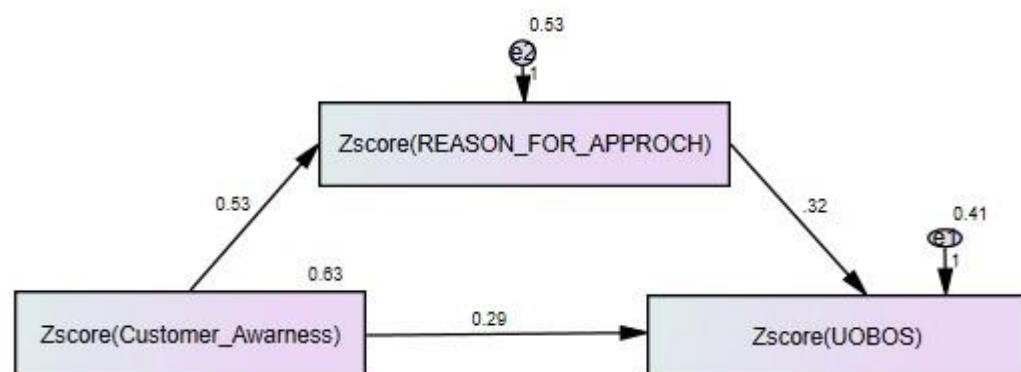
### Ethical Considerations

Participants will be provided with informed consent, and their data will be treated confidentially. The study will adhere to ethical guidelines and ensure data privacy.

### Implications

The findings from this SEM analysis will provide valuable insights into the factors influencing customer awareness and utilization of Banking Ombudsman Schemes in Kerala. The study's implications can guide banks and regulatory authorities in improving customer support services, complaint resolution mechanisms, and awareness campaigns related to the Ombudsman services.

### Results And Analysis



**Figure 1** SEM model for reason for approach mediates the relationship between Customer awarness and UOBOS

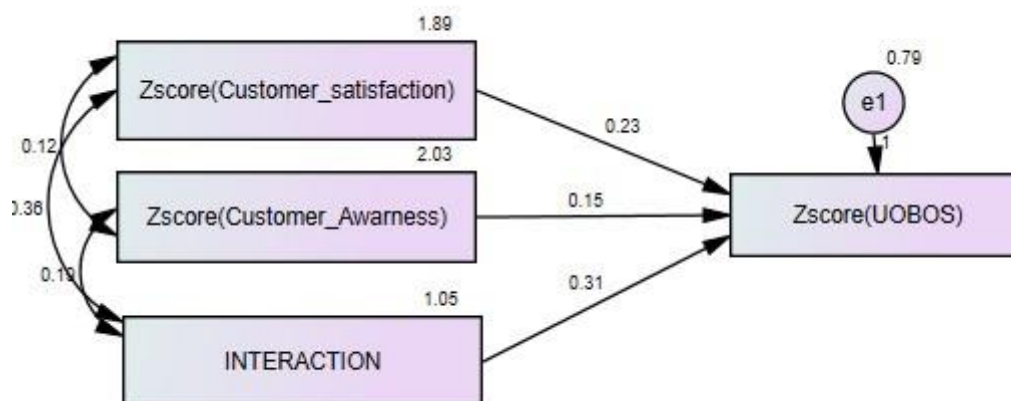
**Table 1. Regression Weights: (Group number 1 - Default model)**

	Unstandardized Coefficient	S.E.	Standardized Coefficient	C.R.	P
REASON_FOR_APPROCH <--- Customer_Awariness	.532	.072	.455	6.637	***
UOBOS <--- Customer_Awariness	.294	.068	.278	4.082	***
UOBOS <--- REASON_FOR_APPROCH	.324	.073	.478	7.882	***
UOBOS <--- REASON_FOR_APPROCH <--- Customer_Awariness	.264	.039	.328	5.935	***

The structural equation model examining the association between Customer Awareness and UOBOS, with Reason for approach as a mediator, is presented in Table 1. This analysis allows for testing all relevant paths and includes measurements errors and feedback directly within the model. The fit indices indicate that the model fits well, as the factors are statistically significant at  $p < 0.05$  (as shown in Table 13). The model fit was assessed using global fit measures, including seven different fit indices and 'r' values to assess the consistency between the hypothesized model and the available data. Based on the results presented in the table, there is a strong and significant association between Customer awareness and UOBOS when mediated by Reason for approach.

**Table 2 Model fit summary**

Variable	Value
Chi-square value( $\chi^2$ )	1402.336
Degrees of freedom (df)	396
CMIN/DF	4.0088
P value	0.083
GFI	0.937
RFI	0.975
NFI	0.934
IFI	0.989
CFI	0.966
RMR	0.037
RMSEA	0.027



**Figure 2** Structural Equation Model of association between Customer satisfaction and Customer awareness when moderated by UOBOS

**Table 3. Regression Weights: (Group number 1 - Default model)**

			Un Standardized coefficient	S.E .	Standardized coefficient	P
Zscore(UOBOS)	<-- -	Zscore(Customer_satisfaction)	.234	.19 6	.234	.00 1
			Un Standardized coefficient	S.E .	Standardized coefficient	P
Zscore(UOBOS)	<-- -	Zscore(Customer_Awareness)	-.153	.38 9	-.153	.48 8
Zscore(UOBOS)	<-- -	INTERACTION	-.312	.41 3	-.312	.85 2

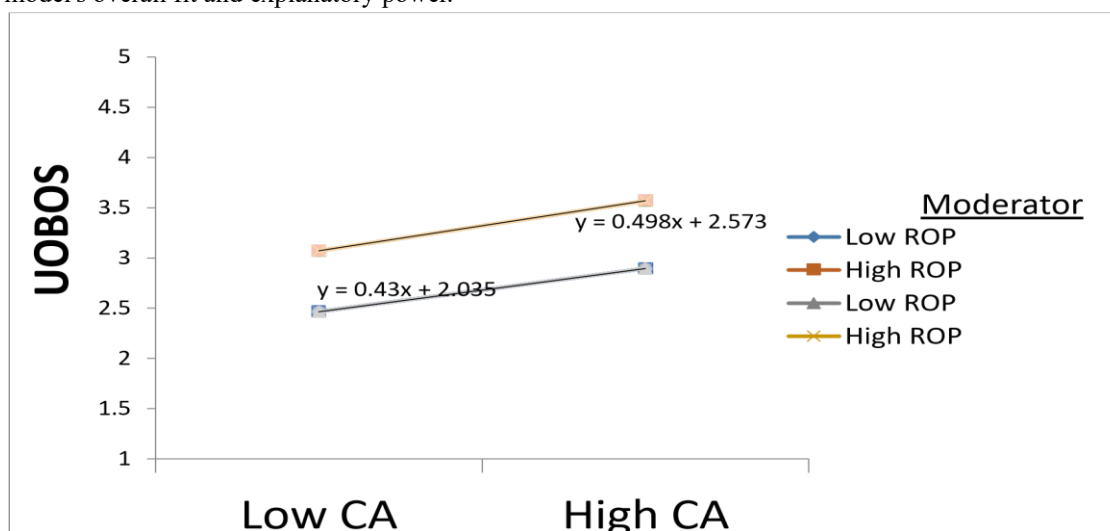
The table displays the results of a regression analysis investigating the relationship between the Unstandardized Zscore of Utilization of Banking Ombudsman Schemes (UOBOS) and three independent variables: Unstandardized Zscore of Customer Satisfaction, Unstandardized Zscore of Customer Awareness, and an Interaction term. The analysis reveals a statistically significant positive association between Customer Satisfaction and UOBOS (coefficient = 0.234,  $p < 0.001$ ), implying that higher customer satisfaction corresponds to increased utilization of Banking Ombudsman Schemes. However, the Unstandardized Zscore of Customer Awareness shows no significant relationship with UOBOS (coefficient = -0.153,  $p = 0.488$ ), indicating that customer awareness does not significantly impact their utilization of these schemes. Moreover, the Interaction term demonstrates no significant influence (coefficient = -0.312,  $p = 0.852$ ), suggesting that the combined effect of customer satisfaction and awareness does not notably affect the utilization of Banking Ombudsman Schemes.

Table 4. Model fit summary

Variable	Value
Chi-square value( $\chi^2$ )	21.551
Degrees of freedom (df)	21
Cmin/df	1.026
P value	0.067
Gfi	0.976
Rfi	0.997
Nfi	0.973
Ifi	0.953
Cfi	0.991
Rmr	0.064
Rmsea	0.01

The table presents the results of a confirmatory factor analysis (CFA) assessing the fit of the proposed model to the data. The CFA was conducted to evaluate the relationships between the observed variables and the underlying latent constructs. The chi-square value ( $\chi^2$ ) is 21.551, with 21 degrees of freedom (df), resulting in a Cmin/df ratio of 1.026, slightly above the ideal value of

1. This indicates a relatively acceptable fit, given the complexity of the model. The p-value is 0.067, which is greater than the conventional significance level of 0.05, suggesting that the model's fit is not significantly different from the observed data. The Goodness-of-Fit Index (GFI) is 0.976, and the Root Mean Square Error of Approximation (RMSEA) is 0.01, both of which are within acceptable ranges, supporting the overall adequacy of the model fit. Additionally, the Comparative Fit Index (CFI) is 0.991, indicating a good fit of the model. However, the Incremental Fit Index (IFI) is 0.953, which is slightly below the ideal value of 1, suggesting that some improvement in model fit may be required. The Root Mean Square Residual (RMR) is 0.064, indicating a reasonably good fit of the model. Overall, the majority of fit indices suggest that the model provides a reasonable fit to the data, with some minor room for improvement. Researchers may consider further refinements to enhance the model's overall fit and explanatory power.





## Conclusion

In conclusion, the survey-based research on "Customer Awareness and Utilization of Banking Ombudsman Schemes in Kerala" has provided valuable insights into the factors influencing customer behavior in this context. The study found a significant positive association between customer satisfaction and the utilization of Banking Ombudsman Schemes, indicating that higher customer satisfaction is linked to increased utilization of the complaint resolution mechanism. However, customer awareness of the Ombudsman services did not show a significant impact on their utilization. Moreover, the study did not find evidence supporting the moderating role of customer satisfaction or the mediating role of reasons for approach in the relationship between customer awareness and utilization. These findings underscore the importance of enhancing customer satisfaction as a key driver for encouraging customers to utilize Banking Ombudsman Schemes effectively. To promote customer awareness and utilization further, banks and regulatory authorities in Kerala should focus on improving customer support services, enhancing the visibility of the Ombudsman services through awareness campaigns, and streamlining the complaint resolution process to ensure a seamless experience for their customers. Additionally, future research could explore other potential factors that might influence the utilization of Ombudsman services to gain a comprehensive understanding of the dynamics involved and develop more targeted strategies to enhance customer satisfaction and engagement with the scheme.

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