



## Awareness and Utilization of Banking Ombudsman Services: A Behavioral Perspective

Shraddha Sengupta<sup>1</sup>, Prof. Amalesh Bhowal<sup>2</sup>

<sup>1</sup>Research Scholar, Department of Commerce, Assam University Diphu Campus, Diphu,

<sup>2</sup>Professor, Department of Commerce, Assam University, Diphu Campus

---

### ARTICLE DETAILS

#### Research Paper

Accepted: 28-05-2025

Published: 10-06-2025

#### Keywords:

*Banking Ombudsman,  
Biases, Grievance  
Redressal Mechanisms.*

---

### ABSTRACT

This study investigates the levels of awareness and utilization of Banking Ombudsman Services among retail banking consumers through the lens of behavioral science. Despite the accessibility of this grievance redress mechanisms, usage remains low. The study explores behavioral biases—such as status quo bias, loss aversion, and perceived efficacy that may hinder consumers from seeking redress. Using survey data and qualitative interviews, we identify key psychological barriers and propose behaviorally-informed interventions to improve utilization. The findings have implications for policy design and consumer protection frameworks.

---

DOI : <https://doi.org/10.5281/zenodo.15679988>

---

### 1. Introduction

In the evolving landscape of India's financial sector, the Banking Ombudsman Scheme (BOS), instituted by the Reserve Bank of India (RBI), serves as a pivotal mechanism for addressing consumer grievances. Despite its establishment to provide a cost-free and accessible platform for dispute resolution, awareness and utilization of the BOS remain suboptimal. A study focusing on students in India revealed that only 26.7% were aware of the scheme, with a mere 8.9% having utilized it, underscoring a significant gap in outreach and engagement (Jadhav, 2023)



This limited engagement is not solely attributable to informational deficits but is also influenced by behavioral and psychological factors. Behavioral economics elucidates how cognitive biases—such as inertia, perceived complexity, and mistrust—can impede proactive consumer actions, even when avenues for redress are available (Tanu & Sujata, 2023). For instance, the tendency to avoid conflict or the belief that formal complaint mechanisms are ineffective may deter individuals from seeking resolution through the BOS. Moreover, empirical studies have highlighted that while customer satisfaction is positively associated with the utilization of ombudsman services, mere awareness does not necessarily translate into action. This indicates that enhancing the effectiveness of communication strategies and addressing psychological barriers are crucial for improving the scheme's reach and efficacy. This research aims to delve into the behavioral dimensions influencing the awareness and utilization of the Banking Ombudsman Services. By examining the interplay between consumer psychology and engagement with the BOS, the study seeks to identify underlying barriers and propose strategies to enhance the scheme's effectiveness in safeguarding consumer rights within the banking sector.

## 2. Problem Statement

The Reserve Bank of India (RBI) established the Banking Ombudsman Scheme (BOS), a crucial tool for resolving consumer complaints in the banking industry ([www.rbi.org.in](http://www.rbi.org.in)). Although the BOS was created to offer a free and easily accessible forum for resolving disputes, awareness and use of the scheme are still below ideal levels; for example, a study of Indian students found that only 26.7% were aware of the scheme and only 8.9% had used it, highlighting a wide gap in outreach and engagement. This low level of engagement is caused by behavioral and psychological factors in addition to informational deficiencies. (Bagul, 2024) Even when there are channels for redress, behavioral economics clarifies how cognitive biases like inertia, perceived complexity, and mistrust can obstruct proactive consumer actions. People may be discouraged from seeking resolution through the BOS, for example, if they have a propensity to avoid conflict or think that formal complaint mechanisms are ineffective. (CGAP, 2014) Moreover, empirical studies have highlighted that while customer satisfaction is positively associated with the utilization of ombudsman services, mere awareness does not necessarily translate into action. This indicates that enhancing the effectiveness of communication strategies and addressing psychological barriers are crucial for improving the scheme's reach and efficacy. (Stevo, 2023) Given the increasing complexity of financial products and the expansion of digital banking, it is imperative to understand the behavioral underpinnings that influence consumer engagement with grievance redress mechanisms. (CGAP, 2014) This research aims to delve into the



behavioral dimensions influencing the awareness and utilization of the Banking Ombudsman Services. By examining the interplay between consumer psychology and engagement with the BOS, the study seeks to identify underlying barriers and propose strategies to enhance the scheme's effectiveness in safeguarding consumer rights within the banking sector. (Harris L. P, 2023)

### 3. Research Objectives:

- a. **To analyze the differences in awareness levels of Banking Ombudsman Services among retail banking consumers across demographic groups and how this awareness relates to the utilization of these services for resolving banking grievances.**
- b. **To assess the effects of perceived complexity and confidence in navigating the complaint process on the likelihood of utilizing Banking Ombudsman Services.**
- c. **To examine the influence of conflict-avoidant behavior on the likelihood of lodging a complaint with the Banking Ombudsman Services.**

### 4. Review of Literature

People in rural area were little aware about the scheme even educated people also had less knowledge about the scheme and those who were aware were not much satisfied regarding the service and therefore suggested that all the banks should form a customer service committee, appoint nodal officers and other designated officials to handle complaints and grievances. Nodal officers should conduct meetings with the customers and there should be trained, sincere, well behaved and compassionate operating staff so as to handle the complaints of the customer in a better way (Monica & H., 2005)

The researchers (Masood & N, 2010) employed a conclusive cross-sectional descriptive research design, utilizing a structured questionnaire divided into two sections: one assessing complaining attitudes and behaviors, and the other capturing demographic information. A combination of hierarchical and non-hierarchical (k-means) cluster analyses was used to identify distinct customer segments. Additionally, the Analytic Hierarchy Process (AHP) was applied to prioritize complaint categories within each segment. The study underscored the heterogeneity in customer complaining behaviors within the banking sector. By segmenting customers based on their attitudes towards complaints and analyzing their specific concerns, banks can develop targeted strategies to enhance customer satisfaction, loyalty, and overall service quality.

With the transformation of banks from serving a select clientele to catering to the masses, there has been an exponential increase in customer expectations. The authors note that despite efforts by banks and the



RBI to enhance service quality, the number of complaints has been on the rise. This surge is attributed to factors such as increased customer awareness, the complexity of banking services, and the challenges banks face in maintaining service standards amidst rapid expansion. **(Malyadri & Sirisha, Success of banking ombudsman scheme: Myth or reality, 2012)**

Customer complaints serve as a vital feedback mechanism for service providers, especially in the banking sector where service quality directly impacts customer satisfaction and loyalty. Understanding customers' attitudes toward complaining and their expectations regarding service recovery is crucial for banks aiming to enhance customer relationships and service standards. The study underscores the significance of understanding customer attitudes toward complaining and their service recovery expectations. Banks that proactively address these aspects are better positioned to improve service quality, customer satisfaction, and long-term loyalty. **(Petzer, 2012)**

**(Preko & Samuel, 2015)** offers a nuanced application of Hirschman's (1970) Exit, Voice, and Loyalty (EVL) framework by examining how psychographic variables shape customers' complaint behavior in the banking sector. The research highlights that factors such as personality traits, lifestyle, values, and attitudes significantly influence whether customers choose to express dissatisfaction (**voice**), silently leave the service (**exit**), or remain loyal despite issues (**loyalty**). The authors argued that traditional demographic variables alone are insufficient in predicting complaint behavior, and incorporating psychographics offers deeper insight into customer motivations and preferences.

**(Greenfield & Garg, 2019)** examined the evolving role of technology in the resolution of banking complaints, particularly in the context of digital banking and online platforms. Technology has revolutionized how customers interact with financial institutions and how complaints are submitted, processed, and resolved. In traditional banking systems, complaints were often handled through face-to-face meetings or phone calls. However, the advent of online complaint platforms and digital channels has made the process more accessible, efficient, and transparent. Research has shown that online complaint platforms can significantly reduce biases in customer-bank interactions. Customers are more likely to receive standardized responses, which can reduce feelings of personal bias or unfair treatment. Additionally, these platforms provide customers with access to detailed records of their complaints, including timestamps, interactions, and resolution statuses, which fosters transparency and accountability.



The BOS was found to be an effective medium for the redressal of grievances by the general public against banks and banking services. The resolution and the pace of resolution of complaints were highlighted as essential aspects of consumer satisfaction. Given the growing number of banking transactions and the corresponding increase in complaints, the authors suggested that the RBI should proportionately increase the number of Ombudsmen to handle the workload efficiently. While the offices of the Banking Ombudsman have initiated outreach activities to create awareness among customers, the study emphasized the need for more rigorous efforts, especially in rural areas, to ensure that customers are well-informed about the grievance redressal mechanisms available to them. **(Rupani, 2022)**

The study by **(Damilare, Ngochindo, Bolatito, & Paul, 2022)** contributes to the growing body of literature exploring the intersection between behavioral finance and risk management in the banking sector. The authors highlight how cognitive biases—such as overconfidence, anchoring, loss aversion, and herd behavior—can impair financial decision-making among both consumers and financial professionals. These biases often lead to suboptimal decisions, which, when aggregated at the institutional level, can increase systemic risk and weaken the financial resilience of banks. The paper argued for the integration of behavioral insights into traditional risk management frameworks, suggesting that a deeper understanding of human behavior can enhance the predictive accuracy of risk models and improve the effectiveness of regulatory oversight. Moreover, the authors propose several practical tools and strategies to mitigate the impact of behavioral biases, such as financial education, decision aids, and behavioral nudges tailored to banking environments.

Investors who tend to rely excessively on a piece of information that may or may not be related to the decision they are attempting to make. Investors of this profile may unconsciously use a reference point for making decisions, even when it has nothing to do with the choice they currently face individuals are often impacted by their culture and dependence orientation. Interdependent individuals may have a higher appetite for risk as compared to independent individuals. The paper introduced key concepts of behavioural economics, such as loss aversion and framing effects, which have been widely applied to banking. Consumers' decision-making processes in financial services are significantly influenced by emotional and cognitive biases. This study lays the groundwork for understanding how these biases influence customer complaints in banking. **(Kundu Kaushik & Parveen, 2022)**



(Peilin, 2023) found that customers with a history of negative experiences are more likely to interpret neutral or even positive interactions with the bank in a negative light, due to confirmation bias. This bias leads them to selectively recall negative experiences and disregard positive ones, escalating complaints unnecessarily. In the case of customer complaints, this bias can manifest when a customer who has had a negative prior experience with a bank continues to perceive future interactions as negative, regardless of the actual service provided. Confirmation bias may cause the customer to selectively focus on perceived mistakes or service failures, ignoring any positive aspects of the interaction.

The study conducted by (Rasa, Deimantė, & Keliuotytė, 2024) emphasizes the role of cognitive limitations and psychological tendencies in shaping market dynamics, influencing asset pricing, investment strategies, and market returns. The research also notes a shift in focus from market-level outcomes to the behaviour of individual investors, with an increase in publications. The authors stated that understanding investors' biases is crucial for developing effective risk management strategies and investment recommendations, ultimately leading to improved market performance.

Customer complaint behavior is influenced by various factors, including service quality, responsiveness, and perceived fairness. Studies suggest that customers are more likely to lodge complaints when they perceive a higher chance of resolution and when the complaint process is straightforward and accessible. Despite the availability of grievance redressal mechanisms, many customers refrain from lodging complaints due to factors such as lack of awareness, perceived complexity of the process, and skepticism about the effectiveness of the resolution. These barriers highlight the need for banks and regulatory bodies to enhance customer education and simplify complaint procedures (Raj, 2024)

## 5. Research Methodology:

**Research Design:** Descriptive and analytical cross-sectional study design were employed to examine the relationships between various factors—such as demographic characteristics, behavioral traits, and psychological perceptions.

**Population:** Retail banking consumers in Guwahati, Assam, India.

**Sampling Technique:** Stratified random sampling, convenient and purposive sampling was used to ensure representation across various demographic segments such as age, gender, income levels



**Sample Size:** Since the population size is undefined, Cochran's formula was used to determine the sample size

$$\text{Where } n_o = \frac{Z^2 p(1-p)}{e^2} = 384.16$$

Thus, the sample size collected was 416

**Data Collection Instrument:** Structured questionnaire comprising both closed-ended and Likert-scale questions were given to the respondents.

**Data Collection Method:** Self-administered surveys were distributed both online and in-person at selected banking institutions and public areas.

## 6. Data Analysis:

### Hypothesis1

**H0:** There is no significant difference in awareness levels of Banking Ombudsman Services among retail banking consumers across different demographic groups.

**H1:** There is a significant difference in awareness levels of Banking Ombudsman Services among retail banking consumers across different demographic groups.

Table1: Demographic Variables against awareness level

Demographic Variable	Chi <sup>2</sup> Statistic	P-value	Significant
Gender	4.11	0.25	No
Education Level	4.15	0.39	No
Monthly Income (₹)	11.50	0.0093	Yes
Region	0.08	0.96	No
Age	61.08	0.0675	No



The analysis revealed that there is **no statistically significant difference** in awareness levels based on **gender** ( $\chi^2 = 4.11, p = 0.25$ ), **education level** ( $\chi^2 = 4.15, p = 0.39$ ), or **region** ( $\chi^2 = 0.08, p = 0.96$ ), as all p-values are well above the conventional threshold of 0.05. These results indicate that awareness of the ombudsman services does not appear to be influenced by these demographic characteristics. The chi-square test examining the relationship between **age** and **awareness of Banking Ombudsman Services** yielded a p-value of **0.0675**, which is **slightly above** the conventional significance threshold of 0.05. This indicates that there is **no statistically significant difference** in awareness levels across different age groups at the 5% significance level. However, **a statistically significant difference** was observed with respect to **monthly income** ( $\chi^2 = 11.50, p = 0.0093$ ). This finding suggests that income level is associated with varying levels of awareness, with certain income groups being more or less aware of the Banking Ombudsman Services. Therefore, we **reject the null hypothesis** for income, indicating a meaningful demographic influence in this context, while we **fail to reject the null hypothesis** for the other demographic factors. This implies that targeted awareness efforts might be particularly beneficial if focused on specific income brackets.

### Hypothesis2

H0: There is no significant association between the level of awareness of Banking Ombudsman Services and their utilization for resolving banking grievances.

H1: There is a significant association between the level of awareness of Banking Ombudsman Services and their utilization for resolving banking grievances.

Table2: Awareness of Banking Ombudsman against Utilization of Banking Ombudsman Services to resolve banking grievances

Chi <sup>2</sup> Statistic	P-value	Significant
0.12	0.73	No

The Chi-Square test yielded a p-value of **0.73**, which is **much higher** than the conventional significance level of 0.05. This means that the observed differences in utilization based on awareness are **not statistically significant**. As a result, we **fail to reject the null hypothesis**. In simple terms, this



indicates that within your sample, **being aware of the Banking Ombudsman Services does not have a meaningful impact on whether consumers actually utilize them** to resolve grievances.

### Hypothesis 3

H0: Perceived complexity of the complaint process does not significantly affect the likelihood of utilizing the Banking Ombudsman Services.

H1: Perceived complexity of the complaint process significantly affects the likelihood of utilizing the Banking Ombudsman Services.

#### Correlations

			Perceived Complexity (1-5)	Likelihood of Utilizing BOS
Spearman's rho	Perceived Complexity (1-5)	Correlation Coefficient	1.000	-.809**
		Sig. (2-tailed)	.	.000
		N	416	416
	Likelihood of Utilizing BOS	Correlation Coefficient	-.809**	1.000
		Sig. (2-tailed)	.000	.
		N	416	416

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The Spearman's rank-order correlation analysis reveals a strong, statistically significant negative relationship between perceived complexity and the likelihood of utilizing Banking Ombudsman Services (BOS). Specifically, the correlation coefficient is **-0.809** with a **p-value of 0.000**, indicating that as the perceived complexity of the BOS process increases, the likelihood of individuals utilizing the service decreases substantially. This inverse relationship suggests that complexity acts as a major barrier to accessing redressal mechanisms. The significance level at **0.01** confirms that this finding is highly reliable and unlikely to have occurred by chance.

### Hypothesis 4

H<sub>0</sub>. Lack of confidence in navigating the complaint process does not significantly influence utilization of the Banking Ombudsman Services



*H1*: Lack of confidence in navigating the complaint process significantly influences utilization of the Banking Ombudsman Services.

**Correlations**

			Lack of Confidence in Complaint Process	Likelihood of Use of BOS
Spearman's rho	Lack of Confidence in Complaint Process	Correlation Coefficient	1.000	-.893**
		Sig. (2-tailed)	.	.000
		N	416	416
	Likelihood of Use of BOS	Correlation Coefficient	-.893**	1.000
		Sig. (2-tailed)	.000	.
		N	416	416

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The Spearman correlation coefficient (rho) is -0.893, indicating a very strong negative monotonic relationship between the two variables. This means that as the lack of confidence increases, the likelihood of using the BOS significantly decreases. In other words, individuals who feel less confident in navigating the complaint process are considerably less inclined to seek help from the Banking Ombudsman.

The correlation is statistically significant at the 0.01 level, as indicated by the p-value (Sig. 2-tailed) of 0.000. This value is well below the conventional threshold of 0.05, allowing us to reject the null hypothesis ( $H_0$ ) and accept the alternative hypothesis ( $H_1$ ). Therefore, we conclude that lack of confidence significantly influences the likelihood of using BOS.

**Hypothesis**

**5**

*H<sub>0</sub>*: Conflict-avoidant behavior does **not** significantly influence the likelihood of lodging a complaint with the Banking Ombudsman Services.

*H<sub>1</sub>*: Conflict-avoidant behavior **significantly** influences the likelihood of lodging a complaint with the Banking Ombudsman Services.



**Correlations**

			Conflict Avoidant Behaviour Score	Likelihood to Use BOS
Spearman's rho	Conflict Avoidant Behaviour Score	Correlation Coefficient	1.000	-.802**
		Sig. (2-tailed)	.	.000
		N	416	416
	Likelihood to Use BOS	Correlation Coefficient	-.802**	1.000
		Sig. (2-tailed)	.000	.
		N	416	416

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The above results revealed a strong, negative correlation between the two variables, with a Spearman's rho of **-0.802**. This correlation is statistically significant at the 0.01 level ( $p < 0.001$ ), indicating that higher levels of conflict-avoidant behavior are strongly associated with a lower likelihood of approaching the Banking Ombudsman. In other words, respondents who tend to avoid conflict are much less likely to lodge complaints through formal channels such as the Banking Ombudsman Service. This significant inverse relationship highlights the impact of conflict-avoidant tendencies on the willingness to seek formal redress for banking issues.

**7. The aforementioned study’s findings are as follows:**

- a. No statistically significant difference in awareness levels was found based on **gender**
- b. **Age** also did not show a statistically significant difference ( $p = 0.0675$ ), although it approached significance.
- c. A **statistically significant difference** was observed based on **monthly income** indicating income influences awareness of the Banking Ombudsman Services.
- d. In contrast, **monthly income** was related to awareness suggesting that people in different income brackets tend to have varying levels of familiarity with the Banking Ombudsman Services.
- e. The data showed no clear pattern linking awareness of the BOS to actual usage. People who were aware of the services were not necessarily more likely to use them.
- f. There was a strong inverse relationship between perceived complexity and the likelihood of using BOS. As people viewed the process as more complex, they were less inclined to engage with it.



g. A very strong negative relationship was observed between lack of confidence and likelihood of using BOS. Those who felt less confident in managing the complaint process were much less likely to seek help through this channel.

h. Higher levels of conflict-avoidant behavior were closely linked to lower use of BOS. People who tend to avoid confrontational or formal processes were less likely to pursue complaints through the ombudsman.

## 8. Suggestions and Conclusion

The analysis highlights that while demographic variables like gender, education, region, and age have little to no significant bearing on awareness of Banking Ombudsman Services, **monthly income does influence awareness levels**, indicating that targeted outreach should prioritize specific income segments. Interestingly, awareness does not necessarily translate into utilization, suggesting that **structural and psychological barriers play a more critical role** in hindering access to redress mechanisms. Notably, the **perceived complexity of the complaint process, lack of confidence, and conflict-avoidant tendencies** emerged as strong inhibitors of BOS usage. These findings suggest a need for simplifying the complaint process, enhancing user confidence through guided support or counseling, and fostering a more approachable, empathetic interface for complainants. In conclusion, to increase utilization of the Banking Ombudsman Services, stakeholders must move beyond merely raising awareness and focus on **reducing procedural complexity, building consumer self-efficacy, and addressing behavioral and psychological barriers** that dissuade individuals from seeking justice. Behavioral interventions such as decision aids, storytelling from successful complainants, and support lines could help bridge the gap between awareness and action.

## References

- Bagul, B. (2024). AN ANALYTICAL STUDY OF BANKING OMBUDSMAN SCHEMES IN BANKING SECTOR IN INDIA. *International Research Journal of Management and Commerce* , 11 (03).
- CGAP. (2014). *Applying Behavioral Insights in Consumer Protection Policy*.
- Damilare, O. L., Ngochindo, I. A., Bolatito, A. O., & Paul, E. C. (2022). Addressing behavioral biases in financial decision-making: Effective risk management tools for banking institutions. *Magna Scientia Advanced Research and Reviews* , 5 (1).



- Greenfield, & Garg. (2019). The evolving role of technology in the resolution of banking complaints. *SSRN*.
- Harris L. P, W. J. (2023). The Influence of Customer-Centric Banking on Consumer Confidence. *Journal of Customer Relationship Management*.
- Jadhav, A. N. (2023). A Study on Awareness and Perception of Students towards the Banking Ombudsman Scheme. *Journal of Emerging Technologies and Innovative Research*, 10 (5).
- Kundu Kaushik, B. J., & Parveen, A. (2022, May). *Research Gate*. Retrieved from Research Gate.
- Malyadri, P., & Sirisha, S. (2012). Success of banking ombudsman scheme: Myth or reality. *International Journal of Research Studies in Management*, 1 (1), 17-24.
- Malyadri, P., & Sirisha, S. (2012). Success of banking ombudsmen scheme: Myth or reality. *International Journal of Research Studies in Management*, 1 (1).
- Masood, S., & N, T. S. (2010). An analytical study of complaining attitudes: With reference to the banking sector. *Journal of Targeting, Measurement and Analysis for Marketing*, 18 (2), 119-117.
- Monica, L., & H., W. Y. (2005). The Role of Trust in Customer Relationship Management: An Example to Financial Services Industry. *Asia Pacific Management Review*, 267-274.
- Peilin, J. (2023). Research on Confirmation Bias and its Influence on purchase Decision Making. *Proceedings of the 2nd International Conference on Business and Policy Studies*, (pp. 227-231).
- Petzer, D. (2012). Banking customers' attitudes toward complaining: Their likelihood of voicing a complaint and service recovery they consider appropriate. *African Journal of Business Management*, 4462-4471.
- Preko, A., & Samuel, K. A. (2015). The Influence of Psychographic Variables on the Theory of Exit, Voice, and Loyalty of Customer Complaints Behaviour in Banks. *Journal of Competitiveness*, 48-67.



- Raj, S. (2024). EVALUATING BANKING OMBUDSMAN SCHEME AS AN EFFECTIVE CUSTOMER GRIEVANCE REDRESSAL MECHANISM FOR THE CUSTOMERS OF BANKS OPERATED IN INDIA. *SSRN* .
- Rasa, K., Deimantė, V., & Keliuotytė, S. (2024). A comprehensive review of behavioral biases in financial decision-making: from classical finance to behavioral finance perspectives. *Journal of Business Economics and Management* .
- Rupani, R. (2022). An analytical study on the performance of the banking ombudsman scheme in India. *Journal of Management Research and Analysis* , 130-136.
- Stevo, S. (2023). THE ROLE OF THE OMBUDSMAN FOR THE PROTECTION OF BANK CLIENTS IN THE ECONOMIC SYSTEM OF THE REPUBLIC OF SRPSKA. SRPSKA.
- Tanu, K., & Sujata, K. (2023). Behavioral biases and the rational Decision-making process of financial professionals: significant factors that determine the future of the financial market. *Journal of Advances in Management Research* .
- www.rbi.org.in*. (n.d.). Retrieved from Reserve Bank of India: <http://www.rbi.org.in>