

## Examination of Effectiveness of Complaints Management via Grievance Redressal Policy of Banks

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### **Abstract**

Customer is the king irrespective of the industry which is serving them. Banking sector is no different and it is rather an essential part of the country's economic system serving as the backbone for all other sectors. With the kind of Government policies in place, the banking sector is widely connected and functioning well in both urban and rural areas. Banks serve a variety of functions including capital availability, allocating financial resources, working capital, managing different kinds of bank accounts, online transactions and many more. All these facilities are availed by the people of this country hence, it is extremely significant to ensure that the user of the banking services is satisfied. A special emphasis needs to be laid upon the way complaints management or feedback management is being handled by the stipulated banks in this study. This study aims at examining how the existence of a grievance redressal policy in a bank and the years for which it is being implemented makes an impact on the customer satisfaction. It further studies the role of Turn Around Time (TAT) taken for complaints management in creating satisfied users. For this purpose, a sample of 100 front-office bank employees was taken based on convenience sampling and their responses were recorded using a self-structured questionnaire. One limitation of data collection was that it was randomly collected from the different branches of the stipulated banks so the kind of customer complaints depending upon the diverse geography and demography could be different. Further, one-way ANOVA was applied to examine the relationship between the given independent variables and customer satisfaction based upon the responses of the bankers. This study is more relevant in the current times due to the increasing complexities of technology and high customer expectations. This study would not only act as a yardstick of measuring the role of a grievance redressal policy in banks but also the strength of the banking sector with respect to complaints management.

**Keywords:** Banking sector, satisfaction, TAT, Grievance Redressal, technology, expectations.

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## Introduction

With the advent of the policies of Liberalization, Privatization and Globalization in our country, the banks were empowered to perform a massively dynamic and significant role towards the economic development of the whole nation. The banking system in the country has involvement at every level towards major contributions like operating as a facilitator for the monetary policy, encouragement to innovation, promotion of the capital formation, the monetization policy and influencing the overall economic activities. Customer is the most significant stakeholder of banks and thus, this paper aims at examining their satisfaction from banking services. Wai-Ching P.(2008) postulated that a consumer's feeling of satisfaction from a service arises when the customer compares the perceived performance of a service with his or her own expectations. When the performance of the service is below the customer expectations, a kind of negative disconfirmation gets built which in turn leads to dissatisfaction of customer.

Banks in the country have shown a remarkable influence on the growth of the service delivery processes with the technological advancements (Dabholkar and Bagozzi, 2002) and therefore, in complaints management. The quality dimensions variables or items that were documented to contribute towards customer complaint management are better website content, proper access, high speed and efficient navigability (Mateos, et al., 2001). In the banking domain, a consistent customer orientation is required as a pre-requisite because most of the banks are largely consumer oriented in comparison to the earlier theory of product oriented (Jamal and Naser, 2002). Also, it has been indicated through various studies that the demand for enhanced quality services is increasing over the passing years (Oyieke, 2008). Also, banks are not only competing within their sector but also, against other non-financial institutions. The need to emphasize on customers' complaint resolution holds the logic that it has always been easier to satisfy and retain the existing customers than acquiring completely new ones (Husain, S., 2014). This has pushed the banks constantly to make self-appraisal and ensure that they are properly meeting the customer needs and expectations on a really consistent basis through grievance redressal. Therefore, this study is extremely relevant as complaints management is very important for any bank in order to retain them in an era of multiple options available.

## **Review of Literature**

This section deals with reviewing the existing literature regarding the various parameters mentioned in the current study. A study was conducted in the state of Punjab to study the customer satisfaction through service quality measures through the viewpoint of the bank officials. The study aimed at finding the variables that were most crucially expected out of the grievance redressal system in order to increase the satisfaction of the customers (Saxena, C., et al., 2016). Balasubramanian (2013) also made a study in a district of Tamil Nadu to assess the effectiveness of the working of customer grievance redressal system in resolving customer complaints. The gap identified was that it didn't pertain to Rajasthan. Another study conducted specifically with respect to commercial banks focused on studying the customer psychology to identify the best strategies to be used by banks while dealing with them (Pahwa, 2000). This study was specifically around commercial banks and not based on different sectors of banking industry. A research revealed that foreign banks provided higher customer satisfaction than the public and private sector banks (Debasish, 2009). Thus, the focus was more on comparative analysis than identifying the impact of grievance redressal system overall. Another research which was conducted by Tandon (2012) explored the perceptions of the complainant's over various factors which affected their complaint initiative in the consumer forum. The major gap was that this study wasn't conducted from the perspective of bank officials. A research study revealed that the customer expectations and perceptions were different for the factors that included product variety, pricing and reliability (Dharmalingam, et al., 2012). This research didn't cover various elements of service quality with the components of service marketing mix as covered in the current study for assessing the customer satisfaction. Again, it was not bank centric but customer centric.

A study was conducted by Sakhaej (2014) where the impact of the various service quality variables was examined over the customer satisfaction. It was found that reliability had maximum and website design had minimum impact on the customer satisfaction. The gap was that the study was specifically with regard to online banking only. Mittal and Gupta (2015) found that most of the customers had interest in purchases and were less involved in the process of making complaints. Again, this study focused more on the process of making complaints at the end of the customer than from the bankers' perspective. Thus, the current study is justified in the light of the existing research gaps that were identified through the review of literature.

### **Research Methodology**

This study has a descriptive research design. The sample for the study comprised of 100 front-line bank employees from few public, private and foreign banks including HDFC, ICICI, IDBI, SBI, Kotak Mahindra, CITI, HSBC and PNB bank branches in Rajasthan that were accessible via convenience sampling. An adapted questionnaire<sup>1</sup> with required modifications was used for the purpose of data collection which consisted of statements on 5-point Likert's scale to measure the satisfaction of the customers as opinionated by the front office employees in banks who had a greater frequency and direct interaction with the customers. The satisfaction of the customers from resolving of their complaints was calculated by the summation of the scores on the stipulated statements. Information regarding the existence of grievance policy, extent of operation of that policy and the Turn Around Time (TAT) taken by the bank in resolving customer complaints was also gathered through the bank intercept survey. The following objectives and null hypothesis were tested through this study:

Objective 1: To examine the role of existence of a grievance redressal policy towards customer satisfaction in the banks in Rajasthan.

Objective 2: To assess the impact of the extent of grievance redressal cell in banks on customer satisfaction in Rajasthan.

Objective 3: To examine the role of Turn Around Time (TAT) taken by banks on customer satisfaction in Rajasthan.

H<sub>0</sub>1: A grievance redressal policy in banks has no significant relationship with the customer satisfaction.

H<sub>0</sub>2: Operational years of grievance policy by banks has no significant relation with the customer satisfaction

H<sub>0</sub>3: Turn Around Time (TAT) doesn't affect the customer satisfaction in banks.

One- way Analysis of Variance was used to analyze the collected data and conduct hypothesis testing. Further, mean plots were represented for graphical representation of the observations.

1. <https://sg.inflibnet.ac.in/bitstream/10603/147540/13/13%20appendix.pdf>

**Data Analysis and Interpretation**

**Formal Grievance Redressal Policy in Banks**

Customer satisfaction

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Yes	77	31.39	2.596	.296	30.80	31.98	25	35
No	23	23.52	4.389	.915	21.62	25.42	16	29
Total	100	29.58	4.531	.453	28.68	30.48	16	35

Table 1: Descriptive analysis

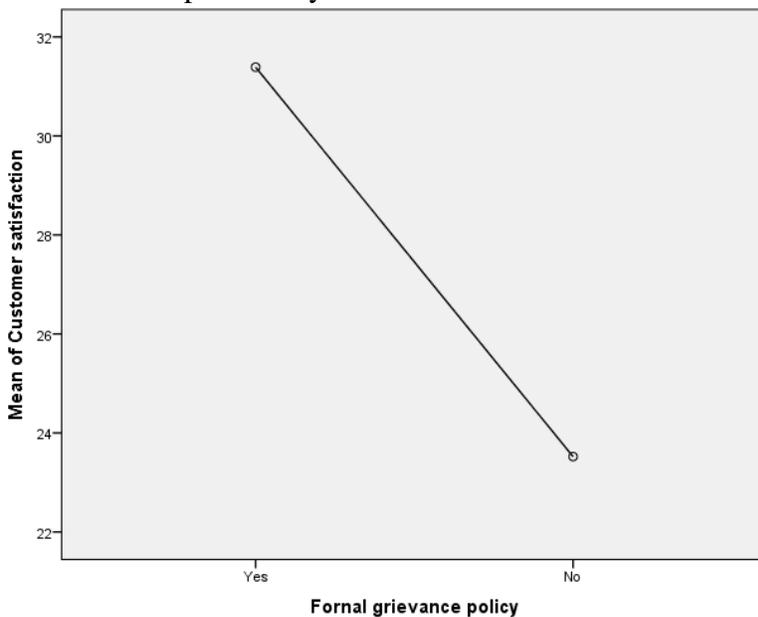


Figure 1: Mean plot for formal grievance redressal policy and customer satisfaction (CS)

Customer satisfaction

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1096.309	1	1096.309	114.778	.001
Within Groups	936.051	98	9.552		
Total	2032.360	99			

Table 2: Analysis of Variance based on grievance policy

Table 1 represents the opinion of the respondents on the existence of a formal grievance policy in the respective bank for managing customer complaints. It is clearly observed that the mean score of customer satisfaction was higher in case of existence of formal grievance policy than in its absence which is also indicated from figure 1. Further, table 2 documents that there exists a statistically significant relationship between customer satisfaction and existence of a formal grievance policy in the banks with  $p < .05$ . Thus,  $H_0$  is rejected at 5% level of significance.

Customer satisfaction

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
<1 year	7	22.43	5.159	1.950	17.66	27.20	16	27
1-3 years	23	24.91	3.813	.795	23.26	26.56	19	30
3-5 years	23	29.52	1.534	.320	28.86	30.18	27	33
5-7 years	18	31.94	1.731	.408	31.08	32.81	29	35
>7 years	29	33.59	.946	.176	33.23	33.95	31	35
Total	100	29.58	4.531	.453	28.68	30.48	16	35

**Operational Years of Grievance Redressal Policy**

Table 3: Descriptive analysis for operational years of grievance redressal policy

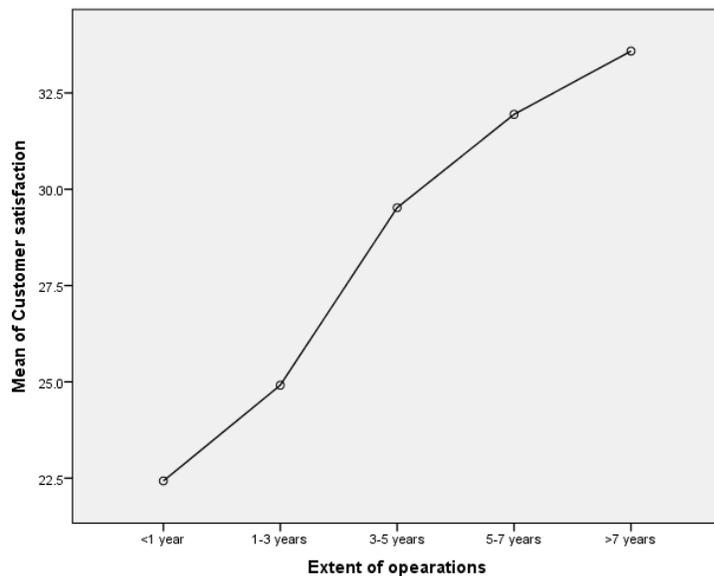


Figure 2: Mean plot for operational years of grievance policy and customer satisfaction (CS)

Customer satisfaction

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1425.102	4	356.275	55.736	.001
Within Groups	607.258	95	6.392		
Total	2032.360	99			

Table 4: Analysis of Variance based on operational years of grievance redressal policy

Table 3 given above represents the mean score of customer satisfaction as the highest for the cases of banks where the grievance redressal policy was being followed for more than 7 years and least for those where it existed for less than one year. It is clearly seen from this table that the mean score of satisfaction was continuously increasing with the increase in the number of years of operation of the grievance redressal policy in the banks which is also authenticated by mean plot in figure 2. It implies that extent of operational years of such policy affected the customer satisfaction. Further, table 4 with  $p < .05$  documented a significant relationship between years of operation of grievance redressal policy in banks and customer satisfaction at 5% level of significance. Thus,  $H_02$  was rejected.

Customer satisfaction

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
before TAT	35	33.46	1.788	.302	32.84	34.07	24	35
within TAT	49	29.12	2.579	.368	28.38	29.86	20	33
After TAT	13	23.77	3.563	.988	21.62	25.92	19	29
No response	3	17.00	1.000	.577	14.52	19.48	16	18
Total	100	29.58	4.531	.453	28.68	30.48	16	35

Table 5: Descriptive analysis for mean score of CS based on TAT

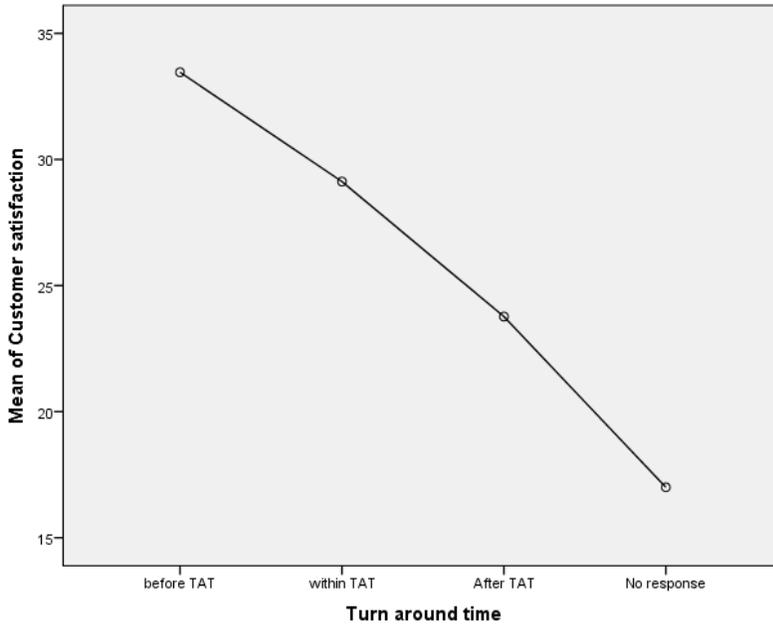


Figure 3: Mean plot for Turn Around Time (TAT) and customer satisfaction (CS)

Customer satisfaction

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1450.101	3	483.367	79.695	.001
Within Groups	582.259	96	6.065		
Total	2032.360	99			

Table 6: Analysis of Variance based on Turn Around Time(TAT)

From table 5, it is documented that the customer satisfaction mean score was the highest when the complaints redressal took place ‘before’ the Turn Around Time followed by the situation where the complaints resolution was ‘within’ the TAT, then ‘after’ the TAT and lowest in the situation of ‘no response’. It has even been represented graphically from the mean plot shown in figure 3. Table 6 represents the statistically significant relationship between the Turn Around Time (TAT) and customer satisfaction (CS) at 5% level of significance ( $p < .05$ ). Hence,  $H_{03}$  is rejected.

**Findings and Discussion**

From the statistical analysis given above, it has been found that  $H_{01}$ ,  $H_{02}$  and  $H_{03}$  were all rejected at 5% level of significance. This shows that customer satisfaction with respect to complaints management was affected by the presence of a formal grievance redressal policy in

the banks. Not only this, it was also found that as the number of years of operation of such policy increased so was the degree of customer satisfaction. Also, when the complaints were resolved before TAT reflecting the bank's proficiency, the customers were most satisfied and as TAT increased, this satisfaction decreased or started showing a downward trend.

Discussions from past studies indicate that the banks receive several complaints every year and when they are unable to resolve it, it shows the insufficiency of the grievance redressal system of the bank (Saxena, C., et al., 2016). Researchers have studied several components of service quality in order to assess customer satisfaction and then studied it in relation with grievance redressal system in different banks (Dharmalingam, et al., 2012). Even, comparisons have been done between various banks in terms of the operations of their grievance redressal systems and how effective they are (Debasish, S.S., 2009). Thus, there is no denying fact that the current study is quite relevant to assess the significance of a formal grievance redressal system for customer satisfaction with reference to Rajasthan.

### **Conclusion**

It can be concluded from this study that the existence of grievance redressal system in any bank is of great significance in order to enhance the customer satisfaction. A formal grievance redressal system helped customers voice their problems and get it resolved timely. It further emphasis on the execution of complaints management in terms of the turn around time (TAT) taken by the banks. Customers were more satisfied wherever the banks solved the queries and complaints at the earliest. This study has a wide scope in terms of incorporation of more peripherals to study customer satisfaction. The findings can further be extended to find concrete strategies to be adopted by the banks' grievance redressal systems to resolve complaints at the earliest and maximize customer satisfaction.

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