Identification of Limiting factors of Customer Complaint Redressal System of Banks: A Study of Banks of Punjab from Bankers' Perspective

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ABSTRACT

In the present era of competitive global environment, banking systems are facing intense customer service pressures than ever earlier. Keeping in view banks offers value added services including complaint redress services to meet their customers' expectations. The grievance redressal service of banks can be appraised through several service quality variables of the system, unlike other services. Also, it is vital to know the limiting factors among the existing service quality variables, by the banks, so that such dimensions could be improved and implemented properly to make the complaint redressal system of banks more effective. The present study has been conducted from the bankers' perspective, using a sample size of 300 bank officials from the public sector and private sector banks of Punjab. An exploratory factor analysis has been applied for the identification of the service quality dimensions of the complaint redressal service of banks. Also, the study focuses on identifying the limiting factors of the system, that can be improved by the banks for the effective functioning of the system towards timely, speedy, and effective redressal of customer grievances.

Key words: banking, complaint, redress, customer's expectations.

1. INTRODUCTION

Banks being the service sector, the progress and expansion of the sector depend upon the quality of services offered by them to their customers. Moreover, the present day rigorous competition has forced the banks to move towards becoming customer centric. For an organization to be responsive, accountable, and accessible, an effectual and effective grievance redressal system is of paramount importance. Thus, it has become significant for banks to render grievance free services to their customers to gain competitive advantage in terms of customer satisfaction and customer retention. Through such a successful grievance redressal mechanism, a bank offers its customers a platform to communicate freely so that their grievances can be redressed in a prompt and transparent way. The Customer Complaint Redressal System of banks is required to be a system of assessing the grievances and redressing the complaints of dis-satisfied customers in a quick and inexpensive way. Customers should be able to register their grievances when they feel distressed with the services offered by a bank or face problems while dealing with a bank. This study is an attempt to assess the role of bank officials in making the Customer Complaint Redressal System in banks in India to be more effective.

The Government of India (GOI) and the RBI have been continuously emphasising on extending prompted, efficient, fair, and courteous customer service to the banking customers. They set up various high-level Working Groups and Committees for significant development in the quality of customer service in banks. The Talwar Committee (1975) and Goiporia Committee (1990) were formed to ensure the enhancement in quality of service provided by the banks to their customers. The Goiporia Committee gave 97 recommendations to improve customer service. The banks were required to set up Customer Service Committees at their different branches for reviewing the quality of customer services on an on-going basis. All complaints were supposed to be considered promptly and the complainant was to be informed about an action/decision within one week of the receipt of complaint. The delay (if any) in this, was to be explained. All the banks had implemented these recommendations, but even so there was no noticeable change seen in the quality of customer services. RBI was flooded with complaints and the customers were still dissatisfied with the banking services and the deficient areas were palpably visible. The complaints lodged by customers in RBI, were being forwarded to the concerned banks for the resolution. The documentation work of the record of complaints, including the status of complaints and their redressal was used to take place, whether the complaints were redressed or not. The Banking sector was constantly under criticism from the press and the public which was not desirable.

There was no separate system of grievance redressal for the customers availing banking services in India till 1995 and they could prefer complaints under the Consumer Protection Act (1986) through the provision of three-tier 'Consumer Disputes Redressal Agencies' at the national, state and district level for Grievance Redressal. In 1991, the recommendations of the 'Narasimhan Committee' lead to form the Banking Ombudsman Scheme-BOS, 1995 under the provision of the Banking Regulation Act, 1949 and covered all scheduled commercial banks and primary cooperative banks having business in India. The Scheme has been revised from time to time; to envelop Regional Rural Banks in 2002, to include customer complaints on certain new areas, such as, credit card complaints, service charges in 2006, to enable customers to appeal against the BO's (Banking Ombudsman) decision in 2007; and to enable BO to award compensation to complainants in 2009.

In order to have an effective 'Customer Complaint Redressal System' some other support structures were set up, this included setting up of 'Board Level Committees' by the recommendations of the Tarapore Committee (2004) for checking customer services in banks. In 2006, the 'Customer Service Department' was also established by RBI to focus on the entire range of customer service-related activities, to oversee the grievance redressal mechanism; and to administer and enhance awareness of the BOS. Later, in the 2006 'Banking Codes and Standards Board of India' got created as an autonomous body, to monitor and assess compliance with codes and minimum standards of service to customers. The Reserve Bank of India issued guidelines in RBI circular, May 2008, on Grievance Redressal Mechanism by banks in India. The main constituents of this internal grievance redressal mechanism are as given under as; Grievance Redressal Policy, Resolution of Grievances by the Internal 'Customer Complaint Redressal System', Time frame for the Grievance Redressal and Review of Grievances Redressal Machinery

Moreover, due to the intangible nature of service, it is difficult for the banks to assess the quality of services. Thus, a need arises to identify the service quality factors, from the different service variables, related to a grievance redressal system in banks. Such factors serve as an indicator of service quality and customer satisfaction. The present study also attempted, to investigate the impact of such service quality factors on customer satisfaction. There are several service quality variables/attributes associated with the grievance redressal system of banks, that are important to customers. These service attributes/ dimensions play a significant role within service measurement, since they serve as indicators of service quality and customer's satisfaction (Crane and Clark, 1988).

2. LITERATURE REVIEW

Consumers across the world have become more quality conscious and expect highest quality services from their service providers (Lee, 2005). The increase and modernisation in technology and communication systems in the banking industry has contributed to resemblance amongst banks across the world (Shanka, 2012). As a result, banks are now facing intense competition and are obliged to provide services of the highest qualities to their customers (Harvey, 2010). Banking is pre-dominantly a customer focused business and on the prospect of enhanced competition, the quality customer service is the key differentiating factor to stay relevant and forge in the lead in the business. Pahwa (2000) assessed the quality of customer service in commercial banks and studied the relationship between the customer and banker. He stressed on the need for proper legislation to deal with the distinctive feature of banking business. Thus, in offering banking services, emphasis should be laid on the quality of services rather than the quantity or variety. Banks should try to understand the psychology of their customers while dealing with them. They should satisfy their customers well so that not only their relationship with banks may continue, but it is also beneficial in attracting new customers to the banks. Thus, quick, and fair services to all the customers at all the time should be the norms for efficient customer services by banks.

Debasish (2009) analyzed the service quality in selected commercial banks in Delhi by employing three component-service quality models of technical, functional, and environmental quality. The study revealed that foreign banks provide better service quality, as compared to the private sector and the public-sector banks. It was concluded that public sector banks, which accounted for over three-fourth of banking business in the country should make necessary efforts to satisfy their customers. Uppal (2010) analyzed the extent of complaints in three types of bank groups and found that the numbers of complaints were largest in public sector banks and most of the complaints were linked to deposits, credit cards, and housing loans. According to Bhattacharjee, (2011) maintaining a good relationship with the customers is the primary function of the banking business and it is necessary to improve it in semi-urban and rural areas of the country. The results of the study showed that the customers were not satisfied with the banking services at all, especially with the ATM services and attitude of employees with customers. Also, the awareness programs about the use of e-technology devices should be organized for making smooth and prompt business transactions.

Karimi et. al. (2009) investigated services quality of banks using revised SERVPERF model to assess quality of five major components of service quality in banks, including, tangibles, human factors, main services, systematization of services, and social responsibility, from the customer's perspective. It was found that the customers perceived all these components at moderate level. Hence, banks need to focus on the improvement of such factors to satisfy the customers. Vidhya and Ramachandaran (2012) found that banks should resolve the customers' complaints immediately or otherwise prompt response should be given to the customers about the status of the problem. Arora (2011) examined the expectations and perceptions of customers about the various services offered by the banking industry and observed that the Customers' expectations of service quality in banks were high and perceived quality of service was quite lower across banks. These expectations were based on factors such as prior experience, personal needs,

and word of mouth communication. Reliability, responsiveness, and assurance were found out to be the most important variables of service quality and performance in banks. Santhiyavalli (2011) assessed the customer's perception about the service quality of the selected branches of the State Bank of India and identified the major factors responsible for customer satisfaction. SERVQUAL technique was adopted by using twenty-two variables, grouped under five dimensions, Tangibility, Reliability, Responsiveness, Assurance, and Empathy. It was concluded that reliability, responsiveness, empathy, and the tangibility components were majorly responsible for customer satisfaction. Analysis of the gap score revealed that 'Empathy' had a larger average score compared to other four dimensions and the bank had the scope to improve service quality to ensure customer loyalty and enhance customer satisfaction.

Nisha (2013) assessed the service quality in banking, with the perceptual difference towards services in State Bank of India and ICICI Bank in the Madurai District. The important factors responsible for selecting a bank by the customers were found to be feasibility of location, the unique services offered by the bank, technology and the reputation of the bank, the wide range of products and services and the nature of ownership of the bank. Regarding the level of customer expectations of service quality, the study found that the respondents of both the bank expect the bank to have good tangibility, the employees of the bank to be reliable, assurance, good responsiveness from the employees and empathy. About the determinants of customer satisfaction and dissatisfaction, the determinants which give maximum satisfaction to the respondents were 'Security of the bank', 'Comfort of the bank' and 'Attentiveness of the employees'. The determinant in which the customers were least satisfied was 'Approachable'. The Factor Analysis used to analyse the attitude of the respondents towards service quality revealed that the variables were divided into five factors such as customer centric service quality, responsive service quality, progressive service quality, competitive service quality and reliable service quality. Bajpai (2015) identified factors that influence customers' satisfaction towards Internet Banking services in India. Factor Analysis had been used to find the factors. The results showed that the variables Trustworthy, Geographical Flexibility, Perceived Transaction & Information Security, Convenience, had a positive influence on Internet Banking use. The three variables Community dignities, Usefulness, Result demonstrability were found to have a negative influence on Internet Banking Usage by the customers.

3. RESEARCH METHODOLOGY

3.1 Research Objective: The study aims to achieve the following objectives:
(1) To identify the perceived service quality dimensions of the 'Customer Complaint Redressal System' in banks.
(2) To identify the limiting factors of the system that can be improved for effective redressal of customer complaints.

3.2 Research Design: The descriptive research design has been followed within which the research is conducted to obtain the objectives of the study.

3.2.1 Area of the study: The research work has been carried on in the state of Punjab, India.

3.2.2 Target Population: The bank officials in the Public Sector and Private Sector banks of Punjab, are the target population of the study.

3.2.3 Methods of Data Collection: The empirical analysis collected primary data through a pretested structured questionnaire by posing various statements on a five-point Likert scale.

3.3 Sample Selection: A multi-stage sampling technique has been used for the selection of the sample. At first four top-ranked districts with the highest population viz. Ludhiana, Amritsar, Jalandhar and Patiala, were selected in such a way that two districts of Malwa region (Ludhiana and Patiala), one district of the Majha region (Amritsar) and one district of the Doaba region have been taken, keeping in mind the proportion of the share of three regions in the total population of Punjab. These districts are also the top four districts of Punjab based on the number of bank branches in the state. All public and the private sector banks operating in the selected districts viz, Amritsar, Jalandhar, Ludhiana and Patiala form the sampling population of the study. The selection has been done from Public and Private Sector Banks with the help of random sampling method. Non-probability purposive sampling has been used for the selection of 75 bank officials, concerned with the customer grievance redressal, from the bank branches of each selected district totalling 300 bank officials as respondents. An utmost care has been taken that the bank officials who interact with the customers on a daily basis, are only considered to be included in the sample.

3.3 Research Instrument: The questionnaire, asked to indicate their level of agreement with 31 statements regarding the grievance redressal on five-point Likert scale ranging as 1 from Strongly Disagree, 2 for Disagree, 3 for Neutral, 4 for Agree and 5 for Strongly Agree.

3.4 Statistical Tools: The collected data have been consolidated, tabulated and analysed by using relevant statistical tools like Mean, Standard Deviation, Percentages and Factor Analysis; using the SPSS 22.0 package

3.5 Research Limitations: The findings of the study may be influenced by the personal bias of the respondents.

4. DATA ANALYSIS AND INTERPRETATION

Exploratory factor analysis (EFA) has been applied to explore the possible underlying factor structure of a large set of observed variables without imposing a preconceived structure on the outcome (Child, 1990; Garson, 2006). To measure the internal consistency of the set of service quality variables, reliability analysis has been used. The value for Cronbach's Alpha for 31 statements of service quality dimensions was found to be 0.815 which was more than the minimum required value of 0.7, hence acceptable (Hair et al. 2006).

To assess the factorability of the data Bartlett's Test of Sphericity (Bartlett, 1954) and the Kaiser – Meyer - Olkin (KMO) measure of sampling adequacy (Kaiser 1970, 1974), have been used. The results of KMO and Barlett's test, applied to the variables, shows that KMO index is high at 0.828 greater than 0.5, hence acceptable (Tabachnick & Fidell 2007) and the approx. chi square is 5612.85, with the significance value 0.000 which is clearly less than 0.05, hence the data is appropriate for factor analysis. The Initial communalities and the Extraction communalities for the thirty-one items were derived. The values of extraction communalities of the service quality variables of 'Customer Complaint Redressal System', was greater than 0.3, suggesting that the data set was appropriate (Stewart, 1981) for further analysis. the cumulative variance as 59.751

Interpretation of the Number of factors based on Eigen Values: The number of factors to be extracted were decided based on the Eigen value (column sum of squares for a factor) greater than one, for each component, which represented the amount of variance in the data. Hence, the model identified 6 factors for given data as shown in table 1.1. Table 1.1 depicts that, the cumulative variance as 59.751 per cent and the extent of variance explained by each factor out of total variance.

Table 1.1 Total Variance Explained

Factors	Initial Eigen Values	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.501	6.501	20.969	20.969	5.719	18.450	18.450
2	3.934	3.934	12.691	33.660	2.943	9.494	27.944
3	2.595	2.595	8.372	42.032	2.653	8.558	36.502
4	2.547	2.547	8.216	50.247	2.552	8.234	44.736
5	1.528	1.528	4.930	55.178	2.525	8.146	52.882
6	1.418	1.418	4.574	59.751	2.130	6.870	59.751

Source: Computed from the primary data

Interpretation of Factors based on Factor loadings: The rotation component matrix has been employed to help the interpretation of factors with the help of factor loadings. The factor loadings for all the variables, were significant, greater than 0.50, which was the absolute size of factor loadings for the interpretation of factor structure (Hair et al. 2006). The thirty-one service quality variables of 'Customer Complaint Redressal System' have been split into six components. All the factors have been given appropriate names according to the variables that have been loaded on each factor. The factor loadings of each variable along with the alpha values of six components have been summarised in the table 1.2.

Table 1.2 Factor Analysis

Statements	Factor Loadings	Factors	Reliability coefficient
Dealt equitable manner	.963	Factor 1 Assurance	.729
Take the ownership of complaint	.962		
Enhances confidence	.955		

System is trustworthy	.952		
Employees are trained	.945		
Employees are knowledgeable	.917		
Materials understandable	.836	Factor 2 Tangibles	.817
Information of officials displayed	.792		
Booklets of information placed	.780		
Complaint box or register placed	.724		
Website has detailed information	.583		
Personal attention	.719		
Customer best interest	.718		
Individual attention	.670	Factor 3 Empathy	.718
Efforts to understand	.666		
Polite and courteous	.574		
Sincere concern	.549		
Redress very first time	.815		
Maintain accurate records	.725		
Grievances are satisfactorily resolved	.684	Factor 4 Reliability	.750
Complaints are acknowledged	.626		
Redress within time frame	.605		
Modes of complaining	.676		
Approach nodal officer	.673		
Approach bank manager	.642	Factor 5 Accessibility	.981
Easy to find the correct person	.620		
Approach banking ombudsman	.601		
Bank staff ability	.796		
Never too busy staff	.634	Factor 6 Responsiveness	.731
Prompt response	.528		
Inform customers about the status	.519		

Source: Computed from the primary data

Identification of Limiting Factors of Customer Complaint Redressal System:
Descriptive mean scores and standard deviations of all the parameters of the individual factors have been calculated to identify the limiting factors of the 'Customer Complaint Redressal System.' Table 1.3 has shown the overall mean, mean score and standard deviation of individual factors viz., Reliability, Tangibles, Accessibility, Responsiveness and Assurance.

Table 1.3 Descriptive Statistics

S. No.	Factors	Mean	Mean Score (per cent)	Std. Deviation
1	**Reliability**	**17.57**	**70.28**	**0.75**
2	**Tangibles**	**15.69**	**62.76**	**1.11**

3	Accessibility	19.13	76.52	0.69
4	Responsiveness	12.61	63.05	0.84
5	Assurance	18.63	62.1	0.88
6	Empathy	25.27	84.23	0.99

Source: Computed from the primary data

Table 1.3 depicts that the average mean score obtained by the sample respondents for the 'Reliability' dimension of the service quality of 'Customer Complaint Redressal System' is 70.28 per cent, with standard deviation 0.76. It shows that bank officials perceived reliability as a moderately dominant factor of the complaint redressal system. Thus, banks are required to make necessary efforts to maintain accurate records of complaints along with their redressal within the prescribed time frame.

The average mean score obtained by the sample respondents for the 'Tangibles' dimension of the service quality of 'Customer Complaint Redressal System' is 62.76 per cent, with standard deviation 1.11. It implies that bank officials perceived this service quality dimension of the complaint redressal system to be less dominant and hence, this is a limiting factor. The mean value shows that bankers ensure good performance in providing physical aspects to the customers for using grievance redressal services of banks, but they are required to make necessary efforts to improve such parameters. Thus, banks should ensure the display of information of their officials on notice board in each branch and the booklets of information should be kept at prominent places. It is also noticed that the physical aspects and its facilities are widely acknowledged as essential determinants of the 'Customer Complaint Redressal System' in banks, as perceived by the bank officials.

Table 1.3, depicts that the average mean score obtained by the sample respondents for the 'Accessibility' dimension of the service quality of 'Customer Complaint Redressal System' is 76.52 per cent, with standard deviation 0.69. It shows that bank customers perceived accessibility as the dominant factor of 'Customer Complaint Redressal System'. The mean value disclosed good performance made by banks in providing accessibility aspects to the customers for using grievance redressal services of banks. Thus, banks are required to make necessary efforts to make available all the modes of complaining to the customers and the customers should be guided by the bank staff for whom to approach, if they remain dissatisfied. Thus, it is concluded that approachability and accessibility of the grievance redressal services, matter much, as perceived by the concerned bank officials.

The average mean score obtained by the sample respondents for the 'Responsiveness' dimension as the service quality variable of 'Customer Complaint Redressal System' is 63.05 per cent, as shown in table 1.3. The respondents have secured 12.61 total mean score for different parameters of responsiveness dimension. It implied that bank officials perceived this service quality dimension of the system to be less dominant and this is a limiting factor. Therefore, banks should consider necessary actions to improve the ability of staff to redress the customers' grievances by providing prompt response to their complaints. There should be a proper system of informing the customers about the status of their complaints from time to time.

Table 1.3 shows that the average mean score obtained by the sample respondents for the 'Assurance' dimension as the service quality variable of the 'Customer Complaint Redressal System' is 62.1 per cent. The respondents have secured 18.63 total mean score for different parameters of assurance dimension. It implied that bank officials perceived this service quality dimension of complaint redressal system to be less dominant and this is a limiting factor. Thus, bank officials perceived that bank officials are not trained to redress the complaints of customers and should take necessary steps to train the employees of bank through specific training programmes. The bank staff should be so much trained and efficient so that they enhance confidence of the customers in the grievance redressal system of banks. The complainant should make realise that someone has taken the ownership of their complaints after lodging them in bank.

The average mean score obtained by the sample respondents for the 'Empathy' dimension of the service quality of 'Customer Complaint Redressal System' is 84.23 per cent, with standard deviation 0.99. It reveals that bank customers perceived empathy as the most dominant factor of 'Customer Complaint Redressal System'. This disclosed good performance made by banks in providing empathy to the customers while using complaint redressal services of banks. Thus, banks are required to make some efforts to provide sincere concern, individual attention; and polite and courteousness to the customers. Thus, it is concluded that the empathy, and concern provided to the customers, matter much, as perceived by the bank officials.

5. CONCLUSION

From the above analysis, it can be concluded that the bank officials perceive 'Reliability,' 'Accessibility' and 'Empathy' as the dominating service quality dimensions of the 'Customer Complaint Redressal System'. Furthermore, 'Tangibles,' 'Assurance' and

'Responsiveness' are the limiting factors of the 'Customer Complaint Redressal System' which are required to be improved for proper implementation and increasing effectiveness of the complaint redressal system in Indian banks.

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