A STUDY ON CUSTOMER GRIEVANCE REDRESSAL MECHANISM OF COMMERCIAL BANKS (WITH SPECIAL REFERENCE TO URBAN AND RURAL KERALA)

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Abstract: *Kerala is an economy with diversity not only in its geography but also in the peoples' engagement in economic activities to earn their livelihoods. Hence, the sample selection process that selects respondents from different geographic segments but with dissimilar orientations to their economic entitlements can produce a good sample representation with minimum issues of heterogeneity. Accordingly, the multistage sampling procedure that will be specified in this study expects to fulfill the twin logics of sample selection from an infinite heterogeneous population group. This research is descriptive nature. However, factors determining the level of awareness and perception of customers with regard to Customer Grievance Redressal Mechanism and banker's point of view on the same will be analyzed in detail.*

Key Words: *customer Grievance Redressal, sustained business growth, market mechanism, Economic activities.*

1. INTRODUCTION:

Customer service is an important imperative for sustained business growth. Hence, each and every bank in market economies wants to ensure that customers receive exemplary benefits across different touch points of its service delivery. Prompt and efficient service is essential to retain existing relationships and customer satisfaction is critical to bank's success. Customer satisfaction indirectly denotes minimal customer complaints or the provision of a radical mechanism to redress legitimate issues of customer with greater efficiency. Complaint redressal is supported by a review mechanism to minimize the recurrence of similar issues in future. The bank will strive to provide the highest quality of customer service to ensure continued customer satisfaction, retention and sustained growth of products and services. To facilitate the customers to raise their grievances without any reluctance, the bank has put apposite mechanism for the redressal of customer grievances. In fact, the bank shall proactively manage customer grievances by assessing them even before it is registered formally as a grievance or before it is lodged with the regulators. However, it is well known fact that all complainants could not be resolved at the bank level and initiatives are needed at the regulator side to redress customer complaints. As a part of such grievance redressal mechanism to hear and resolve consumer complaints on certain banking services, the Reserve Bank of India (RBI) launched the Banking Ombudsman Scheme in 1995, which provides an expeditious and inexpensive forum to bank customers for resolution of complaints relating to services rendered by all scheduled commercial banks, regional rural banks and scheduled primary cooperative banks. However, the customers' awareness about the redressal mechanism in general and the type of complaints that may or may not be lodged or filed with a Banking Ombudsman in particular and their perception on the efficacy of the mechanism to resolve their issues effectively might be different across economies. Sometimes, the degree of urbanization or even the literacy level of the customers might be relevant in determining the effectiveness of the redressal mechanism.

2. REVIEW OF LITERATURE:

Komwut (2014) states that the value given to customers, such as reasonable transaction fees, no charge for transfer of funds within the bank or a lower fee for cross-bank transfers within the same area has a significant effect on customer satisfaction. A more satisfied customer means a more royal customer, which eventually flows through to the bank's profit. Combined these are key to operating a successful service business. Satisfied customers rarely file complaints and are overall more royal to the bank. **Rosenberg & Czpeil (1984)** found that to win a new customer is five to ten times expensive than to retain an existing one. **Tejinderpal (2011)** observes that there has been a substantial increase in the number of complaints received by the Bank Ombudsman offices, which shows the increased faith of customers in Bank Ombudsman. Among different categories of complaint, substantial increase has been noticed in case of complaints relating to credit cards and these complaints forms the major part of total number of complaints. **Ganapathi & Sreekumar (1996)** indicates in their study that complaining behavior is more at branch level than that at the higher level. This behavior is determined by attribution of blame to branch or branch staff. This study also suggest that a strong redressal mechanism is required at the branch level. **Swetha (2015)** identified in her study that customers have a low level of awareness

about grievance redressal procedure and private sector banks have a more effective grievance redressal mechanism when compared to public sector banks. She also said that customer should educate himself regarding complaint resolution process. **Singh (2016)** found that rural sector is not active like the urban and semi-urban sectors. The major reasons for this trend are the lack of awareness and ability among the rural sector population to file complaints against the bank's misdeeds. **Hasanbanu (2004)** identified that due to lack of awareness the rural customers do not know how to get it sanctioned the bank loan, the procedures required for availing the loan and other related services, etc. He also mentioned that bankers are not shown keen interest to educate these customers.

3. STATEMENT OF PROBLEM:

In every market mechanism, supply and demand forces expect to bring the market in equilibrium. When the market forces fail to do so, the need of Government intervention in the form of regulation arise. However, as many of the market structures are exhibiting information Asymmetry, people at the receiving end, i.e. Customers, most often, are not getting the protection of their interest leads to customer complaints. Such issues are persisting at aggravate level in rural segments. To resolve this issue Government and regulators design and develop appropriate mechanism to redress the customer complaints at different levels. As the bank is a service organization, customer complaints are part of its business life. Prompt and efficient service is essential not only to attract new customers but also to retain existing one. Banks should pursue a proactive approach in redressing the customer complaints through identifying the short comings of the product features and service delivery in advance and providing a mechanism that warrants efficient and professional handling of customer complaints. Kerala has the highest literacy rate of 93.91 percent in India. Literacy empowers the common man to make better decisions and to enables him to bargain for better service. However, like any other state with regard to the financial literacy and its efficient use to get his issues resolved through easy means is doubtful in Kerala context also. In order to materialize the reality of financial inclusion, particularly through banking sector, banks as well as market regulators should identify various problems faced by the customers and the means through which they can redress their complaints. Moreover, the views on the nature of problems faced and the effectiveness of the mechanism to redress the same might be quite divergent among rural and urban customers even in a state with larger literacy. Since no previous studies investigating the effectiveness of customer redressal mechanisms in Kerala are available, this research aims to compare the perception of urban and rural bank customers about the effectiveness of Customer Grievance Redressal Mechanism in Kerala.

4. RESEARCH QUESTION

The research seeks to answer the following question.
"What are the complaints raised by the customers against their bank services in Kerala and to what extent they are satisfied with the effectiveness of the existing redressal mechanism in banks to resolve their complaints

4.1. Objectives:
- To identify the various customer complaints against the banks in Kerala from the perceptive of customer and banker.
- To analyse the awareness level of bank customers about the Customer Grievance Redressal Mechanism.
- To compare the perception of rural and urban bank customers in Kerala regarding the effectiveness of Customer Grievance Redressal Mechanism in Banks.
- To analyse the experience of bank customers with respect to the working of Redressal Mechanism in resolving customer complaints against banks in Kerala.

4.2. HYPOTHESIS
- Customers in Kerala are facing problems at varied level with respect to the services rendered by their banks.
- Awareness level of bank customers about the Customer Grievance Redressal Mechanism is relatively low.
- There exists significant difference between rural and urban customers with regard to their perception regarding the effectiveness of Customer Grievance Redressal Mechanism in banks.
- No sectoral difference exists among customers with regard to the problems they experience with their banking services.

4.3. NEED OF THE STUDY:
Generally, there is a conception that the rural and urban perceive differently the services offered to them. This is true in the case of banks too. Such unevenness among rural and urban population can be due to the

differences in their demographics like education level, gender distribution, employment and of course, the standard of living. With this type of study one can compare the awareness level of bank customers from urban and rural counterparts of Kerala about the customer grievance redressal mechanism in the banks. Moreover, it is much useful to identify the problems faced by the customers on bank services and also to assess the effectiveness of existing Customer Grievance Redressal Mechanism in the banks.

- Banks can identify the areas of problems faced by their customers in Kerala.
- Government and regulators can understand the awareness level of customers in Kerala with regard to redressal mechanism thereby can take proper measures to improve the customers' awareness level on it.
- Relevant authorities can check the effectiveness of existing bank customer redressal mechanism to resolve issues and can design apposite policy framework to enhance its effectiveness.

5. METHODOLOGY:
This research is descriptive nature. However, factors determining the level of awareness and perception of customers with regard to Customer Grievance Redressal Mechanism and banker's point of view on the same will be analyzed in detail.

6. SAMPLING DESIGN:
6.1. Universe or Population: The sample should be selected from two different population groups - Customers of commercial banks and Bank officials in Kerala.
6.2. Sample: Multi stage sampling: Kerala is an economy with diversity not only in its geography but also in the peoples' engagement in economic activities to earn their livelihoods. Hence, the sample selection process that selects respondents from different geographic segments but with dissimilar orientations to their economic entitlements can produce a good sample representation with minimum issues of heterogeneity. Accordingly, the multistage sampling procedure that will be specified in this study expects to fulfill the twin logics of sample selection from an infinite heterogeneous population group.For the sampling purpose, at first Kerala will be divided into three zones:
6.3. Middle Zone : Ernakulam, Kottayam, Idukki, Palakkad, Thrissur
6.4. South Zone : Alappuzha, Kollam, Pathanamthitta, Thiruvananthapuram One district each will be selected from each zone as sample districts. However, the selection of the district will be on judgment basis. Thus, we select three districts for the purpose of our sampling which come to be Wayanad- a district with agriculture orientation, Ernakulam- a district with industry orientation and Thiruvananthapuram- a district with more bureaucrats' offices.

7. SAMPLE SIZE
The sample size will be scientifically determined and the research follows sample size formula suggested by Cochran (1977) and the sample size is found to be 385. However, the study expects to collect responses of 390 respondents who are evenly chosen (130 each) from selected districts. The efforts should be taken to collect responses of bank customers from both rural and urban areas of Kerala. Similarly, 150 bank officials, 50 from each district will be contacted for knowing their perception regarding the customer grievances and the effectiveness of existing mechanism to resolve issues in Kerala context. Both urban and rural representation shall be ensured while surveying the bank officials.

8. SURVEY INSTRUMENT:
A pre-tested interview schedule will be used for the collection of the responses. The study will use separate schedules for collecting responses of customers and bank officials. The final designing of the survey instrument will be subject to the criterion of standard reliability tests stipulated for the purpose.

9. Framework of Analysis / Tools used for analysis:
Since the responses that will be revealed through this study is more qualitative in nature, appropriate scaling is essential to quantify the responses. Accordingly, the study mainly uses five point Likert type scaling technique to measure responses. However, the data in categorical and ordinal form will also be in denoting certain responses. The research will administer both parametric and non-parametric tools for making meaningful inferences on the descriptive statistics that will be garnished from the survey data. Multivariate techniques like Exploratory Factor Analysis and Multiple Discriminant Analysis will also be used at appropriate places to enhance the validity of the research findings.

10. Scope of the Study:
The research has the following scope.
- The research can highlight the specific issues raised by the customers against the bank services in urban and rural Kerala.

- The research may check the awareness level of bank customers about various customer grievance redressal mechanism in Kerala.
- The research will point out to what extent customers are satisfied with the effectiveness of the existing redressal mechanism in banks with regard to resolve their problems.

11. Period of the study:
Period of the study is from August 2016 to December 2019.

Pilot Study Result:

The study administers a pilot survey among 54 respondents who have been chosen from the district of Ernakulam in Kerala. The ultimate aim of the survey is to determine the reliability of the scale that will be used in this research. The statistic which is used in reliability test is Cronbach's alpha and we administer the test on two different sets of construct. First construct consists of 20 statements that measure the perception of bank customers regarding the customer Grievances Redressal Mechanism (CGRM) exist in commercial banks and the second one consists of 18 statements and is that of the customers' opinion on how to make better such CGRM practices in banks. The results of reliability test results are given in Table 1.

Table 1: Reliability Analysis

Construct	Cronbach's alpha	Impression
Customer Perception on CGRM	0.849	Reliable
Measures to Improve CGRM	0.926	Reliable

Nunnally (1978) recommends a *minimum* score of 0.7 for considering the given scale as reliable. As the computed Cronbach's alpha coefficients for both of the constructs are much above this minimum, the scales used to measure the perception of customers are highly reliable. To achieve such level of reliability the research need not be removed any statements included in the constructs. Hence, this research proposes to carry out with the scale measurement so framed.

12. Limitations:
- Even though there are many studies conducted on problems of bank customers, there is lack of literature on bank customers' grievance redressal mechanism. Hence the researcher need to rely mainly on studies conducted on bank customer complaints.
- This study will be limited to some selected districts and survey is made only on limited responses there from.
- The study primly bases on survey data; hence inherent limitations of the primary responses may affect the quality of findings.

13. CONCLUSIONS:
From the above research it is observed that though Indian bank are making efforts to solve the consumer issues such of lack of literature among bank customers, they have to make a strong redressal mechanism to improve their customer satisfaction. So that they can attract more number of customers and also retain their existing customers.

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