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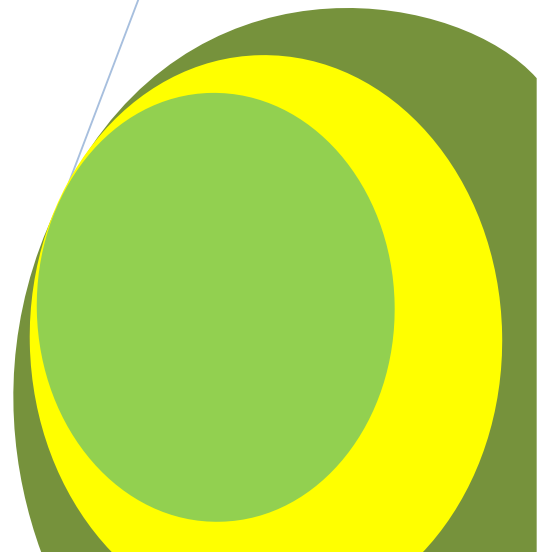
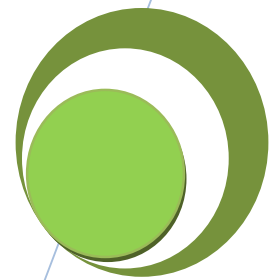
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The Effectiveness of Customer Complaints Handling Systems in the Commercial Banking Sector: A Case Study of Commercial Banks in Harare

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The Effectiveness of Customer Complaints Handling Systems in the Commercial Banking Sector: A Case Study of Commercial Banks in Harare

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ABSTRACT

The study focused on establishing the effectiveness of customer complaints handling systems in the commercial banking sector, with a case study on commercial banks in Harare. The study became imperative due to the increasing cases of bank failures and bank closures. Customer complaints are ever increasing thus banks risk losing customers if they do not carefully attend to customer complaints. The study was carried out through the quantitative approach taking cross section survey as a research survey. A total of 200 customers were surveyed across 10 banks. Critical customer complaints from the study include high transaction charges, rigid credit facility application requirements, high interest rates, lack of product variety and inconsistencies in turnaround time for electronic transfers.

Keywords: Customer complaints, customer complaint behaviour, commercial banks.

INTRODUCTION

Despite the fact that organisations appreciate the importance of managing complaints, overall customer satisfaction after a failure has not improved (Michel, Bowen and Johnston, 2009). Organisations should encourage dissatisfied customers to complain so that they can solve the problem and retain the customer. Unfortunately, organisations that do not rise to the challenge of complaining customers are turning down the important opportunity of reclaiming and improving a relationship. Owing to the apparent importance of effective complaints handling, there is a research gap on how organisation management should treat all complaining customers to create complaint satisfaction. Organisations keep trying to improve the service quality but basing on the nature of the service, overall customer satisfaction remains a problem in organisations.

The study is aimed at establishing the effectiveness of customer complaints handling systems in the banking sector, with special focus on the commercial banks in Harare. Survival of many institutions, even industries, is now dependent on how customer complaints are handled and reduced. A complaint provides an opportunity for service recovery followed by a chance to educate the customer and strengthen loyalty (Komunda and Oserankhoe, 2012).

LITERATURE REVIEW

Customer Complaints

A consumer complaint or customer complaint is "an expression of dissatisfaction on a consumer's behalf to a responsible party" (Landon, 1980). It can also be described in a positive sense as a report from a consumer providing documentation about a problem with a product or service.

Complaints and the processes for handling them are important issues for service providers because they have the potential to have an adverse effect on customer satisfaction and loyalty (Anderson, 1994). Two major areas of research are on the motivation or antecedents for complaining behaviour (Bolfing, 1989); customer factors like demographic characteristics (Tronvoll, (2007); attitudes and experience with regard to complaining behaviour (Singh, 1990). Research on CCB (Customer Complaint Behaviour) has focused mainly on the customer's attitude towards complaining (Richins, 1983), attribution of blame and the likelihood of a successful solution (Singh, 2006). Lovelock et al., (2001) recommends effective generic guidelines in the successful resolution of complaints.

Common Customer Complaints in the Banking Industry

Research has shown that customer complaints are quite substantive in commercial banks; however, the frequency and density of these complaints vary from bank to bank. This study seeks to identify those complaints that are highly prevalent in commercial banks in Zimbabwe and also establish customer perceptions on how well these complaints are handled.

In Malaysia, a study conducted among commercial banks customers by Haron et al. (1994) found three critical factors that influence customers' bank selection. These factors are fast and efficient service, speed of transaction, and friendly bank personnel. Similarly, Dusuki and Abdullah (2007) determined the importance of service quality to attract more customers and they explained that Islamic banks can no longer depend on promoting the Islamic factor but also service quality. They ranked knowledgeable and competent personnel as the most important factor for banking selection criteria of Islamic bank, followed by friendly personnel, customer service quality, Islamic reputation and image, and Islamic reputation.

These studies therefore show that customers prefer less costly services, efficiency through timeous processing of transactions, company reputation and upholding of confidentiality. Failure of which will result in customer complaints because these are the services that customers want delivered. In Zimbabwe, many corporate customers highlighted issues of queuing time, high transaction fees, lack of product variety, irregular turnaround times for statement dispatch to customers and electronic transfer processing, high interest rates, rigid credit facility application requirements, high maintenance fees, lack of segmentation and low cash withdrawal limits. This study aims to delve deeper into the major drivers of complaints in Zimbabwean commercial banks as compared to those in other countries.

Below is a table 2.2 (table 1) showing complaints from Indian Commercial banks

Bank group wise complaints at banking Ombudsman offices- 2006-2008

Table 1. Bank group-wise complaints at banking Ombudsman offices.

Nature of complaints	Public sector banks			Private sector banks			Foreign banks		
	2006-2007	2007-2008	Extent	2006-2007	2007-2008	Extent	2006-2007	2007-2008	Extent
Total complaints	21660	25694	4034	9036	13950	4914	3803	6128	2325
Deposit	3664	2866	-798	1591	2113	522	323	521	198
Remittances	2918	3422	504	813	1330	517	188	315	127
Credit card	3265	3936	671	2217	3084	867	2187	3087	900
Loans	3208	3740	532	1279	1550	271	331	483	152
- General	2842	3348	506	1046	1290	244	281	404	123
- Housing loans	366	392	26	233	260	27	50	79	29
Charges	1434	1659	225	915	1618	703	178	423	248
Pension	1039	1519	480	14	45	31	3	9	6
Failure on comm.	1006	3521	2515	314	2145	1831	82	556	474
Direct selling	628	1902	1274	357	801	444	41	341	300
Notes and coins	104	91	-13	20	30	10	2	12	10
Others	4394	3028	-1366	1516	1234	-282	468	381	-87

Source: Report on trend and progress of banking in India.

MATERIALS AND METHODS

A descriptive survey was applied in the research. A sample of 200 customers was taken from 10 commercial banks in Harare. Multi-stage sampling was used where a quota was set for each bank under consideration and systematic sampling was used to pick out respondents. To ensure validity of results a pilot study was done before sending the questionnaires to the respondents of this study. The researcher gave 5 questionnaires to Agribank employees to complete. The pilot study allowed the researcher to establish a sequence of the questionnaire, the instructions and time taken to complete the questionnaire. Reliability was measured using Cronbach's alpha coefficient. Reliability is a measure of whether scores to items on an instrument are internally consistent, stable over time and whether there was consistency in test administration and scoring (Creswell, 2009). A very good and high value should be around 0.80 and above (Creswell, 2009). In this study reliability was generally high with common customer complaints made by corporate customers in commercial banks ($\alpha=0.742$) and customer perceptions on complaints handling systems in commercial banks ($\alpha=0.644$).

RESULTS AND DISCUSSION

Table 2: Customer response on the prevalence of a complaint in a bank

		Mean	Highly prevalent	Prevalent	Uncertain	Not prevalent
(a)	Time spent in queues is too long	3.24	57.1	25.0	2.4	15.5
(b)	Lack of product variety	2.54	19.0	42.9	11.3	26.8
(c)	High interest rates as compared to profit margins	3.38	51.8	36.9	8.3	3.0
(d)	Rigid credit facility application requirements	3.44	50.0	44.0	6.0	-
(e)	High maintenance fees	3.26	41.1	48.2	6.5	4.2
(f)	High transaction charges	3.36	43.5	52.4	0.6	3.6
(g)	Irregular turnaround time for electronic transfers	2.13	8.3	26.8	34.5	30.4
(h)	Inconsistency of statement dispatch to clients	2.47	13.7	38.7	28.6	19.0
(i)	Lack of segmentation i.e. corporate combined with the mass market	2.56	6.5	57.7	20.8	14.9
(j)	Cash withdrawal limits (too low)	1.62	3.6	20.2	10.7	65.5

Time Spent in Queues

The mean for queuing time was 3.24 supported with a majority of 57% of the respondents to the questionnaire saying that the time spent in queues was too long. The total prevalence rate was 82.1%. Cash deposit procedures for business accounts take quite long due to the amounts involved and dual custodianship of the deposits. Business customers normally require two or more signatories and the verification of these transactions may also take time. Withdrawals on business accounts require management or supervisor authorisation to ensure that the transaction is well processed. These measures result in the time spent in queues being too long. Banks should therefore educate customers on how to prepare their deposits for example how to make up clips, sub bundles and treasury bundles (that is 10 notes, 100 notes and 500notes respectively). Investment in modern technology for signature verification and transaction authorisations is required to enable smooth transaction processing.

Lack of Product Variety

Findings revealed that lack of product variety was prevalent with a mean of 2.54. This was propounded by a prevalence rate of 61.9%. Customers want more products to choose from in order to meet their particular needs accordingly instead of having generalised products. Some customers want to open bank accounts for their children but some banks are not offering minor accounts hence the account would be subject to the same conditions as a teacher's salary account. Schools and churches are not profit making institutions hence they would prefer products which do not have bank charges but rather grant them credit interest on their daily balances.

High Interest Rates

Findings presented a mean of 3.38, suggesting that most customers felt that interest rates were too high as compared to profit margins being realised by the customers. This was supported by a majority of 88.7% with a very low nil prevalence rate of 3%. The interest rates highlighted were in the ranges of 18% to 35% per annum and those facilities that were readily available were in the 35% category. When businesses borrow, it is very difficult to realise a return that will comfortably or at least surpass the borrowing rate in profit. Only 8.3% were uncertain of this position as they had never applied for these facilities. This therefore shows that the majority of businesses nowadays is highly dependent on bank funding which is highly unaffordable.

Rigid Credit Facility Application Requirements

The customers highlighted that rigidity of credit facility application requirements was highly prevalent at 94% prevalence with a mean of 3.44. Most customers showed a great desire for financial assistance through credit facilities however they could not access these facilities due to failure to meet the requirements. Some of these requirements include operating an account for six months before one can apply for a facility. The customers argued that they require these facilities to get their businesses going therefore they cannot first operate for six months without capital. The issue of collateral was also highlighted as a major stumbling block as banks want title deeds for immovable assets and most customers do not have these as they only rent their office space and do not own the properties. This therefore means that their applications would be declined.

High Maintenance Fees

A prevalence rate of 89.3% and a mean of 3.26 suggested that maintenance fees were indeed high. Only a minority of 4.2% felt that the maintenance fees were reasonable. This position could be a result of customers not understanding the purpose of maintenance fees which is a nominal amount deducted from the account every month for the banks' service of keeping the customer's account.

High Transaction Charges

Customers expressed that they were facing high transaction charges each time they accessed their accounts. These charges were in the range between 1% -1.5percent per withdrawal amount. If a customer withdraws \$10 000, they can be charged as much as \$150.00. If a customer had made a deposit of \$10 000.00, this effectively means that they will only access \$9 850.00. Bank statements cost an average of 50cents a page and \$5 if sent by email. Internet services and mobile banking services also eat into the customers' income thus reducing their profit. This, they said was quite a pinch on their very little income. As a result, a majority of 95.9% professed prevalence of high transaction charges in commercial banks. The mean value was 3.33.

Irregular Turnaround time for Electronic Transfers

Customers expressed prevalence of irregular turnaround time for electronic transfers, with a prevalence rate of 35.1% and a rate of 30.4% felt that irregularities were not prevalent. Customers comprising 34.5% were uncertain as they do not normally use electronic transfers as a mode of payment. The output produced a mean value of 2.13 thereby showing prevalence of the complaint. Most businesses make their payments through electronic transfers which are safe and convenient; however, instead of taking 24hrs as stipulated by banks, these may take 3days to a week in certain instances. Research revealed that these delays may be due to banks facing liquidity challenges or system challenges which involve service providers such as Powertel, with whom links may be lost resulting in loss of connectivity.

Inconsistency of Statement Dispatch to Clients

This complaint was quite prevalent with high prevalence marked by 52.4% of the customers. Customers who stated that this was not prevalent made up 19.0%. The mean value shows prevalence at 2.47. Many customers advised that they opted for monthly statements to be sent to them but banks fail to send these statements with consistency. Some customers end up going to collect them in person, and this causes a great inconvenience to them as they need timely delivery of statements for the processing of their financials. Some statements are sent via mail and they get to the recipient a week late or even more.

Lack of Segmentation

A prevalence rate of 64.2% was established, with a mean of 2.56 to prove that lack of segmentation was indeed highly prevalent among the sampled customers. Most customers felt that banks lack segmentation as business customers are mixed with individual customers in the banking halls. Business customers run on tight schedules and cannot afford to spend too much time in the bank. In most banks such as Agribank and POSB, teachers, farmers and large corporate and pensioners are served from the same queue and this takes up too much time for the business customers. Customers highlighted that they would prefer to have separate banking halls for business customers and individual customers or that they have dedicated tellers so that they are not held up in the bank for longer than they should. The customers also expressed that they would appreciate banking out of town as parking is quite a nightmare for them in the CBD. One cannot then conduct their banking business without having to worry about their vehicle being clamped or not finding a parking space at all.

Cash Withdrawal Limits (Too Low)

The results produced a mean value of 1.62 which showed that the issue of low cash withdrawal limits being too low was not prevalent. This was supported by a majority of 65.5% who expressed that low cash withdrawal limits were not prevalent. Customers are now able to withdraw any amount of money that they want and since the currency change over, the Reserve bank has not set limits on cash withdrawals. Withdrawal limits were set by a few struggling banks such as Met bank and Kingdom Bank which eventually closed.

Table 3: Customer response on Commercial Banks Complaints Handling Systems and Procedures

		Mean	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
(a)	Complaint handling systems are not easily accessible to customers	2.76	15.5	20.2	6.0	41.7	16.7
(b)	Complaints are not handled in a timely fashion	3.70	24.4	45.8	5.4	24.4	-
(c)	Customers are afraid of victimisation by employees	3.17	16.7	36.3	17.9	6.0	23.2
(d)	Customer input from their experiences should be valued and inspire complaint handling systems	4.31	35.1	61.9	1.8	1.2	-
(e)	Appropriate action is not taken against the employees accused of misconduct	3.28	6.0	32.1	46.4	14.9	0.6
(f)	Some branches do not display suggestion boxes or registers thus discouraging complaints.	2.67	-	22.6	23.8	51.2	2.4
(g)	Systems are inconsistent as some complaints are followed up on while others are not	3.71	4.8	66.7	24.4	3.6	0.6
(h)	Lack of support and empowerment to engage third party assistance when logging complaints	2.89	1.8	28.0	32.7	32.7	4.8

Complaint Handling Systems Are Not Easily Accessible to Customers

The overall disagreement with this perception was 58.4% and the mean value was 2.76 therefore showing that the majority of respondents did not agree that complaint handling systems are not accessible to customers. Customers stated that complaint handling systems are available to customers however customers do not think these systems are effective hence they do not use them. Those who were uncertain stated that they had never taken the time to look for platforms for them to complain.

Complaints Are Not Handled in a Timely Fashion

A mean value of 3.70 was realised as supported by 70.2% of the respondents who made up overall agreement with this perception. The results therefore concluded that customers feel that complaints are not handled in a timely fashion. Some suggestion boxes go for days without being opened such that when a complaint is realised, it may be out of date for example if the complaint was logged month end when the queues were too long, if opened mid-month, it would not serve its intended purpose as the time would have lapsed.

Customers are Afraid of Victimisation by Employees

The mean value of 3.17 does represent that customers are afraid of victimisation by bank employees. 53% of the respondents agreed with this perception while 29.2% disagreed. It is therefore apparent that customers fear victimisation therefore they choose not to complain. If employees figure out who made a complaint that got them into trouble, they tend to connive to ensure that the customer has a tough time each time they come to the bank. They can deliberately delay the process of serving the customer by asking them to wait for signature verification and confirmations with the other signatories. As a result, customers avoid complaining for fear of victimisation.

Customer Input from Their Experiences should be Valued and Inspire Complaint Handling Systems

The mean value for this data was 4.31 supported by 97% overall agreement of the respondents, that customer input should be valued. 'Customer is King' and 'customer is always right' hence it is important to consider customer input in the service sector because the objective is to satisfy customer needs.

Appropriate Action is not Taken Against the Employees Accused of Misconduct

The mean value of 3.28 that was obtained shows that customers do believe that appropriate action is not taken against the employees accused of misconduct. Though the majority of respondents, at 46.4%, were not sure as to whether appropriate action is taken against employees accused of misconduct. 38.1% agreed while 15.5% disagreed. This may be due to repeated offences by the same culprit and failure to show remorse. If customers continue to see an employee, against whom they complained of poor customer service, on the front desk, they feel that the bank has not taken action and does not value their input. They would prefer a situation where the employee is moved to a different department for some time until they are reformed.

Some Branches do not Display Suggestion Boxes or Registers thus Discouraging Complaints

The overall disagreement was 53.6% and the mean value was 2.67 thus suggesting that most customers do not agree that some branches do not display suggestion boxes or registers thus discouraging complaints. Only 22.6% agreed saying that they hardly see suggestion boxes or customer complaints registers in their respective banks. To a certain extent, it is true as some bankers hide these from customers to avoid negativity being brought against them as it would get them into trouble with management. If they hide the boxes and registers, then the customers will not speak nor be heard. However, most banks actually have service ambassadors who randomly interview clients over general or specific issues and they encourage the use of suggestion boxes to customers.

Systems are Inconsistent as Some Complaints are followed up on While Others are Not

The mean value of 3.71% was obtained from the responses and this shows that the majority of the respondents do believe that systems are in fact inconsistent. An overall agreement of 71.5% was obtained. Some complaints may take longer to process than others and as a result, if two customers, who laid complaints, were to share information when one of the complaints is resolved and the other is not, it would then appear as if some customers are taken more seriously than others. In actual fact, the degree of urgency of the complaint may also be considered by banks thus leading to the presumption that some complaints are followed up on while others are not.

Lack of Support and Empowerment to Engage Third Party Assistance When Logging Complaints

A mean value of 2.89 citing that respondents were opposed to the perception of lack of support and empowerment to engage third party assistance when logging complaints. Overall disagreement was 37.5% while agreement was 29.8%. Banks normally provide commissioners in their banking halls and these are responsible for directing and assisting customers. They monitor and maintain order in the queues. Commissioners help direct customers to make use of the suggestion boxes and complaints registers. Most banking halls have sales consultants or brand ambassadors who provide support and empowerment for customers to engage third party assistance when logging complaints. On the other hand however, it was noted that some banks, due to economic hardships, have cut down on such employees, thus compromising a necessary platform for customers hence the opinion by 29.8% of the respondents that there is a lack of support and empowerment to engage third party assistance when logging complaints.

CONCLUSIONS

The study established that customers indeed had common complaints and these include queuing time, lack of product variety, high maintenance fees, high transaction fees, rigid credit facility application requirements, high interest rates as opposed to profit margins, irregular turnaround time for electronic transfers, inconsistency of statement dispatch to customers and cash withdrawal limits being too low. It can be concluded that these customer complaints were valid and banks have not been paying attention to customer complaints.

COMPETING INTERESTS

There were no competing interests envisaged.

AUTHORS' CONTRIBUTIONS

The corresponding author mooted the main idea and together with the co-author they designed the study. Together they collected data, analyzed it and compiled the final document.

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