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Complaints Handling from Commercial Banks for Individual Customers

¹ Vu Thi Ngoc Huyen, ² Binh Minh Tran, ³ Trinh Viet Giang, ⁴ Nguyen Thi Hong Phuong

¹ University of Labour and Social Affairs, Vietnam

² Lund University, Sweden

³ Hanoi University of Industry, Vietnam

⁴ Trung Vuong University, Vietnam

Corresponding Author: **Nguyen Thi Hong Phuong**

Abstract

The fact that banks satisfactorily resolve customer complaints not only increases customer satisfaction, improves customer trust, and attracts customers to return to use their transactions. future banking and, moreover, introducing banking services to relatives and friends (Supriaddin *et al.*, 2015). During the 4.0 industrial revolution, commercial banks and social enterprises carried out digital transformation, enhancing their competitive advantage, differentiating commercial banks through service quality, and engaging customers for long-term profit motives. This was an effective solution for commercial banks. The procedure further intensifies when a commercial bank emphasizes an effective complaint handling system within its service protocol. This study explores handling

complaints from commercial banks for individual customers in the Vietnamese context. Data for this study were collected using a questionnaire from 200 respondents, but only 175 votes were valid and included in the analysis. We use qualitative research methods and quantitative research methods. SPSS software supports quantitative research methods with descriptive statistics, reliability analysis of component properties (scales) using Cronbach's alpha coefficient, and EFA analysis. The results of the study highlight to what extent complaint handling matters. Effective complaint handling practices can make the complainants more trustworthy and satisfied than before. Based on the research results, we propose some recommendations for commercial banks and bankers.

Keywords: Complaint Handling, Individual Customers, Commercial Bank, Banking Finance, Economics

JEL codes: F65, G21, G30, A10

1. Introduction

Complaint handling from commercials has been regulated in a number of legal documents, such as Circular 40/2011/TT-NHNN and Circular 23/2014/TT-NHNN (amended in Circular 02/2019/TT-NHNN).

Commercial banks are the largest group of financial intermediaries and are also the financial intermediaries with which economic entities transact most frequently. Commercial banks undertake different functions in the economy, such as credit intermediation functions, money creation functions, payment intermediary functions, and banking service provision functions. In particular, the services of commercial banks are very diverse and rich, including: deposit-receiving services; consumer loans to satisfy the daily needs of individuals; foreign currency trading services; discounting valuable papers and commercial loans; preserving valuables; providing transaction accounts; providing trust services; and providing financial consulting. Besides, the 4.0 industrial revolution is taking place, commercial banks are implementing digital transformation, competition is increasing in the trend of technological innovation, and many customer transactions have not been completed and have not had the desired results, according to customers. This leads to complaints being sent to the bank for resolution. Therefore, in parallel with expanding their business activities, banks also need to increase the handling of customer complaints. This is not a simple activity but is the foundation for maintaining and attracting more customers to you (Supriaddin *et al.*, 2015) ^[8].

Receiving customer complaints is one of the most important and necessary steps in the process of market research and deploying bank products and services because commercial banks can visualize and understand the customers that the bank is, has, and will serve; the bank can understand the behavior and psychology of users of the bank's products and services; and the results of those products and services have been met. What level are they at? What are they not satisfied with? From there, the bank will perfect and build a better experience for customers.

The fact that banks satisfactorily resolve customer complaints not only increases customer satisfaction, improves customer trust, and attracts customers to return to use their transactions. Future banking and, moreover, introducing banking services to relatives and friends (Supriaddin *et al.*, 2015)^[8].

Customer complaints need to be resolved well so that they can become more satisfied (Yap *et al.*, 2012)^[9]. Supriaddin *et al.* (2015)^[8] argue that the reason behind the importance of complaint handling in increasing satisfaction is the ability of banks to handle and resolve complaints well and quickly change customer perceptions. Customers who were previously dissatisfied become satisfied because they perceive the bank as best able to resolve their complaints.

Commercial banks have a great role, such as: (i) providing loan needs for economic development: creating capital for economic development, turning savings into investment; (ii) improving economic efficiency: shortening the speed of circulation of goods and money, contributing to making production and business continue without interruption, providing investment capital and circulation tools; (iii) participate in controlling economic activities; (iv) participate in the stability of the financial market and stock market, creating conditions for the development of these markets through discounts to resolve the rapid circulation of securities; (vi) provide information, advice, and investment services.

2. Literature Review

There are various definitions of "complaint". It is a customer-initiated expression of dissatisfaction with the company (Knox & Van Oest, 2014)^[6].

Complaints are part of the negative manifestations caused by a mismatch in the gap between reality and someone's expectations (Yap *et al.*, 2012)^[9]. Customer complaint behavior is understood to include all actions taken by customers if they feel dissatisfied with the purchase or service provided.

Levesque & McDougall (1996)^[7] found that when customers encounter problems, they may respond by switching to a new supplier, speaking up to try to fix the problem, or remaining loyal to the supplier because they believe everything will be good again.

Complaint handling is the extent to which customer complaints will be handled by the bank (Yap *et al.*, 2012)^[9]. A complaint is an expression of dissatisfaction communicated to an organization in regard to its products (Fornell & Wernerfelt, 1988)^[2]. It often leads to customer defection if the organization does not take steps to provide an efficient solution to the particulars of the grievance (Carvajal *et al.*, 2011)^[1].

Carvajal *et al.* (2011)^[1] determined the impacts of personalization, service quality, and complaint handling on the satisfaction and loyalty of current account holders with Chilean banks. The measurement of these impacts has not been previously attempted for the Chilean banking sector and should prove useful to industry managers in their decision-making processes. In there, complaint handling includes (i) the bank solving complaints and/or problems in a reasonable period of time; (ii) the bank showing a willingness to solve complaints and/or problems; (iii) the bank solving complaints and/or problems to the customer's satisfaction; and (iv) The bank having adequate mechanisms for registering complaints and/or problems.

According to experts, the customer complaint handling process includes five main steps, including:

(i) Receive customer complaints: This is the first step and also the step that impresses customers. At the very beginning, the bank staff receiving the complaint needs to listen, even though the information given by the customer may be negative. Bank staff need to keep a cool head, really pay attention to grasp the situation, what step the problem needs to be complained about, or what service or product is involved. At this step, employees should have a professional attitude and be trained to handle situations quickly.

(ii) Obtain information and determine the issue: After listening to customer feedback, bank staff should find out the problem by calmly exchanging information with customers. Bank staff can ask questions to learn and exploit the problem.

(iii) Come up with a solution

Once the bank staff has listened to opinions and identified the problem, they should suggest a solution to the problem.

If the issues fall within the authority of the bank staff, they should proactively make decisions. If the case requires opinions or involves many other departments, bank staff need time to check and send the issue to the competent person for handling. Bank staff should make an appointment for the customer to respond at a specific and clear time.

(iv) Talk to customers and put solutions into practice.

(v) Monitor the results of complaint handling and customer care.

3. Research Methods

A questionnaire was designed from standard questions available, the same was administered with experts. 10 experts were identified from commercial banks in Hanoi, and a mix of different commercial banks in Hanoi were surveyed.

The Likert (1–5 scale) was used, the questionnaire was designed, and these questions were already validated and statistically significant. The questionnaire was sent direct to individual customers of commercial banks in Hanoi, and each respondent had responded all questions the data was then put into SPSS, and principal component analysis was used to conclude the significance levels. The question format is attached in Table 1. A Likert scale was used: 1–5.

We base it on the results of previous studies, expert opinion, and tailor it to the context of customers. Handling complaints from commercial banks for individual customers includes six observed variables (scales) (see Table 1).

Quantitative research method through SPSS software with descriptive statistics, reliability analysis of scales (Cronbach' alpha) and EFA analysis.

Table 1: Observed variables of complaint handling from commercial banks for individual customers

Code	Scale
Bank handling complaints	
CH1	Commercial banks respond to concerns in a timely manner.
CH2	Commercial banks resolve issues with passion and warmth.
CH3	Consumer expectations are taken into account when commercial banks address disputes.
CH4	Commercial banks take consumer complaints seriously.
CH5	Commercial banks show that they are attentive to customer concerns.
CH6	Customer complaints are quickly addressed by commercial banks.

4. Results

4.1 Descriptive Statistics

Table 2 indicates that the respondents agree with the variable of handling complaints from commercial banks for individual customers, where six attributes were quite high. All six attributes were rated at an average of 3.78 or higher.

The analysis's findings also indicate that the survey data's skewness and kurtosis coefficients fall between -1 and 1, ensuring a very uniform distribution. Because the employees who took the survey had highly homogeneous and focused assessment levels and low dispersion, the analysis's findings had a high level of statistical significance.

Table 2: Descriptive analysis of attributes

Code	N	Mini	Max	Mean	Std. Deviation	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
CH1	175	1.00	5.00	3.93	0.841	-0.806	0.184	0.958	0.365
CH2	175	1.00	5.00	3.96	0.918	-0.821	0.184	0.830	0.365
CH3	175	1.00	5.00	3.97	0.877	-0.761	0.184	0.821	0.365
CH4	175	1.00	5.00	3.96	0.949	-0.858	0.184	0.668	0.365
CH5	175	1.00	5.00	3.86	0.927	-0.851	0.184	0.788	0.365
CH6	175	1.00	5.00	3.78	0.836	-0.704	0.184	0.709	0.365
Valid N (listwise)	175			3.91					

Table 3: Results of Cronbach's alpha testing of attributes and item-total statistics

Cronbach's Alpha	N of Items			
.912	6			
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CH1	19.53	14.274	0.776	0.893
CH2	19.50	13.757	0.780	0.892
CH3	19.49	13.998	0.785	0.892
CH4	19.50	13.447	0.800	0.889
CH5	19.60	13.402	0.833	0.884
CH6	19.67	15.566	0.553	0.922

4.2 Cronbach's Alpha

Complaint handling from commercial banks for individual customers has been measured by Cronbach's alpha. The results of testing Cronbach's alpha for attributes are presented in Table 3 below. The results also show that attributes of the variables have Cronbach's alpha coefficients that are greater than 0.6, and the correlation coefficients of all attributes are greater than 0.3. So, all the attributes of the variables are statistically significant (Hoang & Chu, 2008; Hair *et al.*, 2009; Hair *et al.*, 2014) ^[5, 3, 4].

4.3 Exploratory Factor Analysis (EFA)

Next, tables 4, 5, and 6 show that exploratory factor analysis (EFA) was conducted through component analysis and variance.

The results of factor analysis in Table 4 show that KMO is 0.902, which is greater than 0.5 but less than 1. Bartlett's testimony shows sig. = 0.000 < 0.05, which means variables in the whole are interrelated (Hoang & Chu, 2008; Hair *et*

al., 2009; Hair *et al.*, 2014) ^[5, 3, 4].

After implementing the rotation matrix, six components of handling complaints from commercial banks for individual customers with a factor load greater than 0.5 and eigenvalues greater than 1 were identified, and the variance explained was 69.778% (see tables 5 and 6). These statistics demonstrate that research data analysis for factor discovery is appropriate. Through the quality assurance of the scale and the test of the EFA model, we have identified six components of handling complaints from commercial banks for individual customers (Hoang & Chu, 2008, Hair *et al.*, 2009; Hair *et al.*, 2014) ^[5, 3, 4].

Table 4: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.902
Bartlett's Test of Sphericity	Approx. Chi-Square	690.795
	Df	15
	Sig.	.000

Table 5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.187	69.778	69.778	4.187	69.778	69.778
2	0.645	10.756	80.534			
3	0.402	6.708	87.242			
4	0.288	4.799	92.042			
5	0.263	4.378	96.420			
6	0.215	3.580	100.000			

Extraction Method: Principal Component Analysis

Table 6: Component Matrix^a

CH	Component
	1
CH5	0.893
CH4	0.872
CH3	0.860
CH2	0.854
CH1	0.853
CH6	0.657

5. Discussion and Implications

Commercial banks always try to create a care process and improve service quality, but when actually implemented in the market, shortcomings still arise, thus receiving complaints from customers.

We characterize customer complaint situations as follows, based on interviews with consumers and surveys of customers who use the goods and services of commercial banks in Hanoi:

Complaints about the bank's service quality: The bank does not receive information in a timely manner; the bank's solution method is not effective; and the support for customer requests is not quick.

Complaints about product quality: Customers had high expectations about the product, but in reality, it did not reach 60%. The reason was excessive communication, which caused misunderstandings for customers.

Complaints about payment: In the era of the 4.0 industrial revolution, the whole society is undergoing digital transformation, and forms of payment are becoming more and more popular. Customers often pay by electronic portal, credit card, etc. If the customer fails to pay, complaints will arise.

Complaints about service attitude: When accessing products and services, customers need advice from bank staff. If, during the research process, the service attitude of the staff is warm and enthusiastic to support customers' questions, that is the customer's first impression of the product and brand. Otherwise, customers will complain.

The complaint management department in banks is often combined with the customer care department.

Banks play an increasingly important role in mobilizing and regulating capital sources for the economy. However, the current situation at commercial banks still has some shortcomings, such as: some activities are at a low level; operations and expertise are quite monotonous; and the form of loan mobilization does not meet capital needs.

Commercial banks should improve and diversify lending and debt collection activities as well as attract capital.

In parallel with the completion of the banking ordinance. Commercial banks should promote forms of unsecured credit, build long-term relationships with customers, and strengthen their reputation with customers.

Commercial banks should update and diversify their payment options and provide clear payment instructions. Payment is the last step the buyer takes after obtaining the merchandise, thus mistakes shouldn't happen there.

Commercial banks should publicize their complaint handling process in a transparent and specific way for customers to understand.

To find the best solution, regularly gather client reviews to spot and swiftly fix any mistakes or unfavorable consumer feedback in transactions.

Commercial banks should ensure business ethics by providing truthful information about products and services to customers, avoiding the situation where "reality is far from the message". This is not a sustainable business direction.

For bankers, when handling complaints:

Bank employees should not get angry or argue with customers. Getting angry and arguing with customers is taboo when communicating with customers, so bank employees do not need to try to prove who is right and who is wrong when chatting with customers.

Customer psychology, when complaining, is in a negative state, dissatisfied with certain issues. Therefore, when employees get angry and argue, both sides cannot come to a common agreement. Customers may even think that bank employees are looking for reasons to cover up the bank's restrictions. Customers will even think that the bank does not listen to and respect them, thereby creating an even worse impression. Customers will leave and may spread negativity related to the bank's brand.

The goal of the complaint management process is to listen, sincerely receive opinions, and provide solutions to problems, not try to win the story. Maybe in some cases, customers have misunderstandings about the quality of products and services, but the important thing is that bank employees should act calmly, not get angry and argue with customers that they are wrong. Employees at banks should have a professional demeanor, gather and process information swiftly, and keep a level head.

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