IMPACT OF COMPLAINT HANDLING AND CUSTOMER EMPOWERMENT ON CUSTOMER LOYALTY; MEDIATING EFFECT OF CUSTOMER SATISFACTION

Isma Hanif[*1], Malik Muhammad Faisal[2], Kashif Mahmood[3]

*[*1]Visiting Lecturer, Department of Business Administration, Ghazi University, Dera Ghazi Khan, Pakistan*
[2]Assistant Professor, Department of Business Administration, Ghazi University, Dera Ghazi Khan, Pakistan
[3]Deputy Registrar, PMAS, Arid Agriculture University, Rawalpindi, Pakistan

[*1]ismahanif363@gmail.com, [2]qmmfaisal@gudgk.edu.pk, [3]kashif.malik9404@gmail.com

Abstract

This study aims to investigate the impact of Customer Relationship Management (CRM) practices, specifically complaint handling and customer empowerment, on Customer Loyalty (CL) in Pakistan's banking sector, with customer satisfaction (CS) serving as a mediating variable. This research adopts an online survey approach, targeting bank customers in the DG Khan District of Pakistan, selected through convenience sampling. Data will be collected using a structured questionnaire based on a 5-point Likert scale. The questionnaire link will be shared with the customers of selected banks. A total of 380 respondents are proposed for this study. The Partial Least Squares (PLS) technique will be employed to test the hypothesized research framework. This study offers insights into improving client loyalty through CRM techniques, with strategic implications for the banking industry. The findings are expected to emphasise the necessity of adopting CRM features, such as complaint resolution and consumer empowerment, into business plans to increase customer loyalty. This study helps to understand the relationship between CRM characteristics, specifically complaint handling, customer empowerment, and customer loyalty in the banking industry. It highlights how these CRM features affect client loyalty and offers advice for banks looking to increase customer relationships and satisfaction. This study expands our understanding of CRM in Pakistan's banking sector by investigating the roles of complaint processing and consumer empowerment in generating customer loyalty.

INTRODUCTION

Complaint handling is a critical component of CRM that has a substantial impact on customer perceptions and loyalty. Effective complaint resolution not only reduces customer unhappiness, but it also has the potential to transform negative situations into opportunities to strengthen customer relationships. Customers feel appreciated and heard when banks respond quickly and efficiently to concerns, resulting in greater satisfaction and loyalty (Sajjad & Hossain, 2023). According to studies, banks that prioritize excellent complaint resolution systems increase consumer trust and commitment, boosting long-term loyalty (Khan et al., 2022). Customer empowerment is giving them with the tools, information, and authority they need to make decisions about their banking experiences. According to research, when consumers feel empowered, they are more inclined to interact with the bank actively and form a stronger

emotional connection (Niazi et al., 2021). Customers who are empowered are more likely to be satisfied and loyal because they believe the bank recognizes and meets their requirements and preferences.

The growing reliance on technology in banking requires a rethinking of classic CRM approaches. Customers anticipate seamless and efficient service delivery, including the management of complaints and feedback, as internet and mobile banking become more prevalent (Hussain et al., 2023). Banks that use digital platforms for CRM can streamline complaint resolution processes and enable consumer empowerment, resulting in increased satisfaction and loyalty. However, the success of these digital initiatives is contingent on banks' ability to keep a personal touch in customer contacts (Raza et al., 2022). Despite increased recognition of CRM's importance in the banking sector, little limited empirical research has been undertaken in Pakistan. Most research has concentrated on Western banking practices, creating a gap in understanding the distinctive CRM dynamics in Pakistan's distinct cultural and economic setting (Arif et al., 2023). This study seeks to address this vacuum by investigating how complaint processing and consumer empowerment affect customer loyalty in Pakistani banks, with a particular emphasis on the mediating function of customer satisfaction. By investigating these linkages, the study will add to the existing body of knowledge while also providing practical insights for banking personnel.

Pakistan's banking sector has a number of issues that impede the efficiency of CRM techniques, including complaint handling and consumer empowerment. One big concern is insufficient training for bank employees to handle client complaints. Many staff lack the skills and expertise required to effectively resolve issues, resulting in longer complaint resolution periods and higher customer unhappiness (Khan et al., 2023). Furthermore, the typical approach to complaint management frequently prioritizes transactional interactions above developing long-term client relationships. This short-sighted approach reduces the possibility of increasing

customer loyalty and overlooks the need of responding to consumer problems quickly and efficiently (Awan & Mahmood, 2022). As a result, banks that do not emphasize effective complaint resolution risk losing clients to competitors that provide better service.

Another important issue is the lack of customer empowerment in the banking system. Despite the growing need for client-centric initiatives, many banks continue to use a top-down approach in which consumer feedback is typically discounted or ignored (Sajjad et al., 2023). This lack of empowerment not only has an impact on customer happiness, but it also prevents banks from developing strong relationships with their clients. Customers' loyalty to an institution decreases when they believe their views are not heard or that they have little control over their banking experiences (Ali & Zafar, 2022). Furthermore, the lack of complete digital channels for complaint management and consumer involvement exacerbates the situation, since customers may struggle to adequately voice their problems. This study tries to address these issues by investigating the relationship between complaint management, consumer empowerment, and customer loyalty in the Pakistani banking setting, with a focus on the mediating function of customer satisfaction.

This study seeks to provide concrete solutions to these pressing challenges by investigating the complex relationships between complaint management, consumer empowerment, and customer loyalty, with a focus on customer satisfaction as a mediator. The study will identify particular shortcomings in current CRM processes by using a systematic online survey of Pakistani bank clients. The findings will emphasize the importance of complaint resolution and customer empowerment techniques, as well as advice for banks seeking to improve their CRM. This research will be an invaluable resource for banking professionals, allowing them to implement best practices that promote customer happiness and loyalty, thereby addressing the sector's highlighted difficulties.

Research Questions

Research questions of this study are given below.

A.   Does customer complaint handling affect Customer loyalty?

B.   Does customer empowerment affect Customer loyalty?

C.   Does customer satisfaction effects on customer loyalty?

D.   Does customer complaint handling affect customer satisfaction?

E.   Does customer empowerment affect customer satisfaction?

F.   Does customer satisfaction mediate the relationship between customer complaint

G.   handling and customer loyalty?

H.   Does customer satisfaction mediate the relationship between customer

I.   empowerment and customer loyalty?

Objective of the Study

Research objectives to get answers of questions of this study are given below.

A.   To identify the customer complaint handling effect on customer loyalty.

B.   To identify the customer empowerment effect on customer loyalty.

C.   To investigate the customer satisfaction effects on customer loyalty.

D.   To determine the customer complaint handling effect on customer satisfaction.

E.   To identify the effects of customer empowerment on customer satisfaction.

F.   To identify the mediating role of customer satisfaction in the relationship between

G.   customer complaint handling and customer loyalty?

H.   To identify the mediating role of customer satisfaction in the relationship between

I.   customer empowerment and customer loyalty?

Significance of Study

This study has practical significance for banking professionals and management who want to improve the customer service and satisfaction levels at their organizations. The research will provide actionable recommendations for banks to apply by identifying effective complaint resolution processes and the importance of customer empowerment. These findings can help lead the creation of employee training programs, technological investments, and policies that prioritize customer interaction, resulting in increased loyalty and profitability. Finally, the study has broader social implications, emphasizing the necessity of customer-centric procedures in the banking industry. As banks become more aware of their customers' needs and expectations, they can promote a culture of responsiveness and transparency that benefits not only their clients but also the entire financial ecosystem. Banks may help to increase financial inclusion and stability by improving client happiness and loyalty, aligning their ambitions with the country's broader economic goals. This convergence will ultimately help long-term growth in the banking sector while also increasing public trust in financial institutions.

Literature Review

This study uses SET as its core theoretical framework to investigate the links between complaint processing, customer empowerment, customer happiness, and customer loyalty in Pakistan's banking sector. Blau (1964) invented SET, which holds that social behavior results from an exchange process in which individuals balance the prospective benefits and costs of their contacts (Homans, 1961). When applied to the banking industry, SET recommends that customers continually assess the value they obtain from their relationships with banks. Effective complaint management and client empowerment can be viewed as benefits that improve consumers' perceptions of the bank, increasing satisfaction and loyalty (Ali et al., 2023). Banks foster a sense of reciprocity and trust by rapidly responding to concerns and providing clients with decision-making capabilities (Khan & Malik, 2023). Parvatiyar and Sheth (2001) define CRM as an integrative approach for attracting, retaining, and collaborating with selected consumers to achieve mutual benefit. This strategy comprises coordinating the organization's supply chain, customer service, sales, and marketing to provide higher value to customers

while increasing operational efficiency (Parvatiyar and Sheth, 2001). CRM strategies now include everything from advertising and operations to human resources, technology, and finance (Vasiliu, 2012). This integration highlights CRM's strategic importance in today's customer-centric marketplace, where success is increasingly dependent on building strong customer relationships, empowering consumers to make informed decisions, and improving their personal experiences. Complaint handling is an important component of CRM in the banking sector, since it provides a strategic reaction to service failures or unfulfilled customer expectations.

Complaints emerge when banks fail to fulfill promised services, resulting in customer discontent and even abandonment (Ezema and Walter, 2016; Walter et al., 2015). Customer complaints in banking can include concerns such as unmet agreements, technological challenges, transactional errors, a lack of information, or employee inefficiencies (Neira,2010). If complaints are not handled properly, consumers may feel neglected and choose to move banks, underlining the financial impact of customer attrition, which is often more expensive than retaining present clients (Salim et al., 2018).
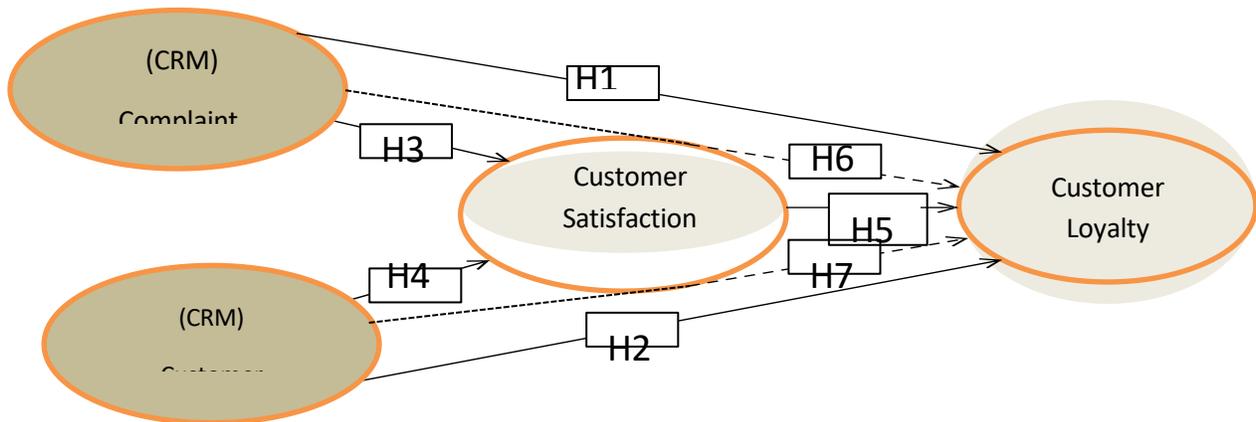
Customer Loyalty

Customer loyalty is critical to a company's long-term success, especially as competition increases across industries. To develop loyalty, businesses must prioritize understanding client demands and providing unique value in their products and services. Companies can drive continuous sales by providing value that resonates with customers (Ali et al., 2023). In fact, loyal consumers are a valuable long-term asset, frequently accounting for a large share of sales and earnings over time. This idea is consistent with SET, which states that when customers perceive higher value in their interactions with a company, they respond with loyalty, increasing

mutual benefits (Blau, 1964). As a result, organizations that want to establish loyalty must not only meet but also surpass customer expectations by offering distinctive and memorable value experiences.

Loyal customers are also resilient to competitors' offerings, which demonstrates the brand's strength and customer loyalty. According to research, devoted customers who are committed to their favored brands are typically immune to rival items, even if they are lower in price or have more features (Awan et al., 2022). According to SET, when relational value strengthens, clients feel more loyal and resist external influences, demonstrating a stronger tolerance for competitors' attempts to entice them away (Bashir & Ahmed, 2023). This tenacity emphasizes the depth of the customer-company relationship, demonstrating how a pleasant transaction experience may strengthen loyalty even in the face of competing possibilities.

Customer Empowerment

In recent years, empowerment has emerged as a major idea in a variety of sectors, most notably human resource management and overall quality management (Dashgarzadeh & Saremi Rad, 2010). Empowerment, which first emerged in mid-century management studies and human relations, represents a rising appreciation of individuals' contributions and capacities inside businesses (Miri & Sabzikaran, 2011). Fundamentally, empowerment is about appreciating people's potential and encouraging them to contribute meaningfully to problem-solving efforts (Martinko et al., 2002). This approach has spread beyond traditional personnel management to sectors such as customer relationship management, where consumer empowerment is now regarded as a key strategy for increasing happiness and loyalty.

SET provides a useful perspective for analyzing the influence of customer empowerment on loyalty, notably in the banking industry. SET proposes that connections are sustained when both sides believe the advantages of the transaction outweigh the costs (Homans, 1961). Banks that empower consumers by providing them with resources, information, and decision-making autonomy improve relational value, which increases the chance of customer happiness and loyalty (Raza et al., 2023). Customers who feel empowered have a greater sense of control over their financial decisions, resulting in a positive reciprocal relationship in which the bank gains loyalty and the consumer obtains a fulfilling, personalized experience. According to research, customers who feel empowered and in control are more likely to remain loyal and actively engage with banks that promote their autonomy (Hussain & Bashir, 2022).

Research Methodology

The banking sector in Pakistan is a critical component of the local economy. Banks provide a variety of financial services to individuals and businesses, including loans, deposit accounts, investment products, and insurance. Bank customers come from a variety of origins and socioeconomic positions. They comprise individuals, households, and small and medium-sized businesses operating in a variety of industries. Customers' demands and preferences

for banking services may vary, and they may select different banks based on criteria such as interest rates, fees, customer service quality, and ease of use. The population of the study is bank clients of Pakistan. The population that this study seeks to reach includes account holders from several banks. Bank clients of Dera Ghazi Khan City was chosen as the study's target area because of its distinct position as a rising city with a thriving banking sector that faces both problems and possibilities in customer relationship management. Banks in Dera Ghazi Khan serve to a broad customer base with varying financial needs, allowing for a complete research. According to Anser et al. (2024) a sample size of 380 is often recommended in such cases to ensure reliable statistical analysis. Whereas (Hill and Alexander, 2000) believed that a sample of 200 to 500 was measure as suitable for best-people surveys. So our sample size was 410 questionnaires, out of which 380 people responded.

Convenience sampling was used in this study to collect data rapidly and effectively from participants who were readily available in the target demographic. Convenience sampling, as a non-probability sampling method, enables for easy access to pertinent material and is especially useful during exploratory research stages, offering basic insights that facilitate subsequent analysis. The sample was chosen for its convenience and availability, which aligned with the study's need for rapid data collection (Hair et al., 2004). This method allowed the research team to quickly

collect a large dataset, which was used to conduct an initial assessment of the correlations between the study variables. Data for this study were obtained using a standardized questionnaire with 16 items derived from published literature to assess customer satisfaction and loyalty as important components of CRM. The poll used a 5-point Likert scale, with values ranging from 1 (strongly disagree) to 5 (strongly agree), allowing respondents to express varied degrees of agreement with each topic. The questionnaire, which was distributed via an online Google Form, used measuring scales customized from prior studies to assure validity and relevance in evaluating the specified CRM constructs.

This study investigated the function of customer satisfaction as a mediator between customer complaint management and customer loyalty in the banking industry, using SEM to verify the presented hypotheses and evaluate the conceptual framework's fit. PLS was used to evaluate the model's goodness of fit, validity, reliability, and inter-variable correlations, resulting in a thorough examination of the relationships within the framework. Furthermore, SPSS was used to examine demographic data, allowing for a detailed grasp of the sample characteristics and a study of how demographic factors may influence the core variables. PLS-SEM was especially useful

in validating the suggested model and determining the degree of the mediating function of customer satisfaction. The technique enabled a more sophisticated evaluation of the direct and indirect effects of complaint management on customer loyalty. This study demonstrated a high level of analytical rigor by thoroughly analyzing model dependability and validity, providing insights into how successful complaint handling increases customer pleasure and, ultimately, loyalty. These findings emphasize the relevance of strong complaint management processes in driving customer loyalty, as well as the significance of customer satisfaction as a major mediating component in this relationship.

Results and Discussion
Descriptive Statistics

The dimensions were measured using a five point Likert scale (range from 1-strongly disagree to 5-strongly agree). The descriptive statistics for all variables, including mean and standard deviation, are shown in Table. The table shows mean of customer empowerment was (M=3.74, SD= 1.61), complaint handling (M=3.86, SD= 1.56), Customer loyalty (M= 3.45, SD= 1.49) Customer Satisfaction (M= 3.62, SD= 1.58)

Table Descriptive Statistics

Variables	Mean	Standard Deviation
CE	3.74	1.61
CH	3.86	1.56
CL	3.45	1.49
CS	3.62	1.58

Correlation Analysis

The researcher can employ correlation analysis to confirm the connection between the study's constructs (Bryman & Bell, 2012). Regression analysis requires correlation analysis as a

prerequisite. The correlation findings are displayed in Table.

Table Correlation

Construct	CE	CH	CL	CS
CE	1			
CH	0.443	1		
CL	0.504	0.540	1	
CS	0.609	0.551	0.493	1

All of the values were between 0.30 and 0.70, hence all of the variables exhibit moderately favorable associations, according to Table 4.10. Customer empowerment and Complaint Handling have a correlation of 0.443, Customer empowerment and Customer Loyalty have a correlation of 0.504, Customer empowerment and Customer Satisfaction have a correlation of 0.609, and Complaint Handling has a of 0.540.

Customer satisfaction and loyalty had a final correlation of 0.493.

Reliability
According to the findings, addressing complaints has the lowest Cronbach's alpha value (0.710) and customer happiness has the greatest value (0.850). Similar to this, the composite dependability is lowest for managing complaints (CR = 0.7.54) and greatest for customer happiness (CR = 0.891).

Table Reliability

Variables	Cronbach's Alpha	Composite Reliability	Average variance extracted (AVE)
CE	0.844	0.786	0.502
CH	0.710	0.754	0.505
CL	0.820	0.876	0.564
CS	0.850	0.891	0.582

Indicator Reliability and Outer Loadings
The reliability of an indicator is evaluated using its outer loadings. By squaring the reflective indicators' outer loadings, this dependability value is determined. Factor loadings, on the other hand, are weights of the routes that connect an indication to its variable. These loadings have values ranging from 0 to 1 (Garson, 2016). Every build needs a loading value > 0.5 (Dincheva & Nikolovska, 2016).

Table Outer loading

Construct	Indicator	Outer Loading	VIF
Customer Empowerment	CE1	0.875	1.214
	CE2	0.702	1.291
	CE3	0.781	1.363
	CE4	0.703	1.321
Complaint Handling	CH1	0.766	1.055
	CH2	0.757	1.217
	CH3	0.807	1.196
Customer Loyalty	CL1	0.770	1.224
	CL2	0.713	1.244
	CL3	0.759	1.292
	CL4	0.782	1.219
Customer Satisfaction	CS1	0.767	1.186
	CS2	0.771	1.218
	CS3	0.807	1.386
	CS4	0.822	1.317

Structural Equation Modeling

The main idea behind SEM is to create a model that displays the proposed connections between the observable and latent variables. This model is represented as a collection of structural equations that demonstrate the causal connections between the variables. SEM examines the model's fit to the observed data and provides information on how well the model represents the relationships between variables. One of the strengths of SEM is its ability to handle measurement errors and account for measurement reliability, which makes it more accurate in estimating relationships between variables compared to traditional regression techniques. Additionally, SEM can examine complex models with multiple paths and multiple relationships, making it valuable for investigating intricate systems of relationships.

Total direct Effect

The findings show that customer complaint handling (CH), customer empowerment (CE), customer satisfaction (CS), and customer loyalty (CL) all have strong positive correlations, with CH and CE having a considerable influence on CS. To begin, customer complaint handling (CH) has a standard deviation of 0.31, a t-statistic of 9.54, and a p-value of 0.000 when compared to customer loyalty (CL). This suggests that CH has a substantial, positive, and statistically significant influence on CL. The high t-statistic indicates that the association between CH and CL is not random, and the p-value demonstrates that this impact is significant at a level far below the conventional threshold of 0.05. This implies that when concerns are handled properly, customers are more likely to stay loyal.

Customer satisfaction (CS) has a significant positive effect on customer loyalty, as demonstrated by a standard deviation of 0.27, a t-statistic of 8.97, and a p-value of 0.005. This suggests that improved customer satisfaction has a considerable impact on customer loyalty, albeit the p-value is slightly larger than in the previous two associations, but still well within the allowed

range for statistical significance. This research implies that satisfied customers are more inclined to stick with the brand.

Furthermore, the effect of customer complaint handling (CH) on customer satisfaction (CS) is significant, with a standard deviation of 0.23, a t-statistic of 9.32, and a p-value of 0.000. This suggests that good complaint handling improves customer satisfaction, emphasizing the necessity of responding to consumer issues quickly and effectively. Finally, customer empowerment (CE) has a significant effect on customer satisfaction, as evidenced by a standard deviation of 0.32, a t-statistic of 11.07, and a p-value of 0.001. This demonstrates that when customers feel empowered, their overall satisfaction with the organization rises dramatically.

Table Total direct Effects

|	Standard deviation	T statistics	P values
CH ·······> CL	0.31	9.54	0.000
CE ·······> CL	0.39	10.71	0.000
CS ·······> CL	0.27	8.97	0.005
CH ·······> CS	0.23	9.32	0.000
CE ·······> CS	0.32	11.07	0.001

Total Indirect Effect

The results show that both customer complaint handling and customer empowerment have a considerable impact on customer loyalty, with customer satisfaction acting as a mediating element. For the pathway from complaint handling to customer loyalty via customer satisfaction, the standard deviation is 0.19, the T-statistic is 8.27, and the p-value is 0.001, indicating a substantial and statistically significant mediation effect. This shows that better complaint handling improves consumer happiness, which leads to greater loyalty. The strong T-statistic underlines the robustness of this impact, while the p-value suggests that the chances of these results occurring by chance is extremely low, indicating the pathway's significance. Similarly, customer empowerment has a positive and substantial effect on customer loyalty via customer satisfaction, with a standard deviation of 0.28, T-statistic of 9.11, and p-value of 0.000. These results show that when customers feel empowered, their satisfaction rises, resulting in greater loyalty to the organization. The slightly higher standard deviation indicates that consumer empowerment may cause more fluctuation in satisfaction levels than complaint processing, but the very high T-statistic and near-zero p-value reveal a meaningful and reliable effect. Together, these data demonstrate that complaint handling and empowerment are critical components of CRM, as they greatly contribute to customer loyalty through the mediating role of satisfaction.

Table Total Indirect Effect

	Standard deviation	T statistics	P values
CH -> CS -> CL	0.19	8.27	0.001
CE -> CS -> CL	0.28	9.11	0.000
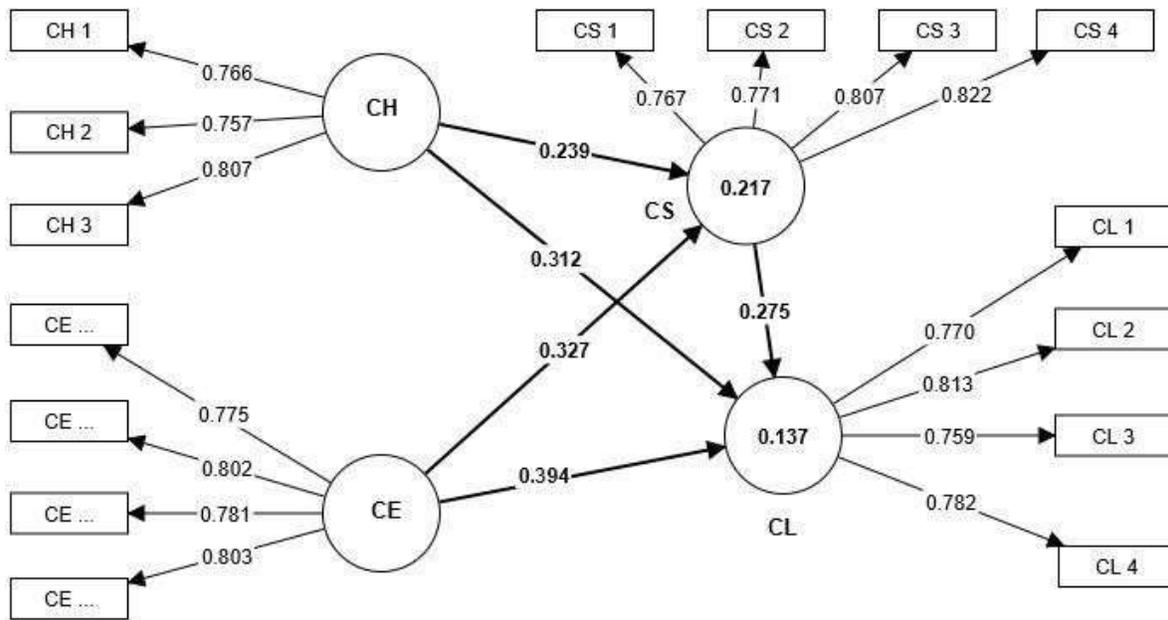
Discussions and Conclusion

Previously, traditional marketing methods were similar to Kotler's 4Ps for positioning. While the explanations presented are valid, they overlook the critical behavioral elements that drive customer behavior. A new strategy for attracting and retaining consumers has emerged, called as customer relationship management. The SEM research sheds light on the links between customer complaint handling, empowerment, satisfaction, and loyalty. Both customer complaint management and customer empowerment have large indirect effects on customer loyalty through customer satisfaction, underlining satisfaction's mediating function in the model. These findings lend support to the SET hypothesis, which holds that when customers see fair and positive interactions with a company, they are more likely to build loyalty. In this context, the study shows that effective complaint handling and customer empowerment increase happiness, which leads to loyalty, so verifying the theoretical framework and confirming the practical worth of certain CRM components.

The path from complaint handling to customer loyalty to customer satisfaction has a standard deviation of 0.19, a T-statistic of 8.27, and a p-value of 0.001. This finding reveals a strong link in which excellent complaint handling greatly increases customer happiness, which then reinforces loyalty. The high T-statistic indicates the strength of the relationship, while the low p-value verifies that this impact is unlikely to occur by chance. These findings are consistent with earlier research demonstrating that efficiently addressing customer concerns improves satisfaction, prompting customers to reciprocate with greater loyalty. This conclusion emphasizes the necessity of investing in strong complaint-handling processes for businesses, particularly those in the service industry, in order to foster long-term client relationships.

Similarly, consumer empowerment was found to affect loyalty through satisfaction, with a standard deviation of 0.28, a T-statistic of 9.11, and a p-value of 0.000. The positive and significant mediating impact suggests that empowering customers—by giving them knowledge, choices, and control over their interactions—leads to increased satisfaction, which enhances loyalty. The slightly higher standard deviation here may imply that empowerment causes more variation in satisfaction levels than complaint handling, maybe due to individual variances in how customers value and respond to empowerment

programs. Nonetheless, the high T-statistic and near-zero p-value emphasize the strength and significance of this link, confirming that empowerment is an essential component of customer retention tactics.

These findings not only lend empirical support to SET, but also highlight the interdependence of CRM strategies in improving customer loyalty. The study's findings show that complaint handling and empowerment have an independent and beneficial influence on satisfaction, which serves as a vital intermediate leading to loyalty. This emphasizes the importance of satisfaction as a key link between CRM endeavors and customer loyalty, implying that attempts to promote loyalty should prioritize techniques that improve customer satisfaction. Companies that understand and execute good complaint-handling and empowering procedures can generate a more satisfied and loyal client base, which is critical for a competitive advantage in today's service-oriented industry.

Theoretical Contributions

This work provides an important theoretical addition by applying SET to the setting of CRM in the banking industry, with a focus on the interactions between complaint processing, consumer empowerment, customer happiness, and customer loyalty. While SET has traditionally emphasised the reciprocal nature of relationships based on perceived benefits and costs, this study broadens its application by demonstrating how specific CRM practices—namely complaint handling and customer empowerment—can foster customer loyalty via the mediating role of satisfaction. This nuanced approach provides a more complete picture of how relational dynamics in CRM contribute to loyalty, deepening the SET framework by highlighting satisfaction as a major mediating aspect in these exchanges.

Furthermore, this study fills a gap in CRM literature by applying SET specifically to the banking business in Pakistan, where studies are scarce. The findings indicate that SET is adaptable and helpful across a variety of cultural and industry situations, indicating a need for additional research in similar developing-market scenarios. This study not only supports SET as a framework for evaluating customer loyalty, but it also broadens its geographical and sectoral relevance, paving the way for future research into CRM dynamics across diverse cultural and economic settings.

Finally, this study adds to theoretical understanding by providing empirical evidence on the role of satisfaction as a mediating variable, implying that the road from CRM elements to loyalty is not direct but is assisted by customers' favorable appraisals of their experiences. This theoretical discovery necessitates a rethinking of old CRM models, arguing that future models should include satisfaction as a major, mediating component. This research contributes to a better understanding of the mechanisms by which CRM practices promote loyalty, promoting more theoretical exploration and model building in the CRM and SET areas.

Practical Contributions

This study provides essential practical insights, notably for the banking and service industries seeking to improve client loyalty through CRM methods. By experimentally proving that both complaint management and customer empowerment have a major impact on customer loyalty via customer satisfaction, the findings help managers prioritize CRM strategies that result in long-term client retention. The favorable impact of complaint management on satisfaction and consequent loyalty emphasizes the necessity for banks and other service businesses to engage in structured, responsive complaint-resolution processes. When consumers feel heard and supported as a result of efficient complaint handling, they are more likely to create trust and loyalty, both of which are necessary for maintaining customer relationships.

In addition to these CRM insights, the study emphasizes the need of a customer-centric strategy to fostering loyalty. Organizations are encouraged to prioritize satisfaction as a key goal in their complaint-handling and empowerment

activities, recognizing that it serves as a fundamental link to loyalty. Managers can better devote resources to programs that not only address current difficulties but also create long-term loyalty by recognizing and addressing the mediating function of satisfaction. The findings thus give a clear path for managers wishing to develop their CRM strategies, directing them to invest in customer satisfaction as a bridge to establishing long-term loyalty and client retention in a competitive environment.

Conclusion

Effective complaint handling is an important part of customer relationship management. When customers experience problems with a product or service, they have high expectations for resolution. The study found that organizations that prioritize speedy and sympathetic complaint management systems can transform potentially unpleasant encounters into favorable ones. Companies that resolve complaints immediately and satisfactorily might not only retain affected customers, but also potentially convert them into loyal brand champions. This discovery underscores the importance of investing in strong customer service and support teams that can address complaints with care and professionalism.

Consumer satisfaction is identified as an important mediator between complaint resolution, consumer empowerment, and customer loyalty. Customer satisfaction serves as a link between positive complaint resolution experiences and customer empowerment activities, resulting in greater customer loyalty. Customers are more likely to form good emotional ties with a brand if they are satisfied with how their complaints are handled and feel empowered in their interactions with it. These favorable emotions lead to increased consumer loyalty, including repeat purchases, brand endorsement, and a lower risk of churn.

Limitation and Future Research Direction

The study's findings provide important information about the various constructs associated with banking services in the context of

Pakistan's SME sector. Despite all efforts to adequately investigate the phenomenon, there are some limitations imposed by system, human, financial, time, and other constraints. Before evaluating and/or commenting on this work, several constraints must be considered. Furthermore, a cross-sectional data strategy was adopted. The advantage of this strategy is that all of the data is collected at once. As a result, the results may not be highly trustworthy. Despite being widely used in the social sciences (Ghadi, 2012), this technique has limited interpretive ability due to the causal link between distinct variables. To overcome this limitation, future study can use a longitudinal research strategy, which involves collecting data over two different time periods.

The thesis focused solely on the banking business. The study might be extended to include other service businesses such as airlines, insurance, entertainment, and restaurants. Research undertaken in other industries would complement this research, allowing for greater generalization of overall conclusions. Future studies may be conducted in other industries and sectors. The study's sample size consisted of 450 respondents from Pakistan's Dera Ghazi Khan area. To obtain more definitive information regarding the issue under study, the sample size might be enlarged and expanded to include other important cities in Pakistan.

Although demographic information was acquired, the study did not intend to analyze it. Due to a lack of time to conduct a more thorough research of the phenomenon, demographic data could only be examined by converting them into dummy variables. Although the work contributes greatly to the corpus of knowledge, its limitations could be addressed in future research. Any research activity benefits from a methodical approach. We collected data in a cross-sectional manner. In the future, data on the same variables may be collected longitudinally. This technique will provide a better understanding of the phenomenon by demonstrating how different linkages between the quality of goods and services, consumer

awareness, perceived value, and customer happiness have evolved.

REFERENCES

Ahmed, R. R., Vveinhardt, J., Warraich, U. A., Shabib, S., & Baloch, A. (2020). Customer Satisfaction & Loyalty and Organizational Complaint Handling : Economic Aspects of Business Operation of Airline Industry. *Inzinerine Ekonomika-Engineering Economics*, *31*(1), 114–125.

Al-Ajam, A.-S. and Nor, K.M. (2015), ―Challenges of adoption of internet banking service in Yemen‖, *International Journal of Bank Marketing*, Vol. 33 No. 2, pp. 178 – 194.

Anderson, E. W., & Fornell, C. (2000). Foundations of the American customer satisfaction index. Total Quality Management, 11(7), 869-882

Bao, Y., & Zheng, H. (2021). Effects of online product reviews and ratings on customer loyalty: A moderated mediation model. Journal of Retailing and Consumer Services, 61, 102582.

Bhat, S. A., & Darzi, M. A. (2016). Customer relationship management An approach to competitive advantage in the banking sector by exploring the mediational role of loyalty. International Journal of Bank Marketing, 34(3), 388-410.

Bigne, J. E., Andreu, L., & Gnoth, J. (2013). The role of economic, social, and environmental value creation in customer relationship management: a framework for exploring customer empowerment. Journal of Business Research, 66(9), 1516-1524.

Bose, R. (2002). Customer relationship management key components for IT success [J].industrial management & data systems, 102(2): 89.

Boshoff, C., & Allen, J. (2000). The influence of selected antecedents on frontline staff's perceptions of service recovery performance. International Journal of Service Industry Management‖, 11(1), 63-90.

Bull, C. (2003) Strategic issues in customer relationship management (CRM) implementation. Business Process Management Journal.

Cai, Y., & Chi, G. (2018). The impact of CSR on brand loyalty: A case study of Chinese consumers. Journal of Retailing and Consumer Services, 40, 139-145.

Carvajal-Trujillo, E., León-Keller, A. M., & Erazo-Torres, F. (2011). Social responsibility and brand loyalty: a study in adolescents. Journal of Business Research, 64(7), 715-722.

Chan, J. K. L. (2014). Understanding the meaning of low airfare and satisfaction among leisure air travellers using Malaysian low-cost airlines. *Journal of Vacation Marketing*, 20(3), 211–223. https://doi.org/10.1177/ 1356766713519635

Chebat, J. C., Sirgy, M. J., Grzeskowiak, S., & Allen, J. (2011). Environmental design and positive emotions of service customers: An integrative framework for the hospitality industry. Journal of Hospitality Marketing & Management, 20(2), 115-133.

Chen, I. J. & Popovich, K. 2003. Understanding customer relationship management (CRM).

Business Process Management Journal, 9, 672–88.

Chen, K. & Sockel, H. 2004. The impact of interactivity on business website visibility.

International Journal of Web Engineering and Technology, 1, 202-217.

Concepcion Varela-Neira, R. V. (2010). Explaining customer satisfaction with complaint handling. *International Journal of Bank Marketing*, 28(2), 88–112. https://doi.org/10.1108/02652321011018 305

Cronin, J.J., Brady, M.K., & Hult, G. (2000). Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions in service environments. *Journal of Retailing, 76*(2), 193-218.

Dashgarzadeh and Saremi Rad (2010). An investigation into the relationship between psychological empowerment and organization commitment of the staff in the Telecommunication Company. In Modiriyat-e Dolati, 1 (3), p. 62-80.

Donnelly, M. (2009), ―Building Customer Loyalty: A Customer Experience Based Approach in a Tourism Context‖, Ph. D. Thesis, Waterford Institute of Technology.

Estelami, H. (2003). Consumer attitude formation and change: The role of message framing and source credibility. Journal of Consumer Psychology, 13(1-2), 25-35. doi: 10.1207/S15327663JCP1301&2_04

Fuchs, C. and Schreier, M. (2011), ―Customer Empowerment in New Product Development‖,

Journal of Product Innovation Management, Vol. 28, pp. 17-32.

Huang, C. C., & Huang, P. Y. (2020). How complaint handling affects customer satisfaction: The roles of justice perceptions and trust in the company. Journal of Hospitality and Tourism Management, 42, 85-95.

Kim, D. J., & Kim, W. G. (2017). The effects of perceived customer empowerment on satisfaction and loyalty in online shopping: An empirical study. Journal of Global Scholars of Marketing Science, 27(1), 1-13

Kocoglu, D. and Kirmaci, S. (2012), ―Customer Relationship Management and Customer Loyalty: A Survey in the Sector of Banking‖, *International Journal of Business and Social Science*, Vol. 3 No. 3, pp. 282-291.

Lemon, K. N., & Verhoef, P. C. (2016). Understanding customer experience throughout the customer journey. Journal of Marketing, 80(6), 69-96. doi: 10.1509/jm.15.0420

Lin, Y., & Su, H. (2003), ―Strategic analysis of customer relationship management ― a field study on hotel enterprises,‖ Total Quality Management and Business Excellence, Vol. 14(6), pp. 715– 731.

Mahmoudi, A., Honari, H. Eslami, A. (2016). The role of customer relationship management in customer loyalty to sports amusement centers. In Sports Management Studies, 14, No. 36. Pages: 208-189.

Manrai, A. K., & Manrai, L. A. (2007). Differential effects of satisfaction on salesperson evaluations. Journal of Business Research, 60(3), 259-265.

https://doi.org/10.1016/j.jbusres.2006.10.009

Martinko, M. J., Gundlach, M. J., & Douglas, S. C. (2002). Toward an integrative theory of counterproductive workplace behavior: A causal reasoning perspective. International Journal of Selection and Assessment, 10(1-2), 36-50.

Maxham, J. G., & Netemeyer, R. G. (2002). A longitudinal study of complaining customers' evaluations of multiple service failures and recovery efforts. Journal of marketing, 66(4), 57-71.

Miri, A., Sabzikaran, E. (2011). Investigating the factors affecting the empowerment of human resources of National Iranian Oil Products Distribution Company, Tehran Region. In Quarterly Journal of Management and Development Process, 3(6), p. 49- 56.

Neira, I. (2010). The impact of corporate social responsibility (CSR) practices on firms' profitability in the Chilean mining industry. Journal of Business Ethics, 93(2), 305-

318. doi: 10.1007/s10551-009-0184-4.

Nguyen, T. H., Sherif, J. S., & Newby, M. (2007). Strategies for successful CRM implementation. Information Management & Computer Security,15(2), 102–115.

Osarenkhoe, A., & Komunda, M. (2011). Corporate social responsibility and organizational performance in Nigerian SMEs: The mediating role of organizational culture. Journal of Business and Public Policy, 4(4), 1-13.

Rashidi Saleh, M. 2009. Customer Relationship Management. Journal of Export Development. 13 (79).pp: 16-8. (Persian).

Sangadji M. 2014. Pengaruh kualitas pelayanan terhadap kepercayaan dan loyalitas nasabah Garuda Indonesia di Denpasar, Bali. Jurnal Manajemen Strategi Bisnis dan Kewirausahaan 7(1):19 -28.

Seth, N., Deshmukh, S. G., & Vrat, P. (2005). Service quality models: A review.

International Journal of Quality & Reliability Management, 22(9), 913-949

Shams, R., Rahman, M. M., & Rahman, M. A. (2020). Impact of Corporate Social Responsibility on Brand Attitude and Purchase Intention: A Study on Banking Industry in Bangladesh. Journal of Management, 7(1), 35-46.

So, K. K. F., King, C., Sparks, B. A., & Wang, Y. (2014). The Role of Customer Engagement in Building Consumer Loyalty to Tourism Brands. *Journal of Travel Research*, 55(1), 64–78. https://doi.org/10.1177/0047287514541008

Tabachnick, A., & Fidel, B. (2001). Statistical Sampling Methods. Quantitative Research Review, 15(2), 45-62.

Vasiliu, D. (2012). Approach to Customer Relationship Management (CRM)-the new key sales success. USV Annals of Economics & Public Administration, 12(1), 144-153.

Walter, I., & Ezema, C. (2016). Corporate social responsibility and organizational effectiveness in Nigerian manufacturing companies. Journal of Economics and Sustainable Development, 7(13), 129-139.Wang, Y. S., & Lo, H. P. (2015). Empowering customers through social media: The benefits and challenges. International Journal of Electronic Commerce, 20(2), 165-192. doi: 10.1080/10864415.2016.1102686

Yim, F.H-K, Anderson R.E. and Swaminathan, S. (2004), ―Customer Relationship Management: Its Dimensions and Effect on Customer Outcomes‖, *Journal of Personal Selling and Sales Management*, Vol. 24 No. 4, pp. 263-278.

Zhang, H., Zhang, X., & Han, Y. (2019). Customer empowerment in online reviews: An empirical study. Journal of Business Research, 99, 223-234.

Zhang, Y., & Mao, Z. (2021). The effect of complaint handling on customer satisfaction and loyalty: The moderating role of attribution of blame. Journal of Hospitality and Tourism Management, 48, 32-42