

FACTORS IMPACTING CUSTOMER SATISFACTION: A STUDY ON THE BANKING SECTOR OF MALAYSIA

EMMANUEL CHUKWUMA OKENWA^{1*}, BUNENGI HENRY DAGOGO^{2*} and

Dr. AZADEH AMOOZEGAR³

^{1, 2, 3} PhD Candidate, Limkokwing University of Creative Technology, Malaysia, Post Graduate Center, Limkokwing University of Creative Technology Malaysia.

*Corresponding Author's Email: ¹okenwachuma.e@hotmail.com, ²henryvictor604@gmail.com

Abstract

One of the most important elements in every business organization in every part of the world is customer satisfaction. Customer satisfaction is an essential factor for the existence and profitability of a business organization. Due to the importance of this element, many researchers have contributed the majority of their focus, time and effort on studying the customer satisfaction and finding out the factors that may have an influence on customer satisfaction and measure the level of influence. Since the banking section is one of the most important financial organization that mostly every person is doing business with, customer service is an inevitable part of this organization. Therefore, the main objectives of the current study are to identify the influence of reliability, assurance, responsiveness, and convenience in increasing the customer satisfaction in banking sector at Malaysia. This study used the questioner to collect the data from the 357 respondents. The quantitative cross-sectional method was employed to analyze the collected data.

Keywords: Malaysia Banking Sector, Customer Satisfaction, Service Quality.

INTRODUCTION

One of the critical aspects of the financial and banking sector is maintaining a long- term relationship with customers. Customer satisfaction is a crucial variable that governs every business success. In this competing market, providing the most favourable products and services can ensure the attention of the customers. According to marketing strategies, by earning the customer's satisfaction would also bring customer loyalty along with it. These two affect the profitability revenues of the banking sector. In addition, as discussed by (Sweeney & Swait, 2008), since the existence of the business organization is dependent on its customers, there is a great concern on losing the customer. Therefore, developing customer's satisfaction would increase the number of loyal customers. In terms of achieving business goals, these two terms are very important. In this regard, recent literature has extensively studied the importance of customer satisfaction in financial services and also the impact of losing client on the company profitability (Adams et al., 2019; Chi & Gursoy, 2009; Fathollahzadeh, Hashemi, & Kahreh, 2011; Sweeney & Swait, 2008). Therefore, the focus and marketing strategies of the financial sector are to attain customer loyalty to improve their financial performance and services (Hosta & Zabkar, 2020). The customer satisfaction, customer loyalty and financial performance can be achieved through two key strategies; the service quality and the marketing strategies. According to the service management literature, customer satisfaction is defined as a comparison of customer perceptions of the received value with the provided value. In this regard, value is described as the relation of service quality, price and customer procurement expenses triangle (Zietsman, Mostert, & Svensson, 2019).

Statement of the Problem

Many of literature and academicians have highlighted the importance of the customer in the hospitality industry. The existence of high-ranked financial organizations depends on their customers which are the key reason for their survival in the marketplace. Therefore, the Banks try their best to maintain their customers to keep their future and protection safe and away from any risk. To this end, customer satisfaction, retention, and faithfulness is the priority of the bank sector. The reliability, assurance, responsiveness, and convenience play an important role in increasing the customer satisfaction. Furthermore, banks showing graceful effort to improve their customer satisfaction by improving the bank's service quality and product differentiation (Eikelboom et al., 2017). Thus, this study aims to find out to which extent the reliability, assurance, responsiveness, and convenience would influence the customer satisfaction in banking sector at Malaysia.

- RO1: To investigate the impact of reliability on customer satisfaction in the banking sector of Malaysia.
- RO2: To investigate the impact of assurance on customer satisfaction in the banking sector of Malaysia.
- RO3: To investigate the impact of responsiveness on customer satisfaction in the banking sector of Malaysia.
- RO4: To investigate the impact of convenience on customer satisfaction in the banking sector of Malaysia.

LITERATURE REVIEW

Customer

Customers could best be described as those who use the output of work, the end- users of products or services (Müller, Junglas, Debortoli, & vom Brocke, 2016). They may be internal to the organization such as the employees and directors or external like members of the public, other businesses, or government (Gumusluoğlu & Ilsev, 2009). A customer is a person who buys goods or services from the service provider (Van der Valk & Rozemeijer, 2009). It may also refer to any potential buyer. The word "custom" means "habit" (Zimmerman & Medicine, 2013), a person who goes to a store on a frequent basis to purchase their products or services, thus it is their habit to buy from that particular store. In the opinion of Peter Drucker, there is now a completely new breed of customers with high standards and expectations (Kurzynski, 2009). And as competition increases there is the need to devise creative and new ways of meeting the ever-increasing demands of the modern-day customer who is very sophisticated, knowledgeable, demands excellent products and services and has alternatives (K. Z. Zhou, Brown, & Dev, 2009).

Malaysia Banking Sector

The Malaysian financial system was introduced in 1957, before its independence. During that period, foreign banks were the only financial operational organization in Malaysia. However, the first domestic bank has established in 1959 operating under the Central Bank of Malaysia (Ab-Rahim & Chiang, 2016; Schenk, 1993). The banking system in Malaysia is consist of

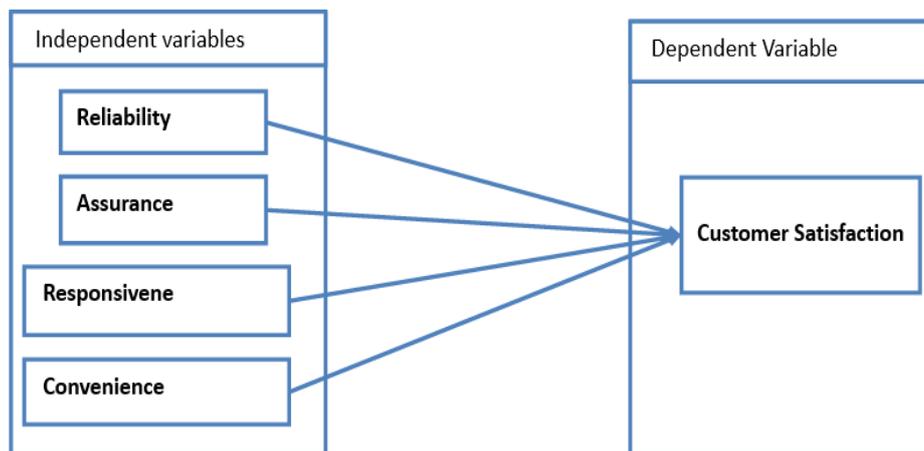
commercial banks, investment banks, and Islamic banks. According to the Central Bank of Malaysia (known as Bank Negara Malaysia), Malaysian financial organization is consisting of more than 60 financial institutions (9 domestically commercial banks, 16 foreign commercial banks, 16 Islamic banks, 5 international Islamic banks, and 15 investment banks).

Customer Satisfaction

Customer satisfaction has been investigated in recent studies as the most significant influential feature on customer loyalty (Keshavarz & Jamshidi, 2018; Ngo & Nguyen, 2016). Customer satisfaction has been defined by Oliver and DeSarbo (1988) as the expectation alteration of the customer before and after consumption of product or delivery of service. It is described as the degree of how it meets consumer's expectations. Moreover, it is explained as to how a product meets or exceed the customers' expectations after consumption of a product or receiving a service (Fagnoli, Costantino, Di Gravio, & Tronci, 2018; Kujala, Mugge, & Miron-Shatz, 2017). In the banking sector, it is described as the overall evaluation of customer of the whole provided services (Dauda & Lee, 2016; Shankar & Jebarajakirthy, 2019). Sudari, Tarofder, Khatibi, and Tham (2019) has claimed that satisfaction would increase the customer loyalty and based on the service-profit chain it would result in enhancing the financial performance (Fathollahzadeh et al., 2011; Hogreve, Iseke, Derfuss, & Eller, 2017; Kelloway & Myers, 2019).

H4: Convenience impact customer satisfaction in the banking sector of Malaysia positively and significantly

Theoretical Framework



METHODOLOGY

Epetimehin and Ekundayo (2011) define a research design as the framework that is used to guide a researcher in conducting a study. This includes how data will be collected, the procedure that will be adopted in determining which data will need to be collected for the study. This study will adopt a descriptive research design. Since it allows the research objectivity, and it will enable the researcher to summarize data using descriptive and inferential statistics. Descriptive research portrays an accurate profile of persons, events, or

situations (M. Saunders, Lewis, & Thornhill, 2003). The dependent variable is customer satisfaction, while service quality is independent variables. The research method is quantitative research with cross-sectional data. Research methodology has been defined as the action of collecting and analyzing the data. There are two types of research method; qualitative and quantitative. In addition, the researcher can choose between the primary data source or the secondary data source. The primary data have achieved from the current analysis on the specific topic of interest, while the secondary data can be extracted from third-party sources such as; books, journals, media, the internet, research papers and etc.

Measurement

Consistent with the questionnaires, assessments, structured interview programs and checklists”. In this study, a questionnaire. According to the nature of the target population where numbers of the target population are many, a sample will be taken. The respondents that have opened their bank account after October 2017 have not been considered in the sample, due to the lack of experience about the banking system. The foreign account holders have not been considered in the sample, due to less availability and possibility of forcing to have a bank account in a certain bank. This study employed Cronbach's population proportion formula to specify the sample size because the actual number of the population is unachievable. The sample size can be derived by computing the minimum sample size required for accuracy in estimating proportions by considering the standard normal deviation set at 95% confidence level (1.96) (Mensah, 2014).

Table 1: Gender distribution of respondents

Variable		Frequently	Percentage (%)
Gender	Male	196	55
	Female	161	45
	Total	357	100

Table 2: Age distribution of respondents

Variable		Frequently	Percentage (%)
Age	18-24	97	27
	25-30	109	31
	31-35	76	21
	36-40	32	9
	41-45	31	9
	Over 45	12	3
	Total	357	100

Table 3: Marital status of respondents

Variable		Frequently	Percentage (%)
Marital Status	Single	135	38
	Married	162	45
	Divorced	48	14
	Widowed	12	3
	Total	357	100

Table 4: Income level of respondents

Variable		Frequently	Percentage (%)
Income (RM)	Below 2.5k	20	5
	2.5k-5k	107	30
	4k-6k	85	24
	6k-8k	109	31
	8k-10k	24	7
	Above 10k	10	3
	Total	357	100

In order to better characterize the wealth distribution among the respondents', they were asked regarding their average monthly income in the questioner survey. The result of this part is reflected in table 6. According to the respondent response, the majority of them (31%) have the average monthly income of RM 6000-8000. The respondent with an average monthly income of RM 2500-5000 is 30% and in the second place. About 24% of the respondent have an average monthly income of RM 4000-6000. Meanwhile, the respondent with an average monthly income of RM 8000-10,000 has a distribution of 7%. Finally, those with average monthly income below RM 2500 and above RM 10k are 5% and 3%, respectively. Figure4.5 shows that 85% of respondents have an average monthly income of RM 2500- 8000 while the rest 15% are at the two extremes.

Table 5: Reliability

Descriptive Analysis	Result	Mean	Std. Deviation
Bank follows its promised timeframe for responding the Customer	Agree	3.57	0.052
Bank is trustworthy and reliable	Agree	3.53	0.256
Bank provide the services at the promised timeframe	Neutral	3.48	1.158
Bank should keep precise records	Agree	4.22	0.944
Overall Mean	Agree	3.70	0.602

Table 6: Assurance

Descriptive Analysis	Result	Mean	Std. Deviation
Bank Employees are dependable	Agree	3.58	0.110
Bank customer feels secure when transacting with employees	Neutral	3.49	1.165
Bank employees are polite	Agree	3.56	0.122
Bank shows sympathy and reassures when a customer faces a problem	Agree	3.62	0.086
Employees receive satisfactory support from the bank to do their job well	Neutral	3.49	0.942
Mean Index	Agree	3.548	0.485

Table 7: Responsiveness

Descriptive Analysis	Result	Mean	Std. Deviation
Bank is must tell the customer the exact timeframe of performing the service	Agree	3.56	0.158
It is fair to expect immediate service from Bank employees	Agree	3.48	0.110
Employees should assist customers at any time	Agree	3.62	0.108
It's not acceptable to be too busy to respond to the customer requests immediately	Neutral	3.51	0.270
Mean Index	Neutral	3.542	0.1615

The Cronbach's alpha coefficient of all the items in the questioner is higher than the 0.7. Therefore, the reliability of the research instrument (questioner) used in this study has been validated.

Table 6 points out all the four descriptive statistics factors that have an influence on the service quality and affect customer satisfaction overall. In order to investigate the purposed research objective in this research, the impact of all these factors should be studied. Therefore, the research respondents were asked to answer a series of questions to find out the response to the research question. The reliability has been investigated by respondents and resulted in the mean of 3.70 with a standard deviation of 0.602 (Table 5). Thus, it can be concluded that the overall mean of reliability and standard deviation has an impact on customer satisfaction. The next factor that assessed based on the respondent's answers was assurance (table 6). The assurance has rated with mean of 3.548 with a standard deviation of 0.485. Hence, the respondents mostly agreed that assurance has some degree of impact on customer satisfaction. The third factors which assessed based on the respondents' answers were responsiveness. According to table 11, responsiveness has achieved a mean of 3.542 with a standard deviation of 0.1615. Hence, the respondents mostly agreed that responsiveness has a significant impact on customer satisfaction. Finally, convenience was assessed based on the respondents' answers and rated the mean of 3.51 with a standard deviation of 0.3177. Hence, the respondents mostly agreed that convenience has some degree of impact on customer satisfaction.

Table 8: summary of hypothesis

Hypotheses	Status
H1: Reliability impact customer satisfaction in the banking sector of Malaysia positively and significantly	Supported
H2: Assurance impact customer satisfaction in the banking Sector of Malaysia positively and significantly.	Supported
H3: Responsiveness impact customer satisfaction in the banking sector of Malaysia positively and significantly	Supported
H4: Convenience influence customer satisfaction in the banking sector of Malaysia positively and significantly	Supported

DISCUSSION OF FINDINGS

In this study, the elements that have an impact on customer satisfaction in different banks located in Malaysia have been investigated. This study has established two research objectives. The first objective attempts to study and assess the influence of service quality on customer satisfaction. While the second objective focused on investigating the influence of product differentiation on customer satisfaction. Both of the objectives of this study have been supported and confirmed with the finding of this study. These results present a strong mean average on investigated factors. The service quality and product differentiation demonstrate the mean average value of 3.5304 and 3.505, respectively. Consequently, it can be concluded that satisfaction of respondents' customer from the mentioned bank in table 4.6 is influenced by these two factors. Moreover, the correlation analysis shows that there is a strong positive correlation relationship (0.572) between service quality and customer satisfaction. The product differentiation and customer satisfaction have presented a weaker (0.286) but still positive correlation relationship in this study. These findings are in corollate and supported by the results of other researchers on benks in Kenya (Bitta, 2014; Nguli, 2016).

CONCLUSION

The main goal of any organization is to maintain a long-term relationship with its customers. Customer satisfaction has a significant influence on the financial operation of the organization. In addition, to win the potential customers, their requirements and desire must be recognized and considered. Therefore, organization are trying to find out what the accurate requirements of the customers are and how they can be provided to achieve customer satisfaction. In this study, the researcher has attempted to explore the role of reliability, assurance, responsiveness, and convenience in increasing the customer satisfaction in banking sector at Malaysia. Reliability play a vital role in attracting new customers and maintaining the current customers. The important role of the customers in the competitive market has been discussed in the literature review section. It has been mentioned that satisfied customers are more intended to recommend new customers. This will cause an increase in the number of customers and subsequently increase the financial profit of the company.

SUGGESTIONS FOR FUTURE RESEARCH

By considering the result of this study and presented discussion, the researcher made the following recommendations:

- 1) The banking sector should update and improve the quality of the services/product, and make a product innovation dynamic
- 2) The banking sector should develop a service quality measurement, to satisfy their customers.

Moreover, here is the recommendation for future studies:

- 1) The influence of customer satisfaction on organizational performance and financial profitability.
- 2) The influence of banks innovation, relationship management, on customers' satisfaction.

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