

## **Influencing Factors of Customer Satisfaction in Private Commercial Banking Sector in Bangladesh**

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### **Abstract**

**The purpose of this study is to predict influencing factors of customer satisfaction and the level of customer satisfaction to the quality of services offered by Bangladeshi commercial bank. The question of the research is What are the needs of the Bangladeshi commercial banking sector and What are the main factors influencing the level of customer satisfaction in Bangladeshi commercial banking. Research contents focused on six different independent variables (service quality, responsiveness, reliability, transaction speed, perceived value and service charge.) and one dependent variables (customer satisfaction). This study aims to examine the causal relationships between customer satisfaction and the service quality, responsiveness, reliability, transaction speed, perceived value and service charge. Considering the influence of some important control variables, such as age, gender, and profession, types of account, educational qualification and income. Findings showed that service quality, responsiveness, reliability, transaction speed, perceived value and service charge all influenced consumers satisfaction when discussing them separately.**

### **Keywords**

**Influencing factors, customer satisfaction, commercial bank, Bangladesh.**

### **1. Introduction**

In modern economics, service sector plays a positive role side by side constructing and other sectors. Banking sector execute its activities economically and socially in a country. Service managers of such service factory are more anxious about their quality of service and client satisfaction [1]. Bangladesh Bank is the central bank of Bangladesh. Bangladeshi financial sector is dominated by commercial banks. The banking system includes of 4 government owned commercial banks, 30 private commercial banks, 9 foreign commercial banks and 5 specialized development banks. Few new private commercial banks will enter in the banking market very soon. Bangladesh Bank is the highest authority of financial sector, and it regulates all banks and non-bank financial institutions. In Bangladesh, commercial banks provide some products and service to their clients (website of Bank Asia). Banking services include mobile banking, SME banking, internet banking, SMS banking, credit card, ATM services, foreign currency account, locker service, and loan and advances (term loan, car loan, education loan, housing loan, micro group credit, micro credit enterprise, etc.). They also offer corporate banking, loan syndication, real-time online banking for corporate clients. This paper predicts influencing factors of customer satisfaction in commercial banking sector of Bangladesh. It has been believed by the authors that, this study will add value to the research works of banking sector and will be significant to both the customers and the service providers.

## 2. Literature Review

Customer satisfaction plays an important role in company's management and profitability. Service quality, perceived value service charges, and customer satisfaction are the key sources of success in any service factory [2]. The improvement of perceived value, service quality, and satisfaction ensure customer loyalty [3]. Since the studies regarding service quality, perceived value, and customer satisfaction issues in banking industry is limited and there is no available measurement scales for service quality and customer satisfaction, especially in Bangladesh, this study efforts to propose the measurement scales for factors affecting customer satisfaction and for customer satisfaction itself. Many studies have shown that, customer satisfaction gives security of future revenue [4]; decreases elasticity of price [5] and bring a reduction in future transaction costs [6]. In case of the banking sector, it is the principal factor in the success [7]. The study found that reliability, tangibility, assurance, responsiveness and positive consumer attitudes in terms of satisfaction are crucial for private commercial banking sectors in Bangladesh. On the basis of the above literature reviews, six factors (service quality, responsiveness, reliability, transaction speed, perceived value and service charge) have been chosen as the independent variables which may affect the dependent variable (customer satisfaction) of this study.

## 3. Hypothesis and Conceptual Framework

Based on the framework and objectives of research, the present study seeks to test the following hypothesis. Referring to relevant literatures and using typical variables, this study will try to test the following 6 theoretical hypothesis, which could demonstrate the determinants of customer satisfaction and also their relationships in Bangladeshi commercial banking sector.

H1: Reliability has a positive significant relationship with the customer's satisfaction

H2: Service charge has a positive significant relationship with the customer's satisfaction

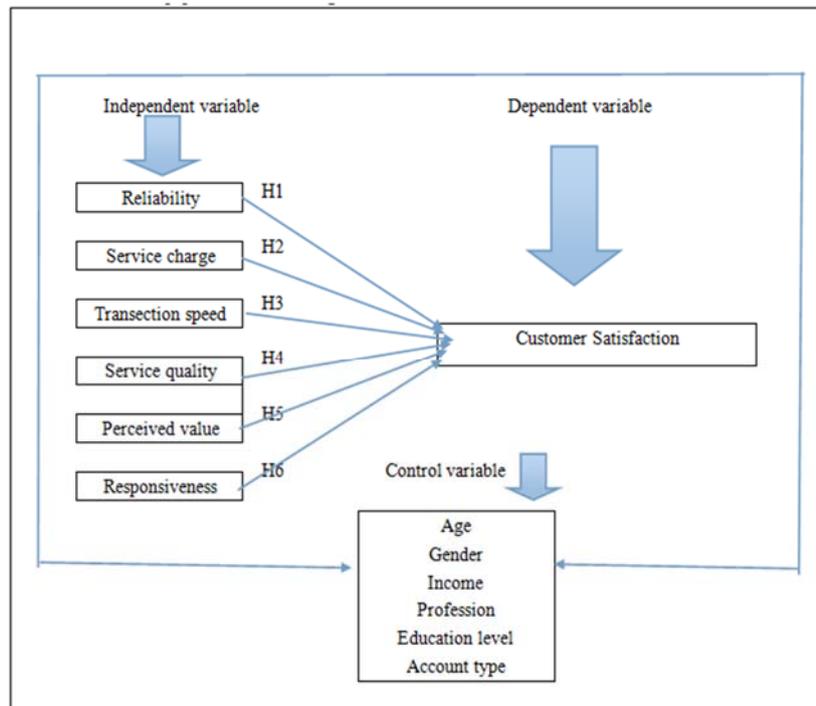
H3: Transaction speed has a positive significant relationship with the customer's satisfaction

H4: Service quality has a positive significant relationship with the customer's satisfaction

H5: Perceived value has a positive significant relationship with the customer's satisfaction

H6: Responsiveness has a positive significant relationship with the customer's satisfaction

A conceptual framework acts as a blue print that shows the relationship among the concepts. Conceptual framework clarifies the underlying process, which is used to guide this study. On the basis of nature and scope of this study, conceptual framework was created. As well as it was developed on the basis of available literature and theoretical issues.



**Fig 1.** Conceptual Framework

#### 4. Data Collection

We collect the data by using questionnaire. The questionnaire have two parts. The first part was create to understand the personal information of respondents using nominal scale. The second part consists the perceptions of respondents regarding the constructs of the model. All constructs were measured using multiple items by a five point Likert-type scale (1= strongly disagree, 2= disagree, 3= moderately agree, 4= agree, and 5= strongly agree). For this research we collected dada by using simple random sampling. Data are collected from 295 randomly selected customers at different branches of Bangladeshi commercial bank using a questionnaire consisting of 41 questions.

#### 5. Analysis and Result

Here we will provide the profile of the sample and results of the data analyses.. All the scales showed satisfactory levels of internal consistency, with  $\alpha$  value greater than .7. Finally, the hypotheses developed were tested through regression analysis in IBM SPSS. The results show that all hypotheses were supported.

##### 5.1. Factor Analysis

To investigate the appropriateness of factor analysis Kaiser-Meyer-Olkin (KMO) and Bartlett's test Statistic was used which were shown in above table. If, the KMO value is greater than 0.6 is considered as adequate [8]. From our analysis we found that the value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.810 that is greater than 0.6 indicates the value of Kaiser-Meyer is acceptable and the value of Bartlett's Test of Sphericity is also statistically significant and acceptable.

Factors names are service quality, responsiveness, customer satisfaction, reliability, transection speed, perceived value and service charge. Factor1 is combination of 5 variables SQ1, SQ2, SQ3, SQ4, SQ5 and had loading 0.655, 0.736, 0.732, 0.605, 0.645 respectively. Factor2 is combination of 4 variables RES1, RES2, RES3, RES4 and had loading 0.626, 0.787, 0.792, 0.723 respectively. Factor3 is combination of 3 variables CS1, CS2, CS3 and had loading 0.731, 0.810,

0.745 respectively. Factor-4 is combination of 4 variables RE3, RE4, RE6, RE7 and had loading 0.666, 0.653, 0.619, 0.687 respectively. Factor5 is combination of 3 variables TRAN1, TRAN2, TRAN3 and had loading 0.676, 0.684, 0.661 respectively. Factor6 is combination of 3 variables PV1, PV2, PV3 and had loading 0.791, 0.778, 0.727 respectively. Factor7 is combination of 3 variables SC1, SC2, SC3 and had loading 0.670, 0.685, 0.589 respectively.

To check multidimensionality of customer satisfaction, coefficient alpha was computed separately for all variables identified. In the present study, overall alpha coefficients value was 0.828, which is much higher than 0.7, indicating good consistency among the items variables .

**Table 1.** Rotated Component Matrixa

	Component						
	1	2	3	4	5	6	7
SQ1	.655						
SQ2	.736						
SQ3	.732						
SQ4	.605						
SQ5	.645						
SC1							.670
SC2							.685
SC4							.589
CS1			.731				
CS2			.810				
CS3			.745				
PV1						.791	
PV2						.778	
PV3						.727	
RE3				.666			
RE4				.653			
RE6				.619			
RE7				.687			
RES1		.626					
RES2		.787					
RES3		.792					
RES4		.723					
TRAN1					.676		
TRAN2					.684		
TRAN3					.661		
Reliability	.729	.754	.750	.764	.717	.702	.666

## 5.2. Correlation Analysis

Correlation analysis is applied to test the correlation between variables. Only when the correlations are significant, it is meaningful to test the casual relationship between these variables. We use the following table-3 to show the correlation test results. Results show that the correlations between these variables are very significant (all the sig values are lower than 0.05). It means, the casual relationship between variables could be explored.

**Table 2.** Correlation, Mean and Std

	SQ	SC	CS	PV	RE	RES	TS
SQ	1						
SC	.250**	1					
CS	.193**	.362**	1				
PV	.166**	.235**	.189**	1			
RE	.260**	.505**	.312**	.343**	1		
RES	.163**	.280**	.232**	.219**	.365**	1	
TS	.312**	.411**	.423**	.202**	.405**	.342**	1
Mean	3.5403	3.6216	3.7119	3.6192	3.7650	3.6653	3.6102
Std	.69515	.52670	.78549	.83436	.53295	.73628	.81407

### 5.3. Regression Analysis

Here we used the following regression model

$$CS = \alpha + \beta_1 (IV) + \beta_2 (\text{Gender}) + \beta_3 (\text{Profession}) + \beta_4 (\text{Age}) + \beta_5 (\text{Education}) + \beta_6 (\text{Account}) + \beta_7 (\text{Income})$$

Here, CS=Customer satisfaction and IV=Independent variable.

**Table 3.** Result of regression analysis

	Independent variable: customer satisfaction					
	Model1	Model2	Model3	Model4	Model5	Model6
Gender	.074	.069	.068	.101	.072	.083
Profession	-.123	-.099	-.126*	-.123*	-.100	-.112
Age	.039	.019	.055	.066	.022	.049
Education	.173*	.162*	.134*	.175*	.176*	.165
Account	.007	-.019	-.004	.040	.028	-.003
Income	-.097	-.043	-.059	-.031	-.027	-.032
Reliability	.308***					
Service Charge		.344***				
Transection Speed			.406***			
Service Quality				.199***		
Perceived Value					.152**	
Responsiveness						.207***
R value	.333	.329	.467	.311	.280	.314
F statistics	5.112***	4.984***	11.445***	4.383***	3.475***	4.479***

Note: \*p<0.05, \*\*p<0.01, \*\*\*p<0.001

Table3 showed that, R value of 6 models is 0.333,0.329,0.467,0.311,0.280 and 0.314 respectively. Therefore, this value indicates that, there is a impact of these nine independent variables on customer satisfaction. This means, there is an associative relationship exists between customer satisfaction and the selected independent variables

From the above result, it has been founded that, the value of F-stat is for six models is 5.112, 4.984, 11.445 ,4.383, 3.475 and 4.479 respectively and the level of significance is \*\*\*p<0.001 (less than 5%). This indicates that, the overall model was reasonable fit and there was a statistically significant association between customer satisfaction and the selected independent variables. Hence, it can be concluded that, there is a strong associative relationship exists between customer satisfaction and the selected independent variables.

From the above table-5 we can see that every independent variable is significant (\*\*\*p<0.001). So we can construct the following table

**Table 4.** Hypothesis result

Regression model	Casual path	Sig. value	Hypothesis
Model-1	RE→CS	.000	H1(Supported)
Model-2	SC→CS	.000	H2(Supported)
Model-3	TRAN→CS	.000	H3(Supported)
Model-4	SQ→CS	.001	H4(Supported)
Model-5	PV→CS	.013	H5(Supported)
Model-6	RESP→CS	.000	H6(Supported)

The empirical results support all hypothesis (i.e., H1, H2, H3, H4 H5 and H6). The empirical results found significant positive relationship among service quality, responsiveness, reliability, transection speed, perceived value and service charge and customer satisfaction.

## 6. Discussion

This research showed that service quality, responsiveness, reliability, transection speed, perceived value and service charge are the key factors which are representing customer satisfaction in commercial banking sector of Bangladesh. This study finds service quality and fair service charge both have significant positive impact on customer satisfaction in banking industry of Bangladesh. This result is consistent with finding of other scholars [9,10]. Generally, service quality is the vital predictor of customer satisfaction, but this research establishes service charge fairness has great impact on customer satisfaction simultaneously with service quality. Again, the study results show perceived value has the mediating role between service quality, service charge and customer satisfaction. It implies that quality and charge fairness both have indirect impact on customer satisfaction through perceived value, which is similar to the other studies [11]. This outcome also offers implications for banking industry in Bangladesh.

Reliability and transection speed also have positive effect on customer satisfaction. Responsiveness have significant positive impact on customer satisfaction. In the banking sector, responsiveness is a functional factor in determining whether a banks service is of quality or not [12]. We also give contribution to parties, individual or organizations. Hence the current research can be as reference for further research in future, especially those researches related to service quality, service charge, perceived value, reliability, responsiveness and transaction speed. Commercial banks in Bangladesh need to upgrade their service quality, service charge, perceived value, reliability, responsiveness, transaction speed and review their business strategy. Finally, managerial implication of this research will help managers to evaluate their business strategies and upgrade their strategy to face new competition by attracting more customers.

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