

Malaysia's SMEs credit industry: CSR taxonomy activities

Edward Wong Sek KHIN,
Moghavvemi SEDIGHEH,
Lee Su TENG, Rusnah MUHAMAD,
Faculty of Business and Accountancy,
University of Malaya, 50603 Kuala Lumpur, Malaysia,
E-mail: edwardwong@um.edu.my

Abstract

This paper studies the CSR taxonomy of customer satisfaction and their trust and loyalty activities to the local SMEs credit and lending industry in Malaysia. The data was collected from 365 customers based on convenience sampling and data analysed using structural equation modelling. The results show that all the items (customer satisfaction, trust and loyalty construct) have high factor loadings (0.7) and the composite reliability of all the construct is acceptable (around 0.8) CAR. This paper also reaffirms that quality services which satisfy customer, increase bank image, and customer trust and loyalty. The findings of this study are to investigate credit firms' managers to decide upon resource allocation and planning for their future service in order to enhance their customers' satisfaction and loyalty. Satisfied customers are the ones who will continue using service and will not change to the other banks or they will be loyal and will recommend the credit firms to others. Therefore managers should think about constant improvement of quality services, which meet the expectations of customers.

Keywords: CSR, customer satisfaction, image, loyalty, structural equation modelling, trust.

JEL Classification: M41

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Introduction

Corporate social responsibility (CSR) taxonomy is a tool utilized by business entities to enable the distribution of wealth for the betterment of their stakeholders through the implementation and integration of ethical systems and sustainable management practices. The concept of CSR holds that companies should be responsible to more than just their owners. They explained that there are multiple dimensions that should affect a company's actions

This Corporate social responsibility (CSR) taxonomy describes a phenomenon of tool utilized by business entities to enable the distribution of wealth but fails to present any guidance on how to manage the challenges within this phenomenon. Therefore, the challenge for business is not only limited to define CSR, but also to understand how CSR is a socially constructed phenomenon in a specific context and how to consider this when business strategies are developed.

Nowadays credit firms are applying a range of information technology to maximize customer satisfaction and engagements and improve the bank image. The continuous updating in the global markets affected Malaysian credit system as well. With an increasing dynamism and competitive ability of the credit firms, managers are now paying attention to improve service and increase customer satisfaction and loyalty.

Therefore the main aim of this study is to examine CSR taxonomy of customer satisfaction, trust and loyalty to the SMEs credit firms in Malaysia. The following sections review the literature investigating customer satisfaction and the elements of customer loyalty and will provide support for the research model.

1. CSR taxonomy of credit industry structure

Credit firms play a crucial role in a country's economic development. The economic sustainability of a country goes hand-in-hand with the credit industry. Customer loyalty is not about exclusivity but relates to the positive emotions one has on a product or service. It is all about attracting the right customer, getting them to buy/use your product/service in bigger quantities and refer you to more customers. True customer loyalty is driven by a strong, trusting relationship between the customer and the business (Mukarram Bhatty & Spalding, 2001).

When customers are loyal, they do more than just returning to your product/service, they would recommend the retailer, shop for a variety of products from the retailer, forgive occasional mistakes, and look to these retailers before looking at the competitors. Just like employee retention, retaining customer is less expensive than acquiring new customer. To understand further, this research takes an outside-in approach on factors that make a customer loyal.

Perceived Overall Service Quality

The SERVQUAL instrument developed by Parasuraman, Zeithaml, and Berry (2002) outlines the perceived measurement of service quality as the degree and direction of discrepancy between a customer's perceptions and their expectations (Parasuraman, Berry, & Zeithaml, 2002). Since its establishment, SERVQUAL model has become the most important method for measuring service quality owing to its strong benchmarking, diagnostic and prescriptive tools (Kettinger & Lee, 1997).

In a study conducted by Sanjuq (2014) on the impact of service quality (SERVQUAL model) on customer satisfaction in Saudi Arabia's credit sector, it is found that there is a positive relationship among assurance, empathy and responsiveness but no relationship on customer satisfaction. However, only tangibles show a positive relationship and significant impact on customer satisfaction. As customer value is an asset to organisations, firms must provide good products and services together with some form of promotion/advertisement at the right time to their customers (Sanjuq, 2014).

Thus, providing good services and fulfilling promises helps to develop an effective rapport (Figure 1). This eventually affects customers' satisfaction. Hence the following hypothesis:

H1: Individual with higher perceived overall service quality reports higher levels of customer satisfaction.

Relationship between Satisfaction and Image

Customer satisfaction can be explained as fulfilling of customer expectation of the products and services (R. L. Oliver, 1980). Customers will be satisfied when the performance is met or exceeds the expectations of

services. Otherwise, customers will be dissatisfied. Previous literature viewed satisfaction as two approaches to operationalizing satisfaction. The first viewed satisfaction as transaction-specific evaluation (Høst & Knie-Andersen, 2004) and the other as cumulative satisfaction that is determined by satisfying and dissatisfying with a product or service over time (A. V. Zeithaml, Berry, & Parasuraman, 1996).

Moreover, previous study conducted by Hoq, Sultana, and Amin (2010) on Malaysian Islamic bank with a different customer segment (Muslim and non-Muslim) shows an additional result. In the detailed analysis of the relationship between satisfaction and image, it is shown that the customer satisfaction is positively correlated to image. It is similar to the studies conducted by Bravo, Montaner, and Pina (2009) in analysing the corporate of financial institutions and the impact on customer behaviour. The result shows that satisfaction indicates the intention of customers to use again the services of a credit firms and suggests that firms should develop a strong corporate brands to obtain positive impression in the marketplace. Mohd Kassim and Souiden (2007) conclude that image of service provider improves customer satisfaction and retention. In contrast, Hamidzadeh, Jazani, Hajikarimi, and Ebrahimi (2011) found that image does not influence customer satisfaction in private SMEs credit firms. Thus, we hypothesize that:

H2: There is a positive relationship between customer satisfaction and bank image.

Relationship between Satisfaction and Loyalty

Loyalty can be defined as “a strong and deep commitment of customer towards a related product and service generated by his repurchasing behaviour while ignoring other factors that leads to brand switching” (Richard L. Oliver, 1999). Previous study was conducted on the impact of service quality, customer satisfaction and loyalty programs on customer’s loyalty in credit industry sector of Pakistan (Hafeez & Muhammad, 2012). The results shows that service quality and customer satisfaction are important factors that can increase loyalty of a customer. Thus, credit firms should focus on improving the service quality to improve customer satisfaction and maintain customer loyalty.

Additionally, in a previous study conducted by Ehigie (2006), it is found that satisfied customer is important leading factor in determining loyalty. The research concluded that customer satisfaction has a positive contribution towards loyalty. Thus, we propose that:

H3: There is a positive relationship between customer satisfactions with customer loyalty

Relationship between Firms Image and Customer Trust

Trust has been defined as “willingness to rely on an exchange partner in whom one has confidence” (Moorman, Deshpande, & Zaltman, 1993).

Hence, image has been recognised as a main influence of trust (Ball, Coelho, & Machas, 2004). This has been supported by Flavian, Guinaliu, and Torres (2005) research which suggest that image plays an important role to gain customer trust in both ways; traditional and online. However, Ball et al. (2004) shows that image has an indirect effect on loyalty through satisfaction and trust. Image helps to facilitate consumers’ knowledge on products or services which will reduces risk when making decisions (Lin & Lu, 2010). Based on the discussion above, it is hypothesized that:

H4: There is a positive relationship between bank image and customer trust.

Relationship between Customer Loyalty and Customer Trust

Customers are likely to develop a positive behavioral attitude towards the brand when they have trust on the brand (Nguyen & Leclerc, 2011). As a result, trust is recognised as an important antecedent in developing customer loyalty (Castañeda, 2011; Shainesh & Roy, 2012). According to Dimitriadis, Kouremenos, and Kyrezis (2011), satisfied customer may turn into loyal customer when they have a high level of trust.

Trust has been defined as “a psychological state composing the intention to accept vulnerability based on expectations of the intentions or behaviour of another” (Rousseau et al., 1988). Thus, trust has been conceptualised in the commitment-trust relationship marketing literature as an existing when single party has confidence in a partner’s reliability and integrity (Chatura & Jaideep, 2003). Moreover, trust also been thought of having a striking influence on user willingness to engage

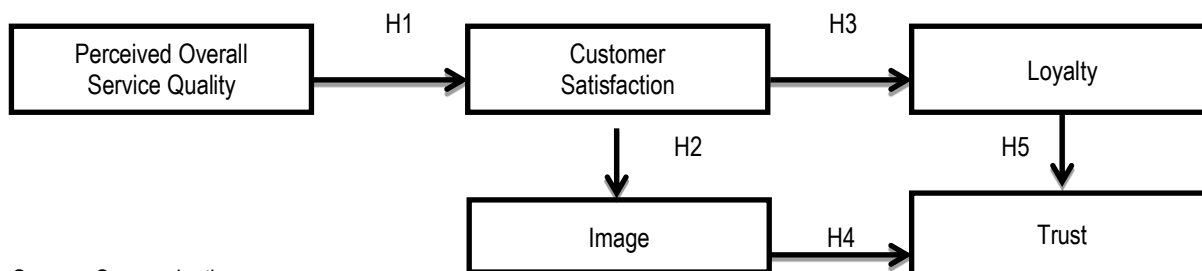
in online exchanges of money and personal sensitive information (Wang, Lo, & Hui, 2003).

Hence, when customers trust on product and services, it will generate a positive response and productive consumer' loyalty (Kassim & Abdullah, 2010). However,

it is difficult to maintain the relationship between customers and organisation (Chopra & Wallace, 2003). Thus, the following hypothesis:

H5: There is a positive relationship between customer trust and customer loyalty.

Figure 1: Research Framework



Source: Own projection

The overall reliability of the independent and dependent variables was given by the overall service quality, satisfaction, image, trust and loyalty.

2. Research methodology

Sampling and Data Collection

A questionnaire was designed based on previous research to examine the overall service quality, satisfaction, image, trust and loyalty of local SMEs credit firms customer. The data collected from 365 local credit customers in Malaysia based on convenience sampling. From the total of 365 local customers, 39 percent were male and 61 percent females. Most of the respondents were aged between 20 to 40 years and majority of them (68 percent) prefers to use internet systems. About 39 per cent of customers were with the credit firms for 1-4 years, 29 per cent indicate for 5-10 years while 27 percent indicates that they use the same credit firms for more than 10 years. Around 93 per cent of the customer used saving account, 37 per cent current account, 19 per cent percent fixed deposit, and 32 per cent used loan services. Around 45 percent of the customers claim that they contacted the credit firms during the past 12 months with a problem or queries.

3. Results and discussion

The reliability of the independent (overall service quality, satisfaction, image, trust and loyalty) and dependent variables was assessed in SPSS and the results showed

that the reliability of all the variables is higher than the acceptable level 0.7. To confirm the model and test the relationships between variables we used the structural equation modelling, AMOS 18. The confirmatory factor analysis conducted to confirm the items for each construct and measure the convergent validity of the constructs. The results of the measurement model confirm that all the items have been loaded in their defined construct and the fit indices showed that the model was acceptable. The chi-square $\chi^2=457.198$ with 175 degree of freedom, CFI=0.955, GFI=0.896, AGFI=0.863, TLI=0.946 and RMSEA=0.066 was in the acceptable range which indicated that the overall model fit indices were in good positions. The results show that all the items have high factor loadings (0.7) and the composite reliability of all the constructs is acceptable (around 0.8) (See Table no. 1). The results of average variance extracted (AVE) were calculated and were higher than 0.5 (See Table no. 1) for all the variables. Thus, these results supported convergent validity.

Table no. 1: Composite Reliability and Average Variance Extracted

Constructs	Mean	S.D	Composite Reliability	Average Variance Extracted
Overall Service Quality	5.17	0.74	0.914	0.823
Satisfaction	5.16	0.71	0.915	0.851
Image	4.95	0.86	0.700	0.660
Trust	5.47	0.74	0.895	0.825
Loyalty	5.32	0.76	0.916	0.827

The relationship between the independent and dependent variables was tested through structural model and the results of the fit indices showed that the chi-square $\chi^2 = 440.675$ with 162 degree of freedom, CFI=0.951, GFI=0.890, AGFI=0.857, TLI=0.943 and RMSEA=0.068 was in the acceptable range. Testing the relationship among the variables shows that there is strong and positive relationship ($\beta = .921$, $p < 0.000$) between overall service quality and customer satisfaction thus support H1. In turn customer satisfaction predict customer loyalty ($\beta = .386$, $p < 0.000$) and will increase bank image ($\beta = .956$, $p < 0.000$) and reputation among customers, while the effect of satisfaction is stronger on the bank image. The results support H2 and H3. Bank image have strong effect on customer trust ($\beta = .948$, $p < 0.000$) while customer trust in turn will influence customer loyalty ($\beta = .495$, $p < 0.000$) thus support H4 and H5. Providing quality service will increase customer satisfaction, will improve the image and reputation of the bank which will effect customer trust and their loyalty to the credit firms. Satisfied customer will be loyal to the credit firms and will continue using their service. The results of this study are consistent with the previous research such as Keisidou et al. (2013) which argued that tangible service quality influenced customers' overall satisfaction. Amin et al. (2013) findings revealed that customer satisfaction has strong relationship with image. However these results are different from Sayani (2015) which found that satisfaction with service quality does not fully explain customer loyalty and other factors may also contribute to extended customer relationship with firms. This can elaborate the strong effect of customer trust on customer loyalty in our finding and shows that many factors influence customer loyalty. The finding of this study confirmed the strong relationship between image and reputation of the credit firms and customer trust which is consistent with the previous research by Ball et al. (2004).

Conclusion

Implications: The primary objective of this study was to determine the relationship between customer satisfaction and their trust and loyalty activities to the local SMEs credit and lending industry in Malaysia. The second objective was to examine the direct and

indirect effects related to the effect of credit firm overall service quality on customer satisfaction trust and loyalty. The result of this study will provide empirical support for the validity and reliability of the theoretical model on customer satisfaction and affect their trust and loyalty while it will enhance credit firm image and reputation. The correlation analysis results from this study confirmed previous researchers' observations that higher organizational loyalty of customer is customer satisfaction. The results suggested that among the three components of focus on customer trust and increasing bank image and reputation were the most important predictor of customer loyalty in local credit firms in Malaysia

Possible Limitation

Several limitations inherent in this research that warrant further investigation are acknowledged here. Credit firms should provide quality services which satisfy customer, increase bank image, and customer trust and loyalty. The findings of this study help credit firms' managers to decide upon resource allocation and planning for future service to enhance customer satisfaction and loyalty. Satisfied customers are the ones who will continue using service and will not change to the other banks or they will be loyal and will recommend the credit firms to others. Therefore managers should think about constant improvement of quality services, which meet the expectations of customers.

Because of the limited sample this study could not compare the satisfaction and loyalty among different local SMEs credit firms in Malaysia since customers have different perceptions about each individual credit firm. Future research can compare local credit firms and focus on the aspect of customer complaint and credit firms reaction to solve it and its effect on their satisfaction and loyalty since almost 40 percent of our sample indicated that they contact credit firm for the complaint or inquiry.

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