Factors Affecting Customers’ Decision to Maintain Bank Deposits: The Case of Commercial Banks in Danang City

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Abstract

This study aims to identify the factors affecting customers’ decision to maintain bank deposits of commercial banks in DaNang city. Data were collected through a survey of 171 customers who have savings accounts at the bank. The purpose of this research is to explore the possible antecedents of customer loyalty among customers of commercial banks in DaNang city. The researcher theorizes and investigates that there is a positive relationship between image, interest rate, perceived quality (in terms of reliability, tangibles, empathy, responsiveness and assurance) and perceived value with customer satisfaction, which in turn, significantly influences customer loyalty and makes them maintain bank deposits. Data collected from survey were analyzed by using SmartPLS 3. PLS-SEM (partial least squares-structural equation modeling) allowed the researchers to estimate any complex model with many constructs and indicator variables, especially when prediction is the goal of the analysis. The group of authors, based on these results, offers some recommendations.

Key Words: Customer, Service quality, Satisfaction, Saving services, commercial bank
1. Introduction

Along with the process of innovation and integration, Vietnam's commercial banking system has had many important changes. The position and role of commercial banks is increasingly affirmed with the development and innovation of services to meet capital needs and provide quality banking products for the economy.

Danang is one of the largest cities of Vietnam. There are 43 banks and banking branches in the city. The appearance of new financial institutions has caused many difficulties for banks to maintain and mobilize depositors. Therefore, the study of the factors affecting the decision to maintain the balance of savings deposits at commercial bank is a very important and necessary. This study is not only helping banks to identify influencing factors, verify the relationship of factors, but also propose solutions to improve service quality, to retain old customers and attract new customers.

2. Theoretical Basis and Research Model

2.1 Services and Quality of Services

Service is a special type of goods. There are so many researchers who have different views about the service. According to Philip and Gary (1999), services are the activities or benefits that businesses can dedicate to customers with the purpose of establishing, strengthening and extending the long-term relations and cooperation with customers. According to Zeithaml and Britner (2000), services are acts, processes, methods to do a certain job in order to create use value for customers and satisfy the needs and expectations of customers. According to José and Oliveira (2009), services are economic activities that create values and provide benefits to customers in a specific time and at a specific place as a result of a change in desire, or representing recipient of (user) services.

Quality of service is also a concept causing many controversies because there are many different views on it. According to Zeithaml (1987), quality of service is the customer's appreciation for outstanding traits and excellence in general of an entity. It is a kind of attitudes and the results from a comparison between expected things and our perception of things received. According to Lehtinen & Lehtinen (1982), quality of service must be assessed on two aspects: (1) the process of providing service (2) the results of the service. Gronroos (1984) also suggests two aspects of quality of service: (1) the technical quality and (2) functional quality. According to the definition in the research of Parasuraman et al. (1991): Quality of service is the gap between customer expectations about products/services and awareness, feelings after using that products/services. Within the scope of this paper, quality of service means the satisfaction of customer expectations and needs. Therefore, the quality of service is determined by customers when the service provided by the business meets customer needs.
2.2 Customer Satisfaction with Service

Customer satisfaction is the emotional state for products and services after using (Spreng and Mackoy, 1996). Customer satisfaction is the extent of emotional state of a person derived from a comparison between the results obtained from the consumption of the products / services and his expectations (Kotler et al., 1996). In general, the researchers consider the satisfaction as comfortable feeling when customers are met their expectations about products and services. The overall satisfaction of service is considered as a separate variable in relation to components of the service quality (Zarei et al., 2012; Chow, 2014).

2.3 Relationship between Quality of Service and Customer Satisfaction

Some research show that quality of service and customer satisfaction have close relationship, quality of service is the cause and the satisfaction is result (Spreng and Mackoy, 1996; Chow and Luk (2005). Relationship between service quality and customer satisfaction is the same dimensional relationship, quality of service has a positive impact on customer perception. (Cronin and Taylor, 1992), (Spreng and Mackoy, 1996). But, some studies as of Zeithaml and Bitner (2000) believe that quality of service and customer satisfaction are two different concepts, while quality of service focuses specifically on the components of service, customer satisfaction is the general concept. In above research model, SERVQUAL model is the most popular research model to measure quality of service in many different areas.

2.4 Loyalty and Customers’ Decision to Maintain Bank Deposits

Many service organizations have developed customer loyalty programs as a part of relations development activities. Customer loyalty is a complicated concept. Oxford Dictionary defines loyalty as a state of true to allegiance. But the mere repeated purchase by customers has been mixed with the above mentioned definition of loyalty. In service domain, loyalty has been defined in an extensive form as “observed behaviors” (Bloemer et al.,1999). Caruana (2002) argues that behavior is a full expression of loyalty to the brand and not just thoughts.

A significant level of customer satisfaction is amongst the most critical indicators of the business’s future. Clients who are satisfied are also loyal, and this ensures a consistent cash-flow for the enterprise in the future (Manrai & Manrai, 2007).

Customers may exhibit repurchase behavior due to limited choice available or inertia (Bloemer and Kasper, 1995). There is a positive link between decision making and consumer loyalty behaviors (Adunola Oluremi Oke et al, 2016, P.43). Loyalty is the main reason for the customer to make decision to maintain bank deposits. Loyal customers are more interested in the services of their own banks when considering investments in the financial market, keep their savings in their own bank (Chochoľáková, A et al, 2015, P.82).

2.5 Perceived Value

Perceived value has been defined as the benefit from services which customers believe they receive in consideration for the cost of that service (McDougall and Levesqu, 2000). Rust
and Oliver (1994) stated that if the price was too high and a service is of a good quality, then customers rated it as a poor value service. Heskett et al. (1997) found that high value was not necessary associated with low prices, because services with a high perceived value may in fact have high or low prices. When perceived value increases, maybe customers will stay loyal and have increased expectations, whereas a decrease in value will result in customers being more receptive to competitors’ marketing (Grönroos, 2000).

2.6 Image

Keller (1993) stated that image is based upon the customers’ beliefs about a brand and its associations held in memory and that the image comes from the perceptions of the consumers. In the marketing services, image was identified as a significant factor in a company’s overall evaluation (Bitner, 1991; Grönroos, 1984; Gummesson and Grönroos, 1988). Image has been described as an individual knowledge such as an attitude or a combination of product characteristics that’s identified by product and it is different from the product physical characteristics (Nguyen & LeBlanc, 1998). And image has also been described as the overall impression left in the minds of customers (Zimmer & Golden, 1988). According to Grönroos (1984), image was defined as a filter that affects the perception of a company operation. The overall image of the company is affected it’s by perceived value, service quality and customer satisfaction.

2.7 Interest Rate

According to the theory of demand and supply, rate of interest refers to the amount paid for saving. Therefore, the rate of interest can be determined with the help of demand for saving money to be invested in the capital goods and the supply of savings.

2.8 Perceived Quality

Perceived quality is judgment superiority by customers about a product’s overall excellence or (Zeithaml, 1988) it’s like an attitude (Zeithaml, 1988; Parasuraman et al., 1985). Perceived quality is defined as the customers compare between their expectation and perception of service performance (Lehtinen & Lehtinen, 1982; Lewis & Booms, 1983, Gronroos, 1984; Parasuraman et al., 1985; 1988; Caruana, 2002). Perceived quality consits of five factors. There are tangible, reliability, responviveness, asuarance and empathy.
3. Conceptual Framework and Research Hypotheses

This conceptual framework is designed to analyze the circumstances that affect customers’ decision to maintain bank deposits in order to understand which variable is most important in the formation of customer loyalty. The research hypotheses were developed based on the conceptual framework of the study to provide a clear implication from relationship testing. All hypotheses are as follows:

H1: Image has a positive influence on perceived value
H2: Interest rate has a positive influence on perceived value
H3: Perceived quality in terms of tangibles has a positive influence on customer satisfaction.
H4: Perceived quality in terms of reliability has a positive influence on customer satisfaction.
H5: Perceived quality in terms of responsiveness has a positive influence on customer satisfaction.
H6: Perceived quality in terms of assurance has a positive influence on customer satisfaction.
H7: Perceived quality in terms of empathy has a positive influence on customer satisfaction.
H8: Perceived value has a positive influence on customer satisfaction.
H9: Perceived value has a positive influence on customer loyalty.
H10: Customer satisfaction has a positive influence on customer loyalty.
H11: Customer loyalty has a positive influence on customers’ decision to maintain bank deposits.

4. Research Methodology

This study has adopted a descriptive research method and a survey method. This descriptive research is designed to describe the characteristics of commercial bank consumers, which is sought by the researcher to determine the answer who, what, when, where and how questions (Zikmund 2003). In this study, the researcher applied a survey technique by
distributing questionnaires to gain feedback from respondents and to gain more understanding about customer’s decision to maintain bank deposits of 43 commercial banks in DaNang city. The five-point Likert scale was used in the questionnaire (SD — strongly disagree, D — disagree, N — neutral, A — agree, SA — strongly agree) for the collection of primary data. The survey was conducted from November 2018 to December 2019 at 43 DaNang commercial banks with 200 respondents, in which, there are 29 surveys unfit for analysis, leaving 171 samples that are suitable for analysis. Data collected from survey were analyzed by using SmartPLS 3. PLS-SEM (partial least squares-structural equation modeling) allowed the researchers to estimate any complex model with many constructs and indicator variables, especially when prediction is the goal of the analysis. Furthermore PLS-SEM generally allows for more flexibility in terms of data requirements and the specification of relationships between constructs and indicator variables [Sarstedt et al., 2017]. PLS – SEM is a nonparametric statistical method. Different from maximum likelihood (ML)-based CB-SEM, it does not require the data to be normally distributed [Hair et al., 2017]. PLS-SEM relies on a bootstrap procedure to test coefficients for their significance [Davison, Hinkley, 1997]. This study uses reflective measurement constructs, it includes: Image, Interest rate, Tangibles, Reliability, Responsiveness, Assurance, Empathy, Perceived value, Customer satisfaction, Customer Loyalty and customers’ decision to maintain bank deposits. The measurement model has 33 indicators.

5. Results and Conclusions

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Coefficients (β)</th>
<th>T Statistics (O/STDEV)</th>
<th>P Values</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>IM — PV</td>
<td>0.602</td>
<td>11.300</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>IR — PV</td>
<td>0.212</td>
<td>5.178</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>TA — CS</td>
<td>0.166</td>
<td>3.432</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>RL — CS</td>
<td>0.331</td>
<td>6.077</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H5</td>
<td>RP — CS</td>
<td>0.187</td>
<td>3.640</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>AS — CS</td>
<td>0.411</td>
<td>8.815</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H7</td>
<td>EM — CS</td>
<td>0.141</td>
<td>4.169</td>
<td>0.002</td>
<td>Supported</td>
</tr>
<tr>
<td>H8</td>
<td>PV — CS</td>
<td>0.254</td>
<td>2.182</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H9</td>
<td>PV — CL</td>
<td>0.213</td>
<td>3.211</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H10</td>
<td>CS — CL</td>
<td>0.407</td>
<td>2.193</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>H11</td>
<td>CL — CD</td>
<td>0.404</td>
<td>3.005</td>
<td>0.001</td>
<td>Supported</td>
</tr>
</tbody>
</table>

(Source: Compiled by the authors)

As shown in Table 1, the data collected from survey were analyzed by using SmartPLS 3 (partial least squares-structural equation modeling) to test the 11 hypotheses. The outcome shows that there was a relationship between image, price and perceived value. The results indicate that
there is a relationship between perceived quality in terms of reliability, tangibles, empathy, responsiveness and assurance with customer satisfaction. The findings show that there is a relationship between perceived value, customer satisfaction and customer loyalty. At last, there is a relationship between customer loyalty and customer’s decision to maintain bank deposits.

6. Recommendations

All the positive eleven hypotheses were validated by the research findings. There are some recommendations that can be given in line with each relationship.

The result from hypothesis one and two shows that there is a relationship between image and interest rate with perceived value. Image (H1) and interest rate (H2) have a positive influence upon perceived value at a moderate level. Both image and interest rate positively impact perceived value, and image is the most influential determinant of perceived value (0.602). As such it can be recommended that commercial banks should provide positive perceived image to consumers and design marketing strategies such as advertising, direct mail, trade press, word-of-mouth communication and promotion activities that convey a good reputation with the brand image to their target customers. Interest rate also can affect perceived value, but it is not very strong.

The result from hypothesis three to hypothesis seven show that there is a relationship between perceived service quality (in terms of tangibles (H3), reliability (H4), responsiveness (H5), assurance (H6) and empathy (H7)) with customer satisfaction. They do indeed have a positive influence upon customer satisfaction at a moderate level. Each term has a positive impact on customer satisfaction and assurance is the most influential determinant of customer satisfaction (0.411). The researcher would like to suggest that the commercial banks have to improve their service quality of assurance. Therefore, the commercial banks not only improve the good staff, but also have an IT system with high security. The commercial banks must master the “core system” of the IT system in order to easily develop a variety of services (mobile banking, internet banking (Toan et al, 2018)) according to the increasingly diverse needs of customers, as well as easily recognize incident risk, governance and prevent risk in transactions.

The result from hypothesis eight to hypothesis ten shows that there is a relationship between perceived value and customer satisfaction with customer loyalty. Perceived value (H8) and customer satisfaction (H10) does indeed have a positive influence upon customer loyalty at a rather strong level. Perceived value impacts both customer satisfaction and customer loyalty, and customer satisfaction is also the most influential determinant of customer loyalty (0.407). In order to effectively influence customer loyalty, it is important that the commercial banks understand how best to improve the perception of value and quality to satisfy customers. The commercial banks should enact procedures, policy conditions between new customers and existing customers. There are preferential policies on procedures, transaction time for each customer; financial incentives to encourage customers to maintain the use of
services, attract and retain customers in the long term.

The result from hypothesis eleven shows that there is a relationship between customer loyalty and customer’s decision to maintain bank deposits. Customer loyalty (H11) does indeed have a positive influence upon customer’s decision to maintain bank deposits at a rather strong level (0.404). Therefore, the commercial banks should pay much attention on making customer satisfied and loyal.

References


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