

ARTICLE

A COMPARATIVE STUDY ON CUSTOMER SATISFACTION ABOUT BANKING SERVICE FEES IN CREDIT UNIONS AND STATE BANKS

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ABSTRACT

In today's competitive world, customers are undoubtedly considered one of the most important assets of every manufacturing and service organization. Considering the fact that dissatisfaction is one of main reasons of customer decline, it is essential to study the customer satisfaction and know their awareness of satisfaction. Customer dissatisfaction brings about heavy damages to banks. The relationship between customers and banks is of great importance. Banking relationships are beyond the number of transactions and mainly cover the identification of relationships between both parties. Accordingly, this study aimed to empirically study the past studies in this regard and analyze the factors affecting the customer satisfaction concerning loans. A survey was performed among bank and credit union customers selected through random sampling. Data were collected using a researcher-made questionnaire of which its validity was verified using the content validity method. Cronbach's alpha was employed to verify the reliability. The results showed that customer satisfaction in credit unions and state banks was moderate to high. Satisfaction was moderate to low in credit unions and state banks concerning the banking service fees.

INTRODUCTION

Most companies usually have financial relationships with some banks. However, they choose one as the main bank to get loans (Perrien and Richard, 1995). There are different types of challenges compared to usual bank customers in financial service sector for firms and companies (Judith, 2002). Rapid development of informatics has brought about major changes in the form of money and resource transferring systems in banking. This has led to the introduction of a new banking phenomenon known as e-banking (Hassan Zadeh and Pour Fard, 2003: 7). Modern banking services are closely correlated with IT technology known among the most important factors for competitive advantage for banks and customer satisfaction (Ali Mohammadi, 2002: 34). Generally, banking industry has experienced four periods: The use of coins, paper payment systems such as paper money, e-payment systems such as credit cards, and web-based databases. Banks play a key role in the increased volume of e-commerce by moving toward the e-banking and provision of modern banking services (Kahzadi, 2003: 5). E-banking has become a strategic tool for banks (Hassan Zadeh and Sadeghi, 2003: 27, 28). According to the studies by Forrester Institute, 20% of the Europeans use internet banking services which has been doubled compared to two years ago. The number is predicted to be 130 million users by 2007 (Sahut, 2003). Basically, e-banking refers to the provision of access to banking services through safe intermediates without the physical presence (Kahzadi, 2003). E-banking services are available in a variety of ways including e-banking, home banking, mobile banking, ATM, Point Of Purchase (POP), and internet banking (Hassan Zadeh and Pour Fard, 2003: 7).

Literature review

Westbrook (1981) stated that satisfaction is the positive or negative experience when the consumer has made enough efforts concerning the product. Satisfaction is also a subjective response which is effective in the whole market and product, service, and salesperson features when the purchase is performed. Loyalty is defined as the structure assessing the likelihood of repurchase and return customers. Some authors have pointed out to some behavioral intentions including advice and support increase (Parasuraman et al., 1996). Reducing the number of governmental employees (Article 1 of Fourth Development Plan) and employment limitation (Article 2 of Fourth Development Plan) are among the rules which require the state organizations to make them smaller and prevent the increase in personnel. Therefore, banks require the private sector instead of new employment in order to expand the service operation and facility portfolio (Golchin Far, 2002). This would engage banks with customer satisfaction crisis. Yet, Dominique Turpin believed that customer satisfaction is one of the first missions and priorities of senior management. He also believed that constant commitment and involvement of senior management is the prerequisite for success in customer satisfaction (Turpin, 1995). Astonishing IT development and its application for increasing the speed and quality are two features of the current century. Additionally, service sector accounts for almost 20% of total global trade. In the past, commodity trade experienced the rapid growth of 8.5% (Unktad, 2001). Today, service delivery has experienced dramatic changes due to the expansion of internet and its accessibility. E-transfer system is implemented through credit cards and codes; making accessibility to personal accounts possible (Venus, Mokhtaran, 2002: 6). In the interest-free banking rule implemented in Iran in 1984, banks are allowed to pay maximum 10% of their annual facilities in the form of interest-free loans provided that the total does not exceed interest-free savings deposits. Concerning the long-term saving deposits, delegation is nature of such accounts according to the interest-free banking rule. Therefore, these resources are not owned by

KEY WORDS

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banks and banks are required to act on behalf of the depositors. Such deposits can be used in Islamic contracts in order to maximize the interests of the depositors. The interest is then divided between the banks and depositors after deducting the expenses and honorarium (Allah Yari Fard, 2003). SERVQUAL is the basic model in service quality with 23 items to assess the service quality. After studies in service industries including universities, banks, credit cards, maintenance, and communication, five main dimensions of SERVQUAL are as follows:

Table 1: Integration of Five Dimensions of Service Quality

| | |
|----------------|--|
| Tangibles | Appearance of physical facilities, equipment, personnel, and communication materials, etc. |
| Reliability | Ability to perform the promised service dependably and accurately |
| Responsiveness | Willingness to help customers and provide prompt service |
| Assurance | Knowledge and courtesy of employees and their ability to convey trust and confidence |
| Empathy | Caring, individualized attention the firm provides its customers |

METHOD

This article aimed to compare the customer satisfaction concerning banking service fees in credit unions and state banks. Hypotheses are as following:

- Satisfaction is moderate to high in credit unions concerning the performance.
- Satisfaction is moderate to high in state banks concerning the performance.
- Satisfaction is moderate to low in credit unions concerning the banking service fees.
- Satisfaction is moderate to low in state banks concerning the banking service fees.

The concepts are as following:

Employee Performance: Service provider is not separated from the service due to inextricable feature of banking services. It is obvious that the employee might play multiple roles in a bank (Mahdi Shamlou, 2007: 68). Employee performance and service delivery can motivate the customer to return in future (Ali Goli, 2006: 122). This applied survey was performed to describe the status quo. A desk study was performed to develop the theoretical frame and literature. The statistical population consisted of all customers of credit unions and state banks in Isfahan province, Iran. A total of 100 customers (50 in state banks and 50 in credit unions) were enrolled as the sample using random sampling. Data were collected using a researcher-made questionnaire. The questionnaire consists of one open-ended question and 43 closed-ended questions. The information was then extracted, coded, and analyzed using SPSS. As per descriptive level, one-dimensional tables (frequency, percentage, and cumulative percentage) and Friedman test were employed. The study is based on content validity which relies on the judgment of experts. To this end, the items were extracted from previous studies in order to evaluate the research variables. The comments of experts were used to select the best items. Cronbach's alpha was 0.78 using pretest data and SPSS for customer satisfaction of credit unions and state banks. Since it was greater than 0.7, the reliability was verified.

Data analysis

Descriptive findings

Table 2: Frequency Distribution of Respondents according to the Use of Services

| Customers | Number | Percentage | Cumulative Percentage |
|--------------|--------|------------|-----------------------|
| Credit Union | 50.0 | 50.0 | 50.0 |
| State Banks | 50.0 | 50.0 | 100.0 |
| Total | 100.0 | 100 | |

Table 3: Frequency Distribution of Respondents according to Age

| Gender | Number | Percentage | Valid Percentage | Cumulative Percentage |
|--------|--------|------------|------------------|-----------------------|
| Male | 78 | 78.0 | 78.0 | 78.0 |
| Female | 22 | 22.0 | 22.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 | |

Table 4: Frequency Distribution of Respondents according to Education

| Level of Education | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|--------------------------|-----------|------------|------------------|-----------------------|
| Lower than Diploma | 22 | 22.0 | 22.0 | 22.0 |
| Diploma | 30 | 30.0 | 30.0 | 52.0 |
| Associate Degree | 34 | 34.0 | 34.0 | 86.0 |
| Bachelor Degree | 14 | 14.0 | 14.0 | 100.0 |
| Master Degree and Higher | - | - | - | |

| | | | | |
|-------|-----|-------|-------|--|
| Total | 100 | 100.0 | 100.0 | |
|-------|-----|-------|-------|--|

Table 5: Frequency Distribution of Respondents according to Satisfaction/ Credit

| Satisfaction | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|--------------|-----------|------------|------------------|-----------------------|
| Low | 11 | 22.0 | 22.0 | 22.0 |
| Medium | 27 | 54.0 | 54.0 | 76.0 |
| High | 12 | 24.0 | 24.0 | 100.0 |
| Total | 50 | 100.0 | 100.0 | |

Table 6: Frequency Distribution of Respondents according to Satisfaction/ State Banks

| Satisfaction | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|--------------|-----------|------------|------------------|-----------------------|
| Low | 11 | 22.0 | 22.0 | 22.0 |
| Medium | 30 | 60.0 | 60.0 | 82.0 |
| High | 9 | 12.0 | 12.0 | 100.0 |
| Total | 50 | 100.0 | 100.0 | |

Table 7: Frequency Distribution of Respondents according to Satisfaction concerning Banking Service Fees in Credit Unions

| Satisfaction | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|--------------|-----------|------------|------------------|-----------------------|
| Low | 10 | 20.0 | 20.0 | 20.0 |
| Medium | 15 | 30.0 | 30.0 | 50.0 |
| High | 25 | 50.0 | 50.0 | 100.0 |
| Total | 50 | 100.0 | 100.0 | |

Table 8: Frequency Distribution of Respondents according to Satisfaction concerning Banking Service Fees in State Banks

| Satisfaction | Frequency | Percentage | Valid Percentage | Cumulative Percentage |
|--------------|-----------|------------|------------------|-----------------------|
| Low | 19 | 38.0 | 38.0 | 38.0 |
| Medium | 13 | 36.0 | 36.0 | 64.0 |
| High | 18 | 26.0 | 26.0 | 100.0 |
| Total | 50 | 100.0 | 100.0 | |

Table 9: Statistics for Age of Respondents

| Statistics | Total |
|--------------------|-------|
| Mean | 38.24 |
| Standard Deviation | 11.69 |
| Minimum | 20 |
| Maximum | 65 |
| Variation | 46 |

Since age was measured in an interval level, its statistics are only reported. According to the results, the mean age of customers was 38.24 with standard deviation of 11.69. The youngest customer was 20, while the oldest was 65.

Inferential analysis of findings

First hypothesis

To what extent is the satisfaction in credit unions?

Since it was measured at an interval level and it is an interval variable, the one sample t-test was employed. A total of 21 items were taken into account to assess the satisfaction in credit unions. Items were scored on a 0 to 5 scale. The minimum score was 21, while the maximum was 105. 63 was the mean value. Scores which are greater than 63 showed moderate-to-high satisfaction in credit unions. However, scores lower than 63 showed moderate-low satisfaction in credit unions.

Table 10: One-sample t-test output for assessing the satisfaction in credit unions

| Variable | Number | Mean | Standard Deviation | T | Freedom Degree | Two-Tailed Sig. Level |
|-------------------------------|--------|-------|--------------------|-------|----------------|-----------------------|
| Satisfaction in Credit Unions | 50 | 65.60 | 7.63 | 60.78 | 49 | 0.000 |

T-test result showed that the mean score of satisfaction in credit unions was 65.60. T was 60.78 and significance level is lower than 0.05. It means that the mean was significantly lower than 63. Therefore, satisfaction is moderate to high in credit unions. Low banking service fees are likely to be the main reason for satisfaction in credit unions.

Second hypothesis

To what extent is the satisfaction in state banks?

Since it was measured at an interval level and it is an interval variable, the one sample t-test was employed. A total of 21 items were taken into account to assess the satisfaction in state banks. Items were scored on a 0 to 5 scale. The minimum score was 21, while the maximum was 105. 63 was the mean value. Scores which are greater than 63 showed moderate-to-high satisfaction in state banks. However, scores lower than 63 showed moderate-low satisfaction in credit unions.

Table 11: One-sample t-test output for assessing the satisfaction in state banks

| Variable | Number | Mean | Standard Deviation | T | Freedom Degree | Two-Tailed Sig. Level |
|-----------------------------|--------|-------|--------------------|-------|----------------|-----------------------|
| Satisfaction in State banks | 50 | 82.82 | 7.94 | 27.16 | 49 | 0.000 |

T-test result showed that the mean score of satisfaction in credit unions was 82.82. T was 21.76 and significance level is lower than 0.05. It means that the mean was significantly lower than 63. Therefore, satisfaction is moderate to high in state banks. Diversity of services are said to be the main reason for satisfaction in state banks.

Third hypothesis

To what extent is the satisfaction concerning banking service fees in credit unions?

Since it was measured at an interval level and it is an interval variable, the one sample t-test was employed. A total of 2 items were taken into account to assess the satisfaction concerning banking service fees in credit unions. Items were scored on a 0 to 5 scale. The minimum score was 2, while the maximum was 10. 6 was the mean value. Scores which are greater than 6 showed moderate-to-high satisfaction concerning banking service fees in credit unions. However, scores lower than 6 showed moderate-low satisfaction concerning banking service fees in credit unions.

Table 12: One-sample t-test output for assessing the satisfaction concerning banking service fees in credit unions

| Variable | Number | Mean | Standard Deviation | T | Freedom Degree | Two-Tailed Sig. Level |
|---|--------|------|--------------------|-------|----------------|-----------------------|
| satisfaction concerning banking service fees in credit unions | 50 | 7.16 | 1.73 | 29.25 | 49 | 0.000 |

T-test result showed that the mean score of satisfaction concerning banking service fees in credit unions was 7.16. T was 29.25 and significance level is lower than 0.05. It means that the mean was significantly greater than 6. Therefore, satisfaction is moderate to high concerning banking service fees in credit unions. High banking service fees are said to be the main reason for dissatisfaction of state banks.

Fourth hypothesis

To what extent is the satisfaction concerning banking service fees in state banks?

Since it was measured at an interval level and it is an interval variable, the one sample t-test was employed. A total of 2 items were taken into account to assess the satisfaction concerning banking service fees in state banks. Items were scored on a 0 to 5 scale. The minimum score was 2, while the maximum was 10. 6 was the mean value. Scores which are greater than 6 showed moderate-to-high satisfaction concerning banking service fees in state banks. However, scores lower than 6 showed moderate-low satisfaction concerning banking service fees in credit unions.

Table 13: One-sample t-test output for assessing the satisfaction concerning banking service fees in state banks

| Variable | Number | Mean | Standard Deviation | T | Freedom Degree | Two-Tailed Sig. Level |
|---|--------|------|--------------------|-------|----------------|-----------------------|
| satisfaction concerning banking service fees in state banks | 50 | 5.78 | 1.76 | 27.16 | 49 | 0.000 |

T-test result showed that the mean score of satisfaction concerning banking service fees in state banks was 5.78. T was 27.16 and significance level is lower than 0.05. It means that the mean was significantly lower than 6. Therefore, satisfaction is moderate to low concerning banking service fees in state banks.

CONCLUSION

This article aimed to compare the customer satisfaction concerning banking service fees in credit unions and state banks. The results are as following:

- Satisfaction is moderate to high in credit unions concerning the performance.
- Satisfaction is moderate to high in state banks concerning the performance.
- Satisfaction is moderate to low in credit unions concerning the banking service fees.
- Satisfaction is moderate to low in state banks concerning the banking service fees.

As the results showed, customer satisfaction is moderate to high in credit unions and state banks. Satisfaction concerning the banking service fees is higher in credit unions than in state banks. Dissatisfaction is not very high concerning banking service fees in state banks. Customers are ready to get loans with high banking service fees to meet their economic problems.

CONFLICT OF INTEREST

There is no conflict of interest.

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FINANCIAL DISCLOSURE

None

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