

Determinants Of Customer Satisfaction From Commercial Banks Retail Services

Azamat Botirov¹, Egamkul Nosirov², Shokhjahan Elmurodov³

ABSTRACT

This paper studies the determinants of customer satisfaction in retail services in banking in Uzbekistan. The survey has been conducted, and results have been analyzed to get data for analysis. According to the results, several conclusions have been made.

As a result of customer satisfaction, the banking industry is a key player in ensuring economic development. Furthermore, the existence of bank branches is the essential determinant of satisfaction, and those with a university education appreciate it more.

Customer satisfaction is influenced by core service quality, social benefits, confidence advantages, and the physical environment. Furthermore, the results of liner regression show that these four independent factors have a 72 percent influence on customer satisfaction. Furthermore, there is a strong link between customer happiness and special treatment benefits and accessibility. The interest rates of all competing banks are more or less identical due to central bank control. Because product differentiation in the financial business is challenging, banks must focus on the elements listed above to get an advantage over their competitors.

Keywords: Bank Characteristics, Commercial Banks, Retail Environment, Bank Customers, Ordinary Least Squares

INTRODUCTION

New technology, advanced experience, and highly skilled professionals will be introduced into industries, and entrepreneurship will develop.

A power that stimulates investment serves the development of other industries and regions of the country and attracts new technologies and highly qualified specialists. We are faced with great tasks in this direction. The development of Uzbekistan and the well-being of people are closely linked, first of all, with the results of beneficial social and economic reforms.

Unfortunately, the banking system lags behind modern requirements for the use of digital technologies, the introduction of new banking products and software for 10-15 years. From 2020, all banks began to implement a comprehensive transformation program.

¹Associate Professor at Corporate Finance and Securities department of Tashkent Institute of Finance, Tashkent Institute of Finance. Email: azamat.botirov7@gmail.com. ORCID: 0000-0002-9345-1965

²Associate Professor at Corporate Finance and Securities department of Tashkent Institute of Finance, Tashkent Institute of Finance egamqul74@mail.ru ORCID: 0000-0002-9355-1973

³Independent Researcher at Tashkent Institute of Finance, Tashkent, Uzbekistan. jahonshokh@bk.ru. ORCID: 0000-0002-0123-6408

DETERMINANTS OF CUSTOMER SATISFACTION FROM COMMERCIAL BANKS RETAIL SERVICES

The National Bank and Ipoteka Bank should issue their Eurobonds by 2020. State-owned banks will gradually be sold to strategic investors. The main goal of banking reform is to teach commercial banks to work for the client.

The bank's customer service activities are traditionally divided into commercial and retail sectors. This division is based on different approaches to doing business in these areas. In addition, both activities can operate independently and often exist in parallel as separate banks with common owners. The term "non-profit business" often refers to the activity of service individuals, but this is less precise: sales transactions are also carried out in the corporate sector. In addition, the term "non-profit business" is not used to refer the retail operations. Retail banking is a very vague concept for many financial practitioners. In fact, the concept is not defined either in legislation or in the legal system, and therefore it can be understood in different ways. This unresolved situation creates a good platform for hardware struggles, especially between managers and agencies in spheres of influence.

Retail banking is misleading. There is an example of a draft payment card. The service is undoubtedly intended for medium and large corporate clients, but transactions are mainly made with individuals. A corporate card is also a service for legal entities. There are reverse examples of financial services for individuals using corporate instruments. However, the amounts can also be tangible at the bank level. The bank can provide services to organizations whose counterparty is an individual. As such, it is difficult to determine a legally correct retail structure. To correctly classify modern banking, we distinguish retail and corporate transactions. Let's clarify the volume of the considered banking operations. First, we highlight corporate transactions. This type of operations includes:

- cash collection operations;
- conversion operations in which the bank participates as a counterparty or broker;
- transactions of securities through the bank or its intermediary;
- credit and loan operations;
- deposit operations;
- trust management of operations;
- foreign economic activity, letters of credit, guarantee operations.

Literature Review

Thus, retail bank managers are required to devote their strategies to actions that exceed customer expectations. Parasuraman identified ten dimensions of service quality that were later refined to five — reliability, responsiveness (Parasuraman, 1985), confidence, empathy, and wealth — a statement that is actively discussed in the literature by Levesque and McDougall (Levesque, 1996). However, there seems to be a consensus on the fact that the quality of service parameters depend on the service and environment parameters, and empirical and theoretical evidence indicates that two of them – the main parameters – the main and relational factors - should be universal. The banking sector in Uzbekistan includes both local banks and foreign ones that have received a license to operate in the country. It creates a competitive environment that requires many initiatives in order to survive. Since it is difficult to differentiate the services provided, increasing customer satisfaction by improving the quality of their services is an option. Thus, this study tests these service quality parameters in Uzbekistan, intending to identify customer satisfaction in retail banking. Survey data was collected from 74 clients from 7 different banks in Uzbekistan, and the data collected was analyzed using Ordinary Least Squares

(OLS). This study confirmed five dimensions of service quality in Uzbekistan, of which three determine the level of customer satisfaction of a retail bank. The results of this work are expected to help policy-makers know which aspect of service quality should have the highest priority. (Zeithmal, 1988).

On the other hand, values the satisfaction of customers' needs and expectations (Parasuraman et al. 1991) (Parasuraman A. B., 1991). Oliva et al. (1992) (Oliva, 1992), (Fecikova, 2004) and consider satisfaction to be a response to customers' needs and needs. All these concepts are identical and are used interchangeably. (Titko, 2010) Therefore, banks pay special attention to customer satisfaction (Khattak, 2010). The main indicators of cementing the relationship between the company and its customers are quality and satisfactory service. Not only the services provided but also other important factors are responsible for satisfaction. An attitude of acceptance is key to providing a positive image of the bank and its services to its customers. When evaluating the quality of bank services, our customers equally take the physical environment of the infrastructure, the design and the general atmosphere into account. Similarly, both positive and negative impressions are given to the clients by the service delivery period. For example, a short waiting time can make the bank well aware of the high quality of its services.

MATERIALS AND METHODS

The questionnaire used for this study has three parts. The first part was about the demographic characteristics of the respondents. The second part contains questions about the quality of banking services. This aspect adopted the Parasuraman Service Quality Measurement Scale [4]. This scale consists of 22 items that measure various dimensions of service quality. The respondents were asked to give an idea of their banking service quality on a 5-point Likert scale. These numbers represent 1 - strongly disagree, 2 - disagree, 3 - neutral, 4 - agree, and 5 - strongly agree. It should have given respondents some degree of flexibility in answering questions. The last part of the questionnaire focused on overall customer satisfaction based on the services provided by their banks. This part was taken from Levesque and McDougall and was also based on a 5-point Likert scale.

Ordinary least squares (OLS) regression is a statistical analysis technique that evaluates the relationship between independent and dependent variables. The method estimates the relationship by minimizing the sum of squares of the difference between the observed and predicted values of the dependent variable, configured as a straight line.

I am satisfied with the service of the bank	Y
The bank, which I am a client of it, uses the latest information technologies	X1
The bank hired friendly staff with good appearance	X2
The bank office building is very beautiful	X3
The bank genuinely cares about the client	X4
Service quality is excellent	X5
All promised services are available	X6
Customers are notified of the services	X7
The bank provides services very quickly	X8
They want to help customers	X9
Customer confidence is high	X10

DETERMINANTS OF CUSTOMER SATISFACTION FROM COMMERCIAL BANKS RETAIL SERVICES

Clients fully trust the bank	X11
The staff is highly qualified and knowledgeable	X12
The staff pays attention to the client	X13
The staff understands the client	X14
There are many places in ATMs	X15
There are enough branches in the regions of the bank where I am a client	X16
Various banking services available	X17

Figure 1. Survey questions among bank customers [5]

/ Y	X1	X2	X3	X4	X5	X6	X7	X8	X9	X10
X11	X12	X13	X14	X15	X16	X17				
Y	1.0000									
X1	0.6621	1.0000								
X2	0.6702	0.4450	1.0000							
X3	0.5432	0.5599	0.6023	1.0000						
X4	0.7299	0.6444	0.5528	0.5750	1.0000					
X5	0.7022	0.6573	0.6900	0.6373	0.8281	1.0000				
X6	0.7517	0.5932	0.6410	0.5987	0.7641	0.8586	1.0000			
X7	0.6647	0.6437	0.6807	0.6178	0.7396	0.8242	0.8100	1.0000		
X8	0.7270	0.6136	0.6862	0.5986	0.7549	0.8126	0.8005	0.7760	1.0000	
X9	0.7650	0.6623	0.6903	0.6672	0.8061	0.8242	0.8240	0.7412	0.8132	1.0000
X10	0.8294	0.6871	0.7787	0.6041	0.7780	0.8633	0.8428	0.7719	0.8277	0.8733
X11	0.7773	0.6140	0.6691	0.5837	0.7743	0.8197	0.7866	0.6216	0.7278	0.8133
X12	0.7288	0.6358	0.7309	0.5406	0.7724	0.8115	0.7961	0.8111	0.7126	0.7858
X13	0.7712	0.6101	0.8478	0.6295	0.7668	0.8194	0.8231	0.8491	0.7881	0.8182
X14	0.6320	0.5736	0.5051	0.6138	0.7522	0.6911	0.6980	0.7375	0.6882	0.7069
X15	0.5827	0.5997	0.5101	0.5539	0.7107	0.6409	0.6712	0.7271	0.6154	0.6388
X16	0.5892	0.3844	0.6975	0.5126	0.5984	0.6831	0.7140	0.6437	0.6060	0.6342
X17	0.6595	0.5946	0.6849	0.4820	0.6935	0.8038	0.7608	0.7623	0.6559	0.7009

Figure 2. Correlation matrix [6]

The regression equation is as follows:

$$Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \beta_{12} X_{12} + \beta_{13} X_{13} + \beta_{14} X_{14} + \beta_{15} X_{15} + \beta_{16} X_{16} \quad (1)$$

RESULTS

Y	Coefficient	Standard error	t	P>[t]
X1*	.2108658	.1099602	1.92	0.060
X2	.1850338	.1330887	1.39	0.170
X3	-.0251537	.1256379	-0.20	0.842
X4*	.2721583	.1531451	1.78	0.081
X5*	.5512806	.2041358	-2.70	0.009
X6*	.257862	.1542469	1.67	0.100
X7	.0098622	.166827	0.06	0.953
X8	.0535814	.1265815	0.42	0.674
X9	-.0399184	.1359195	-0.29	0.770
X10*	.3392995	.191294	1.77	0.081
X11	.254169	.1739258	1.46	0.149
X12	-.073342	.1649049	-0.44	0.658
X14	.0365526	.1236859	0.30	0.769
X15	.0652481	.0934984	-0.170	0.488
X16	-.0270248	.132813	-0.20	0.839
R square	0.7694	Adjusted R square	0.7047	

Retail operations are primarily the provision of services only to individuals. Any organization also consists of individuals, and many companies, in one way or another, conduct financial transactions with their clients – individuals. In this regard, we distinguish four groups of retail operations (mainly reflecting the technological approach):

1. Client – operations for servicing individuals, not related to the banking activities of any organization. For example, this is a currency exchange or opening a deposit for a client who focuses on banking services due to territorial proximity to the residence or workplace. Perhaps the focus is on advertising services or customer acquisition rates.

2. Corporate and retail operations, for example, securing financial relationships of individuals with companies that are customers of the bank or have a separate agreement with the bank. A few examples:

- payment for private housing by individuals in favor of developers;
- communal payments;
- payment of wages and travel expenses to employees.

3. Contingent retail transactions.

a) they are carried out not only by individuals but also legal entities;

b) technologies that relate only to the corporate sector but are close to the bank's retail products.

4. Retail transactions with VIP clients (private bank). More specifically, the term "private banking" refers to the secure management of a customer's other assets, such as cash, securities and real estate. This concept also includes consulting services that include financial engineering services and similar services. However, in the form described above, private banks exist only in

DETERMINANTS OF CUSTOMER SATISFACTION FROM COMMERCIAL BANKS RETAIL SERVICES

large foreign investment banks. Only a few large banks can offer it, for example, Sberbank, Deutch Bank. Most commercial banks understand this type of activity as providing services to clients at a better rate than standards in terms of maximum convenience. The criterion for distinguishing between a "standard" and a VIP client is the number of funds for which the client works. Typically, these amounts start at \$ 100,000. Maintenance is performed in "manual" mode. For example, a client receives coffee in the waiting room. At this time, the back office prepares the necessary contracts, documents, the cashier is busy preparing the amount of cash (recalculation), etc. When organizing VIP services, the bank should not rely on a technological approach, and in this sense, such operations are a particular type of service.

We will go back to the technological classification and separate transactions with invoices and transactions without invoices for completeness.

Transactions without an account.

This group covers all transactions between the client and the bank at the same time. In other words, these transactions include cash exchanges, sending money transfers, cash withdrawals from ATM (Automated Teller Machine)s, and more. Tracking account number transactions are limited in time, usually one banking day.

The Banking and Finance Academy will be entirely reorganized in teaching modern personnel for the industry. In addition, to introduce modern banking practices, management and services in state banks, the attraction of qualified specialists from leading foreign financial institutions to management positions has begun, and this process will continue.

For the past ten years, improving service has been the primary goal of service industries, especially when research has linked customer satisfaction to good service. It is true, in particular, in retail banking, where there is little or no differentiation in the product offering. An alternative means of retaining and expanding the customer base is to improve the quality of the services provided to maintain customer satisfaction. Maintaining customer satisfaction is very important for the continued existence of a retail bank, as no bank can remain in business without loyal customers. The researchers listed the benefits of customer loyalty due to their satisfaction with the quality of services provided by their service providers.

These include increased profit margins in service costs, a better understanding of their customers' financial issues and needs, and the ability to cross-sell old and new products. Other benefits are the positive word of mouth, willingness to pay the charged price, and a tendency to see your bank as a bank of "relationships."

DISCUSSION

From the multiple regression results, we see that the regression can explain the factors determining customer satisfaction with retail banking services. If we interpret the regression result, we see that 5 out of 16 determinants are statistically significant for customer satisfaction with retail banking services. If a bank uses the latest information technology, it increases customer satisfaction, which means that the two variables have a positive relationship. In addition, good service and customer care are also positively correlated and statistically significant for the dependent variable. If the bank has all the promised services, it will also increase the level of customer satisfaction with the retail banking services. Having more ATMs also increases student satisfaction.

CONCLUSION

Customer satisfaction allows businesses to achieve long-term goals. It will enable companies to build customer loyalty, which leads to customer retention and, most importantly, increased profits and market share. Also, it means how a product or service surpasses a client's requirements. Customer satisfaction in banks may be measured using four parameters:

- branch satisfaction (privacy, quick service, employee attitude to clients, and opening hours);
- economic contentment (bank charges and interest rates);
- remote access satisfaction (quality of e-banking);
- the availability of automated teller machines (ATMs).

According to the regression analysis, core service quality, social benefits, confidence benefits, and physical layout have statistical effects on commercial bank customer satisfaction. Furthermore, consumer satisfaction is statistically linked to accessibility and special treatment benefits.

Customer satisfaction may be assessed by confidentiality, service delivery speed, employee behaviour, service accuracy, interest rates, personnel skills and knowledge, service accessibility, and desire to help. In banks, however, service and product quality are the essential indicators of customer satisfaction.

Future research should examine how commercial banks may resolve consumer dissatisfaction while considering demographic aspects, including gender, age, and educational level. As a policy recommendation, banks should lower the costs of their products and services to keep consumers from switching banks.

LIMITATIONS OF THE RESEARCH

The survey was conducted among 500 people, of which 102 participated. More participants will strengthen the regression result.

LIST OF REFERENCES

1. Awan, R. U. (2012). "Foreign direct investment, economic growth, trade and domestic investment relationship: An econometric analysis of selected South Asian countries". *Interdisciplinary Journal of Contemporary Research in Business*, 3(9).
2. Bhowmick, S. (2020). *COVID-19: FDI dynamism in South and Southeast Asia*. Retrieved July 27, 2020, from <https://www.orfonline.org/expert-speak/covid19-fdi-dynamism-south-southeast-asia/>
3. Busse, M., & Groizard, J. (2005). Foreign Direct Investment, Regulations, and Growth. *Policy Research Working Paper Series*, 31(7), 861-886.
4. Fecikova, I. (2004). An Index Method for Measurement of Customer Satisfaction. *TMQ Magazine*, 57-66.
5. Ferede, E., & Dahlby, B. (2012). the Impact of Tax Cuts on Economic Growth: Evidence From the Canadian Provinces. *National Tax Journal*, 65(3), 563-594.
6. Iqbal, M. S. (2010). "Causality relationship between foreign direct investment, trade and economic growth in Pakistan". *Asian Social Science*, 6(9), 49-63.
7. Khattak, N. a. (2010). Customer Satisfaction and Awareness of Islamic Banking System in Pakistan. *African Journal of Business Management*, 662-671.
8. Levesque, T. a. (1996). Determinants of customer satisfaction in retail banking. *International Journal of Bank Marketing*, 12-20.

DETERMINANTS OF CUSTOMER SATISFACTION FROM COMMERCIAL BANKS RETAIL SERVICES

9. Oliva, T. O. (1992). A Catastrophe Model for Developing Service Satisfaction Strategies. *Journal of Marketing*, 83-95.
10. Parasuraman, A. B. (1991). Understanding Customer Expectations of Service. *Sloan Management Review*, 39-48.
11. Parasuraman, A. Z. (1985). A conceptual model of service quality and implications for future research. *Journal of Marketing*, 41-50.
12. Titko, J. a. (2010). Customer Satisfaction and Loyalty in Latvian Retail Banking. *Economics and Management*, 1031-1038.
13. Zeithmal, V. (1988). Consumer Perceptions of Price, Quality and Value: A Means-End Model and Synthesis of Evidence. *Journal of Marketing*, 2-22.