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FACTORS AFFECTING CUSTOMER LOYALTY: A CASE STUDY OF BANK FOR AGRICULTURE AND AGRICULTURAL COOPERATIVE, NAKAE BRANCH, NAKON PHANOM PROVINCE, THAILAND

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ABSTRACT

The purpose of this research was to investigate 1) The influence of service quality and Corporate Social Responsibility (CSR) on customer decision making and customer loyalty and 2) the Impact of customer decision making on customer loyalty. Questionnaire was used to collect data from 400 respondents, who were a customer of Bank for Agriculture and Agricultural cooperative, Na kae Branch, Nakhon Phanom Provinces, Thailand. Correlation Analysis and Multiple Regression Analysis were employed to analyze data.

The results illustrated that four dimensions of service quality (empathy, responsiveness, assurance and reliability) significantly influenced customer decision making. However, one dimensions of service quality (tangibility) did not influenced. At the same time, there were only two dimensions of service quality (empathy and assurance) significantly impacted customer loyalty, while three dimensions of service quality like responsiveness, tangibility and reliability did not. Moreover, the results showed that CSR significantly affected both of customer decision making and customer loyalty. Furthermore, customer decision making ales impacted customer loyalty. The research contributions and guidelines for future research provided.

Keywords - Service Quality, Corporate Social Responsibility, Customer decision making, Customer loyalty

INTRODUCTION

Back ground

The present era is the age of information usage and boundless connectivity, also referred to as globalization era. With the development of information systems, the combination of economic, technological, social, cultural and political spheres promotes ease of liaison, communication, news perception and public relations. Thus, information technology plays a vital role in every organization's operation and liaison. Many organizations have used advanced information technology to aid in creating a public relation channel, so that they have their own identity and advantages over competitors.

All businesses have adapted themselves to the current state to be able to compete with their business competitors and continue operating. In fact, financial institutions are among those businesses which have adapted. Thus, banks must improve themselves, just as other businesses. With that in mind, banks have adapted to globalization or age of boundless connectivity with the intent to attract and reach higher target customers. One of the utmost components in customer attraction is the retention of customers, and the other is increase and attraction of new customers. In retention of customers, banks ought to promote customer loyalty in order that the customers repurchase the banks' services. The term customer loyalty is referred to as customers' willingness to repurchase services from the same service providers, despite availability of the others. In retaining old patrons and attract new ones, banks ought to assess their internal operation to determine factors affecting decision making on service patronage and promotion of customer loyalty. One of the essential elements in banks' operation is quality of services which will help promote reliability. In addition, the other is corporate social responsibility which could influence customers' decision making on service purchase and customer loyalty. Hence, the present study investigated factors influencing customer loyalty. Specifically, it aimed to explore effects of service quality and corporate social responsibility on decision making on service purchase and customer loyalty while simultaneously investigating effects of decision-making on customer loyalty of Bank for Agriculture and Agricultural Cooperatives, Na Kae Branch, Nakhon Phanom.

LITERATURE REVIEW

The present study investigated factors influencing customer loyalty of Bank for Agriculture and Agricultural Cooperatives, Na Kae Branch, Nakhon Phanom. A review of literature on conceptual frameworks and related theories was conducted to acquire data for determining variables, discussion and instrumentation.

Service Quality

Proposed an assessment of quality of service to promote customer satisfaction. Specifically, service quality can be categorized into five dimensions as follows [1]:

- 1) Tangibility can be defined as the physical features of facilities, e.g. equipment, design and decoration.
- 2) Reliability refers to promises given to customers and the capability to deliver services accurately and properly. This serves as an essential factor to determine quality since customers would prefer the service provider which can fulfill its promises, particularly promised core services. Service businesses must ensure reliability of core services, such as delivery of promised services, service rightness, delivery of services in the promised timeline and accurate payment.
- 3) Responsiveness can be referred to as willingness to provide services or offer any assistance promptly for customer convenience. It is particularly concerned with employees' readiness to respond to customer needs as well as the flexibility and capacity to adapt services to suit individual customers, such as flexible timeline of services, prompt service provision, readiness to provide services and sensitivity to customer problems.
- 4) Assurance is the service provider's expertise and competence, courtesy and friendliness, honesty, credibility and security. This factor is important since customers will be aware of service risks, be able to estimate services and trust the service provider; assurance usually results from a person connecting customers and companies.
- 5) The definition of empathy is determination and caring provided to customers, understanding of customer needs and proper delivery of services by offering individualized services [5].

Corporate Social Responsibility

Corporate social responsibility is a sense of responsibility towards effects of businesses or operations on society and environments. The operation of corporate social responsibility is systematic, ranging from prevention, preservation, improvement to sustainable development to promote innovations. Thus, this practice starts within organizations and then moves forward to society. This practice is based on laws and morals as well as complies with international standards. In addition, it corresponds to "stakeholders" who are affected by business operation, apart from stockholders or business owners [9].

The concept on corporate social responsibility (CSR) is commonly used for promotion of positive image of organizations; this will reflect organizations' sense of responsibility towards society and stakeholders. As stated, CSR is vital to promotion of positive image, which will result in creditability and promote customer loyalty [4].

Decision Making

Decision-making refers to consideration of alternatives through comparison to select the most effective alternative for goal achievement; the best alternative will be carefully decided. With decision-making, consumers will buy the product which they prefer most.

According to decision-making consists of five steps as follows: 1) need recognition; 2) search for information; 3) pre-purchase alternative evaluation; 4) purchase decision; 5) post-purchase alternative evaluation [7].

Customer Loyalty

Loyalty as commitment between service providers and customers. It results from repurchase intentions, which will in turn promote positive relationship between them.

Customer loyalty can be categorized into two aspects: 1) behavioral loyalty such as depart on age and word of mouth and 2) attitudinal loyalty as in praising and repurchase intentions.

Service loyalty is a result of customers' positive attitudes towards service providers, which can help promote customers' commitment to service providers. Simply speaking, customers are willing to repurchase the services from the same service providers, regardless of availability of other service providers [6].

CONCEPTUAL MODEL AND HYPOTHESES

The research was mainly aimed to investigate the influence of service quality and Corporate Social Responsibility on customer decision making and customer loyalty and the Impact of customer decision making on customer loyalty. Therefore the research hypotheses are:

H1: Service quality will affect customer decision making of Bank for Agriculture and Agricultural cooperative, Na kae Branch, Nakhon Phanom Provinces.

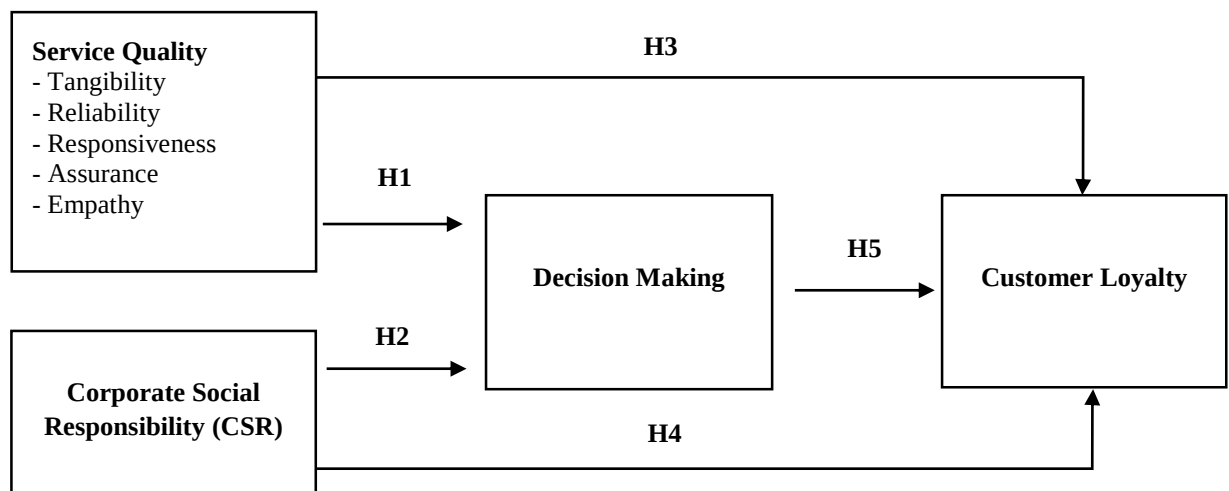
H2: Corporate Social Responsibility will affect customer decision making of Bank for Agriculture and Agricultural cooperative, Na kae Branch, Nakhon Phanom Provinces.

H3: Service quality will affect customer loyalty of Bank for Agriculture and Agricultural cooperative, Na kae Branch, Nakhon Phanom Provinces.

H4: Corporate Social Responsibility will affect customer loyalty of Bank for Agriculture and Agricultural cooperative, Na kae Branch, Nakhon Phanom Provinces.

H5: Customer decision making will affect customer loyalty of Bank for Agriculture and Agricultural cooperative, Na kae Branch, Nakhon Phanom Provinces.

Figure 1
Research Conceptual Model



This research is a quantitative study. The data was collected from a sample of 400 respondents, who were a customer of Bank for Agriculture and Agricultural cooperative, Nakae Branch, Nakhon Phanom Provinces, Thailand. Questionnaire was developed and checked for content validity and reliability. Correlation Analysis and Multiple Regression Analysis were used for analyzing data. Questionnaire was developed and Cronbach alpha was used for reliability of measurement. Reliability scale of Cronbach alpha is higher than 0.7 [2] as show in table 1. Multiple Regression Analysis was employed to.

Table 1
Result of measure validation

Items	Cronbach's Alpha
Service Quality	
Tangibility	0.77
Reliability	0.75
Responsiveness	0.80
Assurance	0.78
Empathy	0.87
Corporate Social Responsibility	0.81
Decision Making	0.75
Customer Loyalty	0.85

RESULTS

The Descriptive Statistics

The descriptive statistics of demographic data of the respondents revealed that the respondents were 52.20% of male and 47.80% of female. The status of respondents was 73.80% of married. Mostly of them, which are 34.50%, age was between 41-50 years. The highest % of education level is primary school (38.00). The occupations of respondents were agriculture / fisheries (49.30%). The respondents had been a member between 1-5 years (58.00%) and average income per month was less than 10,000 baht (69.00%).

Hypothesis Testing

The statistical analysis for hypothesis testing to study the effect of research variables were used Pearson's Product Moment Correlation Coefficient to determine the relationship of the independent variables, and the multiple regression analysis to study the influence of service quality and Corporate Social Responsibility on customer decision making and customer loyalty and the Impact of customer decision making on customer loyalty. The symbols used to analyze were as follows.

S1	Represent	Tangibility
S2	Represent	Reliability
S3	Represent	Responsiveness
S4	Represent	Assurance
S5	Represent	Empathy
CSR	Represent	Corporate Social Responsibility
DEC	Represent	Decision Making
LOY	Represent	Customer Loyalty

Table 2
Correlation Analysis between independent variables

	S1	S2	S3	S4	S5	CSR	DEC	LOY
$\bar{x}$	4.39	4.35	1.28	4.42	4.20	4.37	4.19	4.13
SD.	.419	.381	.390	.307	.458	.458	.413	.506
S1	1							
S2	.56**	1						
S3	.52**	.63**	1					
S4	.46**	.54**	.57**	1				
S5	.48**	.60**	.75**	.54**	1			
CSR	.47**	.48**	.60**	.52**	.59**	1		
DEC	.39**	.53**	.60**	.50**	.64**	.49**	1	
LOY	.35**	.44	.49**	.44**	.59**	.48**	.74**	1

** P<0.05

Table 2 showed that the relationship between the variables that are related not exceed 0.80. Hair et al. (2010) described the relationship between the variables must be less than 0.80, which is more than 0.80 may cause of Multicollinearity. The research found the relationship between the independent variables the highest value was 0.80, it was not exceed 0.80. Multicollinearity problem was not found. Therefore, it can be tested by using multiple regression analysis to the next.

Table 3
Results of regression analysis

Independent variables	DEC			LOY		
	Beta	t	Sig	Beta	t	Sig
S1	-0.01	-0.25	0.80	0.10	0.20	0.84
S2	0.14	2.66	0.01	0.09	1.48	0.14
S3	0.16	2.57	0.01	0.01	0.18	0.86
S4	0.15	3.09	0.00	0.14	2.77	0.01
S5	0.37	6.39	0.00	0.45	7.10	0.00
CSR	0.49	11.26	0.00	0.49	11.07	0.00
DEC				0.74	22.12	0.00

P<0.05

Table 3 presented the result by using Multiple Regression Method. It showed that firstly, tangibility did not significantly impact on decision making of customer (**H1.1**), reliability significantly impacted on decision making of customer (**H1.2**), responsiveness significantly impacted on decision making of customer (**H1.3**), assurance significantly impacted on decision making of customer (**H1.4**) and empathy significantly impacted on decision making of customer (**H1.5**). Furthermore, corporate social responsibility significantly impacted on customer decision making (**H2**). Then, tangibility did not significantly impact on customer loyalty (**H3.1**), reliability did not significantly impact on customer loyalty (**H3.2**), responsiveness did not significantly impact on customer loyalty (**H3.3**), assurance significantly impacted on customer loyalty (**H3.4**) and empathy significantly impacted on customer loyalty (**H3.5**). In addition, corporate social responsibility significantly impacted on customer loyalty (**H4**). Lastly, decision making of customer significantly impacted on customer loyalty (**H5**).

Table 4
The hypotheses testing

Hypotheses	Accepted/Not Accepted
H1	
H1.1	✗
H1.2	✓
H1.3	✓
H1.4	✓
H1.5	✓
H2	✓
H3	
H3.1	✗
H3.2	✗
H3.3	✗
H3.4	✓
H3.5	✓
H4	✓
H5	✓

✓ = Accepted, ✗ = Not Accepted.

CONCLUSIONS

The present study investigated effects of service quality, corporate social responsibility and decision making on customer loyalty of Bank for Agriculture and Agricultural Cooperatives (BAAC), Na Kae Branch, Nakhon Phanom. The findings showed that four divisions of service quality, empathy, responsiveness, reliability and assurance, affected decision-making. On the other hand, tangibility did not have any effects. It may be because customers of the branch did not expect tangible services. Specifically, all branches of the bank share physical features; office buildings of Bank for Agriculture and Agricultural Cooperatives shall comply with the headquarters' specification, thus causing resemblance of office building decoration among the branches. Therefore, tangibility, as in physical features of buildings, may not affect customers' decision-making.

In terms of customer loyalty, only two dimensions of service quality, namely empathy and assurance, influenced customer loyalty. Conversely, responsiveness, tangibility and reliability did not affect that. In respect of reliability, the reason may lie in the fact that BAAC is a state enterprise affiliated with Ministry of Finance established under Bank for Agriculture and Agricultural Cooperatives (A.D.1966); since its establishment, the bank has been operating over 50 years; what's more, BAAC as a specialized financial institution carries credibility in compliance with the state enterprise standard [11]. Thus, reliability as in credibility did not have any impact on customer loyalty. On responsiveness, as a state enterprise, BAAC's administration and workforce allocation are under the executive section's charge; in the allocation process, each branch will be provided with workforce suiting its criteria. In certain occasions, tasked with performing activities based on the government's policy, the bank may delay its services; the branch had to manage workforce properly to offer prompt services. Therefore, responsiveness did not influence customer loyalty. Akin to those dimensions, tangibility was found to have no effects on customer loyalty.

Concerning corporate social responsibility (CSR), it was found to influence decision-making on service purchase and customer loyalty. It is consistent with Klayklung and Samantreeporn[3] study on corporate social responsibility and customer satisfaction affecting customer loyalty of Nok Air; Nok Air's CSR was correlated with customer loyalty. The study is also akin to Supaphon[8] study on image perception of corporate social responsibility influencing community loyalty of Sangsom Company Limited; his study showed that perception of CSR influenced community loyalty.

The findings also demonstrated that decision-making on service patronage had effects on customer loyalty. This corresponds to Oke [10] study on consumer behavior towards decision-making and loyalty to particular brands; the sample consisted of 50 Thai consumers, and the study found that decision-making affected customer loyalty.

The present study was carried out in hope of providing a guideline for Bank for Agriculture and Agricultural Cooperatives, Na Kae Branch, Nakhon Phanom, to analyze factors affecting customer loyalty, prioritize improvement of service quality and manage costs effectively. In particular, this branch of BAAC should focus on maintaining its empathy as service quality, for it serves as the factor which can influence decision-making and customer loyalty the most; simultaneously, the branch should improve assurance as well. Those two dimensions can have a strong effect on decision-making on service purchase and customer loyalty. In relation to reliability, responsiveness and tangibility, the bank ought to seek a solution in order to improve customer loyalty effectively.

Given that the present study employed a quantitative approach and a questionnaire as a research instrument, further studies should adopt a qualitative approach and other means of data collection such as observation, participation or in-depth interview. Additionally, they ought to explore other factors potentially affecting customer loyalty, e.g. a marketing mix, an organizational image and internet banking.

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