

# A Study of Factors Affecting Customer Loyalty towards Banco Nacional De Comércio De Timor-Leste (BNCTL) Bank, Dili, Timor-Leste

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**Abstract**—The purpose of this study is to investigate the relationship between service quality, quality of physical environment, bank image, perceived value, customer satisfaction and customer loyalty. The survey was conducted by distributing 400 questionnaires at BNCTL bank in Dili, Timor-Leste. Data gathered by using convenience sampling method. In order to help the respondents to understand the questionnaire, the translation from English to the Indonesian language was necessary. This study has eight hypotheses and the collected data was analyzed by SPSS program in order to test the relationship between variables using Pearson's Correlation.

In this study, majority of the respondents were male, aged between 26 to 35 years old, married and Timorese nationals, earned 151 to 300 USD/month. All null hypotheses were rejected in this study. Based on the results, it seems that the BNCTL bank needs to consider those factors in order to attract new customer and retain existing customers.

**Keywords**—Bank image, Customer loyalty, Customer satisfaction, Perceived value, Quality of physical environment and Service quality.

## I. INTRODUCTION

**C**USTOMER loyalty is very important for every company. Hu and Hwang [6] stated that a company derived higher profit as long as it can maintain long-term customers. Dick & Basu [2] defined How to develop, maintain, and enhance customer loyalty toward a firm's products or services is generally seen as the central thrust of marketing activities. Previous studies stated that service quality, quality of physical environment, brand image, perceived value and customer satisfaction is an important factor of customer loyalty.

In this study, the researcher was focused on the factors influence customers to be loyal to the bank even though other competitors were offering higher service quality. Therefore, the researcher focuses on the relationship between service quality, quality of physical environment, bank image, perceived value, customer satisfaction and customer loyalty

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towards BNCTL bank in Dili, Timor-Leste. The researcher was focused on the customers who have experienced used BNCTL bank's services more than six months in Dili, Timor-Leste.

## II. LITERATURE REVIEW

### A. SERVICE QUALITY

Service quality is to measure the degree of satisfaction in core service performance, problem encounter and problem recovery. Zeithaml, Berry, and Parasuraman, [18] mentioned that providing quality service is considered as an essential strategy for success in today's competitive environment. Parasuraman et al., [13] defined service quality as the global evaluation or attitude of overall excellence of services. Lewis and Booms [9] mentioned that service quality is the level of good service measurement that has been sent to customers by dealing with customer expectation.

### B. QUALITY OF PHYSICAL ENVIRONMENT

Nguyen and Leblanc [10] mentioned that the physical environment such as decoration, ambient condition and seating comfort, provides first-visit customers with cues that deliver the expected service offerings' nature and customer perceived value. Baker et al., [1] demonstrated the role of the physical environment of service firms on improving a brand image and stimulating purchase behaviors.

### C. BRAND IMAGE

Padgett and Allen [12] stated that brand image can be defined as the symbolic meanings that customers recall when they encounter the specific features of the product or service. Hsieh, Pan, and Setiono [5] stated that a successful brand image enables consumers to identify the needs that the brand satisfies and to differentiate the brand from its competitors, and consequently increases the likelihood that consumers will purchase the brand. Keller [7] suggested that image is based on customers' beliefs about a brand, while Gronroos [4] argues that it is a value-added antecedent determining satisfaction and loyalty.

### D. PERCEIVED VALUE

Gale [3] defined customer value is the perception about conformity between market quality and relative price of

product. It is customers thought of your own products (or service) in comparing to other competitors. Zeithaml [17] mentioned that customer perceived value can be defined as the result of the personal comparison between perceived overall benefits and the perceived sacrifices or costs paid by customer. Van Der Merwe [15] defined value as when customers are satisfied with the total experience of products/services.

#### E. CUSTOMER SATISFACTION

Oliver [11] stated satisfaction is a response that occurs when consumers experience a pleasurable level of consumption-related fulfillment when evaluating a product or service. Zeithaml, Bitner, and Gremler [19] stated that satisfaction is the evaluation of the customer about a product or service whether a product or service has met the customer's need and expectations.

#### F. CUSTOMER LOYALTY

Soderlund [14] defined customer loyalty is generally conceptualized as the intention to purchase again from the same company. Ladhari et al., [8] conceptualized loyalty as a customer's continued patronage of a particular bank. Walsh et al., [16] defined loyalty as a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, which causes repetitive same-brand or same-brand set purchasing, despite any situational influences and marketing efforts that might cause switching behavior.

### III. RESEARCH FRAMEWORK AND METHODOLOGY

#### A. Research Framework

Base on previous empirical researches provided evidence. In the conceptual framework, customer loyalty, the dependent variable, was affected by five independent variables; service quality, quality of physical environment, perceived value and customer satisfaction. The conceptual framework is shown in Fig.1 There were 8 hypotheses formulated based on the conceptual framework and they are shown as follows:

- H1: There is a significant relationship between service quality and bank image.
- H2: There is a significant relationship between quality of physical environment and bank image.
- H3: There is a significant relationship between brand image and perceived value.
- H4: There is a significant relationship between quality of physical environment and perceived value.
- H5: There is a significant relationship between service quality and perceived value.
- H6: There is a significant relationship between service quality and customer satisfaction.
- H7: There is a significant relationship between perceived value and customer satisfaction.
- H8: There is a significant relationship between customer satisfaction and customer loyalty.

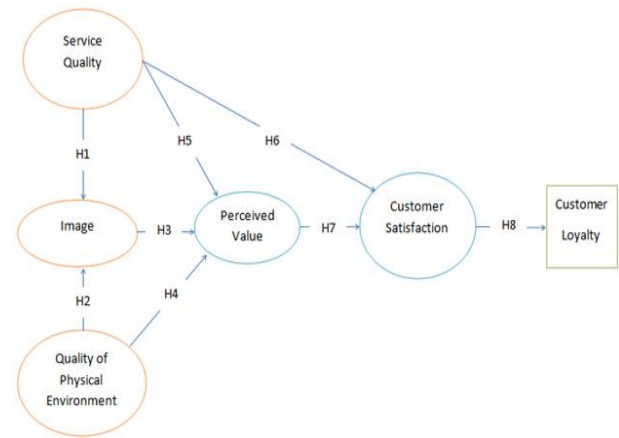


Fig.1 The factors affecting customer loyalty towards BNCTL bank in Dili, Timor-Leste

#### B. Research Methodology

The purpose of this study is to investigate the factors affecting customer loyalty towards BNCTL bank in Dili, Timor-Leste.

This paper describes five independent variables which are service quality, quality of physical environment, bank image, perceived value and customer satisfaction and their effects toward the dependent variable, customer loyalty. All 400 research questionnaires were distributed to target population in Dili, Timor-Leste. In order to help the respondents to clearly understand the questionnaire, the translation from English to the Indonesian language was necessary because most of the Timorese people can understand it. The questionnaires consisted of four sections that represent one screening question, five independent variables, the dependent variable and demographic factors. The researcher applied judgment and convenience non-probability sampling. The researcher selected the descriptive research methodology instrument to evaluate each variable. This means that the outcome of the research would be described by examining the relationship between different variables.

#### Sampling Procedure

The researcher applied the non-probability sampling method to find the sampling unit in this study. The non-probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of being selected. Also, the non-probability sampling is a sampling technique in which units of the sample are selected on the basis of personal judgment or convenience, the probability of any particular member of the population being chosen is unknown. In this study, the researcher applied Judgment sampling and Convenience sampling to determine the target respondents and collected data; all details are as follows:

#### Step 1: Judgment Sampling

Judgment or purposive sampling is one of the non-probability sampling techniques, it refers to an experienced person who selects the sample based on his/her judgment about several required attributes of the sample members. In

this research, the researcher used a judgment sampling to collect the data in Dili branch only. This sampling technique is the most suitable in research in which broad population generalizations are not required.

#### *Step 2: Convenience Sampling*

The convenience sampling method was used in this research to collect data from anyone who was available. The convenience sampling is beneficial to obtain a large number of completed questionnaires quickly and economically. Therefore, most of the researchers generally use convenience sampling to obtain a large number of completed questionnaires quickly and economically. In this research, the researcher distributed the questionnaires to customers who were available

to answer the questionnaire in front and inside the BNCTL bank in Dili branch. The researcher selected only one branch of the bank Headquarter in Dili, as there is only one branch in Dili.

#### IV. RESEARCH AND FINDINGS

The hypotheses testing were supported by the conceptual framework. There were eight hypotheses which were tested in this research. Based on the research objectives, Pearson's Correlation analysis was used in this study. After analyzing the hypotheses, all the null hypotheses were rejected. The results are summarized as follows:

TABLE I  
SUMMARY OF HYPOTHESES TESTING

| Hypothesis Statements  | Statistical Test      | Correlation | Level of Significant | Results      |
|--|-----------------------|-------------|----------------------|--------------|
| H1a: There was a significant relationship between service quality and bank image.                      | Pearson's Correlation | 0.557**     | 0.000                | Rejected H1o |
| H2a: There was a significant relationship between quality of physical environment and bank image.      | Pearson's Correlation | 0.497**     | 0.000                | Rejected H2o |
| H3a: There was a significant relationship between bank image and perceived value.                      | Pearson's Correlation | 0.572**     | 0.000                | Rejected H3o |
| H4a: There was a significant relationship between quality of physical environment and perceived value. | Pearson's Correlation | 0.583**     | 0.000                | Rejected H4o |
| H5a: There was a significant relationship between service quality and perceived value.                 | Pearson's Correlation | 0.598**     | 0.000                | Rejected H5o |
| H6a: There was a significant relationship between service quality and customer satisfaction.           | Pearson's Correlation | 0.460**     | 0.000                | Rejected H6o |
| H7a: There was a significant relationship between perceived value and customer satisfaction.           | Pearson's Correlation | 0.663**     | 0.000                | Rejected H7o |
| H8a: There was a significant relationship between customer satisfaction and customer loyalty.          | Pearson's Correlation | 0.689**     | 0.000                | Rejected H8o |

#### V. SUMMARY AND CONCLUSIONS

The researcher concentrated on the service quality, quality of physical environment, bank image, perceived value, customer satisfaction and demographic factors to determine customer loyalty based on the data analysis. Accordingly, the majority of all respondents were male, with aged between 26 to 35 years old, married, all Timorese nationals, had bachelor degree, worked as government officer with a monthly income of between 151 to 300 USD. For hypothesis testing, the data had been analyzed by using SPSS program (Statistical Package for the Social Science) to test the hypotheses and find the results for this research.

The researcher investigated that within the eight hypotheses, all hypotheses have moderate positive relationship between each variable which means that there was a moderate positive relationship between service quality and bank image, quality of physical environment and bank image, bank image and perceived value, quality of physical environment and perceived value, service quality and perceived value, service quality and customer satisfaction, perceived value and customer satisfaction, and customer satisfaction and customer loyalty.

#### VI. RECOMMENDATIONS

According to the data analysis of this study, the result can provides some suggestions that BNCTL bank should consider as the inputs in order to prevent customer switching intention and it may assist top management to design appropriate strategies to attract more customers. Regarding to findings from this study, the researcher would suggest several recommendations as follows:

According to the result of hypothesis eight, customer satisfaction has significant relationship on customer loyalty as a moderate relationship. It implies that, the BNCTL bank needs to consider the importance of customer satisfaction. Therefore, BNCTL bank should concern on applying recovery program to detect the unsatisfied customers who do not speak out by preparing evaluation forms. The purpose of this program is to avoid tendency of customers in declining their loyalty and to attract previous customers who have stopped doing transaction with BNCTL bank.

The result of the hypothesis seven showed that, there was significant relationship between perceived value and customer satisfaction. In this study, the researcher would like to suggest that the BNCTL bank should consider on increasing their

service delivery and bank reputation, and consequently by improving these parts, receive a positive perception from customers about that bank. BNCTL bank might offer minimum fees for those who have access to certain bank services, because most of the customers prefer to have lower fees in their transactions. In addition, the bank might offer the least strict terms on commercial loans and other type of credits.

The result of the hypothesis five indicated that, service quality has significant relationship with perceived value. Based on the result, the BNCTL Dili branch is advised to improve their service quality by providing training to the employees in order to offer better service. Furthermore, when BNCTL provides better service it might influence the likelihood of customers to recommend this bank to the others.

According to the result of hypothesis four, quality of physical environment has significant relationship with perceived value. Physical environment is the environment in which the service delivered and where the firm and the customer interact, and any tangible goods that facilitate performance or communication of the service might influence customers to doing transaction with the bank. Therefore, the researcher suggest that BNCTL bank in Dili must be establish ATM machines in city corners and to expand their branch in Dili in order to reduce waiting time because Dili is the crowded city compare with other District.

The result of the hypothesis three indicated that, bank image has significant relationship with perceived value. Based on the result, the BNCTL should have a positive image on customers in order to build a long-term and mutually profitable relationships with customers and create loyalty as competitive advantages in the markets. Therefore, the researcher suggests that BNCTL bank should improve its bank image and practice social responsibility by donating to national and local charities, through involving in this program BNCTL may be more recognized in the public. A positive image will not only help the BNCTL to attract customers, but will exercise a positive influence on the trust of other interested groups.

#### FURTHER RESEARCH

This study focused on some factors affecting customer loyalty towards BNCTL bank in Dili branch only. The researcher believes that there are many other factors which might affect customer loyalty. In this study, the researcher examined service quality as a general. Therefore, the researcher recommend for the future researchers who study in the service quality theory but they need to study service quality in specifically base on the five dimensions such as tangible, reliability, responsiveness, assurance, and empathy. Study should concern more on other variables such as trust and commitment so on. The study was confined to Dili area only. Thus, the further study should emphasize in other areas because people with different geographic they may have different perceptions. It would benefit for comparing Mean different or having less bias results. Additionally, the bank can learn more about perception of customers in other areas in order to provide better service to fit with different geographic area.

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