



© Copyright Kemala Publisher
All rights reserved

Science, Engineering and Social Science Series
ISSN/e-ISSN: 2541 – 0369/2613 – 988X
Vol. 4, No. 3, 2020, Printed in the Indonesia

Digital Channel and Customer Satisfaction on Financial Services

Dian Primavera Widodo^{1,*}, Tantri Yanuar Rahmat Syah¹, Dimas Angga Negoro¹

¹Department of Management, Faculty of Economy and Business, Esa Unggul University

The purpose of this study aimed to examine how perceived justice moderates the relationship between the benefits offered by digital channels on financial services among cross-age study and the consequences of satisfaction with digital channels. This research employs a model in which digital channels offers comprehensive benefits, satisfaction and consequences that favour digital channels in addition, the model also tests the moderating role of perceived justice and product innovativeness in this context. In this study, we analysed many surveys among people who had applied for loans through digital channels and collected at various age and occupational backgrounds. Here, we obtain the survey correspondent with a total of 138 questionnaires. Results shows the offered of digital channels are positively related to customer satisfaction. In addition, the two consequences of customer satisfaction were analysed with two mechanism such as loyalty and positive word-of-mouth. Uncertainty avoidance, perceived justice and product innovativeness was not a significant moderator in this study.

Keywords: Digital channels, Customer Services, Loan Services, Perceived justice, Financial Service.

1. INTRODUCTION

In Indonesia, the presence of financial services through digital channel has grown and become one of the most popular new channels. One of the backgrounds is the number of internet users in Indonesia reached 150 million users in January 2019 and 61% from them have accessed mobile banking [1]. A financial service through digital channels including non-collateral financing, credit card application, insurance, personal loan, vehicle financing, sales and lease back, micro finance, and other new services such as peer to peer lending. These various conventional financial services are now starting to add digital channels to get consumers. One of the popular financial services developed through digital channels is lending services, both by Banks, Non-Bank Financial Companies (NBFC), or Financial Technology (Fintech). The widespread development of the internet in Indonesia also has an impact on the financial services sector. The emergence of digital innovations carried out by financial institutions began from Bank. One of them was based on global economic crisis that occurred in 2008-2009, then the banking industry had created value towards shareholders through financial leveraging.

*Email Address: dianprimavera@gmail.com

However, now the financial industry is increasingly competitive so the alternative pathways through digital become choice. Innovations that occur in financial services affect by internet developments are now also disrupting the non-digital channels market. The presence of Fintech (Financial Technology) company began disrupting how financial services are provided. Furthermore, Bank and NBFC needs to set up their strategies to find out the needs of the customers and can compete with the disruption that happens in digital through the internet. By knowing the customers satisfaction and know their perceptions, Bank and NBFC can assess the potential of new customers that come from digital channels and know their spending habits to borrow money from digital channels. In addition, this study will useful for developing a good brand image for the company and improve their customer relations.

2. METHODOLOGY

Customer choice criteria for mortgage loans, it was found that customers consider service quality to be the prime criteria followed by product features, accessibility, and communication [2]. Here, the easy documentation is an important criterion considered to choose NBF with higher

income people prefer private financiers. The most preferred NBFC is Sundaram Finance because of good reputation among all income, age and occupation category people.

A. Customer Preference

There are four customer segments for financial services on the basis of customer perceived knowledge, confidence, and interest in financial maturity. Each of the four segments is distinct in terms of financial objectives exhibited, motivations for financial services, usage, and attitude and behavior towards financial services [3]. The factors affecting the behavior of financial product consumers are divided into internal (psychological such as motivation, perceptions, and personal such as life cycle, age, profession, economic status, personality), external (cultural and social), and purchasing procedures [4].

B. Customer Satisfaction

Satisfaction is a psychological state resulting from the comparison between expectations and experiences [4]. The positive relationship of service quality with customer satisfaction, customer preference, profitability, and competitiveness is well proven in the academic literature [5, 6, 7]. From these studies, it can be deduced that service is a form of attitude which is related to satisfaction and also leads to consumer preference and future purchase [8].

C. Digital Channel

E-mail, mobile phone and SMS are included in the digital interaction channel that allows companies to directly interact with customers. Previous research found that determining the most preferred interaction channels for customers is very important in building relationships with customers [9]. Through customer point of view, alternative communication channel by digital has different characteristics such as media richness (the ability to deliver more information), social presence, synchronism and rehears ability [10, 11].

D. Mobile Application

Mobile applications consist of software or systems program that run on mobile phones and perform certain tasks for users and easy to use, inexpensive, and downloadable, also run by most mobile phones even including cheap and entry level phones [12]. Here, the mobile applications can solve physical document problems because they can be uploaded online and increase sales agent productivity up to 50% [13, 14]. The adoption of mobile applications is done very quickly by many financial institutions to add digital channels to basic transactions [15].

E. Social Media

In the global crisis that hit financial sector during the period of 2008-2009, financial institutions experienced an unfavorable time because the image of financial

institutions was not perceived positively by customers so that the relationship between customers and financial institutions was not good enough at this time. Through social media, closer trust and relationships are rebuilt with customers. In addition, social media is now also a channel in acquiring prospective customers.

F. Website

A survey in the United States showed that most service activities through the web in financial institutions were the insurance and investment sectors and retail banks reached 38% and 20%, respectively [16]. Discussions about the real use and potential use of the web in financial institutions are very important to better understand the issues that contain analyzes of adoption that can be done. One that is used in the web for financial services is for example systems integration and comparison services [17].

G. Product Innovativeness

Product innovativeness is an important signal to customers that a company is able to fulfill customer needs and expectations, product innovativeness is an important signal to customers that a company is able to fulfill customer needs and expectations [18]. Product innovativeness is an important signal to customers that a company is able to fulfill customer needs and expectations [19].

H. Perceived Justice

The Justice Theory explain customers reactions (satisfaction or dissatisfaction) toward a service failure [20]. Perceived justice consists of three dimensions; distributive justice, procedural justice and interactional justice [21, 22, 23]. The framework states that the level of customer satisfaction and the customer intention behavior in the future depends on consumers' perception of how fairly they are being treated [24].

I. Loyalty and Positive WOM

Loyalty is another important consequence of satisfaction [25]. Customer satisfaction will lead to favorable behavioral intention, such as repeat purchasing and positive word of mouth [26]. WOM is informal communication among consumers regarding the supplier and/or its product/service characteristics in the model of the satisfaction and service quality gap (5 Gap Model), WOM (oral communication) is one of the factors that influence the expectations of the consumer at the customer level [27, 28].

J. Conceptual Framework and Hypothesis

After structuring the general tests model, we proposed to examine the moderating effects of perceived justice using the measures of distributive justice, interactional justice and procedural justice were conducted. In addition, differences in the orientation towards cross generation between generation category were used as a moderator

(Gen X and gen Y) also product innovativeness as a moderator variable in the structural model (see Figure 1).

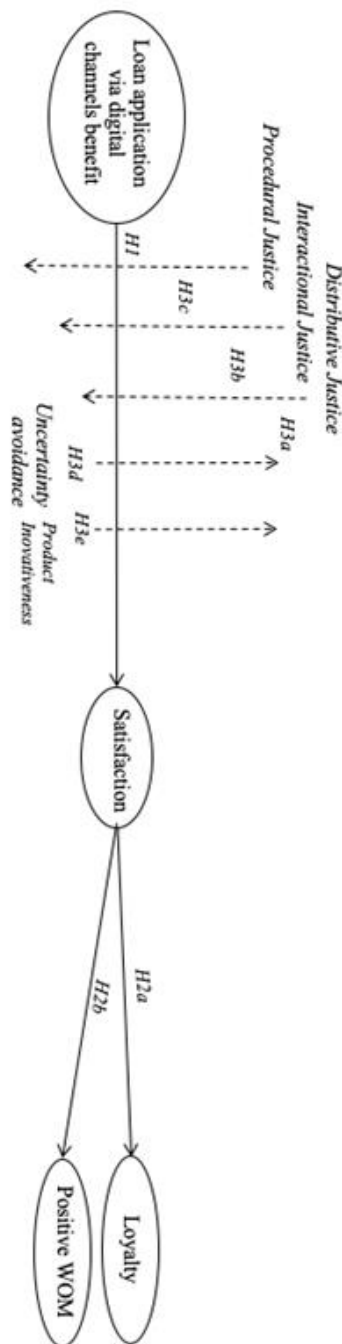


Figure 1. Conceptual frame work

As can be seen in Figure 1, The benefits offered by digital channels on loan application and customer satisfaction Internet use for financial services is associated with benefit that ease-of-use. Perception of ease-of-use has a substantial effect on satisfaction. The mobile internet and social media have created new digital communication channels between a company and customers labelled as "digital channels". The company's platform (i.e. the collaborative consumption marketplace) was not described as a channel because these authors considered

the application or website as fundamental to all aspects of the business model. We, the authors argue that the central platform should also be considered a digital channel, the central channel of the firm [29]. Today's digital customers or users are self-organizing and expects an empowerment to manages their product or service subscription, usage or choice as per their changing personal or business needs. The above-mentioned arguments support the following hypothesis:

H₁. The benefits offered by digital channel on loan application are positively related to customer satisfaction.

Some researchers have shown that service quality does influence loyalty behavior [30, 31]. Satisfaction is described as the "evaluation of an emotion". Similarly, satisfaction can be defined as an evaluation of the perceived discrepancy between prior expectations and the actual performance of the product. Also, customer value has a positive impact on customer loyalty. Therefore, it is assumed that when conducting transactions through and online banking service, there will be a stronger relationship between satisfaction and loyalty because the use of apps can enhance the relationship between banks and customers.

H_{2a}. Customer satisfaction is positively related to positive consequences of satisfaction with digital channel on loan application such as loyalty.

According to the prestige-of-communication effect, when the audience perceives that the source of WOM information is highly authoritative and reliable, the audience will believe the content of the information. The authority of the information spreader positively affects the audience's attitude. More consumers trust the origins of WOM, the more consumer expectations and perceived qualities are affected.

H_{2b}. Customer satisfaction is positively related to consequences of satisfaction towards digital channel on loan application such as positive WOM.

Many research studies relate the customer's perspective about service recovery with justice theory [34, 35, 36]. Justice theory is adopted from a social psychology theory that provides a framework of recovery strategy. Justice theory is built on three dimensions of justice that includes distributive justice, procedural justice, and interactional justice [37].

H_{3a}. The relationship between the benefits offered by digital channel on loan application and customer satisfaction is moderated by the context of distributive justice.

H_{3b}. The relationship between the benefits offered by digital channel on loan application and customer satisfaction is moderated by the context of interactional justice.

H_{3c}. The relationship between the benefits offered by digital channel on loan application and customer satisfaction is moderated by the context of procedural justice.

K. Measurement

The data collection process was characterized by the use of a non-probabilistic sample, as the respondents were not randomly chosen. As a result, the number of selected respondents is not justified by the size of the population but was instead chosen to justify the sample size because of the minimal conditions necessary to perform structural equation modelling. All the scales used in this study were derived from scales previously used in the literature. A total of 28 items were selected for the structural model. All items were measured on seven-point Likert scales ranging from 1 (strongly disagree) to 7 (strongly agree). All dimensions of benefits measurement scale with three items were used to measure customer satisfaction which is regard to the positive consequences of satisfaction, three items were used to measure positive WOM and three items to measure loyalty. To measure perceived justice (distributive, interactional and procedural), nine items were used. Finally, five items were used to measure uncertainty avoidance.

3. RESULT AND DISCUSSION

Related to the provisions in structural equation modeling (SEM). Full model of SEM equation by using LISREL 8.80 program obtained two models, namely standardized model and t-values model, each model as shown in the following Figures 2 and Table I.

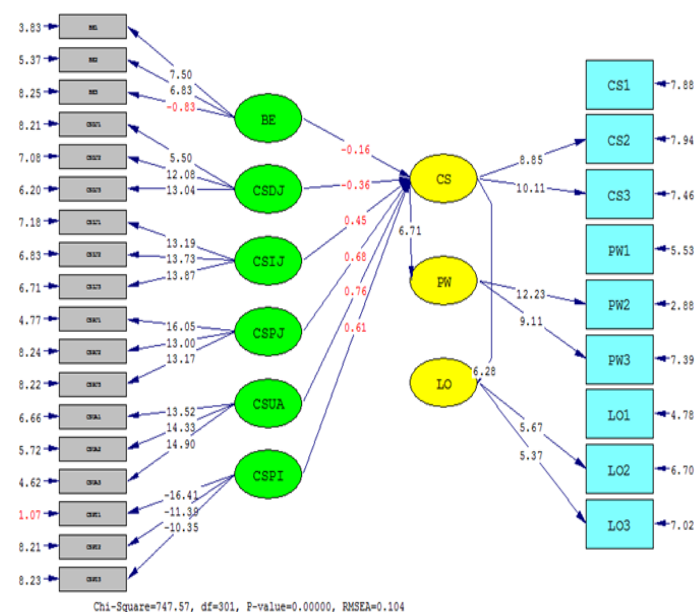


Figure 2. LISREL research model

Table I. Hypothesis Analysis

Hypothesis	Path	Result
H1	The benefits offered by digital channel on loan application are positively related to customer satisfaction.	Proven
H2a	Customer satisfaction is positively related to positive consequences of satisfaction with digital channel on loan application such as loyalty.	Proven
H2b	Customer satisfaction is positively related to consequences of satisfaction towards digital channel on loan application such as positive WOM.	Proven
H3a	The relationship between the benefits offered by digital channel on loan application and customer satisfaction is moderated by the context of distributive justice.	Not Proven
H3b	The relationship between the benefits offered by digital channel on loan application and customer satisfaction is moderated by the context of interactional justice.	Not Proven
H3c	The relationship between the benefits offered by digital channel on loan application and customer satisfaction is moderated by the context of procedural justice.	Not Proven
H3d	The relationship between the benefits offered by mobile banking and customer satisfaction is moderated by uncertainty avoidance.	Not Proven
H3e	The relationship between the benefits offered by mobile banking and customer satisfaction is moderated by product innovativeness.	Not Proven

Table I shows SEM model measurement analysis based on the two models above in each variable shows that all indicators in the formation of exogenous latent variables benefits and endogenous latent variables customer satisfaction and customer loyalty have medium validity, this is indicated by all indicators having standardized loading factor ≥ 0.5 and t count ≥ 1.96 (at $\alpha = 5\%$). Only for moderating variables that have bad validity, this is indicated by all indicators having standardized loading factor > 0.5 and t count < 1.96 . The path coefficient value of benefit variable on customer satisfaction based on the testing of these hypotheses, benefit not proved to have a positive and significant effect on customer satisfaction. The path coefficient value of customer satisfaction variable on customer loyalty based on the testing of these hypotheses, customer satisfaction proved to have positively related to positive consequences of satisfaction with digital channel on loan application such as loyalty. The path coefficient value of the customer satisfaction variable on WOM through customer satisfaction based on the testing of the hypothesis, customer satisfaction proved to have positively related to consequences of satisfaction towards digital channel on loan application such as positive WOM. The path coefficient value of the customer satisfaction variable on distributive justice through customer satisfaction based on the testing of the hypothesis, the relationship between the benefits offered by digital channel on loan application and customer satisfaction is not proved moderated by the context of distributive justice. The path coefficient value of customer satisfaction variable on interactional justice based on the testing of these hypotheses, the relationship between the benefits offered by digital channel on loan application and customer satisfaction is not proved moderated by the context of interactional justice. The path coefficient value of the customer satisfaction variable on procedural justice based on the testing of the hypothesis, the relationship between the benefits offered by digital channel on loan application and customer satisfaction is not proved moderated by the context of procedural justice. The path coefficient value of the customer satisfaction variable on uncertainty avoidance based on the testing of the hypothesis, the relationship

between the benefits offered by mobile banking and customer satisfaction is not proved moderated by uncertainty avoidance. The path coefficient value of the customer satisfaction variable on product innovativeness based on the testing of the hypothesis, the relationship between the benefits offered by mobile banking and customer satisfaction is not proved moderated by product innovativeness.

Thus, this paper can assist managers to develop strategies to minimize negative perceptions regarding the use of digital channels for loan application. Financial services company can develop customer journey to provide better service. Given the novelty of this issue, many financial companies have not developed clear system for their digital channels. This paper aims to assist the development of these digital channels and improvement for high impact for customer satisfaction and loyalty.

4. CONCLUSION

This research is important because it examines complaints exclusively regarding the use of digital channels for loan application. On digital studies, recent studies have analyzed the effects of mobile banking on satisfaction; those studies have focused on issues. The results showed specifically analyze the use of mobile banking apps in terms of influencing satisfaction. Significant results were found when the direct effects of the proposed model were considered. The benefits offered by digital channels revealed positive coefficients with satisfaction. Other studies have also shown that these relations are positive and significant. Second, satisfaction directly influenced the consequences of satisfaction with digital channels. However, for a more reliable representation of this model, selected focus on financial type companies should be used in future studies.

References

- [1] A Ahmad Al-Hawari, M. (2014). Does customer sociability matter? Differences in e-quality, e-satisfaction, and e-loyalty between introvert and extravert online banking users. *Journal of Services Marketing*, 28(7), 538–546. <https://doi.org/10.1108/JSM-02-2013-0036>
- [2] Blodgett, J. G., Hill, D. J., & Tax, S. S. (1997). The effects of distributive, procedural, and interactional justice on postcomplaint behavior. *Journal of Retailing*, 73(2), 185–210. [https://doi.org/10.1016/S0022-4359\(97\)90003-8](https://doi.org/10.1016/S0022-4359(97)90003-8)
- [3] Boulding, W., Kalra, A., Richard Staelin, & Zeithaml, V. A. (1993). A dynamic process model of service quality: From expectation. *Journal of Marketing Research*, 30(1), 7–27.
- [4] Brady, M. K., Cronin, J. J., Shemwell, D. J., Hightower, R., & Brand, R. R. (1997). A cross-sectional test of the effect and conceptualization of service value. *Journal of Services Marketing*, 11(6), 375–391. <https://doi.org/10.1108/08876049710187482>
- [5] Cheung, C. M. K., Chan, G. W. W., & Limayem, M. (2005). A Critical Review of Online Consumer Behavior: Empirical Research. *Journal of Electronic Commerce in Organizations (JEEO)*, 3(4), 1–19. Retrieved from <https://econpapers.repec.org/RePEc:igg:jeco00:v:3:y:2005:i:4:p:1-19>
- [6] Davis, F. D. (1989). Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology. *MIS Q.*, 13(3), 319–340. <https://doi.org/10.2307/249008>
- [7] del Río-Lanza, A. B., Vázquez-Casielles, R., & Díaz-Martín, A. M. (2009). Satisfaction with service recovery: Perceived justice and emotional responses. *Journal of Business Research*, 62(8), 775–781.
- [8] Folger, R., & Konovsky, M. A. (2018). Effects of Procedural and Distributive Justice on Reactions to Pay Raise Decisions. *Academy of Management Journal*, 32(1), 115–130.
- [9] Garrett, A., Straker, K., & Wrigley, C. (2017). Digital channels for building collaborative consumption communities. *Journal of Research in Interactive Marketing*, 11(2), 160–184.
- [10] Gefen, D. (2003). TAM or just plain habit: A look at experienced online shoppers. *International Journal of End User Computing*, 15(3), 1–13.
- [11] Gill, L., & White, L. (2009). A critical review of patient satisfaction. *Leadership in Health Services*, 22(1), 8–19.
- [12] Hofstede, G., Garibaldi de Hilal, A. V., Malvezzi, S., Tanure, B., & Vinken, H. (2010). Comparing regional cultures within a country: Lessons from Brazil. *Journal of Cross-Cultural Psychology*, 41(3), 336–352.
- [13] Liao, Z., & Tow, M. (2002). Internet-based e-banking and consumer attitudes.pdf, 39, 283–295.
- [14] Lim, K. H., Leung, K., Sia, C. L., & Lee Matthew, K. O. (2004). Is eCommerce boundary-less? Effects of individualism-collectivism and uncertainty avoidance on Internet shopping. *Journal of International Business Studies*, 35(6), 545–559.
- [15] Maxham III, J. G., & Netemeyer, R. G. (2002). modeling perception of complaint_Maxham.pdf. *Journal of Retailing*, 78, 239–252.
- [16] McCleary, K. J., Asubonteng, P., & Swan, J. E. (1996). SERVQUAL revisited: a critical review of service quality. *Journal of Services Marketing*, 10(6), 62–81.
- [17] Oliver, R. L. (2015). Satisfaction: A Behavioral Perspective on the Consumer. Satisfaction: A Behavioral Perspective on the Consumer.
- [18] Schumann, J. H., v. Wangenheim, F., Stringfellow, A., Yang, Z., Blazevic, V., Praxmarer, S., ... Jiménez, F. R. (2010). Cross-Cultural Differences in the Effect of Received Word-of-Mouth Referral in Relational Service Exchange. *Journal of International Marketing*, 18(3), 62–80.
- [19] Shi, W., Tang, L., Zhang, X., Gao, Y., & Zhu, Y. (2016). How does word of mouth affect customer satisfaction? *Journal of Business and Industrial Marketing*, 31(3), 393–403.
- [20] Shrivastava, S. (2017). Digital Disruption is Redefining the Customer Experience: The Digital Transformation Approach of the Communications Service Providers. *Telecommunications Business Review*, 10(1), 41–53.
- [21] Smith, A. K., Bolton, R. N., & Wagner, J. (1999). A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery. *Journal of Marketing Research*, 36(3), 356–372.
- [22] Song, J. H., & Zinkhan, G. M. (2008). Determinants of Perceived Web Site Interactivity. *Journal of Marketing*, 72(2), 99–113.
- [23] Sparks, B. A., & McColl-Kennedy, J. R. (2001). Justice strategy options for increased customer satisfaction in a services recovery setting. *Journal of Business Research*, 54(3), 209–218.
- [24] Stock, R. M. (2011). How does product program innovativeness affect customer satisfaction? A comparison of goods and services. *Journal of the Academy of Marketing Science*, 39(6), 813–827.
- [25] Straker, K., & Wrigley, C. (2016). Emotionally engaging customers in the digital age: the case study of “Burberry love.” *Journal of Fashion Marketing and Management*, 20(3), 276–299.
- [26] Syah, T. Y. R. (2013). *Perbedaan Pengaruh Citra Merek Dan Reputasi Perusahaan Terhadap Kualitas Produk , Nilai Pelanggan di Pasar Bisnis. Jurnal Ekonomi*, 4(2), 209–226.
- [27] Tax, S. S., Brown, S. W., & Chandrashekar, M. (1998). Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing. *Journal of Marketing*, 62(2), 60–76.
- [28] Thakur, R. (2014). What keeps mobile banking customers loyal? *International Journal of Bank Marketing*, 32(7), 628–646.
- [29] Thu Nguyen, G. (2014). Exploring collaborative consumption business models-case peer-to-peer digital platforms Organization and Management Master’s thesis, 90. Retrieved from www.aalto.fi
- [30] Wang, C.-C., Lo, S.-K., & Fang, W. (2008). Extending the technology acceptance model to mobile telecommunication innovation: The existence of network externalities. *Journal of Consumer Behaviour*, 7(2),
- [31] Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (2006). The Behavioral Consequences of Service Quality. *Journal of Marketing*, 60(2), 31.

Received: 20 March 2020, Accepted: 21 June 2020