

FACTORS INFLUENCING CUSTOMER SATISFACTION OF FUND MANAGEMENT COMPANIES IN SRI LANKA

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Abstract

Over the past decades, customer satisfaction has become a powerful factor in determining the survival of businesses. It is clear that the fund management companies in Sri Lanka also now paying close attention to their customer satisfaction. Therefore, this study mainly aims to examine the factors that influence customer satisfaction in fund management companies. The study obtained data through a structured questionnaire to select the sample and 300 customer responses were received under the multistage sampling method. PLS-SEM was used as a data analysis tool and all tests were done using Minitab-17 and Smart PLS 3 statistical software. The results show that both reliability and responsiveness have a significant influence on customer satisfaction of fund management companies in Sri Lanka. Besides that, convenience and empathy have no significant effect on customer satisfaction in fund management companies. At last, the study concludes that the reliability factor makes a tremendous impact on customer satisfaction of fund management companies rather than other variables. In addition to the results, the study recommended to the government stabilize the financial market for the encouragement of both fund management companies and their customers.

Keywords: *Convenience, Customer satisfaction, Empathy, Reliability, Responsiveness*

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Introduction

Over the past decades, customers have become a major driving force for businesses and customer satisfaction has become a powerful factor in determining the survival of businesses. Therefore, many businesses make great efforts to retain customers within their organizations. From the customer's point of view, they continue to transact with companies that provide the high level of satisfaction that they expect from the product they receive. That is why businesses focus on providing greater satisfaction to their customers through their products. In that sense, the term "customer satisfaction" has a direct bearing on today's business world. As a result, many businesses are more inclined towards their customers' expectations and businesses are becoming accustomed to ensuring customer satisfaction with the products they offer from a customer perspective, seeking to gain a competitive advantage within the business world. "*The higher customer satisfaction level leads to a higher market share*" (Reddy & Reddy, 2018, p.461). That is, businesses depend on their customers just as customers depend on businesses. Therefore, nowadays customer satisfaction has become a formidable business challenge for each and every type of business without any hesitation (Alafi & Al Sufy, 2012). Then it is a fact that any business entity has a strong interest in their customers and in recent times people in the financial sector are also showing a greater inclination towards their customers. This is because; unlike in the past, most consumers are willing to use different financial tools today, and fund management also takes precedence in the financial activities of the people.

Therefore, fund management companies around the world have sprung up because of the desire of people to manage their funds. Fund management companies take the financial assets of both people and organizations and invest those funds in a variety of investment avenues where the maximum returns can be obtained. Literally, these fund management companies prefer to invest their clients' funds in diversified portfolios such as stocks and bonds to reduce their investment risk. Also, fund management companies are responsible not only for providing high returns on customers' investments but also for maintaining customer reliability, providing them with the necessary knowledge and quality information regarding to fund management, setting a milieu for customers to interact with their companies in a convenient manner, etc. By providing such a wide range of services to their customers, fund management companies seek to maintain the highest level of customer satisfaction with their companies and this is because, if customers are not satisfied with their fund management companies, it will be a big hindrance to the survival of those companies. Hence, the purpose of this study is mainly to

identify the significant factors that may influence customer satisfaction of fund management companies in Sri Lanka.

Materials and Methods

The purpose of this study is to identify the factors that influence customers' satisfaction with fund management companies in Sri Lanka. Therefore, the philosophy of this study is positivism. At the same time, the researcher has utilized a deductive approach to test concepts and patterns known from theory. This study provides an opportunity to design research to test hypotheses by formulating hypotheses based on existing literature. Therefore, the researcher has the ability to determine the link between variables; reliability, responsiveness, convenience, and empathy in customer satisfaction of fund management companies in Sri Lanka.

To test the hypotheses, the study used a survey method to gather data from four companies that were holding fund management for their customers. Therefore, the population will be the customers holding funds in these four companies, which is 2365. The sample size was determined by using the "Krejcie and Morgan Table" and it is 300. Then the data was collected by making the questionnaire through Google form and making it available to the customers online. It includes three main parts A, B and C consisting of the demographic characteristics of the customers, multiple choice for customers' patterns of investment fund management, and 5-point Likert scale questions. These 5-point Likert scale questions were used to determine the significance of independent variables on the dependent variables. With the responses from 300 customers, Structural Equation Modeling (SEM) was used as the data analysis tool and all the hypotheses have been tested under the 95% significant level using Minitab -17 and SmartPLS3 Statistical Packages.

Results and Discussion

Through this study, a comprehensive investigation into the factors that influence customer satisfaction in fund management companies has been addressed. With the support of the empirical studies done by previous scholars, the researcher has mainly focused on four factors; reliability, responsiveness, convenience, and empathy, which are more likely to influence customer satisfaction. The current findings obtained from the data analysis reflect that both reliability (+0.324) and responsiveness (+0.208) factors positively influence customers' satisfaction with fund management companies Shanka, (2012). There, the reliability factor was highlighted while having higher influence on customer satisfaction. However, according to the responses received by customers, convenience (+0.427) and empathy (+0.098) factors have shown a positive insignificant influence on customer satisfaction

of fund management companies. Hence, hypothesis constructed based on both conceptual framework and the empirical studies, both H1 (reliability) and H2 (responsiveness) are supported in the study. Besides that, both H3 (convenience) and H4 (empathy) are not supported with empirical studies. However, finally, the researcher has identified that each and every factor has a positive relationship with customer satisfaction; even convenience and empathy have been insignificant. Also, among all factors, the reliability of the fund management company creates a tremendous impact on their customers' satisfaction of fund management companies in Sri Lanka.

Conclusion and Recommendation

At present, Sri Lankans are lining up eager to manage their funds with the cooperation of fund management companies. They are still recognizing the value of managing their funds, which is very suitable for their future investments. With increasing customers, competition among fund management companies also tends to increase. Therefore, fund management companies always try to retain their customers with the company while providing exemplary service to their customers. For that, it is very much essential to understand their fund management customers. Hence, the researcher conducts this study with the objective of identifying the factors that influence customer satisfaction of fund management companies in Sri Lanka and further identifying the relationship of factors with customer satisfaction and what kind of influence they make on customer satisfaction regarding fund management companies.

As previously mentioned, with the expansion of the financial industry in Sri Lanka, most Sri Lankans are now moving to manage their funds with the help of fund management companies. Therefore, the parties who are involved in the fund management industry need to pay close attention while taking proper actions for the progress of the industry as well as fund management companies. Hence, the study has mentioned both implications and recommendations to the relevant parties. Since social knowledge about fund management and fund management companies is minimal, a methodology should be developed to make people aware of fund management. Therefore, government has a huge role to play in this fund management field. It is needed that the government should take the lead in the financial industry and encourage existing fund management companies while paying constant attention and supporting other companies to move towards fund management. At the same time, the government needs to formulate new policies for managing funds like stabilizing interest rate, proper cash management while encouraging both fund management companies and customers. Also, emphasis on customers' behaviour and knowledge of fund management in

order to uplift the level of managing funds and launching research and development activities required to fund the management industry in Sri Lanka must be needed.

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