

Financial institution's staff satisfaction towards staff housing loan: A case study

¹Rosnalini Mansor, ²Zahayu Md Yusof, ³Bahtiar Jamili Zaini
& ⁴Lim Hui Chee

¹Universiti Utara Malaysia, Sintok, Kedah, Malaysia, rosnalini@uum.edu.my

²Universiti Utara Malaysia, Sintok, Kedah, Malaysia, zahayu@uum.edu.my

³Universiti Utara Malaysia, Sintok, Kedah, Malaysia, bahtiar@uum.edu.my

⁴Universiti Utara Malaysia, Sintok, Kedah, Malaysia, zahayu@uum.edu.my

Received: 11 January 2020; Accepted: 30 April 2020; Published: 07 May 2020

Abstract

Loan can be defined as money advanced to the borrower by the lender and obligated to pay back or repaid at a future time. Some of the company provided loan to its own staff. There are many pros and cons about this loan. Thus, we are interested on the factors that influence staff to use the staff housing loan. This study was conducted to identify the satisfaction level of financial institution's staff towards staff housing loan and also to identify the relationship between the service quality, interest rate, repayment period and margin of finance that will affect staffs' satisfaction towards staff housing loan of a financial institution in Malaysia. There are two stages of cluster sampling was used to collect the data and from sample of 197 staffs and later analyzed using statistical software namely, Statistical Package for Social Science (SPSS) and Analysis of Moment Structure (AMOS). Confirmatory Factor Analysis (CFA) together with Structural Equation Modeling (SEM) approach was used both to identify the significant direct influence on satisfaction among financial staff. As a conclusion, there is a high satisfaction level of financial institution staffs towards staff housing loan. Besides, service quality, interest rate and repayment period has positive relationship with staffs' satisfaction towards staff housing loan. The result also shows that interest rate is the most significant factor that will affect staffs' satisfaction towards staff housing loan.

Keywords: satisfaction, structural equation modeling (SEM), service quality, interest rate, repayment period, margin of finance.

INTRODUCTION

Loan can be defined as money advanced to the borrower by the lender and obligated to pay back or repaid at a future time (Business Dictionary, n.d). Generally, the borrower will borrow an amount of money called principal from the lender and need to pay back the money including the interest on the debt. The interest used as an incentive for the lender to appoint in the loan. Legally, a loan is a contract between a borrower and a lender under the Uniform Commercial Code. The term and condition for repayment of a loan including the interest rate that stated in a loan agreement. One of the principal tasks for the financial institutions is acting as a provider loans. There are two types of loan which are secured loan and unsecured loan.

Unsecured loan is a loan that is not secured by the collateral and includes the loan such as credit card, education loan, personal loan, bank overdraft and others. It can also call as signature loan (Investopedia, n.d). The demand of the unsecured loan is usually higher than secured loan. Contrary, secured loan is a loan which is security by assets as collateral such as car or property that is belongs to borrower in order to

decline the risk of the lender (wisegeek, n.d). If the borrower fails to make payment then the assets will be fortified by the lender. Secured loan is usually a best way to obtain a huge amount of money. Secured loan are include the housing loan, car loan, commercial property loan and others. One type of the secured loan is the mortgage loan.

According to banking industry, they define loan differently compared to mortgage. Mortgage is a loan to finance the purchase of real estate with the specified interest rates and the payment periods (Investigating Online Directory, n.d) The mortgagor will give the mortgagee a claim on the property for the loan. However, the word mortgage often used to mean mortgage loan. A mortgage normally is long-term debts that take up minimum 25 year to maximum 30 year and include real estate. Due to large costs involved in purchasing property, so mortgage loans are used by residential home buyers, property investors, or builders of their home. Therefore housing loan also included as a mortgage loan.

As a part of the employee benefit scheme, the bank provides financial assistance to employees in term of employee loans as preferential interest rates. It is eligible to all officers whose appointment has been confirmed after six month services. One type of loan that had been offered by bank to their employees is housing loan. Housing loan is also known as residential property loan. Residential property loan is a credit facility to finance a purchase of residential properties for the purpose of owner occupation or to refinance from an existing financier. Deficiency of occupation leads to riots and unlawful action (Delgadillo, L. M, 2014).

One of the valuable forms of investment is by purchasing a house. Despite, it need a thoughtful and careful financial planning before pursue to purchase a house. Most of the bank provided employee housing loan with a more preferential interest rates to their employee as a one of the benefit scheme to their employee.

Interest rate of a loan is commonly taken as an indicator of the cost of a loan, and the borrower's ability to borrow the loan. However, a bank still needs to follow the base lending rate that is calculated by the Bank Negara Malaysia in order to provide a more preferential rate to their staff. Base lending rate (BLR) is a base interest rate calculated by financial institution that takes into account the banks cost of funds and other administrative costs (Jeni, 2008). Increasing in the base lending rate, will lead to the cost of fund increased and the payment of the principal money of installment is reduced.

Besides, there are 23 banks in Malaysia that doing the business of lending loan to the customers. All these banks will provide a different terms and condition that used to attract more people to borrow loans. Therefore, there has strong competitive among the banks in order to get a loan business. Moreover, the most important commodity in order to compete with other banks is time. When the application of loan takes longer to proceed, staff will feel worried because when there is a delay in getting the loan, the will be a fees of late charge that will be charged on them and this will cause them to borrow from other banks. There are numerous people absence of essential information on money related management in this era (Willows, G. D. 2019).

Thus, we are interested about the reasons or factors that influence staff to use the staff housing loan. Does the staff housing loan reliable? How effective of the staff housing loan service provided? Is the staff of financial institution in Malaysia satisfied with the staff housing loan? How satisfied the staff of financial institution in Malaysia for the overall staff housing loan? To answer all the questions, the following objectives need to be acheived:

- (1) to identify the satisfaction level of financial institution's staff towards staff housing loan
- (2) identify the relationship between the service quality, interest rate, repayment period and margin of finance that will affect staffs' satisfaction towards staff housing loan

MATERIALS AND METHODS

This study was conducted to identify staffs' satisfaction towards staff housing loan provided by financial institution in two main cities in Malaysia. A number of one hundred ninety seven staffs were selected. The sample comprises of WP-Kuala Lumpur and Selangor staffs of a financial institution. Staffs were randomly selected using the cluster and simple random sampling methods. The questionnaire distributed consists of 20 items. These items were measured using a semantic scale with the following anchors: 1 = strongly disagree to 8 = strongly agree. Questionnaires are the most popular method of gathering quantitative data, since it is cheap, provides anonymity, and are easily used (Creswell, 2009). Previous researchers as Jahur & Quadir (2012) and Memba & Job (2013) have approached the same type of research questions in a similar way with satisfying outcome. The data analysis of the present study employed Statistical Package for Social Science (SPSS) version 25.0 and Analysis of Moment Structure (AMOS) version 25.0. The statistical tools adopted in this study were descriptive analysis and confirmatory factor analysis (CFA) which is structural equation model (SEM). Loke (2015) conducted the study to find out the relationship between financial knowledge, attitude, behaviour and financial literacy among young working adults in Malaysia using SEM.

RESULTS

Internal Consistency of Reliability

By using SPSS, the internal consistency of the scores was estimated by using Cronbach alpha coefficient. According to Altman and Bland (2002), Cronbach's alpha is the best summary measure for testing the content validity. The range of Cronbach's alpha normally is between 0 and 1. Joseph and Rosemary (2003) suggest that the Cronbach's alpha value above 0.7 is considered as a good value to carry forward. A number of all 20 items had an alpha of 0.962, indicating a high degree of internal consistency for group analyses. Items in the questionnaire underwent the reliability analysis in accordance with the extracted five factors. All this factors have been identified based on literature survey. The reliability coefficient shows the consistency of the questionnaire. In this study, the Cronbach's alpha yielded acceptable ranges of reliability coefficients. The value of Cronbach's Alpha is acceptable since it is above the cut-off point, 0.70. Moreover, each sub-scale also has Cronbach's Alpha value above 0.70 that are: service quality = 0.921, margin of finance = 0.884, interest rate = 0.851, repayment period = 0.940 and staff satisfaction=0.926. Therefore, the questionnaire is reliable. Results of the internal consistency of reliability for five factors are shown in Table 1.

Table 1: Results of Cronbach's Alpha Estimates

Factors	Number of statements	Alpha value
Service Quality	9	0.921
Margin of Finance	3	0.884
Interest Rate	2	0.851
Repayment Period	2	0.940
Staff satisfaction	4	0.926

Descriptive Analysis

A total of 197 responses were collected. The descriptive analysis of demographics for responses has summarized into Table 2 as below:-

Table 2: Frequency Table

Characteristic	Frequency	Percentage, %
Total, <i>N</i>	197	100
Gender		
Male	71	36.04
Female	126	63.96
Age		
21 years old to 30 years old	97	49.24
31 years old to 40 years old	66	33.50
> 40 years old	34	17.26
Years of services with the organization		
2 years and below	47	23.86
3- 5 years	95	48.22
6- 10 years	32	16.24
10 years and above	23	11.68

Structural Equation Modeling (SEM)

In this research, the SEM model is used to test the relationship between the service quality, interest rate, repayment period and margin of finance towards staffs’ satisfaction on staff housing loan. The model of SEM is shown as below:

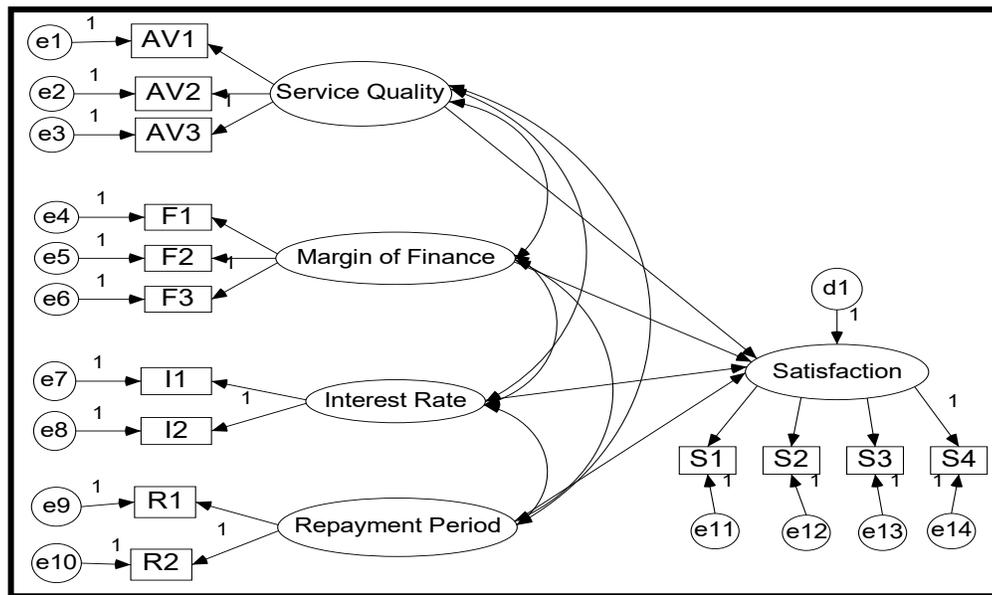


Figure 1: Diagram of SEM Model (Before modification)

The values of goodness-of-fit statistics are summarized into the table below:

Table 3: Goodness of fit Statistic (Before modification)

Fit Indexes	Value	Recommended Value
χ^2	222.2	
df	67	
p-value	0.000	>0.05
CMIN/df	3.167	< 5.0
RMSEA	0.105	< 0.06
GFI	0.876	> 0.9
CFI	0.948	> 0.9
NFI	0.926	> 0.9
TLI	0.929	> 0.95

Based on Table 3, there are only three of the fit indexes that fulfilled the recommended value which are CMIN/df, CFI and NFI. It is represented that the model is not in a good fit. Moreover, the RMSEA value is 0.105, which is greater than 0.06, the GFI value is 0.876 and TLI value is 0.929 which are less than the specification values from the table. Thus, it is indicate of a very poor fit of the model to the data. Therefore, modification is needed in order to determine a model that better represents the sample data.

The model after modification is shown as below:

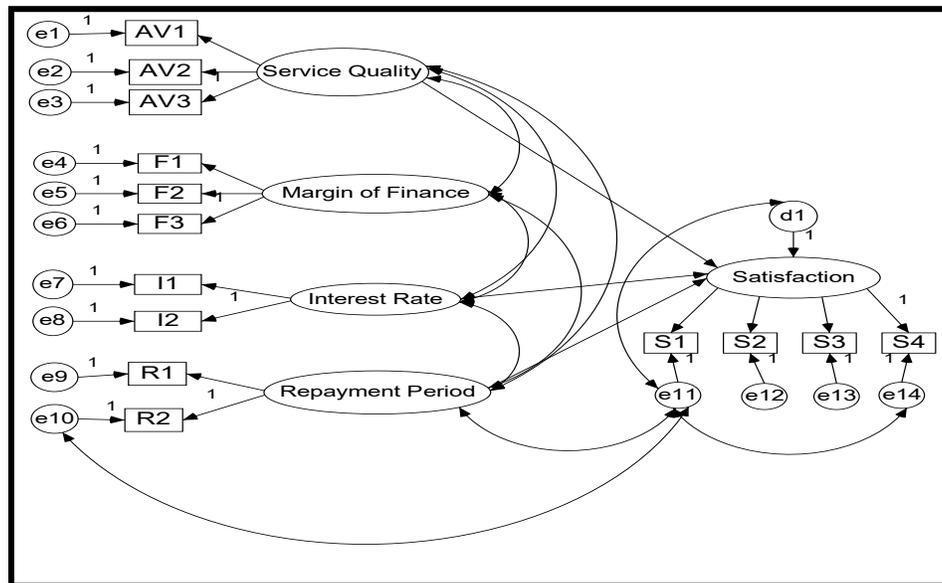


Figure 2: Diagram of SEM Model (After modification)

The new values of goodness-of-fit statistics are summarized into the Table 4 as below:

Table 4: Goodness of fit Statistic (After modification)

Fit Indexes	Value	Recommended Value
χ^2	111.295	
df	64	
p-value	0.094	>0.05
CMIN/df	1.739	< 5.0

RMSEA	0.059	< 0.06
GFI	0.929	> 0.9
CFI	0.983	> 0.9
NFI	0.961	> 0.9
TLI	0.976	> 0.95

Based on Table 4, after the modification, the model able to produce a fit model where it provide the *p*-value which is more than 0.05. Besides that, the CMIN/df value is 1.739 which less than 5, the value of CFI and NFI are more than 0.9 and TLI are more than 0.95. All the values satisfised the recomended values which indicate that the model is a fit model. Moreover, the value of RMSEA and GFI are also fitted and the value of Chi-square has reduced to 111.295 and number of degree of freedom has become 64. Therefore, we can conclude that the model is in a good fit.

DISCUSSION AND CONCLUSION

Table 5: Summary output for model after modification

	Parameter Description	Standardiz ed estimate	Standard Error	<i>t</i> -value	<i>p</i> -value	Result
H1	Service quality→ Staff satisfaction	0.271	0.091	3.813	***	Support
H2	Margin of Finance→ Staff satisfaction			Not significant		Not support
H3	Interest Rate→ Staff satisfaction	0.375	0.109	3.574	***	Support
H4	Repayment Period→ Staff satisfaction	0.244	0.110	2.108	0.035	Support

The SEM analysis output of Table 5 shows that there are only three of the hypotheses that we develop are significant in our study. The hypotheses that are significant were H₁, H₃ and H₄. Only hypothesis two is not significant in this study. H₁ denote that service quality has positive influence on staff’s satisfaction, H₃ denote interest rate has positive influence on staff’s satisfaction and H₄ denote that repayment period has positive influence on staff’s satisfaction. However, hypothesis 2 was rejected due to *t*-test do not significant.

The final structural model that we obtain is show as follow:

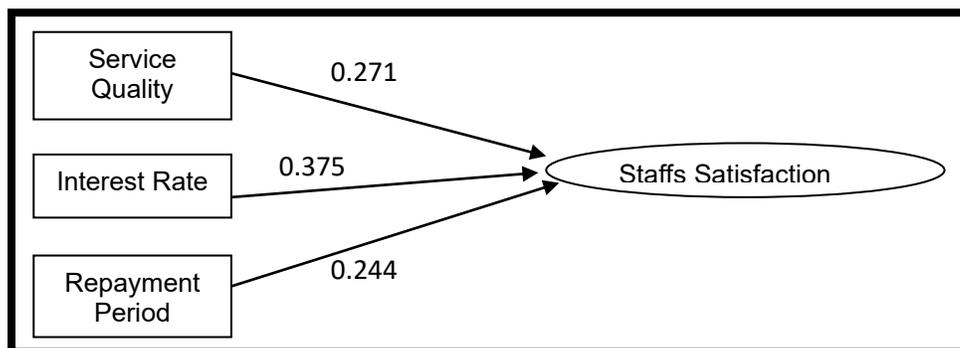


Figure 3: Final Structural Model

From the final structure model in Figure 3, the most significant factor towards staff satisfaction on staff housing loan provided by the financial institution is interest rate factor. This is because usually people will concern on whether the interest rate given by the banks is acceptable according to the amount of loan they borrowed. If the interest rate given by the banks is high and above borrower financial ability, this may lead to the borrower only able to pay the interest and unable to reduce their principal in the amount of loan.

Besides, we found that the final model that we obtained was different compared to the conceptual model, where there are only three factors that will affect the staff satisfaction. The factors are service quality, interest rate and repayment period. This may due to margin of finance is slightly influence the staff satisfaction but does not provide big impact to the staff satisfaction.

As a conclusion, there is a high satisfaction level of financial institution staff towards staffs housing loan. Besides that, the service quality, interest rate and repayment period has positive influence on staff satisfaction towards the staff housing loan.

Furthermore, interest rate is the most significant factor that will affect staffs' satisfaction towards staff housing loan. Thus, this research can provide information to other researcher for further research.

REFERENCES

- Altman D.G. and Bland J.M. (2002). Commentary on quantifying agreement between two methods of measurement.
- Aly, H.M. (2006). *The normal distribution*. Retrieved 22 July 2011 from http://www.fepslute.org/FEPSEUN/en/departments/statistics/courses/Dr.%20Hanan%20Aly/Lec_5%28Normal%29.pdf
- Cherry, K. (2005). *What is reliability?* Retrieved 25 July 2011, from <http://psychology.about.com/od/researchmethods/f/reliabilitydef.htm>
- Creswell, J. W. (2009). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (3rd ed.). Thousand Oaks, CA: Sage Publications.
- Delgadillo, L. M. (2014). Financial clarity: Education, literacy, capability, counselling, planning, and coaching. *Family and Consumer Sciences Research Journal*, 43(1), 18-28.
- Diana, D. S (2003). *Principal component analysis vs. exploratory factor analysis*. Retrieved 23 July 2011 from <http://www2.sas.com/proceedings/sugi30/203-30.pdf>
- Joseph A. and Rosemary R. (2003). Calculating, Interpreting, and Reporting Cronbach's Alpha Reliability Coefficient for Likert-Type Scales.
- Hair, J. F.; Black, W. C., Babin, B. J., Anderson, R. E. & Tatham, R. L. (2006). *Multivariate Data Analysis*. Englewood Cliffs: Prentice Hall.
- Mohammad Saleh JAHUR & S. M. Nasrul QUADIR, 2012. *Financial Distress in Small and Medium Enterprises (SMES) of Bangladesh: Determinants and Remedial Measures*. *Economia. Seria Management*, Faculty of Management, Academy of Economic Studies, Bucharest, Romania, vol. 15(1), pages 46-61, June.
- Jeni (2008). *On base lending rate and home loan*. Retrieved 16 June 2011 from <http://www.estate123.com/residence/On-Base-Lending-Rates-and-Home-Loans.mht>
- Loan definition(n.d). Retrieved 16 June 2011 from <http://www.businessdictionary.com/definition/loan.html>
- Loke, Yiing Jia. (2015). Financial Knowledge and Behaviour of Working Adults in Malaysia.
- Memba, F., & Job, A. N. (2013). Causes of Financial Distress: A Survey of Firms Funded by Industrial and Commercial Development Corporation in Kenya. *Interdisciplinary Journal of Contemporary Research in Business*, 4, 1171-1185.
- Mortgages loan*(n.d). Retrieved 16 June 2011 from <http://www.investing-online-directory.com/finance/mortgages/index.htm>

- Scheaffer, R. L., Mendenhall, W.III.,& Ott, R. L. (2006).*Elementary survey sampling* (6th ed). United States of America: Thomson Learning.*Secured loan*(n.d). Retrieved 16 June 2011 from <http://www.wisegeek.com/what-are-secured-loans.htm>
- Unsecured loan*(n.d). Retrieved 16 June 2011 from <http://www.investopedia.com/terms/u/unsecuredloan.asp>
- Watson, Jeff (2001). *How to determine a sample size*. Retrieved 16 June 2011 from <http://www.extension.psu.edu/evaluation/pdf/TS60.pdf>
- Willows, G. D. (2019). Actual and Self-Assessed Financial Literacy among Employees of a South African University. *Numeracy*, 12(1), 11.
- Wuensch, K. L. (2003). *Pearson fisher kurtosis*. Retrieved 22 July 2011 from <http://www.mathkb.com/Uwe/Forum.aspx/stats/255/Pearson-Fisher-Kurtosis>
- Zikmund, W.G.(2003). *Business Research Methods* (7th ed.). South-Western: Thomson Learning.