STUDY ON FACTORS AFFECTING QUALITY OF SECURITIES BROKERAGE SERVICE AT SECURITIES COMPANIES – THE CASE OF MAYBANK KIM ENG SECURITIES, DA NANG BRANCH

Hien-Hoa Nguyen Nhu, Kim-Dung Tran Luong
International School, Duy Tan University, Danang, Vietnam
Email: hienhoa.nguyen@gmail.com

Abstract

This paper uses SERVQUAL model to study and measure the factors affecting the quality of securities brokerage services at securities firms. The research model is built up based on the theoretical of the quality of securities brokerage services in securities companies. The model is adjusted by the results of qualitative research on investors who open accounts at Maybank Kim Eng Securities Firm, Da Nang Branch (MBKE-DN) and experts operating in the same field. The proposed model is tested by using the quantitative method. Questionnaires were distributed to 271 investors who open accounts at MBKE-DN. The results show that satisfaction of investors on the quality of securities brokerage services at MBKE-DN depends on four factors: brokers, prices of services, facilities and recommendation programs. The implementation of proposed policies and recommendations to enhance the quality of securities brokerage services at Maybank Kim Eng Securities Firm, Da Nang Branch are also discussed.

Keywords: securities brokerage services, quality, the quality of securities brokerage services, satisfaction

1. Introduction

Vietnam stocks market is turning into its 16 years of operation. After the recession in 2009 - 2012, the market has been recovering. Average transaction value raises from 1,300 to 3,979 million VND/session, and a chance of higher rising. The increase in market liquidity brings securities companies income from brokerage fee and other correspondingly raising service charges. According to the State Securities Commission, the top 10 securities companies account for 65% of brokerage market share while the other 70 securities companies share the rest of 35% of the market. The intense competition in market share continuously occurs when securities companies compete for each 0.1% of market share (Ho Chi Minh Stock Exchange, 2015). After 16 years, investors now have better knowledge and higher requirement in service quality. Therefore, the importance of service quality improvement is in place for any securities companies.

In 2014, MBKE was in the top 10 securities firms that had biggest brokerage market share in Vietnam (3.56% of the market) (HOSE, 2014). However, in 2015

MBKE left the top 10. Thus, analyzing factors affecting the quality of brokerage service in order to improve quality and attract investors plays an important role to MBKE in general and MBKE-DN in particular.

This research aims to study customers' perceptions of securities brokerage service quality, and the relations between determinants of the quality of securities brokerage service at securities companies, the case of MBKE-DN. Specifically, this research has three goals as following: finding factors affecting the quality of brokerage service; building framework for assessing the impacts of these factors on brokerage service quality at MBKE-DN; base on the results of this research, proposing recommendations to improve brokerage service quality at MBKE-DN.

2. Overview

2.1. Theoretical background and analytical framework

Securities brokerage means a securities company acts as the intermediary in the purchase or sale of securities on behalf of a client (State Securities Commission, 2006). Securities brokerage includes two functions: provide information, advise customer and provide financial products and services to support clients in conducting transactions under their benefit and demand (Mùi, 2010).

According to Parasuraman et al. (1985), service quality is the gap between customer expectations and their actual perceptions when using a product or service. Parasuraman et al. build the model to measure service quality with five determinants: credibility, responsiveness, empathy, competence, and tangibles. The study shows that SERVQUAL model is an efficient and stable tool to measure the quality of service industries (Parasuraman, Berry, & Zeithaml, 1988; Zeithaml, Berry, & Parasuraman, 1993). This model has been developed and recognized in measuring quality in these four services: retail banking, credit card, securities brokerage, and repair and maintenance service (Pleger Bebko, 2000).

Brokerage activity is also a service activity, so that this research defined: satisfaction on brokerage service is the gaps between the customer expectations about the brokerage service products and their perceptions when using that product of brokerage service. On the research of Tran Thi Nhu Chau (2009), service quality of a securities company depends on competence, information technology, credibility, empathy (Chau, 2009). Moreover, Dang Quoc Tu (2007) proposed three factors affecting brokerage service quality: core service quality, transaction method and staff courtesy (Tu, 2007). With the same perspective, Dr. Thai Ba Can stated that factors affected the result of brokerage activities include working environment, policy mechanism, economic environment, competencies of business entities. Overall, these research have been described, or measured quality of securities companies activities in general, the quality of stock brokerage has not been evaluated.

Base on theoretical background and SERVQUAL model, this research shows that factors affecting brokerage service quality include: (1) Tangibles: measure

satisfaction on facilities used to provided customer investment process at securities companies. (2) Credibility: demonstrated by securities companies' compliance with law, regulations, investors feeling secured or not, employees are enthusiasm in providing services to investors or not. (3) Courtesy: involves manners, attitudes, knowledge of employees. (4) Responsiveness: concerns the willingness or readiness of employees to provide service in timeliness and the needs of customers. (5) Empathy: involves the abilities of caring, consideration and sympathy to individual customer.

From evaluating previous research and SERVQUAL model's determinants, the author configured the model as following to measure the quality of brokerage service at MBKE – DN:
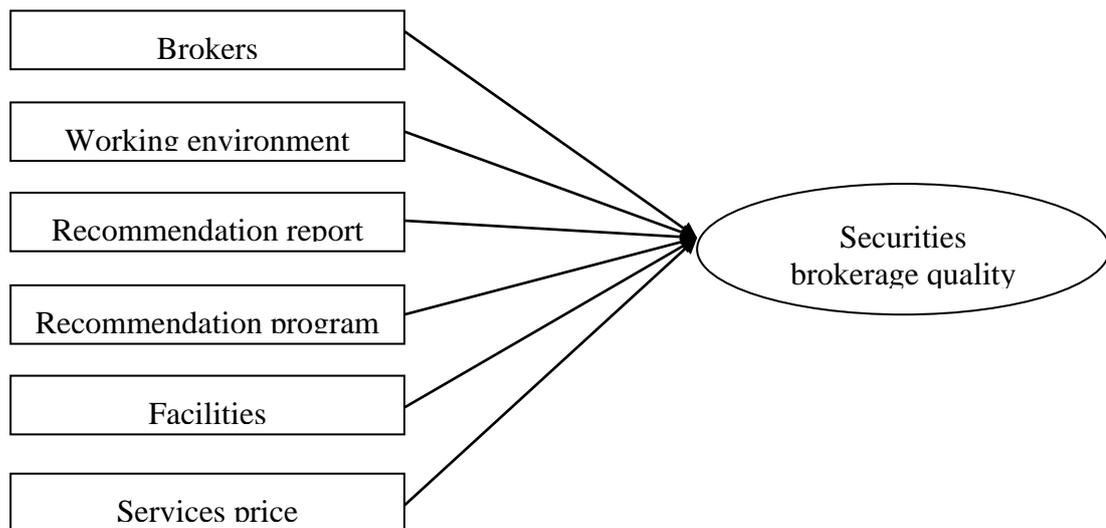

Figure 1: The model of factors affecting brokerage service quality at MBKE-DN

2.2. Methodology

This research uses SERVQUAL model with proper adjustment. To have an overview on securities brokerage quality, we conducted five interviews with brokers at MBKE-DN, seven interviews with other securities companies' employees in November 2015. At the beginning of December 2015, group discussion with investors from 20-60 years old open account at MBKE-DN was made about their experience on securities brokerage services at MBKE-DN. After these consultations, discussions, combined with theoretical models, the six factors measuring brokerage service quality at MBKE-DN are agreed. However, the qualitative result also helps adjust some components in the survey questionnaires; especially there are two supplement components: "MBKE-DN often holds seminars for investors to exchange knowledge and experience with each other" and "other fees are appropriate (brokerage fee, advance payment fee)."

The survey form is divided into four parts to collect investors' information, to examine customers' perception of quality of securities brokerage at MBKE-DN and to collect other recommendations. Likert scale level 5 is used in this research. After the preliminary study, the questionnaires was structured with 40 variables and used in formal research. Firstly, we conducted the pre-testing study (January 2016) with 26

investors at MBKE-DN. Base on this, the survey form was adjusted and spread in wide scale on March 2016 by direct contact with brokers of MBKE-DN. The responses were 271. Among that: 17 forms were invalid and by processing 254 forms were valid. The study uses 250 samples.

Descriptive statistics was used to find out the characteristic of the samples. Factor analysis identified groups of observed variables and eliminated non-impact variables; then Cronbach's alpha coefficient was used to determine the reliability of the model, eliminate inappropriate variables. Regression analysis determined whether the model was fit or not. Hypothesis testing helps to identify the relationship between dependent variables and independent variable.

3. Research results

3.1 Characteristics of research samples

Most of the investors are male (73%) with 64% are from 30 to 60 years old, 23% are under 30 years old. Among that, 46% investors have invested in securities from 1 to 3 years, and 19% of them have joined the market less than six months, and the remains have participated for six months to 1 year. Around 49% of them invest 100 to 500 million, 19% invest 500 million to 1 billion, 4% with 1 billion and the other invest under 100 million.

3.2 Assessment of survey result

In general, the survey shows an average value (3.21) of investor satisfaction on the quality of brokerage service at MBKE-DN. This result proves that customers have not satisfied with brokerage activities at MBKE-DN (Appendix 1).

3.3 Exploratory factor analysis (EFA)

Bartlett's sphericity test has statistical significance. KMO = 0.826, Eigenvalues = 1.178. Average Variance Extracted is 60,869%. All coefficients are over 0.5. After the factor analysis, 23 observed variables were grouped into six determinants. The "General assessment" factor has no variables that were eliminated. (Appendix 2)

3.4 Model assessment with Cronbach Alpha

In the Cronbach's Alpha test, all coefficients are over 0.7 and all corrected item-total correlation coefficients are over 0.3. So that, variables of this model are reliability.

Table 1: Cronbach's Alpha coefficient of determinants in the proposed model

Determinants	No. of observed variables		Cronbach's Alpha	Cronbach's Alpha if item deleted	Corrected Item-Total Correlation
	Before	After			
Brokers	7	3	0,753	0,749	0,513
Working environment	7	3	0,722	0,661	0,521
Recommendation report	6	4	0,761	0,734	0,504
Recommendation program	6	6	0,770	0,748	0,478

Facilities	6	3	0,708	0,655	0,462
Services price	4	4	0,763	0,738	0,504
Satisfaction	4	4	0,801	0,794	0,520

3.5 Pearson correlation coefficient analysis

In the Pearson correlation coefficient analysis, all Sig. values are under 0.05. Therefore, all pair of variables has correlation and statistical significance. Correlation coefficients of some independent variables vary from 0.182 to 0.422; this shows that these six independent variables have a quite close linear correlation with dependent variables. (Appendix 3)

3.6 Regression analysis

In the first regression analysis, there are two variables that have Sig. under 5%, respectively: $X2 = 0.378$ và $X5 = 0.148$. So the H2 and H5 hypotheses do not have statistical significance. After removing these variables, the result shows that all variables reach the 5% of confidence level (all Sig. values are under 0.05); and all reach the Tolerance interval > 0.0001; all variance inflation factors VIF are under 10. Therefore, these variables are completely fit in the model.

Table 4: Regression analysis of factors affecting securities brokerage quality at MBKE-DN

	Unstandardized Coefficients		Std. Coefficients	t Stat	Sig.	Collinearity Statistics	
	B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
Constant	,535	,085		6,305	,000		
Recommendation Program	,133	,056	,130	2,395	,017	,716	1,396
Services Price	,197	,018	,323	10,846	,000	,819	1,221
Brokers	,231	,020	,333	11,828	,000	,914	1,094
Facilities	,248	,048	,281	5,205	,000	,723	1,383

Adjusted R Square is 0,819; Durbin-Watson stat is 2.105, so we accept the hypothesis of no first-order serial correlation in the model. The multiple regression model satisfies all assessment and fit tests to draw research results. The standardized regression model as follows:

$$Y = 0.130X_1 + 0.323X_3 + 0.333X_4 + 0.281X_6$$

"Brokers" is the component that has the highest effect on investors' satisfaction (0.333); followed by "Services price" (0.323); "Facilities" (0,281); and "Recommendation program" (0,130).

One-Sample Statistics is used to evaluate the customer satisfaction measure model. The result shows that Sig. = 0.000, so that "Customer satisfaction" has statistical significance, can present for the majority and customers quite satisfy with brokerage service quality at MBKE-DN.

4. Conclusions, policy recommendation and solution proposal

4.1. Conclusions

Based on the regression model, the study finds out the positive effects with statistical significance, included four factors: *Brokers, Service Price, Facilities, and Recommendation program*, on the brokerage service quality at MBKE_DN (average value of 3.21).

The research has not compared the quality of brokerage service of MBKE-DN with the other companies. Therefore the limitation of this research is its generality is not quite high. Besides, the downturn stock market partly effects on the willingness of investors in collecting data. In this research, the factors "Working environment" and "Recommendation report" have no relation to the quality of securities brokerage service. Thus, this is the agenda for further research.

4.2. Policy recommendation and solution proposal

Following are some recommendations to enhance the quality of securities brokerage service at Maybank KimEng Securities, Da Nang Branch:

Improving specialization and cooperation among brokers: Brokerage is a product bring benefits to investors. Good brokerage depends on precise consulting, recommendations that bring profit; promptly warning about potential risks. Behind brokers are consultancy, accounting, transaction divisions as well as infrastructure systems. MBKE-DN needs to recruit and provide specialized training to brokers with skills such as teamwork; sale skills; collecting and sharing information skills; risk management skills. They also need to organize brokers into groups with different specialization to support each other in providing customers the best service products.

Service price: MBKE-DN should establish a more reasonable price policy. Taking advantage of Maybank as their backer, the interest rate of margin trading at MBKE-DN is quite low (0.0361%/ per day). To promote that edge, based on the portfolio of securities with required conditions to be in margin trade prescribed by HOSE và HNX, MBKE-DN has to trade off high cost expansionary investment portfolio against low cost contractionary investment portfolio.

Moreover, transaction fees at MBKE-DN are not competitive in accompany with unsuitable brokerage fees. The minimum transaction value in the charge framework of MBKE-DN is from 500 million, less flexible in compared with 50 million at FPTS and 100 million at VCBS. Therefore, MBKE-DN needs to classify customers and construct various fee rates based on the value of transaction, matching

with investors' characteristic at MBKE-DN (70% of investors participated in the survey have investment less than 500 million.)

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Appendix

Appendix 1: Evaluate the effects of determinants on the quality of brokerage service at MBKE-DN

FACTORS	Average	Std. Dev
BROKERS		
A1 – Brokers have professional and courtesy manners	3.47	0.707
A2 – Brokers with high persuasion	3.04	0.572
A3 – Brokers are always caring and learn your desires/ requirements	3.09	0.694
A4 – Brokers make you feel believability	3.61	0.710
A5 – Brokers have extensive knowledge on investment area	3.64	0.681
A6 – Brokers give objective and accurate advice and assessment	3.03	0.783
A7 – Brokers always serve you quickly	3.20	0.783
WORKING ENVIRONMENT		
B1 – Administrative procedures and customers' requests are always solved efficiently	2.46	0.836
B2 – Often holds seminars to exchange knowledge and experiences between investors	2.58	0.862

B3 – Have activities and training events that are practical for brokers	3.28	0.828
B4 – Organize extracurricular activities for customer care	2.76	0.876
B5 – Compliance with regulations	3.25	0.848
B6 – Make customers feel friendly	2.74	0.741
B7 – Make good image in customers, raise company's reputation	2.72	0.889
RECOMMENDATION REPORT		
C1 – Daily recommendation report has simple content, easily to understand	3.04	0.785
C2 – Daily recommendation report provides sufficient information	3.23	0.887
C3 - Daily recommendation report uses various analysis method that suits different targeted customers	3.39	0.795
C4 - Daily recommendation report is executed by analyzing experts in company	3.20	0.797
C5 - Daily recommendation report has specific evidence and correct information	3.22	0.828
C6 - Daily recommendation report is regularly updated	3.07	0.821
RECOMMENDATION PROGRAM		
D1 – The seminars, courses can be easily registered through company website	2.98	1.008
D2 – The contents of seminars/ courses match with customer needs	3.08	0.872
D3 – The courses and seminars are all presented by company experts	3.04	0.825
D4 – The number of courses and seminars is reasonable	2.92	0.808
D5 – Customers can directly discuss with the experts	3.35	0.884
D6 – The organized time for seminars, courses is suitable for customers	3.04	0.969
FACILITIES		
E1 – Working space makes customers feel comfortable	2.65	0.885
E2 – Modern facilities	2.94	0.959
E3 – Sufficient equipment for investors	3.04	0.838
E4 – Advanced information technology system	3.31	0.913
E5 – Company location is convenience for transaction	2.80	0.943
E6 – Regularly maintain, upgrade equipment, office	2.80	0.852
SERVICES PRICE		
G1 – Reasonable transaction fee	2.05	0.839
G2 – Reasonable margin proportion	2.68	0.836

G3 – Reasonable margin interest rate	2.91	0.838
G4 – Other fees are reasonable (Brokerage fee, advance payment fee…)	2.44	0.858
GENERAL ASSESSMENT		
H1 – You believe, and you are loyal in using services	3.15	0.595
H2 – You will continue investing more in the account at MBKE-DN	3.20	0.810
H3 – You will introduce others using services of MBKE-DN	3.41	0.767
H4 – You satisfy with the quality of brokerage service at MBKE-DN	3.08	0.844

Appendix 2: Exploratory Factor Analysis

Observed variables	Adjusted factors after EFA	Component					
		1	**2**	**3**	**4**	**5**	**6**
D2	Recommendation program	,735					
D1		,638					
D4		,631					
D6		,616					
D5		,611					
D3		,604					
G2	Services price		,757				
G1			,756				
G4			,739				
G3			,577				
C3	Recommendation report			,742			
C2				,738			
C5				,660			
C6				,624			
A4	Brokers				,817		
A5					,769		
A1					,745		
B2	Working environment					,794	
B3						,762	
B4						,723	
E4	Facilities						,711
E3							,646
E2							,644

Appendix 3: Pearson correlation coefficient analysis

		Recommendation program	Recommendation report	Services price	Brokers	Working environment	Facilities	Satisfaction
Recommendation program	Pearson Correlation	1	,354¨	,308¨	,260¨	,182¨	,422¨	,642¨
	Sig. (2-tailed)		,000	,000	,000	,004	,000	,000
	N	250	250	250	250	250	250	250
Recommendation report	Pearson Correlation	,354¨	1	,234¨	,365¨	,277¨	,366¨	,668¨
	Sig. (2-tailed)	,000		,000	,000	,000	,000	,000
	N	250	250	250	250	250	250	250
Services price	Pearson Correlation	,308¨	,234¨	1	,192¨	,229¨	,384¨	,619¨
	Sig. (2-tailed)	,000	,000		,002	,000	,000	,000
	N	250	250	250	250	250	250	250
Brokers	Pearson Correlation	,260¨	,365¨	,192¨	1	,186¨	,197¨	,545¨
	Sig. (2-tailed)	,000	,000	,002		,003	,002	,000
	N	250	250	250	250	250	250	250
Working environment	Pearson Correlation	,182¨	,277¨	,229¨	,186¨	1	,183¨	,559¨
	Sig. (2-tailed)	,004	,000	,000	,003		,004	,000
	N	250	250	250	250	250	250	250
Facilities	Pearson Correlation	,422¨	,366¨	,384¨	,197¨	,183¨	1	,680¨
	Sig. (2-tailed)	,000	,000	,000	,002	,004		,000
	N	250	250	250	250	250	250	250
Satisfaction	Pearson Correlation	,642¨	,668¨	,619¨	,545¨	,559¨	,680¨	1
	Sig. (2-tailed)	,000	,000	,000	,000	,000	,000	
	N	250	250	250	250	250	250	250