

Investor Satisfaction through the Service Quality Dimensions of Brokerage firms of Pokhara

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ABSTRACT

The brokerage industry plays a crucial role in the capital market, acting as an intermediary for the buying and selling of securities. This study examines the service quality dimensions provided by brokerage firms in Pokhara, Nepal, and their impact on investor satisfaction. The study focuses on three independent variables: reliability, responsiveness, and assurance, and their relationship with the dependent variable, investor satisfaction.

The study utilized primary data collected through a survey of 105 respondents from various age groups, academic qualifications, occupations, and levels of experience. The responses were measured on a five-point Likert scale, and statistical analyses, including mean, standard deviation, correlation, and regression, were conducted using SPSS software.

The descriptive analysis revealed that all the independent variables, except for the statement "The service is not delayed," had a mean value greater than 3, indicating that they are strong predictors of investor satisfaction. The correlation analysis showed a positive relationship between reliability, responsiveness, and assurance of service delivery with investor satisfaction in Pokhara valley.

The findings suggest that service quality and investor satisfaction are interrelated, with higher service quality leading to higher investor satisfaction. The study also identified assurance of service delivery as the most important predictor of investor satisfaction in this context.

Keywords: Brokerage industry, service quality, investor satisfaction, reliability, responsiveness, assurance, capital market, Pokhara, Nepal.

INTRODUCTION

The capital market, often synonymous with the stock market, serves as a crucial pillar in mobilizing capital for economic development. It not only fosters economic growth but also reflects the overall economic health of a nation. At its core, the capital market facilitates the buying and selling of shares, enabling individuals to invest in businesses and participate in their growth trajectory. Initial Public Offerings (IPOs) present opportunities for companies to raise funds from the public, subsequently listing on stock exchanges, inviting investors to partake in their journey. The dynamic nature of the capital market accommodates both traders, engaging in short-term transactions, and investors, committed to long-term holdings, catering to diverse financial objectives (Chalise, 2020).

In the realm of service-oriented enterprises, customer satisfaction emerges as a linchpin for success, especially for entities like stock brokerage firms. Quality service delivery and customer satisfaction stand out as paramount in market competitiveness, garnering considerable attention from management (Zeithaml et al., 1996; Parasuraman et al., 1988; McDougall & Levesque, 2000). As elucidated by Kotler (2009), customer satisfaction hinges on the alignment between anticipated outcomes and actual product performance. For brokerage firms, customer satisfaction is deeply intertwined with the quality of services rendered and the efficacy of service delivery mechanisms (Shukla & Upadhyaya, 2013).

A stock brokerage firm, functioning as an intermediary in securities transactions, operates within a regulatory framework aimed at safeguarding investor interests (Swadia, 2019).

Facilitating the buying and selling of financial instruments, brokerage firms play a pivotal role in channeling investments and shaping market dynamics. In Nepal, the Nepal Stock Exchange (NEPSE) serves as the cornerstone of the secondary market, promoting liquidity and fostering investor participation through brokerage houses, intermediaries, and market makers (Investopaper, 2022).

The evolution of the Nepalese capital market has witnessed a surge in investor engagement, underscored by a growing number of DEMAT accounts and active clients (Investopaper, 2021). Despite this progress, the dispersion of brokerage services remains concentrated in urban centers like Kathmandu, with Pokhara emerging as a burgeoning market (Gyan, 2022). The advent of online trading platforms has revolutionized market accessibility, offering investors efficient, transparent, and seamless trading experiences.

OBJECTIVE

The objective of the research are as follows:

- To analyze the perception of investors' satisfaction towards the service delivery of brokerage house in term of reliability, responsiveness, and assurance
- To examine the relationship between investor satisfaction and service quality dimensions – reliability, responsiveness, and assurance
- To analyze the impact of service quality dimensions on investors' satisfaction

METHODS

Research Design: Descriptive and causal research designs.

Population and Sample: 105 respondents

Instruments for Data Collection: Structured Questionnaire (5-point Likert scale)

Data Analysis: Mean, Standard Deviation, Correlation Coefficient, Regression Analysis

RESULT AND DISCUSSION

The correlation analysis reveals a positive relationship between the reliability, responsiveness, and assurance dimensions of service quality and investor satisfaction, indicating that higher levels of service quality are associated with greater investor satisfaction.

The study demonstrates a significant interconnection between service quality and investor satisfaction, suggesting that increased service quality corresponds to heightened levels of investor satisfaction. Notably, investors exhibit satisfaction with the service quality delivered by stockbrokers in the Pokhara valley.

TABLES:

Table 1.
Pearson's Correlation Matrix

Variable	RE	RP	AS	IS
RE	1			
RP	0.604**	1		
AS	0.467**	0.508**	1	
IS	0.567**	0.580**	0.662**	1

Table 2
Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.741 ^a	.550	.536	.46012

Predictors: (Constant) AS,RE,RP

Dependent Variable : IS

Table 3
Goodness of fit of Regression (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	26.090	3	8.697	41.077	.000 ^b
Residual	21.383	10	.212		
Total	47.473	10			
		4			

a. Dependent Variable : IS

b. Predictors: (Constant),AS,RE,RP

Table 4**Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1 (Constant)	.507	.258		1.971	.052
RE	.217	.082	.228	2.650	.009
RP	.213	.087	.216	2.448	.016
AS	.419	.075	.445	5.583	.000

a. Dependent Variable : IS

Investors' satisfaction = 0.507 + 0.217*Reliability + 0.213*Responsiveness + 0.419*Assurance

Hypothesis Testing

We have use 95% level of confidence i.e., alpha value is 0.05.

The sig. value is less than 0.05 which indicates that the whole model is accepted.

In the same way, p- value has been used to test the significance of each individual model.

H1: Reliability of service delivery has significant impact on investor's satisfaction.

The p- value is less than 0.05. Hence H1 was supported.

H2: Responsiveness of service delivery has significant impact on investor's satisfaction.

The p- value is less than 0.05. Hence, H2 was supported.

H3: Assurance of service delivery has significant impact on investor's satisfaction.

The p-value is less than 0.05. Hence, H3 was supported.

DISCUSSION

The objective of the study has been to measure investor satisfaction through service quality dimension provided by the brokerage firm of Pokhara. The study found that investors are satisfied with the services quality provided by the stock brokers in Pokhara valley. This finding is similar to the results of Devkota et al. (2021), which found that most investors are satisfied with the brokers' service in Nepal. The study also highlighted the important components of service quality. The study is consistent with Bolton and Drew (1991) and Cronin and Taylor (19992), whose studies have found that service quality parameters are positively and directly associated with customer satisfaction. It means that service quality is an inseparable part from customer satisfaction which is similar to finding of (Parasuraman et. al 1991). Among service quality components, assurance dimension has the greater impact on investor satisfaction where the beta value (0.419) is greater compared to others. Moreover, Reliability (0.217) and responsiveness (0.213) are in order. These finding of the study differ from the results of (Parasuraman et. al 1991) study which suggested that reliability is the most important factor.

CONCLUSION

The study found that investors are satisfied with the services quality provided by the stockbrokers in Pokhara valley. Study shows that the most important predictor of investor satisfaction in this study is assurance dimension. So, it is concluded that stockbroker should focus on assurance of service delivery, reliability of service delivery and responsiveness of service delivery to increase investor satisfaction.

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