Fairness in Financial Services in Malaysia
May 2014

The Centre for Risk, Banking and Financial Services (CRBFS) is a research centre based at Nottingham University Business School. Our aim is to produce world-leading research, insight and commentary focussed on financial services consumers, markets and institutions.

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Our Approach:
- We collected data in Malaysia in 2013
- We used a sample of over 500 participants, at least 100 for each of the product provider types listed below
- We collected data using a questionnaire distributed by hand
- We collected data for five types of financial product providers:
  - Banks
  - General insurers
  - Life insurers
  - Investment companies
  - Credit card companies

Our Approach:

- We collect the following **Fairness** related measures:
    - ***Procedural Fairness -*** The fairness of the processes associated with service delivery, which incorporates the elements of impartiality, refutability, explanation and familiarity
    - ***Interactional Fairness -*** The courtesy, respect and consideration shown and the degree of genuine two-way communication
    - ***Distributive Fairness*** - the fairness of the outcomes of the exchange
    - ***The Fairness Index –*** A combined measure of procedural, interactional and relational fairness
- We also collect data on the following "outcomes", or consequences
    - ***Word of Mouth –*** How likely a respondent is to say positive things about the product provider
    - ***Satisfaction –*** Generally, how satisfied a respondent is with the product provider
    - ***Behavioural Loyalty –*** How likely a respondent is to use the product provider in the future to meet product needs
    - ***Trust –*** The degree to which the respondent trusts the product provider to act reliably and with good intentions
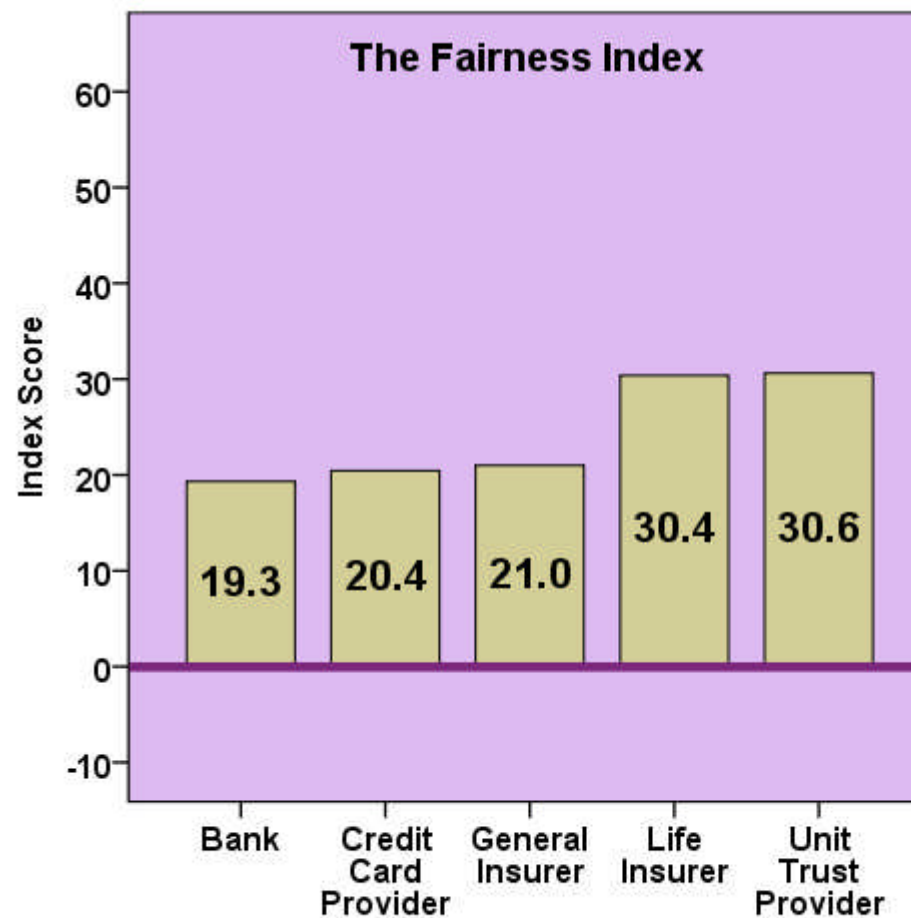- We also collect demographic and relationship based data

Our Approach:
- We provide an "Index score" for each measure, which ranges between **-100** and **+100**
- A score of **zero** represents a neutral viewpoint, indicative that consumers perceive that financial institutions are neither particularly fair/trustworthy, nor particularly unfair/untrustworthy.
- Values above **zero** are indicative of **moderate to strong perceptions of fairness etc**
- Values below **zero** would range from **moderate to strong perceptions of a lack of fairness etc**
- The main data reported here represents consumers' perceptions of the firm that they use, rather than for providers in general

Comment:

For the Fairness Index as a whole, in Malaysia, Banks are the laggards in the sector in terms of fairness perceptions, however, they are similarly rated to credit card providers and general insurers. Life insurers and unit trust providers are rated as significantly more fair


The Fairness Index

|	Index Score
Bank	19.3
Credit Card Provider	20.4
General Insurer	21.0
Life Insurer	30.4
Unit Trust Provider	30.6

Comment:

The pattern of results for overall fairness is also repeated for the procedural element of the fairness measure

Procedural Fairness

|	Bank	Credit Card Provider	General Insurer	Life Insurer	Unit Trust Provider
Index Score	20.4	19.8	21.3	30.2	31.0
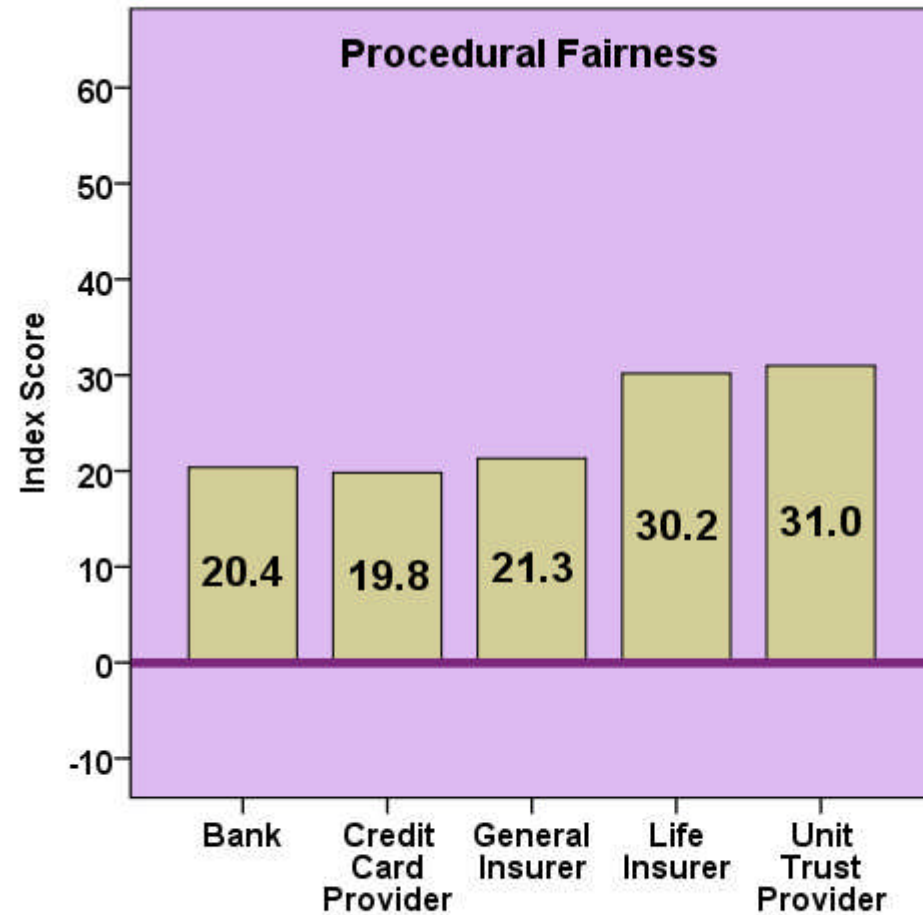
Comment:

Interactional fairness measures are generally higher and with slightly less variation between provider types
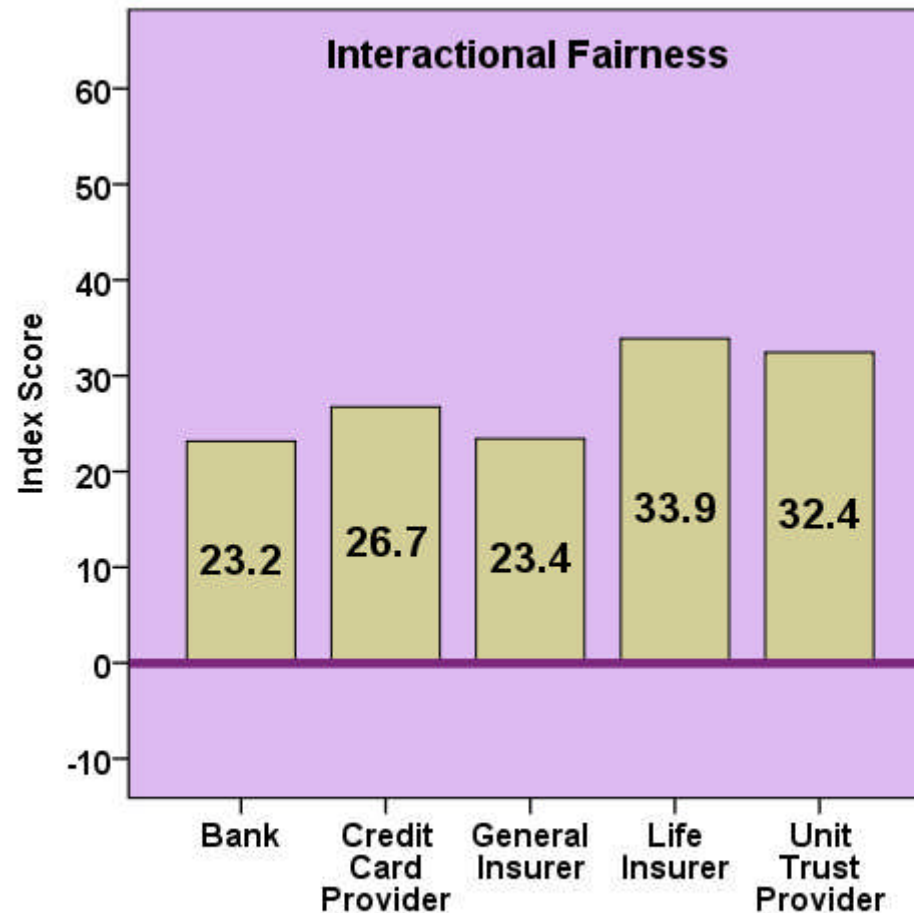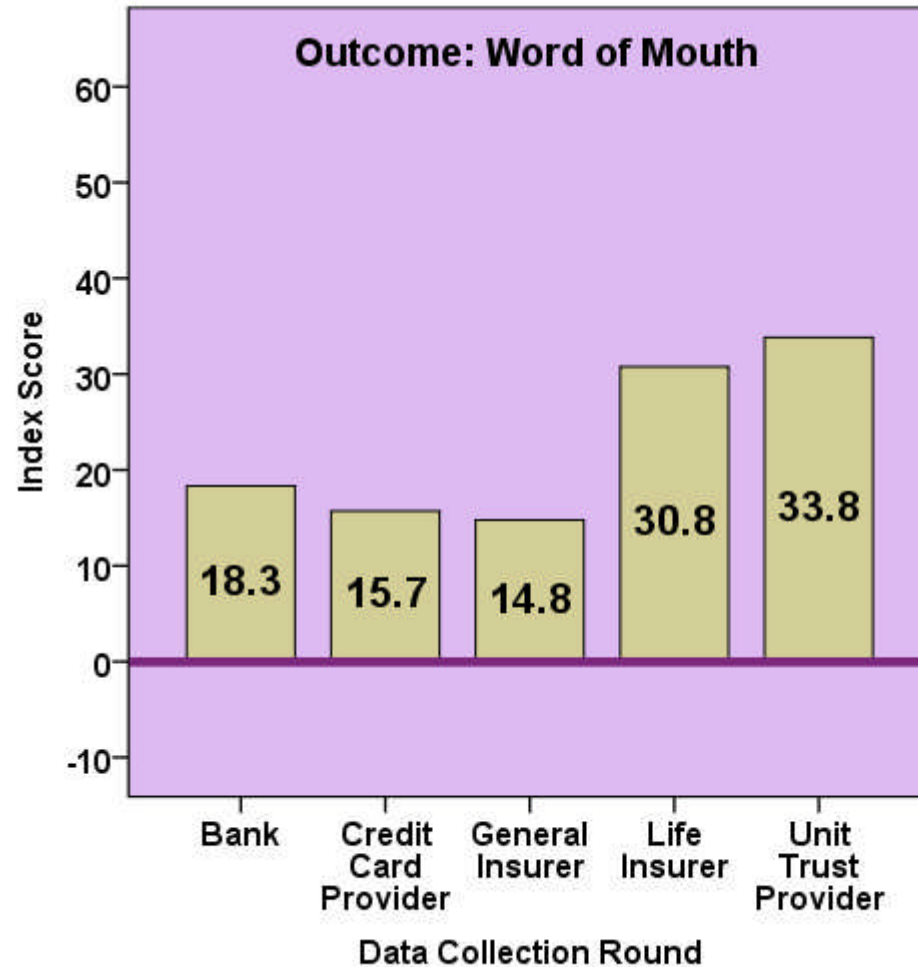
Comment:

As has been observed in other country contexts, ratings for distributive fairness are the lowest of all fairness dimensions. Other research has show that this element of fairness is the most important in terms of impact on overall assessments of fairness. Therefore, banks should be particularly concerned at their low rating relative to others.

Distributive Fairness

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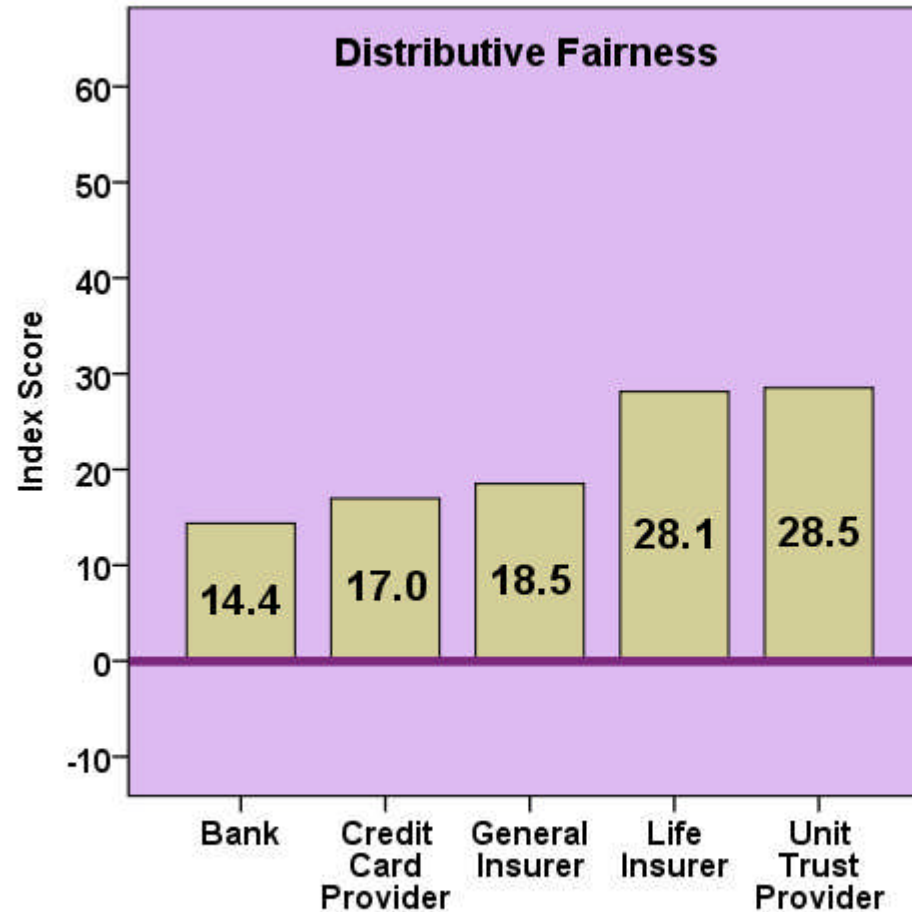
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Comment:

The data related to how likely respondents are to engage in positive word of mouth is closely related to fairness assessments
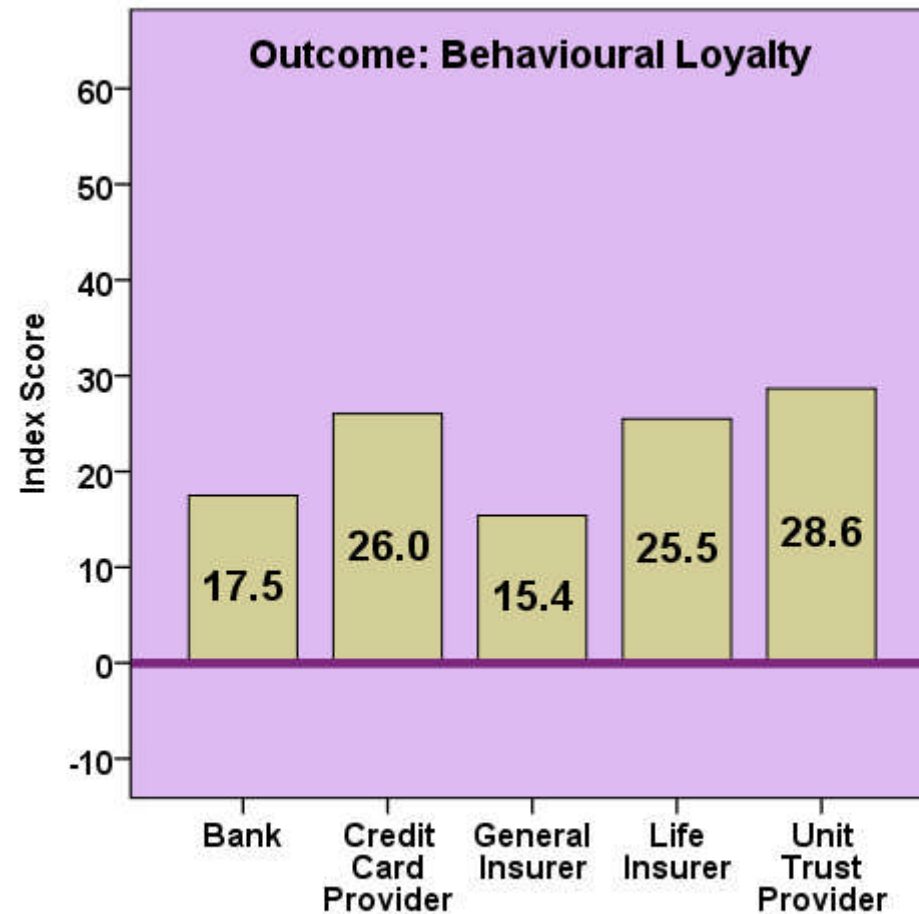
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Comment:

Behavioural loyalty, the intention to continue using a product provider also mirrors fairness assessments to a reasonable extent

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Comment:

Engendering Trust is seen as crucially important to relationship between financial services providers and customers and the data show that trust outcomes are closely linked to assessments of fairness on the part of consumers
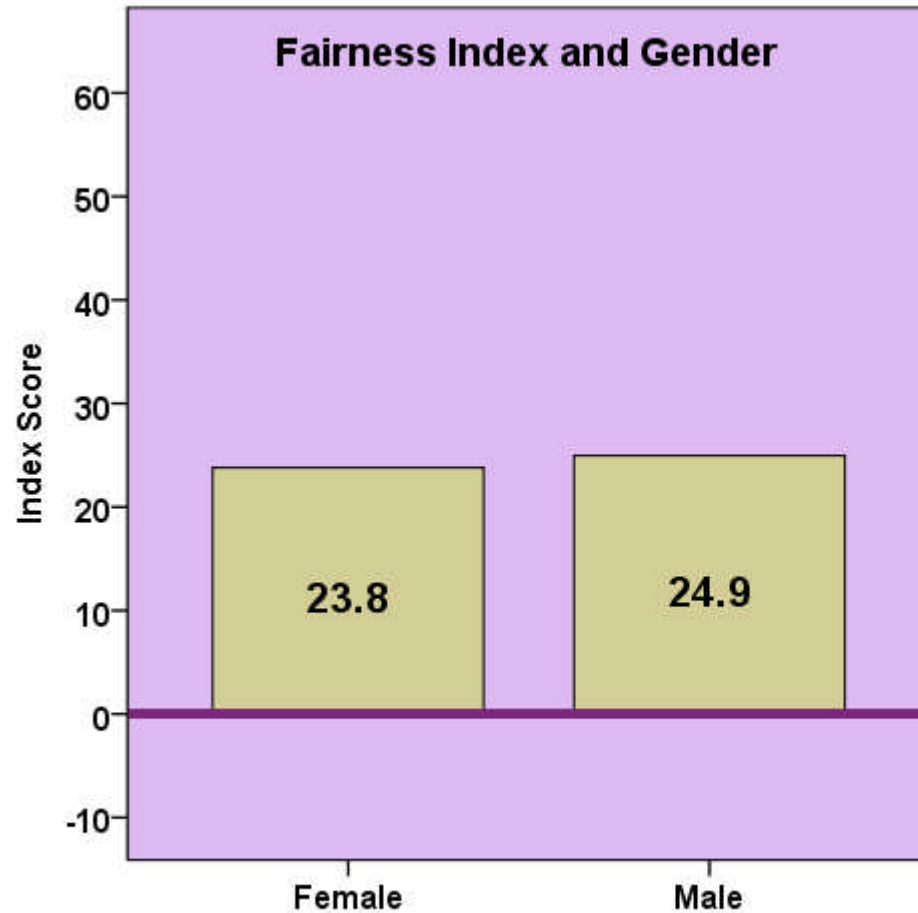
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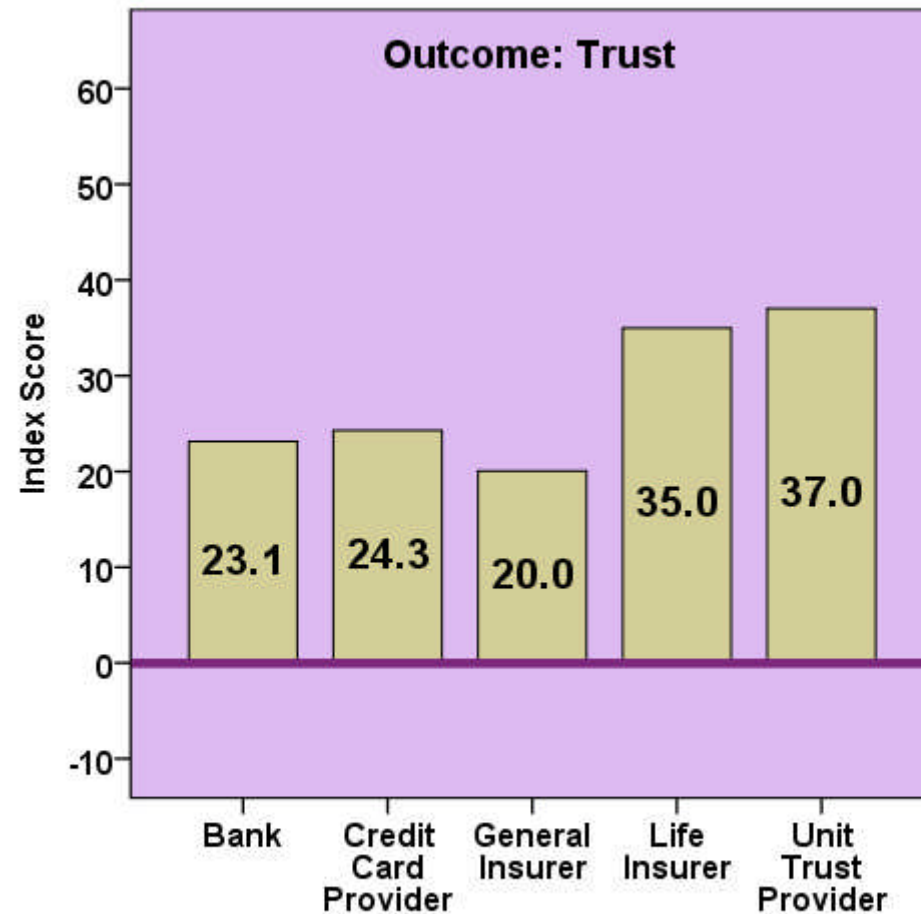
Comment:

The data indicates minimal differences in fairness assessments between males and females in Malaysia

Fairness Index and Gender

Female: 23.8
Male: 24.9

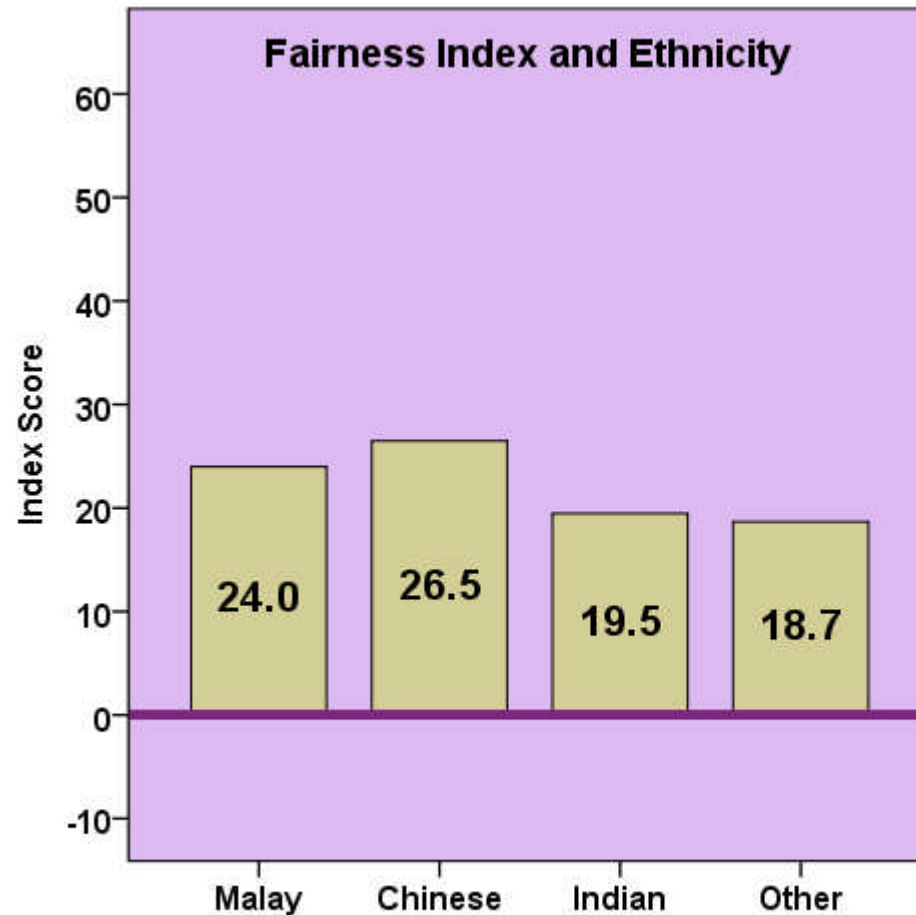Nottingham University Business School

Comment:

Up to a point, older people tend perceive their provider as fairer than younger consumers
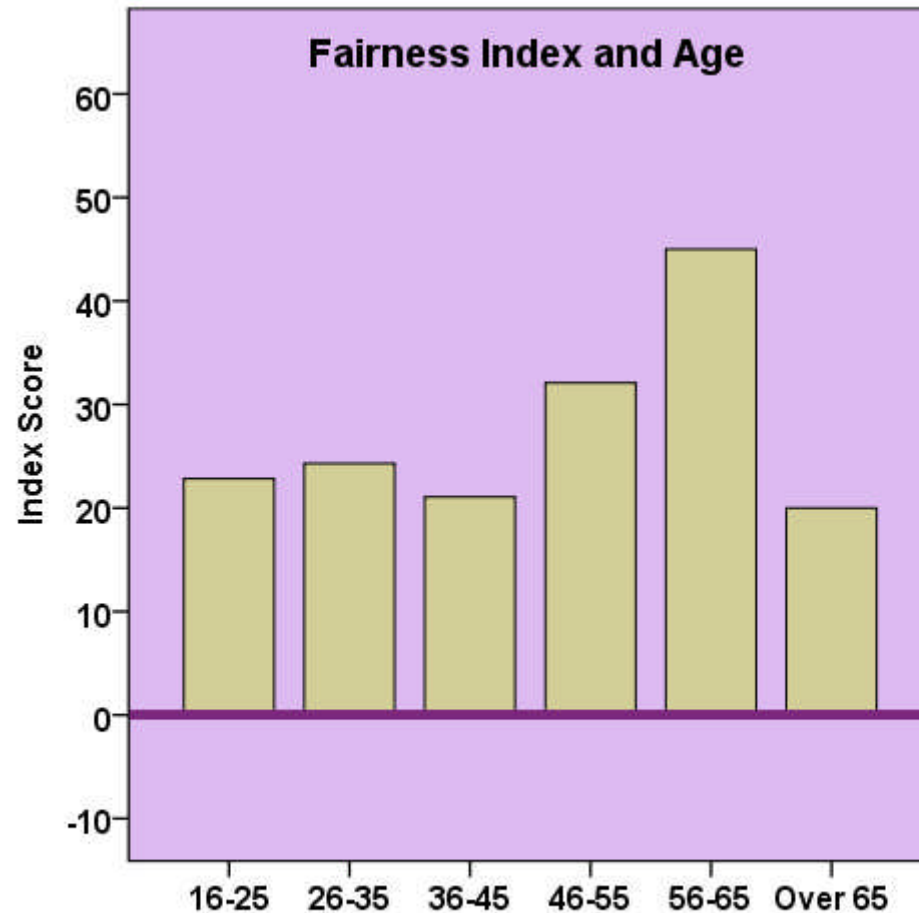
Comment:

In terms of ethnicity, Chinese Malaysians and to a lesser extent Malays perceive fairer treatment from providers than do those of Indian and other ethnicities.

Fairness Index and Ethnicity

Conclusions:

- Generally, levels of perceived fairness in Malaysian financial services are relatively positive, with all scores in positive territory
- Banks appear to have the greatest challenge in convincing consumers that they act fairly as financial services providers
- Banks face particular challenges in the area of distributive fairness, which should be of concern given that this element of fairness is the main driver of overall assessments
- Outcome measures, such as trust, word of mouth and behavioural loyalty tend to mirror fairness assessments
- Some demographic differences are apparent