

Factor Affects Customer Behavior During Currency Depreciation

Mohammed Hariri Bakri^{a*}, Nurayati Dabas^a, Hartini Azman^a

^a*Universiti Teknikal Malaysia Melaka, Hang Tuah Jaya, 76100, Durian Tunggal, Melaka, Malaysia*

Abstract

Nowadays, Malaysia face on currency depreciation right now and many industries get negative impact from this current situation. This present study aims to study the most factor effect on customer buying behavior during currency depreciation in Johor Bahru and this factor include culture factor, personal factor, social factor and currency factor. First, several study about factor effect customer behavior, buying behavior and currency depreciation already obtain. In order to investigate the effects of currency depreciation on customer buying behavior in Johor Bahru, researcher selects the 384 customer as our sample framework. The data gathered were analyzed by using descriptive analysis. The finding shows that there is a significant relation between Culture Factor, Social Factor and Currency Factor (independent variable) and the Customer Buying Behavior (dependent variable). Researcher also recommends future researcher to focus one product to do a comparison of consumer buying behavior in different area of Malaysia like southern area of Malaysia and east coast Malaysia where Pahang, Terengganu, and Kelantan where there are culture difference.

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Keywords : Currency;Depreciation;Customer,Behaviour

1. Introduction

Ringgit depreciation has been the hot subject in current economic scenario. We are experiencing a tough time with ringgit depreciation every day. Current economic context created anxious moments to various industrial sectors in Malaysia. On 4th May, 2020 the value of Malaysian ringgit (MYR) has depreciated at 4.32 United States Dollar (USD) exchange rates. The surpassing the peg level of 3.8 set during 1998's Asian Financial Crisis and taking the ringgit almost an every time low. The experts in the field perceived the situation in different manners. Some considered it as highly depressed and threatening environment; some others considered it as an opportunity in disguise. There are various positive and negative impacts which are being predicted by experts in the fields. Ringgit depreciation, no doubt it will affect buying behavior of user, householders and customer. Marketers must be aware of the business environment especially of economic factor because all businesses are affected by national and global economic factors. National interest rates and fiscal policy is set around economic conditions and this situation dictates how consumers, suppliers and other

* Corresponding author: *e-mail address*: hariri@utem.edu.my.

organizational stakeholders such as suppliers and creditors behave within society. Such as, economy undergoing recession will have high unemployment, low spending power of customer and low stakeholder confidence. Conversely a growing economy will have low unemployment, high spending power of customer and high stakeholder confidence. Successful marketers will respond to economic conditions and spending power of customer. Economic uncertainty so this gives impact to customer making decision to buying of the product. Eventually, marketers will need to review the impact economic conditions are having on their competitors, customer and respond accordingly to ensure that it employs strategies that protect and promote its business through economic conditions throughout the world (Ali et al 2015). The depreciation of the national currency will invite the inflation problem. Imported goods more expensive than export goods. The manufacturer will also take the opportunity to move imported component costs including the cost of raw materials to consumer. It will also effect rising prices on household income and a decrease in salaries (Bakri et al ,2016). The main problems are identified, as these problems are effect on customer buying behavior to buy product and service. Ringgit depreciation has been the hot subject in current economic in Malaysia. Currency is uncertainty, and to understanding of the consumer behavior regarding the characteristics of consumers in influencing their buying behavior is crucial (Bakri et al 2015). By understanding the consumer behavior during currency depreciation can help the marketers to understand the consumers buying behaviors so that implement appropriate strategies for their products and help their company to achieve its goals and survive in the nowadays competitive world. The research would like to study the relationship influences on customer buying behavior during currency depreciation.

2. Literature review

2.1. Currency Depreciation Factors and Implication

According of Zakaria et al. (2010), have several factors that caused the financial crisis in 1997. The first factor, which causes financial crisis in Malaysia, is speculative attacks, deficiencies in risk management, corporate governance and the equity markets, and infrastructure law. Where in Malaysia, there is no clear policy on loans directed to large firms, and to that extent we cannot say that the financial constraints on large firms is weak (Ismail, et al, 2017). In addition, it also leads to poor cash flow and more problem loans.

The second factor, the lack of risk management caused by the financial crisis also affected the Asian region, including Malaysia. Currency mismatches have also occurred in Malaysia, with the exchange control regime which requires the approval of loans in foreign currency. There are a number of leading companies have been allowed to raise loans, even if they only have cash flow ringgit until the company suffered heavy losses.

The third factor is the form of governance and corporate market equities. Asia is characterized by a system of concentrated shareholding. Non-competitive product market and legal protection of the weak and governance by large shareholders and not managers have reduced the opportunity for management to experts, poor diversification of investments, and increased risk of seizures shareholders by insiders (Bakri et al 2017). Concentrated shareholding led the equity markets are underdeveloped.

2.2. Customer Buying Behavior

Consumer behavior is a study of the decision-making process that consumers make at the time of buying (Nagarkoti, 2009). Consumer behavior focuses on how individuals make decisions to spend their available resources such as time, money, and effort on consumption related product or services. It is therefore important for every company to study consumers and establish what determines the choices of products they make. According on Kotler and Keller, (2006), consumer's behavior is influenced by cultural, social, and personal factors. Cultural factors exert the broadest and deepest influence.

2.2.1. Culture Factor

Cultural factors greatly influence the behavior of consumers and it is not controlled by marketers. However, marketers can create a study to understand consumer behavior based on cultural factors (Sethi, 2014). Cultural factors rare cultural and societal environment (references, perception and habits) (Rani et al., 2014). In addition, the culture consists of the norms and value of a society or nation. There is a several culture characteristic such as overarching, understanding, acceptance, awareness and duration (Durmaz et al., 2014). According to Kotler and Keller (2006) culture is a key factor in customer behavior and culture consists on smaller subcultures and that provides more specific identification (Azmi, 2018). The subcultures include of geographical area, religion, nationality and race. These factors can influence the choice of products and services by individual users. Next, the researchers said there cultural is values, language, customs, myths, rituals, laws, and artifacts that are inherited from one generation to the next (Lamb, 2011, Sharif et al, 2018)

2.2.2. Social Factor

In addition to cultural factors, a consumer's behavior is influenced by such social factors as reference groups, family, social, statuses and reference groups .The reference group is made up of all groups that have a direct effect (face-to-face) to customers such as attitude and behavior (Kotler and Keller, 2006). Age and life cycle stage that there is an element of the social factor (Furaji et al., 2012).

2.2.3. Personal Factor

Another factor that can influence customer buying behavior is a personal factor. Personal factors such as age and life cycle stage, occupation and lifestyle (activities, interests, opinions and demographics). Age & life cycle stage. Therefore, marketers are targeting their target markets in terms of family life cycle stages and gates that age and develop a plan and the appropriate products for each age group. This is because; people change their purchases over their lifetimes. (Furaji et al., 2012). Occupation as a lecturer, police and doctors and so on, affect the goods and services purchased (Furaji et al., 2012). For example a marketing worker of an organization will try to purchase business suits, whereas a low level worker in the same organization will purchase rugged work clothes (Rani, 2014).

2.2.4. Currency Factors

Currency depreciation or currency devaluation is particularly important influences on consumer buying behavior. Currency is money including coins and paper money and used it for a means of exchange, a unit of account and a store of value (Friedman et al., 1970). However, the value of money is not determined based on the number printed on notes or coins but the subjective value of money may change over time (Gamble et al., 2005). Where currency collapse, then the money will be affected until the occurrence of inflation and rising interest rates (Bakri et al 2018), to the detriment of healthy and sustained growth (Wertenbroch et al., 2007; Brussels et al., 1995). Currency depreciation also gives impact to foreign goods relative and domestic goods. There divert spending from foreign goods to domestic goods and otherwise when there is currency devaluation (Kandil, Berument. et al 2007). In addition, the devaluation impact on per capita household income so it will result in less interest people to spend, so they can offset the current situation with their income. Customer will evaluate and compare the prices offered with matching products and according to different standards (Wertenbroch et al., 2007). This shows the value of the currency have an impact on the amount that could be paid by the consumer and customer buying behavior in making purchasing decisions (Raghubir & Srivastava 2002). A consumer buying decisions are based on the results of the evaluation of a product. (Gamble et al., 2005). Where customers purchase goods or services that can maximize the utility customers, evaluate the price of other goods and are willing to pay the price or budget customer (Heath et al., 1996; Thaler el. al 1985).

The theoretical framework is the schematic diagram showing how the researchers believe the variables are related among each other's. Fig. 1 show the theoretical framework for the study:

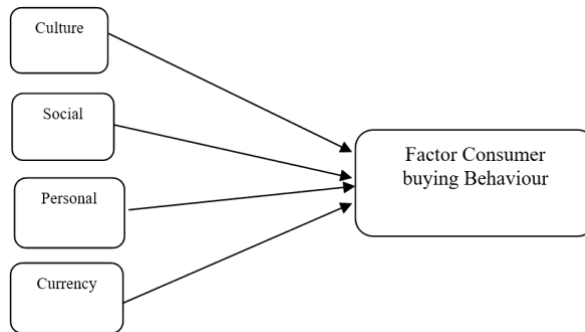


Fig. 1: The Theoretical Framework Relating the Variables in the Study

3. Methodology

According to Brar et al., (2014), research means to observe the phenomenon from a different dimension and study was conducted to explore ideas, investigate the issue, solve problems and achieve objectives, and to make the argument that forcing it to make an inquiry. Research is the process of collecting, analyzing and interpreting information to solve problems and achieve objectives. Then the research methodology is the assorted procedures, schemes, algorithms, and so on used in research. Research methods are all the methods used by a researcher during a research study. Research method includes research design, research strategy and time horizontal. It is compulsory for a researcher to outline a methodology for the problem chosen. For the purpose of this research, the researcher makes decision to conduct descriptive study for complete this research base on specific objectives, research question and research hypotheses of the study. It is because this type of research design suitable with the study that conducted by researcher to investigate the main factor effect customer buying behavior during currency depreciation In Johor Bahru. This research used quantitative research design to gather and evaluate data. Quantitative data is more accurate compared to qualitative data and more statistically methods can be applied in data analysis (Awang, 2012). Quantitative method used and conducted by survey instrument through the questionnaire to large number of the respondents in this research. From this method the researches collect the primary data. The population of interest in this study consisted of individuals who have the purchasing power to certain goods or services in Johor Bahru. According to population by JPS Daerah Johor Bahru said the Johor Bahru are has 1, 183,347 population. A non- probability sampling have used that is a purposive sampling of this research because the research has specific that is the questionnaire has be distributed among individual at Johor Bahru. According the Krejcie and Morgan (1970), if the population is 1, 448,019 people and the sample sized as are 384. The sample size for this study was 384 and data for this research has collected among customer have power purchasing at area Johor Bahru. Johor Bahru area chosen as the location of this research because Johor Bahru is the southernmost city in Malaysia and second biggest after Kuala Lumpur. It is one of the largest cities in the country.

4. Analysis and Discussion

In this study, a pilot test was conducted by using online questionnaire, Google form distributed to 30 respondents before the actual questionnaire was distributed. The purpose of the pilot test is to ensure whether

the respondents understand about the questions given in the questionnaire. Besides, the data collected were also use to check whether the questions are valid by using validity and reliability test.

Table 1. Validity Test for Pilot Test Result

Independent Variables	Value	Critical Value	Validity
Culture Factor	0.898	0.361	Valid
Social Factor	0.809	0.361	Valid
Personal Factor	0.748	0.361	Valid
Currency Factor	0.692	0.361	Valid

Table 1 shows the validity test result collected from 30 respondents that did the pilot test. As shown in the table, all the independent variables are valid. According to the r table product moment below, the value of each item is greater than the critical value for N=30 sample, which is 0.361.

Table 2. Cronbach’s Alpha Test of Reliability

Cronbach’s Alpha	Cronbach’s Alpha
0.725	25

The Cronbach’s alpha reliability coefficient normally ranges between 0 and 1. The closer the Cronbach’s alpha coefficient to 1.0, this is means that the greater of the internal consistency of the items in the scale. By following the rules of thumb from George and Mallery (2003), if the Cronbach’s Alpha value is higher than 0.7, which mean the test is Acceptable. Since the validity and reliability are valid, thus, it shows that these independent variables can be used in the actual survey questionnaire. Descriptive statistics were used by researcher to define the basic features research data through questionnaires distribute. Data analysis shows the basic demography data collected from 384 respondents and the results of their questionnaire regarding factors affecting customer buying behavior during currency depreciation. Researcher also has identified demographic variables to meet the objectives of this research. Moreover respondents were the main contributors to the research.

Table 3. Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation	Ranking
Culture	384	4.60	10.00	8.2734	1.28876	3
Social	384	5.20	10.00	8.3229	1.08235	2
Personal	384	1.80	10.00	7.0354	1.66255	4
Currency	384	5.20	10.00	8.5656	1.13454	1
Valid N (Listwise)	384					

Table 3 shows the descriptive statistics of culture factor, social factor, personal factor and currency factor towards customer buying behavior during currency depreciation. Currency factor has the highest mean of 8.5656. Subsequently, it followed by social factor effect to customer buying behavior and culture factor which is 8.3229 and 8.2734 respectively. However, personal factor has the lowest mean which is 7.0354 The Table 4.8 indicates that majority of the respondents agreed that currency factor has the most influence customer buying behavior during currency depreciation. In addition, standard deviation indicates how close the data is to the mean. In this case, personal factor has the highest standard deviation which is 1.66255, followed by

culture factor which is 1.28876. Next, standard deviation for currency factor is 1.13454. Lastly, social factor influence to customer buying behavior has the lowest standard deviation which is only 1.43175

Table 4. Pearson's Product Moment Correlation Coefficient (PMCC)

	Culture	Social	Personal	Currency	Customer Behaviour
CULTURE	1	.303**	.262**	.387**	.416**
Pearson Correlation					
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	384	384	384	384	384
SOCIAL	.303**	1	.254**	.348**	.484**
Pearson Correlation					
Sig. (2-tailed)	.000	.000	.000	.000	
N	384	384	384	384	
PERSONAL	.262**	.254**	1	.279**	.281**
Pearson Correlation					
Sig. (2-tailed)	.000	.000	.000	.000	
N	384	384	384	384	384
CURRENCY	.387**	.348**	.279**	1	.482**
Pearson Correlation					
Sig. (2-tailed)	.000	.000	.000	.000	.000
N	384	384	384	384	384
CUSTOMER BEHAVIOR	.416**	.484**	.281**	.482**	1
Pearson Correlation					
N	384	384	384	384	384

Tables 4 shows the correlation between the four independent variables which are culture factor, social factor, personal factor and currency factor towards and dependent variable which is buying behavior during currency depreciation in Johor Bahru. From the Table 4 it indicates that the correlation of culture, social and currency were categorized as moderate positive relation as the correlate values are 0.416, 0.484 and 0.482. This is because these variables fall into the range of correlation coefficient of 0.35 to 0.6 and both are significant (2-tailed) with ($p=0.000$) which were both lower than 0.05. However, the other independent variables which are personal factor have low relationship on buying behavior during currency depreciation in Johor Bahru.. This is because both the correlation values are low which are 0.281 which in the range of correlation coefficient of 0.20 to 0.40. Related to that, both these values are significant (2-tailed) value with its significant $p<0.05$ which are $p=0.000$. Thus, these prove that of the independent have low relationships with the dependent variables.

Based on table 4 the result of culture factor against consumer buying behavior towards customer buying behavior during currency depreciation can be seen. The significant value of culture factor is less than 0.05. Thus it can be determined that culture factor have significant relationship with the consumer buying behavior during currency depreciation in Johor Bahru. Therefore, the researcher rejected null hypothesis (H_0), whereas alternative hypothesis (H_1) is accepted. Based on table 4, the result of social factor against consumer buying behavior during currency depreciation can be seen. The significant value of social factor is less than 0.05. Thus it can be determined that social factor have significant relationship with the consumer buying behavior during currency depreciation in Johor Bahru. Therefore, the researcher rejected null hypothesis (H_0), whereas

alternative hypothesis (H1) is accepted. Based on table 4 the result of personal factor concern consumer buying behavior during currency depreciation can be seen. The significant value of personal factor is less than 0.05. Thus it can be determined that personal factor have significant relationship with the consumer buying behavior during currency depreciation in Johor Bahru. Therefore, the researcher rejected null hypothesis (H0), whereas alternative hypothesis (H1) is accepted. Based on table 4, the result of currency factor concern consumer buying behavior during currency depreciation can be seen. The significant value of currency concern is less than 0.05. Thus it can be determined that currency factor have significant relationship with the consumer buying behavior during currency depreciation in Johor Bahru. Therefore, the researcher rejected null hypothesis (H0), whereas alternative hypothesis (H1) is accepted. There was one hypothesis have been rejected and three hypothesis been accepted due to the over range of significant value where P value > 0.05. The failed to accept alternative hypothesis were hypothesis 3 while accepted alternative were hypothesis 1, 2 and 4.

5. Conclusion

This research related to this field were in Johor Bahru Malaysia's lifestyle and different context compared to other countries. Many companies are also affected during the fall of the currencies of Malaysia, for example hardware and software industry, communication industry and others. These industries can take an opportunity to look into the consumer buying behavior of Malaysia especially in Johor Bahru. It is very important to look into culture, social and currency. Marketers should focus and improve on their brand to suit for culture Malaysian consumers (Idris et al ,2016). Through this can affect behavior and shopping habits of consumers and may be related to the release of new products or becomes a source of innovation for brands. By social pressure, desire to conformity or belonging to a group, desire to "follow fashion trends" or simply due to the high visibility provided by media, consumers will be influenced, consciously or unconsciously, by these trends. For example, Facebook has become a cultural trend. The social network has widely grew to the point of becoming a must have, especially among young people. Besides that, Researcher believes that social and currency is the main factors of customer buying behavior during currency depreciation. So manufacturer can focus to develop new marketing strategy from combination social and currency factor. Thus, researcher think that it is important for the international companies to take a consideration of social and currency differences when they design the marketing strategy, and conduct market segmentation before launching new product or plan especially for communication industry like Maxis, Celcom and Digi.

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