

Service Quality, Customer Satisfaction and Service Loyalty in Retail Banking Sector in Mongolia and Malaysia

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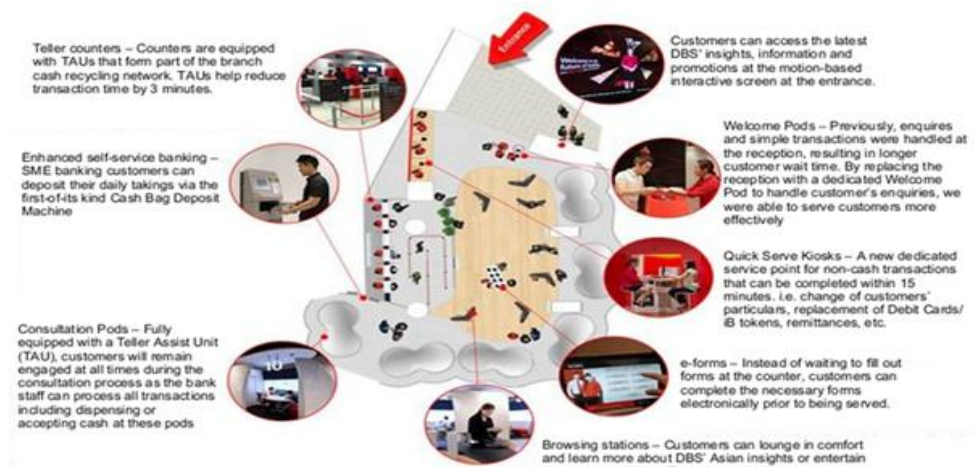
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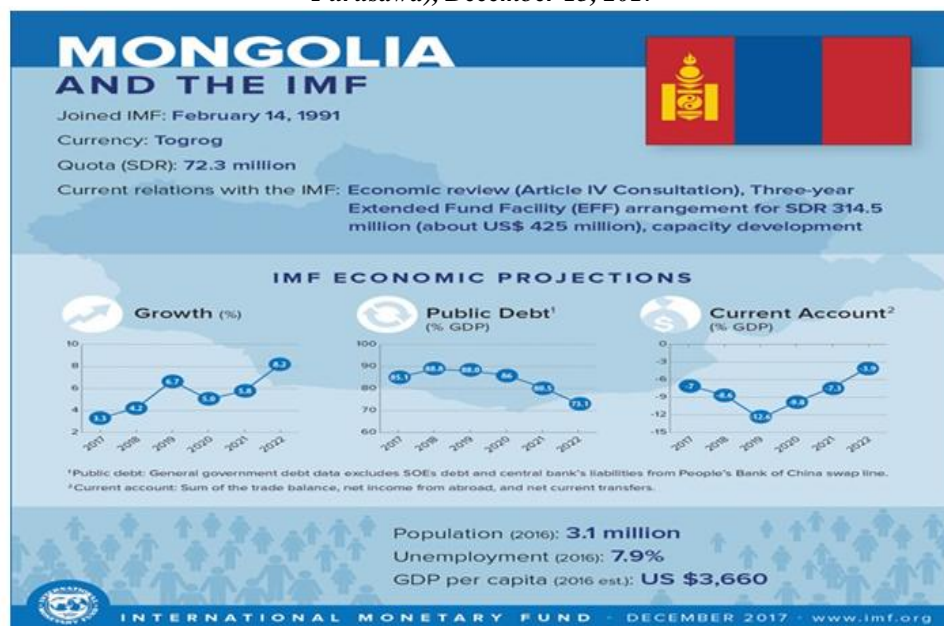
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Abstract: *The goal of this research was to fill the gap in service quality idea and offer a more (interested in the whole or the completeness of something) view, by measuring, testing/evaluating and exploring the relationship of service quality on customer happiness (from meeting a need or reaching a goal) and service loyalty in the big picture of Mongolia retail banking industry. The purpose of this research is four times, first, to validate the reliability and (something is truly what it claims to be) of SERVQUAL model. Second, is to identify the critical dimension of service quality in relation to service loyalty and customer happiness (from meeting a need or reaching a goal). Third, is to identify the interrelation between these factors within the big picture of the part/area. Lastly, is to (check for truth/prove true) that country of different culture has clear/separate service quality dimension which affect customer happiness (from meeting a need or reaching a goal) and service loyalty. This research began/tried (having to do with measuring things with numbers) approach to (accomplish or gain with effort) the research goal in (asking lots of questions about/trying to find the truth about) relationship between service quality's dimension, customer happiness (from meeting a need or reaching a goal) and service loyalty. The study collected a total number of 400 samples equally divided into Mongolia and Malaysia. The result of the study was reported through descriptive statistic and (related to figuring something out from what you're told) statistic to help meaningful (act of asking questions and trying to find the truth about something). The finding showed that the strongest service quality's dimension in (describing a possible future event) customer happiness (from meeting a need or reaching a goal) is promise for both Mongolia($\beta = 0.273$) and Malaysia ($\beta = 0.276$) retail banking. In the big picture of service loyalty, the strongest (describe a possible future event) or for both countries is different which reliability ($\beta = 0.238$) is strongest (describe a possible future event) or for Mongolia and deeply caring, understanding feelings ($\beta = 0.420$) is strongest (describe a possible future event) or of Malaysia. What's more, results also point to/show that customer happiness (from meeting a need or reaching a goal) is a (person who tries to settle an argument) between the relationship between service quality and service loyalty.*

Keywords: *Service Quality, SERVQUAL, Customer Satisfaction, Service Loyalty, Customer Knowledge Management, Customer Relationship Management, Customer Trust, Retail Banking sector, Mongolia, Malaysia*

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I. Introduction

In the last few years, new and newly appearing (processes of people making, selling, and buying things) have seen a move/change in the market, that is, from a seller's to a (prices are low and there are a lot of things for sale). This has led to detailed relationships between buyers and sellers. The strength of customer-organization relationship has changed a lot over time. The customer is carefully thought about/believed an important thing for an organization's long-term growth, sales and marketing strategy, resource allocation, product development, and overall profitability (Morgan & Hunt, 1994; Naidu, Parvatiyar, Sheth, & Westgate, 1999; Parvatiyar & Sheth,

2001; Reinartz, Krafft, & Hoyer, 2004). This has given rise to the need of a comprehensive relationship mechanism which broadly defines 'relationship' as a psychological connection of a consumer with a bank, a brand, or an employee of a selling entity (Anderson & Narus, 1991). Meanwhile, present economic market scenarios have undergone a metamorphic change to cope up with tough competition, changing needs and expectations of customers, ongoing product improvement, changing market trends from mass marketing to interactive and customized marketing, and finally to relationship marketing (Lemon, White, & Winer, 2002). Managing relationship with a customer and ensuring customer delight has become a necessity in the present competition (Mohamed & Sagadevan, 2005), as it is not only important to acquire new customers but also necessary to retain the existing ones. Chakravarty, Feinberg, and Rhee (2004) have observed that the banking sector is more prone to customer switching behavior due to increasing competition among retail banks and the homogeneity of banking products and services. For eliminating such behavior, banks need to focus more on developing and maintaining customer loyalty. Jones and Sasser (1995) have argued that the loyal customer generates profitability to the suppliers. They are more amenable to cross-selling and up-selling activities undertaken by the bank and are less-price sensitive. Loyal customer recommends various banking services to other potential customers through positive word of mouth. Researchers have studied loyalty as an outcome of trust and commitment (Gruen, 1995; Morgan & Hunt, 1994) but limited research has been carried out on the empirical validation of the customer knowledge management (CKM), customer satisfaction, and customer trust as antecedents of loyalty. Therefore, banks must completely understand the concept of loyalty and its determinants in order to secure a competitive position in the banking sector.

Rowley (2002) has argued that trust is the fundamental entity that brings the partners together in a relational system and makes them comfortable for a business transaction. Trust is built through continuous transactions and interactions (Oliver, 1999; Reichheld & Scheffer, 2000) but the key determinant of trust is

associated with the usage of customer information and knowledge by the business organization (Jarvenpaa, Knoll, & Lediner, 1998).

Smith and Barclay (1997) have opined that customer satisfaction is an important outcome of buyer-seller relationships. Development of trust among customers is achieved through proper investment in buyer-seller relationships (Gundlach, Achrol, & Mentzer, 1995). Accordingly, Vuuren, Roberts-Lombard, and Tonder (2012) have studied trust, satisfaction, and commitment as the determinants of loyalty in service sector.

However, little research has been carried out on CKM and customer satisfaction as the determinants of trust in banking sectors. CKM is the key for nurturing customer relationships, yet banks find themselves locked out at some critical points in customer's decision-making process (Lavender, 2004). Business information is one of the important aspects of maintaining existing and prospecting relationships with customers. A good business information solution will allow relationship managers to specify the information they require for creating a regional, national, or even global database of customers.

The more knowledge a relationship manager of a bank has about its customers, greater the chance of turning a prospective customer into a client (Lavender, 2004). Given the current competitive business environment, customer loyalty is vital and a scarce resource which should be utilized such that there is long-term profitability (Fang, Chang, Ou, & Chou, 2014; Melnyk & Bijmolt, 2015). It is easier to speed up purchases from existing customers than new ones (Naidu et al., 1999). Therefore, customer loyalty is a complex phenomenon which is not only affected by a single variable but a whole set of variables pertaining to customer. In this backdrop, the study contributes to the loyalty literature by empirically validating the identified antecedents and demonstrating their role in managing loyalty which the prior studies have not yet exhibited.

Problems Statement

Observing the changes in Mongolia and Malaysia's financial sector, it can be proven that the market in this era has transform into customers' centric where banks have been obliged to function based on customer's demand meaning that customer have more buying power. The customer in future will continue to demand for new and better products, switching to other competitor quickly, and access to information easily as the world is currently moving into information era (Bedi, 2010). The stratagem to success and survive in this changing environment is to be able to reach customer at his doorstep, and delivering product and service customized to fulfilled the needs of the individual customer. Hence, the expectations and perceptions on service quality of customers will inevitably change and customers are not going to settle for anything less than their expectations (Bedi, 2010).

It is well documented in marketing literature that service quality influences organization performance such as increase sales profit (Duncan & Elliott, 2002), market share (Zeithaml, 2000), improving customer relation (Kheng, Mahamad, Ramayah, & Mosahab, 2010), enhance corporate image and promote customer loyalty (Caruana, 2002). Research has also shown that increased customer retention rates can reduce costs which increase profit margin substantially. The rationale is because by the cost of retaining existing customers by improving products and services is perceived to be significantly lower than the costs of winning new customers (Bedi, 2010). Therefore, banks should seek ways to improve relationship with customers to ensure their loyalty (Ndubisi, 2006).

However, past researches have direct less attention in integrating the role of service loyalty within the context of service marketing variables like service quality and customer satisfaction (Caruana, 2002). There are models of service quality, customer satisfaction and service loyalty available in current literature review (Caruana, 2002; Kheng, Mahamad, Ramayah, & Mosahab, 2010; Mosahab, Mahamad, & Ramayah, 2010) focus mainly on western country to describe this relationship. Nevertheless, this model have not been evaluated in ASEAN culture, it is therefore of extensive value to examine the reliability and validity of this model in both Malaysia and Mongolia. By using these existing models in the context of Mongolia and Malaysia retail banking sector, this research anticipate to solve the problem of how consumers associate service quality and whether ensuring service quality and customer satisfaction is adequate to build long term relationship oriented goal (Kotler, 1992). Furthermore, this study will offer an insight of the role of service quality and customer satisfaction on service loyalty in the Mongolia and Malaysia consumer market. The result of this research will be able to generalize to other service sector in both Mongolia and Malaysia which will help expand the knowledge about consumer behaviour to both researchers and businesses.

II. Objectives Of The Research

1.4 Research Questions:

- i. Do the five dimensions of the SERVQUAL scale exhibit predictive validity and reliability?
- ii. What is the relative importance and critical factor in service quality dimension which affects customer satisfaction and service loyalty?

- iii. What is the interrelation of service quality, customer satisfaction and service loyalty in banking industries?
- iv. Is it true that the dimensions' service quality which has significant effect on overall service quality, customer satisfaction and service loyalty is different among Mongolia and Malaysia as consequence of cultural different?

1.5 Research Hypothesis:

1. Hypothesis 1: Service quality is positively associated to customer satisfaction
2. Hypothesis 2: Service quality is positively associated to service loyalty
3. Hypothesis 3: Customer satisfaction is positively associated to service loyalty
4. Hypothesis 4: Customer satisfaction have mediating effect between the relationship of service quality and service loyalty

1.6 Significance of the Study

The current study provides useful insights and understanding for managerial action in banking industries. First, from the management point of view, the measurement provides banks manager with actionable and diagnostic information for enhancing service quality in the organization (Blanchard & Galloway, 1994). Herein, the level of important among service quality dimension in predicting customer satisfaction and service loyalty will be reveal to the industries.

Consequently, banks manager can develop better understanding of consumer needs and focus on core service quality dimension in establishing differentiation strategies to facilitate customer satisfaction and loyalty. Without this, a great deal of money can be spent on improvement without improving customer satisfaction and customer retention rates (Chen, 2009).

Second, upon verification of SERVQUAL model in Mongolian banking industries, banks managers and future researches can utilize the tools to measure and predict the level of customer satisfaction and loyalty to a particular firm by examine the score of each dimension, improvement area can be identified. Third, from a competitive point of view, bank managers can use the existing scale to assess their strengths/weaknesses relative to competitors across service quality dimensions within the industries (Karatepe, Yavas, & Babakus, 2005).

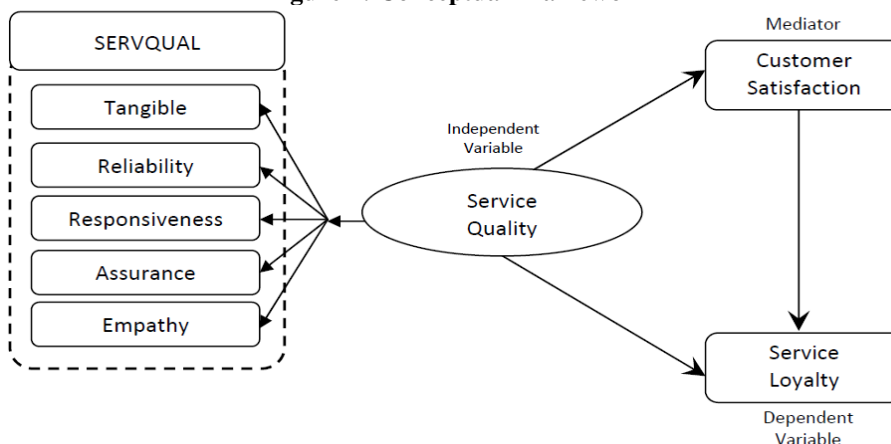
Past researches have direct less attention in integrating the role of service loyalty within the context of service marketing variables like service quality and customer satisfaction (Caruana, 2002). Buttle (1996) proffered directions for future research on further investigation on the relationships between service quality, customer satisfaction, behavioral intention, purchase behavior, market share, word-of-mouth and customer retention (Buttle F., 1996; Dion, Javalgi, & Dilorenzo-Aiss, 1998; Ndubisi & Wah, 2005). With the exception of market share and purchase behavior is precisely the focus of current study. Furthermore, Bloemer et al. (1998) remarked that it is difficult to measure and define loyalty in banking industry and recommended that additional research is required to gain profound understanding loyalty concept within the industry. The measurement of service quality is most useful when is carried out in longitudinal basis and it is strongly recommended to be measured periodically to identify significant service quality trends (Kwan & Hee, 1994; Bedi, 2010; Cronin & Taylor, 1992; Dabholkar, Thorpe, & Rentz, 1996; Bloemer, Ruyter, & Peeters, 1998; Cronin, Brady, & Hult, 2000).

1.7 Conceptual Framework:

Even though SERVQUAL has been used in several studies around the world, the interrelation of SERVQUAL, customer satisfaction and service loyalty had not been assess in Mongolia and Malaysia. The major purpose of the present study is to investigate critical service quality factor in the banking industries of Mongolia and Malaysia and confirm the validity and reliability of SERVQUAL model in Mongolia and Malaysia retail's banking sector. The theoretical model guiding this exploration is adapted from Caruana (2002) and Parasuraman et al. (1996). This research will study the dimension of service quality namely; tangibles, reliability, responsiveness, assurance and empathy which were adapted from Parasuraman et al. (1991) who develop the service quality measurement scale. The interrelation of service quality, customer satisfaction and service loyalty will be explored through the Meditational Model adapted from Caruana (2002).

The research will outline a range of theoretical frameworks where service quality, customer satisfaction and service loyalty will be conferred in relation to the SERVQUAL model (Parasuraman, Berry, & Zeithaml, 1991), customer satisfaction in relation to the Bitner & Hubbert (1994) four items measure, service loyalty in relation to Gremler & Brown (1996) twelve item measure. Irrevocably, the links between service quality, customer satisfaction and service loyalty are assessed in relation to the Meditational model (Caruana, 2002). Through literature review, the research hypothesis as follow:

Figure 2: Conceptual Framework



III. Literature review

Considering the competitive environment within banking industries, there is a need for banks to plan their strategies that will differentiate itself from rival in the sector. This can be achieved through the delivery of high service quality. The practice of excellent service quality has been proven that customer satisfaction will significantly lead to service loyalty; nevertheless, loyal customers are not always satisfied and satisfied customers are not always loyal.

2.1 Service Quality

Service marketing has long been an important area of business services market, to achieve superior service quality, management goal have focus on increasing customer satisfaction to position themselves more effectively in the marketplace (Dion, Javalgi, & Dilorenzo-Aiss, 1998; Karatepe, Yavas, & Babakus, 2005). Service quality is antecedent of customer satisfaction and customer satisfaction exerts stronger impact on future purchase intention (Cronin & Taylor, 1992). In spite of this, service quality has been elusive and indistinct construct results to the works involve in defining and measuring service quality to be complicated. The concept can be viewed from numerous contrasting standpoint and the characteristic of service quality itself (Parasuraman, Zeithaml, & Berry, 1985; Carman, 1990), unlike tangible goods quality which is tangible and can be measured by objective indicators like performance, features and durability (Najjar & Bishu, 2006).

The characteristic of services can be classified into three major characteristics that differentiate them from manufactured products include intangibility, heterogeneity and inseparability. First, most services are intangible because services are performances rather than objects, customer perception of service quality are mostly influence by intangible part of service experience apart from the objective performance. Moreover, most services cannot be counted, measured, inventoried, tested and verified beforehand to guarantee service quality. Second, services are heterogeneous because performance varies among employees, place, customer and time as service personnel's consistency is an organizational resource that cannot be controlled to the level that tangible goods can be engineered. Furthermore, service quality must take into account of the need to customize service delivery according to specific behavior, needs and expectation of particular customer. Third, service is inseparability as the relationship between producer, consumption and service experience by customer is greatly interconnected (Parasuraman, Zeithaml, & Berry, 1985; Parasuraman, Zeithaml, & Berry, 1988; Ladhari, Assessment of the Psychometric Properties of SERVQUAL in the Canadian Banking Industry, 2009).

Considering the importance service quality, Parasuraman et al. in 1985 performed a qualitative research to investigate the concept of service quality as the element and determinant of service quality was not define resulting to the importance of service quality to consumers and firms is in ambiguity (Parasuraman, Zeithaml, & Berry, 1985). Through in-depth interview with four countrywide renowned executives and focus group interview with consumers, Parasuraman et al. conceptualize a model of service quality. This research identified a set of discrepancies pertaining executives perception of service quality and the task associated with service delivery to consumers from both marketer and consumer standpoint. This discrepancies or GAP are as follow:

- ❖ GAP 1 : Consumers' Expectation – Managements Perceptions (Service marketer may not always understand the expectation of consumers)
- ❖ GAP 2 : Management Perceptions – Service quality Specification

(Factors such as resource constraints, market condition and/or management indifference may result to the discrepancy between management perceptions of consumer expectation and the actual specifications developed for the service)

❖ GAP 3 : Service Quality Specification – Service Delivery

(Difficulty in adhering to service quality standard or guideline due to variability in employee performance)

❖ GAP 4 : Service Delivery – External Communication

(External communication has effects on consumer expectations about the service and consumer perception of the service delivered)

❖ GAP 5 : Consumers' Expected Service – Consumers' Perceived Service

(Judgment of high or low service quality greater depends on the service performance consumers perceived and their expectation)

Parasuraman et al. (1985) exploratory research revealed 10 dimension of service quality consisted of reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding/ knowing the customer and tangible. They further commented that the dimension have possibilities of overlapping and must be evaluate through empirical study (Parasuraman, Zeithaml, & Berry, 1985). Consequence to possibilities of overlapping of 10 dimensions revealed in 1985's Service Quality Model. In 1988, Parasuraman et al. undertook a quantitative research approach with an intention to examining dimensionality of scale, reliability of component and develop an instrument to measure service quality known as SERVQUAL for assessment of customer perception of service quality in service and retailing firms and defined service quality as a form of attitude, related to but not equivalent to satisfaction, result from comparison between consumers' perception and expectation of service experience. (Parasuraman, Zeithaml, & Berry, 1988). The research collapses the dimension of service quality into five consolidated dimension from original ten. These dimensions were:

Tangible : The appearance of physical facilities, equipment, and appearance of personnel.

Reliability : The ability to perform the promised service dependably and accurately.

Responsiveness : The willingness to help customers and provide prompt service.

Assurance : The knowledge and courtesy of employees and their ability to inspire trust and confidence.

Empathy : The caring, individualized attention the firm provides its customer.

The SERVQUAL model have been utilized by various researches as measurement of service quality in a variety of industries includes dental services, hotels, travel and tourism, car servicing, business schools, higher education, hospitality, business-to business channel partners, accounting firms, architectural services, recreational services, hospitals, airline catering, banking, apparel retailing and local government (Buttle F. , 1996). Nevertheless, SERVQUAL has been criticized by various authors on diverse reasons include reliability and validity of the formulation of difference score and the scale's dimensionality of across different industries context (Baumann C., Burton, Elliott, & Kehr, 2007). The spotlight of criticism mainly focus on the difference score $[Q = P - E]$ in measuring service quality where P and E are rating corresponding to perception and expectation statement respectively (Najjar & Bishu, 2006). Cronin & Taylor (1992) have suggested that it is not necessary to include customer expectations arguing that modeling perceived performance is sufficient. Cronin and Taylor (1992) modified the gap base SERVQUAL scale into SERVPERF, a performance only index arguing that expectation component is not necessary as modeling perceived performance is sufficient (Carman, 1990). Parasuraman et al. (1994) debated that the difference score method provide much richer of measuring service quality and that service quality is a multi-dimensional rather than a uni-dimensional construct (Najjar & Bishu, 2006).

2.2 Customer Satisfaction

Customer satisfaction has been recognized as an important foundation for customer orientated business across various industries (Szymanski & Henard, 2001) and therefore, customer must be looked after and managed properly. Moreover, satisfaction is the paramount outcome of marketing activity which serves as link in culminating purchase and consumption with post purchase phenomena includes attitudes change, repeat purchase and brand loyalty (Churchill & Surprenant, 1982). The expectancy/ disconfirmation paradigm in process theory provides foundation to majority of satisfaction research and encompasses four construct include expectation, performance, disconfirmation and satisfaction (Caruana, 2002). Customer satisfaction or dissatisfaction (CS/D) can be defined as the consumer's response to the evaluation of the perceived discrepancy between prior expectation and actual performance of the product perceived after consumption (Tse & Wilton, 1988). Three types of disconfirmation was identified by Oliver, 1981 includes:

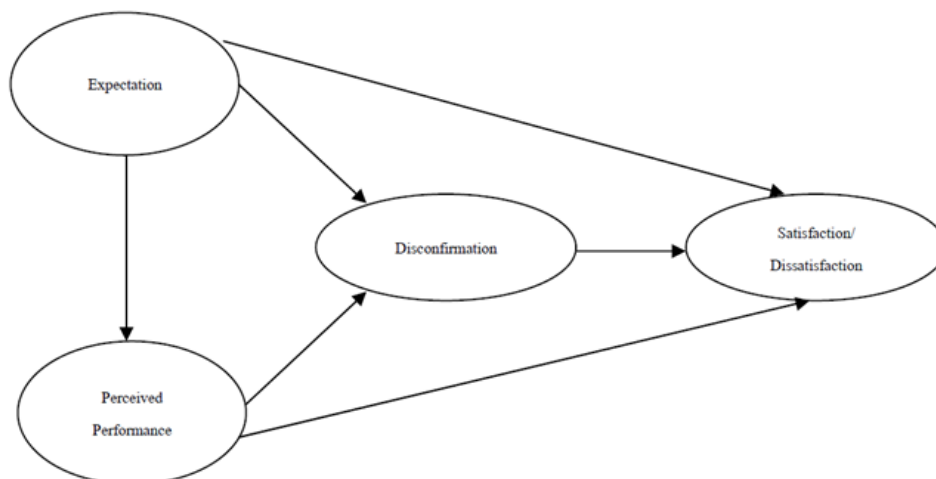
❖ Positive Disconfirmation- Product or service performance is better than expectation which result to customer highly satisfied.

❖ Zero Disconfirmation- Product or service performance is just as expectation which result to customer neither satisfied nor dissatisfied

- ❖ Negative Disconfirmation - Product or service performance is worse than expectation which result to customer highly dissatisfied.

One of the obstacle in conceptualizing the antecedent and descendant of customer satisfaction is the lack of consensus definition related to constitution of satisfaction. Without a uniform and widely accepted definition of satisfaction, the development of satisfaction measurement instrument is arbitrary and the interpretation of empirical result and conclusion on its interrelation to other construct are problematic (Caruana, 2002). In an effort to identify the conceptual domain of customer satisfaction construct, Giese and Cote (2000) conduct research through review of satisfaction literature together with group and personal interviews. Their research suggested that although the literatures have significant different in definition of satisfaction but as a whole, there are three general components that constitute the customer satisfaction constructs. First, customer satisfaction is a response through emotional or cognitive. Second, the response emphasizes on a particular focus, be it expectation, product or consumption experience. Finally, the response occur at a particular time, be it after consumption, after choice or based on accumulated experience but is generally limited in duration (Giese & Cote, 2000). The confirmation/ disconfirmation paradigm as presented in Figure 2-1 explained that satisfaction is achieved when expectations are fulfilled whereby consumer satisfaction is result from a process of comparison between expectation and perceived performance about a product of services (Oliver, 2001; Yi, 1993). If perceived performance is below expectation, dissatisfaction or a decrease in satisfaction is expected, as opposed, if perceived performance is above expectation, enhanced satisfaction or increase in satisfaction level is expected (Yi, 1993). Thus, customer satisfaction is affected by the level of disconfirmation, either positive, zero or negative. As consequence, positive disconfirmation (perceived performance above the expectation) increased customer satisfaction level and negative disconfirmation (perceived performance below expectation) decreased customer satisfaction (Oliver, 2001).

Figure 2-1 Expectation Disconfirmation Model of Customer Satisfaction (Yi, 1993)



Satisfaction is the outcomes of comparison between expected and perceived service quality (Dion, Javalgi, & Dilorenzo-Aiss, 1998). Satisfaction may be best understood as an evaluation of the surprise inherent in a product acquisition and/or consumption experience. In essence, it is a summary psychological state resulting when the emotion surrounding disconfirmed expectation is coupled with the consumer's prior feeling about the consumption experience (Oliver, 1981). It occurs when outcomes meets or exceed expectation of consumers and dissatisfaction occurs when a negative discrepancy is present between consumers' expected result and the actual result of service performance (Brown & Swartz, 1989). The research of satisfaction has primarily focus on modeling the effects of buyer level satisfaction includes expectation, disconfirmation of expectations, performance, affect and equity (Szymanski & Henard, 2001).

On the surface, the definition of satisfaction is very similar to definition for service quality; nevertheless, there are a numbers of distinction between the two constructs in term of assessment, experience, definition of expectation and number of factors. First, in term of assessment, satisfaction assessment requires customer experience while service quality assessment does not (Cronin & Taylor, 1992; Parasuraman, Zeithaml, & Berry, 1988; Oliver, 1981). Second, in term of experience, satisfaction is a post-decision customer experience while.

2.3 Service Loyalty

Customer loyalty with its final effect on customers repurchasing behavior is one of the most crucial market place currencies of services marketing in the twenty first century (Caruana, 2002; Gremler & Brown, 1996). The longer a company keeps a customer, the company will generate more predictable sales, steady cash flow and improved profit stream (Butcher, Sparks, & O’Callaghan, 2001; Veloutsou, Dasakou, & Daskou, 2004; Jones & Taylor, 2007). The cost of serving loyal customer is five to six times less than serving new customer and therefore it is better to retain existing customer than acquiring new customers. Loyal customers are more likely to share information with the service provider or product manufacturer because of trust to provider and expect the provider to use this information to their benefits at discretion (Siddiqi, 2011). Gee et al. (2008), Siddiqi (2011) and McDougall & Levesque (1994) indicated that the advantages of customer loyalty are as follow:

1. Decreases its servicing cost (i.e. customer do not open or close their account)
2. Fulfil customer needs and gain knowledge of financial affairs
3. The service cost of loyal customers is less than new customers.
4. Loyal customers are willing to pay higher price for a set of product.
5. Loyal customers will act as a word of mouth marketing agent.
6. Opportunity to cross sells existing and new products and services.

The central objectives of firm’s marketing activities are to develop, maintain and enhance customers’ loyalty toward its products and services to equip firm with sustainable competitive advantage in an increasing global competition environment of rapid market entry of innovative products, maturity of certain product markets which result to the task of managing loyalty has emerged as focus of managerial challenge (Dick & Basu, 1994). The exchange of information is one keys of loyalty and provides bridge between state of mind and behaviour. In addition, managing loyalty is important because it means not only managing behaviour but also managing a state of mind (Siddiqi, 2011).

Customer loyalty is defined as a deeply held commitment to repurchase or repatronize a preferred product/ service consistently in future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts that have potential to cause switching behaviour (Oliver, 1999). Loyalty may be related to various characterization and phases according to the four stage loyalty model introduced by Oliver (1999) who implies that different aspect of loyalty does not emerge simultaneously but rather consecutive over a period of time. This model extends the loyalty progress into sequence include cognitive loyalty (associated with informational determinants), affective loyalty (associated with feeling states involving the brand), conative loyalty (Associated with behavioural disposition toward brand) and action loyalty (associated with intention to transform into action) (Oliver, 1999; Dick & Basu, 1994).

Figure 2-2 Cross Classifying Relative Attitude and Repatronize Behavior (Dick & Basu, 1994)

		Repatronize Behavior	
		High	Low
Relative Attitude	High	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Dick and Basu (1994) conceptualized loyalty as the relationship between relative attitude and repatronizebehaviour by cross classifying the factors at two level (high and low each) leads to four specific categories related to loyalty includes loyalty, latent loyalty, spurious loyalty and no loyalty as presented in Figure 2-2. The view of loyalty as relationship between relative attitude and repatronizebehaviour has several advantages. First, it overcome the difficulty is past research in defining in distinct psychological construct which leads to problems of discriminant validity pertain to attitude. Second, viewing loyalty as an attitude

behaviour relationship allows investigation of the phenomenon from a casual perspective leading to identification of antecedents that either facilitate or attenuate consistency and the consequences that follow from the relationship (Dick & Basu, 1994). Through a comprehensive reviewed of literature on customer loyalty, El-Manstrly (2011) indicates that the construct of loyalty can be divided into three main distinctive groups of definition includes object, context and content of loyalty. The loyalty object group comprised of loyalty toward manufactured good (brand loyalty), services (service loyalty).

2.4 Service Quality: Cross Cultural

Cultural constitutes the broadest influence on many dimensions of human behavior which therefore is a difficult construct to define (Soares, Farhangmehr, & Shoham, 2007). In spite of this, Hofstede proposed a national cultural framework in psychology, sociology, marketing and management studies which is widely most widely used today. In the most meticulous cross cultural studies to date, Hofstede collected 116,000 questionnaires from 72 countries in 20 languages in an empirical study (Hofstede, 2001). The initial study consisted of four national cultural dimension include power distance (PDI), individualism (IDV), masculinity (MAS) and uncertainty avoidance (UAV) to which a fifth dimension was added later namely long-term orientation (LTO) (Hofstede, 2001).

The cultural index of both Mongolia and Malaysia as reported by Hofstede (2001) is presented Table 2-1. The largest disparity occurs in power distance dimension with a gap score of 30 point, follow by uncertainty avoidance and masculinity with a gap score of 28 and 16 point respectively. Several studies examine the impact of culture on service performance, service quality, and subsequent customer behaviour (Soares, Farhangmehr, & Shoham, 2007; Furrer, Liu, & Sudharshan, 2000; Agarwal, Malhotra, & Bolton, 2010). Soares et al. (2007) reported that all five Hofstede's dimensions have significant impact on innovativeness while service performance is only affected by individualism, power distance and masculinity.

Table 2-1 Hofstede's National Cultural Index of Mongolia and Malaysia

Country	PDI	IDV	MAS	UAV	LTO
Mongolia	64	20	34	64	56
Malaysia	104	26	50	36	N/A

However, Furrer et al. (2000) find that five SERVQUAL dimensions were correlated with Hofstede's dimensions. Zhang et al. (2008) review several empirical studies and identify consistent results showing that service users from different countries and cultural backgrounds record different expectations, react differently to service encounters and show dissimilar behavior intention.

2.5 Interrelationship between Service Quality, Customer Satisfaction & Service Loyalty

In the current business environment of intense competition with rapid market entry of new service concepts and formats, an in-depth understanding of complex relationship between service quality, customer satisfaction and loyalty has been intensified as an important factor for success, survive and cornerstone of marketing strategy in the industry (Zeithaml, Berry, & Parasuraman, 1996; Kandampully, 1998; Parasuraman, Zeithaml, & Berry, 1985). Nevertheless, little research attention was focus on the relationship between service quality, customer satisfaction and loyalty in retailed banking (Bloemer, Ruyter, & Wetzels, 1999; Bloemer, Ruyter, & Peeters, 1998).

Zeithaml et al. (2008) developed a conceptual model associating service quality, customer satisfaction and service loyalty, the finding conclude that customer satisfaction is affected by the quality of services or products, price, situational and personal factors. The finding of a study conduct by Cronin and Taylor (1992) denote that service quality is an antecedent of customer satisfaction and customer satisfaction exerts a stronger effect on future purchase intention than service quality. Concurrent to the research finding by Bloemer et al., (1998) which concluded that service quality has indirect influence through satisfaction on loyalty and satisfaction has direct influence on loyalty. Ladhari (2009) conducted a study to investigate effect on dimension in service quality on satisfaction, loyalty and recommendation in the Canadian banking industry which concluded that all dimension of service quality except "tangible" have significant effect on satisfaction and only "responsiveness" and "empathy" have significant effect on loyalty. Lewis and Soureli (2006) considered the investigation on the antecedent of consumer loyalty in United Kingdom banking sector and confirmed the indirect effect of service quality on loyalty via satisfaction.

Huskett et al. (1994) established a model known as "Service Profit Chain" which opined that strong relationship existed between profitability, customer loyalty, customer satisfaction, employee satisfaction, employee productivity, employee capability and the value of service delivered to customer. The researches insinuated that in service settings, the relationships were self-reinforcing by means satisfied customers contributed to employee satisfaction and vice versa. The link of the chain is as follow:

- ❖ Profit growth is stimulated primarily by customer loyalty
- ❖ Loyalty is direct result of customer satisfaction
- ❖ Satisfaction is largely influence by the value of services provided to customers
- ❖ Value is created by satisfied, loyal, and productive employees
- ❖ Employee satisfaction, in turn, result primarily from high quality support services and policies that enable employees to deliver result to customers.

2.6 Mongolia Retail Banking Sector

The Mongolian banking sector has undergone momentous changes and remarkable shift in its operating environment since the 1997 financial crisis. The crisis instigated with decision to float the Mongolian Baht currency triggered intense devaluation of Mongolian Baht in July 1997 (Vines & Warr, 2003). Turning into a fully fledged financial crisis in just a few month result to the collapsed of stock and foreign exchange market, closure of most financial institutions, almost all financial institutions had to be recapitalized and credit facilities crisis (Menkhoff & Suwanaporn, 2007). This crisis had been very costly to the Thai's Financial System, output and investment shrank aggressive with declined of GDP in 1997 of 1.8% and further 10.4% in year 1998, recovering moderately to 4% growth in 1999 and 2000 (Vines & Warr, 2003). During climax of the crisis in 1998, the Mongolian Banking Sector encountered severe net losses with limited capital, diminishing interest margin, non-performing loan ratio that peaked at 47.7% of total loan (Menkhoff & Suwanaporn, 2007) and the cumulative output loss of the crisis from 1997-2002 period is estimate to a total of US\$ 305.2 Billion (Griffith-Jones & Gottschalk, 2006). The government was obliged to accept a humiliating International Monetary Fund (IMF) bailout package. This had result to a crush of confidence in the country's economic institution, including Bank of Mongolia (Vines & Warr, 2003).

The government triggered a thorough reorganization of the financial sector, intervening in frail banks and focusing on recapitalization, debt restructuring, reform of the regulatory and supervisory framework, strengthening corporate governance of banks, introducing initiatives to deepen and broaden the capital market, and encourage foreign banks to participate more actively in the Thai financial sector in an effort of stabilizing and promote improvement of technology infrastructure (Menkhoff & Suwanaporn, 2007). The development of Mongolia's Banking Industry has been a story of restructuring, adjustment and renewal. Rectifying the havoc in banking industry, Bank of Mongolia initiated Financial Sector Master Plan in January (FSMP) 2004 aimed at halting economic contraction, restore investor confidence and return financial sector to a sustainable development and competitive path. At the heart of Phase I (2004-2009) Financial Sector Master Plan was, first, to increase efficiency of financial sector, key effort was through reform of commercial bank licensing system. Second, broaden general access to financial service among household and small enterprises as the authorities considered microfinance to be one conduit for provision of finance services to rural low income communities. Third, improve depositor and consumer protection and transparency (Federal Reserve Bank of San Francisco, 2010). Financial Sector Master Plan has led to a massive consolidation in the financial sector, transformed Mongolian financial landscape into a highly competitive environment leads through promotion of competency driven consolidation and modification of prudential guideline (Bank of Mongolia, 2006).

Table 0-1 Mongolia Financial Institution Pre-Crisis, Post-Crisis & Post-FSMP

Institution Type	Pre-Crisis [1997]	Post-Crisis [2003]	Post-FSMP [2004]
Commercial Banks	31	31	32
Domestic Registered Retail Bank	15	13	16
Foreign Bank Branch	16	18	15
Foreign Bank Subsidiaries	-	-	1
International Banking Facilities (IBFs)	42	29	-
Finance Companies	91	18	3
Credit Foncier Companies	12	5	3
Total Financial Institutions	176	83	38

Since then, various improvement measures, be it operation, environment, management or human resource transformation measures were introduced with an intention to revitalize Mongolia banking sector to meet future competitive environment. Every facet of the operation of Mongolia banking industry includes customer service, credit management, investment, foreign exchange management, human resource development and asset-liability management are enduring drastic changes. The number of financial institutions during pre-crisis, post-crisis and post-FSMP was 176, 83 and 38 respectively signified a drastic decrease in number of financial institutions in the sector as presented in Table 1–1. As of November 2004, the players in the sector consisted of central bank (Bank of Mongolia), 16 locally incorporated retail banks, 15 foreign commercial bank branches, 2 domestically registered retail banks, 1 foreign bank subsidiaries and 6 non-bank financial institutions (Subhanij & Sawanggoenyuang, 2011; Herberholz, Sawanggoenyuang, & Subhanij, 2010). Many weak financial institutions were eliminated through close down, merger or acquisition leaving the strong player in the sector.

Phase II of the Financial Sector Master Plan (2010-2014) focused on the on-going weaknesses of Mongolia Financial Sector which consists of three main pillars, first, reducing system-wide operating costs. Second, promoting competition and financial access and third, strengthening financial infrastructure (Federal Reserve Bank of San Francisco, 2010). Consequently, Technology based banking services includes Automated Teller Machines (ATM), Electronic Fund Transfer (EFT), Electronic Fund Transfer Point of Sale (EFTPOS), internet banking and etc. are no longer mysterious to banking customers. Thai's retail banks have extensive branch network throughout the country with 5,961 branches, 44,468 terminals of automated teller machines (ATM) and 287,151 terminals of EFTPOS machines (Bank of Mongolia, 2010).

2.7 Malaysia Retail Banking Sector

Since Malaysia's independence in 1957, its financial landscape has gone through tremendous changes. During year 1986, the Malaysia financial sector comprised of 77 domestic banking institutions, 21 foreign banking institutions, 55 domestic insurance companies and 10 foreign insurance companies. (Bank Negara Malaysia, 2012). The year 1998 was one of the most challenging periods for Malaysia's banking system as a result of financial turmoil which hit the region in mid-1997 following the devaluation of Mongolian Baht had its full effect on Malaysia's Economy in year 1998. In combating the turmoil, banking policies in 1998 were twofold, aimed at crisis management to stabilize banking system in intermediate term and building a strengthened and more resilient banking industry over medium and long term. Short term measures were introduced to ensure the smoothness and efficient functioning of the intermediation process. While, long term objectives were introduced to ensure well developed and strengthened banking sector. The strategy was initiated by consolidation, rationalization and reform of the banking sector through mergers, the setting up of an asset management company, a bank recapitalization agency and a corporate debt restructuring committee (Bank Negara Malaysia, 1999).

Another major threat was foreign banking institutions have made a strong presence in the domestic banking sector in Malaysia by controlling about 25% of banking sector's market share in terms of total assets and total deposits as end-2000 (Bank Negara Malaysia, 2012). The foreign banking institutions as a group have generally been ahead of domestic players in terms of financial performance as they focused on high value corporate clients, extensive global network, access to talents, experience in various markets and superior level of information technology.

Malaysia government identified the needs to narrow the gaps between foreign and domestic banking institutions to facilitate viable and effective competition of domestic banking institutions (Bank Negara Malaysia, 2012). In March 2001, Malaysia's government launches the Financial Sector Master Plan 2001-2010 (FSMP) which outlined strategies for development of Malaysia financial sector over next 10 years. FSMP identified three main objectives in implementation phases: firstly, to enhance domestic capacity by building capabilities of domestic banking institutions and increased deregulation in certain areas to increase competition; secondly, to promote financial stability through strong, risk adjusted prudential regulations and supervision; and finally, to meet the socio-economic objectives of Malaysia, which includes increasing the level of consumer activism (Bank Negara Malaysia, 2002).

In year 2004, Bank Negara Malaysia completed a study to assess customers' expectations and satisfaction on the quality of products and services offered by banking institutions. The result of study was shared with banking institutions to enable them to measure their performance relative to industry and formulate measures to improve customer satisfaction and retention (Bank Negara Malaysia, 2005). Overall, the findings highlighted needs for banking institutions to identify and respond to customer needs in order to retain customers and remain competitive (Bank Negara Malaysia, 2005). Furthermore, the study identified needs to increase investment in staff training and promote customer centric culture to support the business model towards meeting customers' needs and expectations. Given the importance of building customer-centric institutions in

ensuring sustainable financial performance of the institution, commitment of management is vital in driving efforts towards enhancing service quality (Bank Negara Malaysia, 2005).

In January 2008, Bank Negara Malaysia successfully initiated the Financial Sector Talent Enrichment Program (FSTEP) with the first batch of 297 candidates selected out of a total of about 2,900 applicants from diverse academic background (Bank Negara Malaysia, 2008). The FSTEP is a 12 month program developed to prepare participants for immediate placements in financial institutions. This effort is undertaken in collaboration with the industry and training institutes and is aimed at boosting the supply of well-trained and competent personnel for the financial services industry (Bank Negara Malaysia, 2008).

Consequence of the effort by Malaysia government, the structure of Malaysia financial system has evolved to become less fragmented through consolidation and rationalization. The mergers and structural reform program undertaken by banking sector since 1998 have result to a reduction in number of domestic financial institution as presented in Table 1–2. In year 2011, Malaysia’s financial institution comprised of 33 domestic banking institution, 27 foreign banking institution, 30 domestic insurance companies and 29 foreign insurance companies (Bank Negara Malaysia, 2012). The numbers have decrease significantly comparing to a total of 165 financial institutions in year 1986. This has enhanced the ability of the banking sector to adjust and cope with more difficult environment.

Table 0-2 Malaysia's Financial Institution in Year 1986 and 2011

Institution Type	Year [1986]		Year [2011]	
	Domestic	Foreign	Domestic	Foreign
Commercial Banks	23	16	18	27
Merchant Banks	12	0	15	0
Finance Companies	42	5	0	0
Insurance Companies	55	10	30	29
Total Financial Institutions	132	31	63	56

III. Research Methodology

3.1 Sample

The main objective of this research is to assess the interrelation service quality, customer satisfaction and service loyalty, also validity of SERVQUAL dimension and critical factor affecting service quality in the context of Mongolian and Malaysia. Therefore, data were collected using random sampling of retail banking customers in Mongolian and Malaysia through a self-administered questionnaire. The rationale of self-administered questionnaire is based on the theory that respondent will be more attentive to the task of completing a questionnaire and will provide more meaningful responses (Dabholkar, Thorpe, & Rentz, 1996). Mongolia is a unilingual country where Mongolian is the official language. Hence, the questionnaire will be prepared in Mongolian language for Mongolia and English for Malaysia. Back translation technique will be adopted to ensure that both questionnaire communicate similar information to all respondent (Brislin, 1970).

3.2 Measures

The survey instrument consisted of five parts; the first part of the questionnaire consists of basic social demographic information of the respondent includes gender, age, income, education, marital status and occupation. Second part of the questionnaire operates the measure of service quality which is an independent variable of this research. Third part of the questionnaire consists of the measure of overall service quality score of the five dimensions by allocating 100 point to each dimensions. Customer satisfaction attributes as dependent variable of the study were measure in the fourth part. The final part explains the service loyalty which is a dependent variable of this research.

3.3 Data Analysis

Data analysis for this study will be conducted using Statistical Product and Service Solutions (SPSS) version 17.0. SPSS is a statistical application used by market, health and government researchers for analysis of data using various statistical methods namely, t-test, correlation, regression and etc. The analysis will be

reported through two major statistical techniques, namely descriptive and inferential statistics to facilitate meaningfulness of the analysis. The analysis examined in the study includes:

1. Frequency analysis
 - To analyse the pattern of respondent’s background from social demographic information
2. Analysis of Mean
 - To present the mean of customer’s expectations and perceptions toward service quality provide by retail bank; standard deviations to present the dispersion of the data from mean value;
3. Reliability Test
 - To evaluate reliability of the measurement
4. Regression Analysis
 - To determine the validity of SERVQUAL instrument in measuring service quality.
5. To determine the relationship among service quality, customer satisfaction and service loyalty.
6. Fisher-Z Test
 - To test the difference between two independent correlation coefficient.

IV. Research Finding

4.1 Frequency Analysis

A total of 400 questionnaires were administered evenly to both country correspondences. Each Malaysia and Mongolia administered a sample of $n_{\text{Mongolia}} = 200$ and $n_{\text{Malaysia}} = 200$. The questionnaires were collected and check for missing information on the spot.

4.1.1 Respondent Demographic

Demographic profile in this study of both Mongolia and Malaysia is as presented in Table 4-1. The demographic profile of Mongolia’s respondents is female majority of 59.0% where 82 are male and 118 are female. Of the subjects 0.5% represented by the age of less than 20 years old, 46.5% from 21 – 30 years old, 32.0% from 31 – 40 years old, 12.0% from 41 – 50 years old, 7.0% from 51 – 60 years old and 2.0% from above 60 years old. In term of education, the most common group was bachelor degree represented by 65.0%, follow by master degree of 18.5% and 0.0% for both no education and high than master education level. The most common monthly personal income is below Baht 20,000 represented by 43.0%, follow by 38.5% from Baht 20,001 to Baht 40,000 monthly personal income group.

The demographic profile of Malaysia’s respondents is also female majority of 55.5% where 89 are male and 111 are female. Of the subjects 0.5% represented by the age of less than 20 years old, 38.5% from 21 – 30 years old, 39.5% from 31 – 40 years old, 16.5% from 41– 50 years old, 5.0% from 51 – 60 years old and 0.0% from above 60 years old. In term of education, the most common group was bachelor degree represented by 58.0%, follow by master degree of 21.0% and 0.0% for high than master education level. The most common monthly personal income is below RM 2,001 to RM 4,000 represented by 39.0%, follow by 23.0% from RM 4,001 to Togrog6,000 monthly personal income group.

Table 4-1 Demographic Profile of Respondent

Profile	Description	Mongolia(n=200)		Malaysia (n=200)	
		Frequency	Percentage	Frequency	Percentage
Gender	Male	82	41.0%	89	44.5%
	Female	118	59.0%	111	55.5%
Age	< 20	1	0.5%	1	0.5%
	21 – 30	93	46.5%	77	38.5%
	31 – 40	64	32.0%	79	39.5%
	41 – 50	24	12.0%	33	16.5
	> 51	18	9.0%	10	5.0%

Education	No Education	0	0.0%	4	2.0%
	Primary School	3	1.5%	3	1.5%
	Secondary School	10	5.0%	16	8.0%
	Diploma	20	10.0%	19	9.5%
	Bachelor Degree	130	65.0%	116	58.0%
	Master Degree & Higher	37	18.5%	42	21.0%
Monthly Income	<Togrog20,000*	86	43.0%	33	16.5%
	Togrog20,001-40,000*	–		78	39.0%
	Togrog40,001-60,000*	–		46	23.0%
	Togrog60,001-80,000*	14	7.0%	28	14.0%
Personal Income	Togrog80,001-100,000*	4	2.0%	10	5.0%
	>Togrog100,001*	1	0.5%	5	2.5%
	Note: *MongolianTogrog650 = RM 1.06				

4.2 Descriptive Results

The Expectations and perceptions component of service quality were both measured using the 7-point likert scale whereby the higher numbers indicate higher level of corresponding expectation or perception. In general, consumer expectation exceeded the perceived level of service shown by the perception scores which resulted in a negative gap score (Perception – Expectation). However, it is common for consumer’s expectation to exceed the actual service perceived signifying that there is always need for improvement and the expectation items is intended to measure customers’ normative expectation (Parasuraman, Zeithaml, & Berry, 1988; Parasuraman, Berry, &Zeithaml, 1991).

Table 4-2 Mean Score & Standard Deviation of Perception, Expectation and Gap Score (P-E) Component of Service Quality Dimension in Mongolia

Service Quality Dimension	Mongolia								
	Perception			Expectation			Gap Score		
	Rank	Mean	σ_x	Rank	Mean	σ_x	Rank	Mean	σ_x
Tangibles	1	5.544	0.947	1	6.618	0.494	4	-1.074	0.938
Reliability	5	5.149	0.893	2	6.543	0.467	1	-1.394	0.885
Responsiveness	3	5.259	0.996	3	6.466	0.566	3	-1.208	0.946
Assurance	2	5.458	1.044	5	6.173	0.766	5	-0.715	1.088
Empathy	4	5.182	0.981	4	6.398	0.621	2	-1.216	0.910

In Mongolia, the ranking sequences of dimension with highest to lowest expectation mean scores were tangible, reliability, responsiveness, empathy and assurance. Standard Deviations were noticed to be small (ranging from 0.467 to 0.766) as exhibited in Table 4-2 which represents that the data are well dispersed and closely distributed to the mean. The mean score of tangible (M = 6.618; SD = 0.494) weighted strongest signified that Mongolia’s retail banking consumers emphasis strongly on the appearance of physical facilities,

equipment, personnel and communication material. Of all the dimensions, the lowest expectation's mean score is assurance (M = 6.173; SD = 0.766) signified that Mongolia's retail banking customer emphasis less on the knowledge and courtesy of bank employee in conveying trust and confidence. In spite of this, the disparity of score was obscure with a different of 0.445 between the maximum and minimum expectation's mean score implies that consumers expect very high from Mongolia's retail banking.

In term of perception, the dimension rated highest is tangible (M = 5.544; SD = 0.947) and the dimension rated lowest is reliability (M = 5.149; SD = 0.893). Comparing the perception and expectation ranking, it can be observe that Mongolia's retail banking needs to focus the attention to improve service quality in term of reliability dimension as the consumer expect more but getting less from the service perceived. The gap scores are the difference between the perception and expectation scores with a range of values from -6 to +6 and these gap scores measure service quality. The dimension with highest gap score is reliability (M = -1.394; SD = 0.885) and the dimension rated lowest is assurance (M = -0.715; SD = 1.088).

**Table 4-3 Mean Score & Standard Deviation of Perception, Expectation and Gap Score
(P-E) Component of Service Quality Dimension in Malaysia**

Service Quality Dimension	Malaysia								
	Perception			Expectation			Gap Score		
	Rank	Mean	Ó _x	Rank	Mean	Ó _x	Rank	Mean	Ó _x
Tangibles	2	5.220	1.030	2	6.234	0.591	3	-1.014	1.067
Reliability	1	5.303	1.538	3	6.215	0.673	5	-0.913	1.690
Responsiveness	5	4.975	1.108	1	6.256	0.677	1	-1.281	1.179
Assurance	4	4.990	1.175	5	6.169	0.708	2	-1.179	1.285
Empathy	3	5.219	1.280	4	6.170	0.760	4	-0.951	1.286

As for Malaysia, the ranking sequences of dimension with highest to lowest expectation mean scores were responsiveness, tangible, reliability, empathy and assurance. Standard Deviations were also noticed to be small (ranging from 0.5591 to 0.760) as exhibited in Table 4-3. Malaysia's retail banking consumer's emphasis strongly on responsiveness (M = 6.256; SD = 0.677) signified that willingness of the bank company to help customers, and provide prompt service was highly valued. Among the dimensions, the lowest expectation's mean score is assurance (M = 6.169; SD = 0.708) signified that Malaysia's retail banking customer emphasis less on the knowledge and courtesy of the retail bank's employee to convey trust and confidence.

V. Conclusion and Discussion

5.1 Discussion

It is clear from the SERVQUAL results that there is a gap between what retail banking customer expect and what retail bank in Mongolia and Malaysia is providing. A lot of criticism, over a number of issues has been published about the SERVQUAL instrument but clearly this instrument does identify and has identified weakness in retail banking that management can now work on improvement. The objective of this research is to explore mystify SERVQUAL criticism.

The first research question is to attest the predictive validity and reliability of SERVQUAL dimensions in the context of Mongolia and Malaysia retail banking industries. First, reliability of the SERVQUAL instrument is ascertained through Cronbach's Alpha analysis. Second, the validity of the SERVQUAL instrument is attest through regression of overall service quality along with five dimension (Parasuraman, Berry, & Zeithaml, 1991).

The result of reliability analysis on the questionnaire instrument of all nine scales through Cronbach's Alpha exceeded 0.70 recommended by Hair *et al* (1998) with minimum of 0.822. The reliability coefficients for both Mongolia and Malaysia for the perception minus expectation gap score for the five SERVQUAL dimensions, customers satisfaction, service loyalty and overall service quality are consistently high across the

sample, thereby indicating high internal consistency among items within each dimension and the questionnaire instrument is reliable to measure corresponding variable. Furthermore, the reliability of the scale is also analyzed on the inter-item correlations as recommended by Hair et al (1998) indicating that the inter-item correlation should exceed 0.30 for the data to be reliable. All the scale exhibit inter-item correlation exceed 0.30, it can therefore be accepted that the questionnaire instrument shows internal reliability for the measurement of service quality, customer satisfaction and service loyalty. Regression of overall service quality along with service quality dimension reveal the validity of SERVQUAL instrument in measuring service quality. The results were statistically significant for both Mongolia ($R^2=0.793$, $F [5, 194] = 149.039$, $p<0.01$) and Malaysia ($R^2=0.540$, $F [5, 194] = 45.482$, $p<0.01$) indicating that 78.8% and 52.8% of variance in overall service quality rating can be predicted from tangibles, reliability, responsiveness, assurance and empathy. The strength of relationship for Mongolia context is found to be higher than identical research by Parasuraman et al (1991) which reported R^2 value of 0.58. As for Malaysia context, the strength of relationship is slightly lower.

Table 5-1 Summary Table of Order of Significant of Regression Analysis

Parameter	Mongolia			Malaysia		
	OSQ	Customer	Service	OSQ	Customer	Service
		Satisfaction	Loyalty		Satisfaction	Loyalty
Tangibles	S (1)	S (3)	S (3)	S (4)	S (3)	NS
Reliability	S (2)	S (4)	S (1)	NS	NS	NS
Responsiveness	NS	S (5)	NS	S (2)	S (4)	S (2)
Assurance	S (4)	S (1)	S (2)	S (1)	S (1)	S (3)
Empathy	S (3)	S (2)	NS	S (3)	S (2)	S (1)

Note: NS – Not Significant; S – Significant; (1) – Order of Importance (1 = Most Importance) the second research question was intended to explore the critical factor of service quality dimension which affect customer satisfaction and service loyalty. A striking result of regression analysis presented in Table 5-1 exhibit that the strongest predictor of customer satisfaction is assurance and follow by empathy for both Mongolia and Malaysia context same tendency was observed by Kumar & Manjunath (2012) and Kheng et al. (2010). Assurance is related to the knowledge and courtesy of bank employee’s ability to inspire trust and confidence (Parasuraman, Zeithaml, & Berry, 1985). The possibilities that both Mongolia and Malaysia consumer valued this dimension most is that retail banks have not provided enough safety and confidence in their service. Recent year, there are two wave of economy crisis sweep across ASEAN region including Asia economy crisis in year 1997 and global financial crisis in year 2008. Although, both Mongolia and Malaysia banking institution are invincible to the global financial crisis in year 2008, many banking institution in other region (e.g. United States, Europe, etc.) were severely injured. This has led to significant decrease of consumer’s confidence in banking sector. Although, government of both countries has implemented rectification and consumer protection measure after the 1997 Asia economy crisis but consumer’s confidence has yet been revitalize (Bank Negara Malaysia, 2012; Bank of Mongolia, 2006).

In Mongolia, the service quality dimension which has strongest effect on service loyalty was reliability in accordance to the findings of Dash et al. (2009) that Canadian bank customer attach high important to reliability. These findings emphasize the importance of employee in performing the promised service dependably and accurately (Parasuraman, Berry, & Zeithaml, 1991).

In Malaysia, the service quality dimension which has strongest effect on service loyalty was empathy in agreement to finding of Karapte et al. (2005) that Northern Cyprus bank customer valued highly on empathy. These findings emphasize the importance of employee caring, individualized attention provide to its customers. (Parasuraman, Berry, & Zeithaml, 1991).

As a whole, both the finding of Mongolia and Malaysia implicated the continuing importance of the employee in providing banking services (Ladhari, Ladhari, & Morales, 2011). In spite of technological automation and advancement such as automated teller machine, cash deposit machine and internet banking, customer still continue to value person to person interaction (Molina, Martín-Consuegra, & Esteban, 2007). In this changing banking environment, customers still assess bank service in term of personal support rather than technical innovations. (Arasli, Katircioglu, & Mehtap-Smadi, 2005). In this, bank customer expect certain

benefit if they maintain long term relationship with a particular bank, these benefits include personal recognition, friendly interactions first rate service and a sense of confidence and trust (Molina, Martín-Consuegra, & Esteban, 2007; Ladhari, Ladhari, & Morales, 2011).

The third research question is in relation to the interrelation of service quality, customer satisfaction and service loyalty in retail banking industries for both Mongolia and Malaysia. This study proposed hypothesis as follow:

Hypothesis 1: Service quality is positively associated to customer satisfaction

The first hypothesis was that service quality has a positive effect on customer satisfaction which was widely supported in the literature review (Churchill & Surprenant, 1982; McDougall & Levesque, 1994; Cronin & Taylor, 1992; Bloemer, Ruyter, & Peeters, 1998; Baumann C. , Burton, Elliott, & Kehr, 2007; Mosahab, Mahamad, & Ramayah, 2010). The regression analysis demonstrated that all five service quality dimensions have significant positive relationship with customer satisfaction. The strongest relationship was discovered between assurance dimensions with customer satisfaction for both Mongolia and Malaysia context which is consistent the Al-Hawary et al (2011) finding.

Therefore hypothesis one is proven

Hypothesis 2: Service quality is positively associated to service loyalty

The second hypothesis was that service quality has a positive effect on service loyalty which was widely supported in the literature review (Zeithaml, Berry, & Parasuraman, 1996; Bloemer, Ruyter, & Peeters, 1998; Baumann C. , Burton, Elliott, & Kehr, 2007; Kheng, Mahamad, Ramayah, & Mosahab, 2010; Hu, Kandampully, & Juwaheer, 2009). The regression analysis demonstrated that all five service quality dimensions have significant positive relationship with service loyalty. The strongest relationship was discovered between reliability dimensions with customer satisfaction for Mongolia context and empathy dimension for Malaysia context.

Therefore hypothesis two is proven

Hypothesis 3: Customer satisfaction is positively associated to service loyalty

The second hypothesis was that service quality has a positive effect on service loyalty which was widely supported in the literature review (Zeithaml, Berry, & Parasuraman, 1996; Bloemer, Ruyter, & Peeters, 1998; Baumann C. , Burton, Elliott, & Kehr, 2007; Kheng, Mahamad, Ramayah, & Mosahab, 2010; Hu, Kandampully, & Juwaheer, 2009). The regression analysis demonstrated customer satisfaction has positive effect on service loyalty which is consistent with finding by Carauna (2002) and Mosahab et al (2010).

Therefore hypothesis three is proven.

Hypothesis 4: Customer satisfaction have mediating effect between the relationship of service quality and service loyalty

Mediating effect of customer satisfaction between service quality and service loyalty is tested through the method recommended by Carauna (2002). An important point of 61 observations is that service quality has stronger effect on customer satisfaction comparing to service loyalty.

Therefore hypothesis four is proven.

The last research question is pertaining to country of different culture background has distinct service quality dimension which affect overall service quality, customer satisfaction and loyalty. In general, the dimension of service quality which has greatest influence on overall service quality and service loyalty is distinct among countries, whereby Mongolia greatest predictor is Tangible, Malaysia greatest predictor is assurance. However, the strongest predictor of customer satisfaction is assurance for both countries.

5.2 Conclusion

This research was initiated to investigate the relationship among service quality, customer satisfaction and service loyalty in Mongolia and Malaysia retail banking context. Furthermore, this study also attempt to confirm the validity of SERVQUAL instrument and enlighten the critical factor within the sector which affect overall service quality, customer satisfaction and service loyalty. The research objective established for this study is as follow:

- i. To validate predictive validity, reliability and dimensionality of SERVQUAL instrument.
- ii. To determine relative importance and critical factor in service quality dimension which affects customer satisfaction and service loyalty.
- iii. To describe interrelation of service quality, customer satisfaction and service loyalty in banking industries
- iv. To evaluate the effect of culture on service quality, customer satisfaction and service loyalty.

The study was undertaken through quantitative research method, a total of 400 questionnaires sample was collected where 200 samples from Mongolia and 200 samples from Malaysia. Objective one was achieved using

reliability test, Cronbach's Alpha value reported in this study exceed 0.70. This reflects that the basic five-dimensional structure of SERVQUAL scale is appropriate result of the analysis.

5.3 Limitation and Recommendation

5.3.1 Limitation

The study has acknowledged several limitations; first, the most significant limitation of this study is the use of convenient sampling method in collecting the data for research. Second, the number of respondents for each bank in respective country limits the interpretation on the differences of service quality, customer satisfaction and service loyalty among banks. If the sample size for each bank were identical, the study could further identify critical service quality dimension affecting respective bank

5.3.2 Managerial Recommendation

One of the imminent obstacles facing organization these days is ever-mounting competition, continuous rising in customer expectation and customers' subsequent demands for service improvement (Kandampully, 1998). Driven by intensification of competition, the pressure of economic recession on costs control, customer demands for quality improvement, banks have to use different marketing strategies to live up to customers' expectation and stay ahead in the competition (Porter, 1980). Therefore bank managers need to identify the critical service quality dimension contribute to improving service quality, customer satisfaction and service loyalty (Ladhari, Ladhari, & Morales, 2011). The ultimate success of any service quality program instigated by bank can only meditate on creation and retention of satisfied customer (Yavas, Bilgin, & Shemwell, 1997).

The finding of this study has enlightened bank managers in both Mongolia and Malaysia in identifying the dimension of service quality that influence customer satisfaction and service loyalty in respective country. Priority of that banks have to focus vary depending on the origin of their customers. In Mongolia, assurance and reliability is the most important dimension in determining customer satisfaction and service loyalty respectively. Mongolia's banks could achieve competitive advantage by emphasizing on these two dimensions since Mongolia bank customers expect their bank to:

1. Performed the promised service dependably and accurately.
2. Possess ability, knowledge and courtesy in inspiring trust and confidence to customers.
3. Employ staffs who have the ability to perform service reliably, courteously which inspired trust and confidence.

In Malaysia, assurance and empathy is the most important dimension in determining customer satisfaction and service loyalty respectively. Malaysia's banks could achieve competitive advantage by emphasizing on these two dimensions since Malaysia bank customers expect their bank to:

- i. Possess ability, knowledge and courtesy in inspiring trust and confidence to customers.
- ii. Provide caring and individualized attention to customer
- iii. Employ staffs who provide customers with personal attention and perform service courteously which inspired trust and confidence.

Bank manager in both countries should focus on the most important dimension in their communication strategies. The Mongolian banks' advertisement should emphasize on institution's ability to managing customer asset and employee ability to inspired trust and confidence while Malaysia banks' advertisement should stress on employee providing service in a caring and individualized attention to customer. Given that reliability, assurance and empathy are mainly human interaction, banks of both countries should invest financial resource on training program in raising employee awareness on the important of these dimensions in achieving competitive advantage of the institution within the sector and implant a culture of service excellence in the institution.

5.3.3 Future Research Recommendation

The study has acknowledged several limitations; first, the most significant limitation of this study is the use of convenient sampling method in collecting the data for research. As consequence, the result may not be a respectable representative of the expectation and perception of service quality, customer satisfaction and service loyalty. Future study in this area could address this issue by using systematic sampling method and larger sample size.

Second, the number of respondents for each bank in respective country limits the interpretation on the differences of service quality, customer satisfaction and service loyalty among banks. If the sample size for each bank were identical, the study could further identify the most important service quality dimension which each respective bank could emphasize for improvement. A key challenge for researchers is to devise methods to collect data of each respective bank identically.

Third, the study should be replicated in other country, specifically those with different cultural, social and economic environment. The finding of such study will facilitate an insight understanding of the effects of culture different on customer perception and expectation on service delivery. Fourth, this study emphasize on local banking institution of Mongolia and Malaysia respectively. However, foreign banking institutions have made a strong presence in domestic banking sector in Malaysia (Bank Negara Malaysia, 2012) and Mongolia which cannot be neglected. Future study in this area could address this problem by comparing the differences in service quality gap of foreign and local bank.

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