

# Service Quality Impact on Customer Satisfaction: In the Study of Mongolian Banking Sector

Damjin Chimed-Ochir<sup>1</sup> Tsetsegmaa Khaidav<sup>2</sup>

<sup>1</sup>Department of International Business Management, <sup>2</sup>Master of Business Administration

<sup>1,2</sup>Da-Yeh University, Changhua, Taiwan

## ABSTRACT

This research contributes to the literature by considering a model for examining the quality of services in the banking industry. The results showing support for the hypothesis suggest that the five SERVQUAL factors can be used to test the banking services based on the whole system. Previous studies have established that satisfying customers is not enough to maintain them, as even satisfied customers in many industries can suffer high defects.

Mongolian Banks operate in 95% of the financial industry and 13 (Khaan, Golomt, Khas, TDB, State, Ub City, Capital, Capitron, Chinggis Khan, etc.) commercial banks offer financial services to 2 million customers. Financial sectors fully privatized and more competitive which means customers use the services of different banks at the same time. In this way, the Mongolia context offers a good opportunity for investigating the issue of banking quality. Many customers find it difficult to understand the complex nature of financial products and therefore tend to focus on brand names that are typically focused on quality services.

**KEYWORDS:** Banking sector, Mongolia Commercial Bank, Service quality, Customer Satisfaction

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## I. INTRODUCTION

The bank industry requires customers to alive remain and increase. Bank services have undergone worldwide changes due to economic deregulation, government policies, globalization, information and communication technology. One essential outcome of such changes has been the intensification of competition in the economic services sector.

Financial institutions offered an increasingly diverse array of financial services in order to remain competitive. (Hinson, et al., 2006). The essential to success here is to remain competitive and constantly improve the quality of services in order to better meet the needs of customers, and the key to delivering superior services is to understand clearly and respond appropriately to the expectations of customers because customers compare perceptions with expectations when assessing the quality of the service offerings of a company. The banking sector provides deposit facilities with both short-term and long-term capital. Banks provide depositors with liquidity on request through the current account and extend credit and liquidity through lines of credit to lenders (Kashyap, et al., 1999).

Marketing theory has identified key factors affecting customer satisfaction, especially in the service sector, but few studies considered the Mongolia context. This increases the question as to what key factors affect customer

satisfaction with services in the banking industry in Mongolia in the SERVQUAL model.

## II. LITERATURE REVIEW

In today's competitive banking environment, Samli and Frohlich (1992) demonstrated that delivering quality services to customers is a must for success and survival. Soukalas and Mastrojanni (2010) analyzed quality retail banking services determinants to create a value scale and used BSQ in banks to better understand the industry's performance determinants. They used a two-stage literature review process and retail banking empirical analysis and analyzed data through factor analysis, a reliability test, and regression analysis to influence the composition and evaluate its reliability and value.

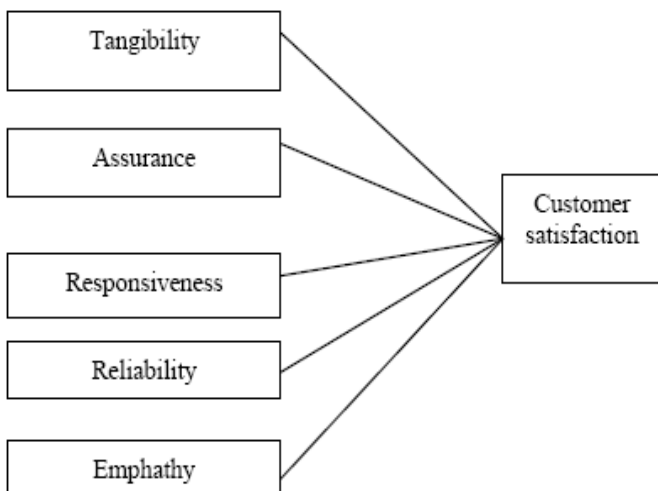
They demonstrated the determinants of quality retail banking services, including insurance / empathy, efficiency, reliability and trust, reflecting a combination of B SQ and SERVQUAL and scales. Therefore, the delivery of high-quality services increases customer retention rates, helps attract new customers through word-of-mouth interaction, increases productivity, increases market share, decreases staff turnover and operating costs, and enhances employee morale, financial performance, and profitability. (Hinson, et al., 2006). They focused primarily on bank and customer

factors and close relationships based on the quality of service of customer satisfying banks.

The quality of banking services was examined to compare the perception of customers of the quality of banking services in Tunisia and Canada. For this study, they developed a service quality satisfaction and customer loyalty scale for this and collected data from two convenience samples of bank customers (n1 = n2 = 250 in Canada and 222 in Tunisia) through a questionnaire. They used to service quality by using the SERVQUAL scale factors (tangibility, reliability, responsiveness, assurance, and empathy) and examined data through a confirmatory linear regression analysis, an ANOVA, and factor analysis. They found that the quality of service for Canadians was higher than for Tunisians. Empathy and reliability were the most important factors for Canadians that reduced the relative importance of customer satisfaction and loyalty, while reliability and responsiveness were for Tunisians.

Lymperopoulos and Chaniotakis (2006) checked the role of service quality in selecting banks for deposit services to provide a deeper understanding of the buying behaviors of customers in the bank selection process and offer some useful insights to bank managers in developing high-quality customer relationships. They reviewed the bank selection criteria literature, field studies, identifying factors influencing customer selection, and developing management-related impacts, and conducted a survey of 1,092 bank customers in Athens. Factors were identified as the core selection criteria for a consumer banking choice. They also found the quality of banking services to be the most important factor regarded by customers who assess their mortgage provider and try to establish long-term relationships. Product attributes, access, and communication were three other factors.

Mongolian banks have strengthened and improved the quality of their services in order to compete more efficiently and thus promote their foundation and sustainable development in order to meet these needs, which are urgently needed in the context of global integration and the world. Further, individual banks may require specific studies to consider the cross-transparency of their service quality, which can define their most effective marketing strategies. Based on the discussion above, Figure 1 proposes the research framework for this study.



“Fig.1,” Research framework

**Research hypothesis:**

- H1 : Tangibility has a significant effect on customer satisfaction.
- H2 : Assurance has a significant effect on customer satisfaction.
- H3 : Responsiveness has a significant effect on customer satisfaction.
- H4 : Reliability has a significant effect on customer satisfaction.
- H5 : Empathy has a significant effect on customer satisfaction.

**III. METHODOLOGY**

The SERVQUAL model was used to process a questionnaire. The questionnaire was 27 includes 5 factors. A previous study, MacCallum, Widaman, Zhang, and Hong (1999) summarized views of earlier studies on minimum sample size requirements by referring to Gorsuch (1983), which suggested that a sample should be at least five times as many variables as possible. The questionnaire had a total of 27 items in the present study, thus determining the minimum sample size.

**IV. RESULT**

As shown in Table 1, a total of 249 customers were considered. Among these, 154 (61.8%) were female and 95(38.2%) male.

	Frequency	Percent	Valid Percent
Female	154	61.8	61.8
Male	95	38.2	38.2
Total	249	100.0	100.0

Table1. Respondent profile

**V. Reliability analysis**

The principal component method was used to evaluate exploratory factors analysis. Three main factors with 22 items were included in the system. The SERVQUAL model was factorially analyzed and items of 22 questions. According to the results, Cronbach's value was .953.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.953	.954	22

Table2. Reliability analysis

**VI. Factor analysis**

As a result, the Kaiser-Meyer-Olkin value was 0.0921, and Bartlett's test of sphericity was significant at the .000 level.(Table 3).

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.921
Bartlett's Test of Sphericity	Approx. Chi-Square	1383.514
	df	36
	Sig.	.000

Table3. Factor analysis

The factor analysis calculated five factors accounting for 70.126% of the total variance. SERVQUAL model factors Were included as “responsiveness” (17.732), “empathy” (15.25), “reliability” (14.74), "assurance" (12.76), and “tangibility” (9.709).

Factor analysis Component				
Responsiveness	Empathy	Reliability	Assurance	Tangibility
Rel1			.757	
Rel2			.541	
Rel3			.615	
Rel4	.545		.562	
Rel5				
Tan1				.804
Tan2			.608	
Tan3				.590
Tan4				.525
RS1	.790			
RS2	.721			
RS3	.692			
RS4	.573			
AS1			.642	
AS2			.646	
AS3				
AS4			.667	
Em1		.596		
Em2		.692		
Em3		.641		
Em4		.737		
Em5		.777		

**VII. Factor analysis of customer satisfaction**

As a result, the Kaiser-Meyer-Olkin value was .0754, and Bartlett’s test of sphericity was significant at the .000 level.(Table 4). The customer satisfaction calculated accounting for 85.40% of the total variance.

**Table.4 Factor analysis of customer satisfaction**

KMO and Bartlett's Test	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.754
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.

Customer satisfaction	
	Component 1
Customer Q1	.332
Customer Q2	.379
CustomeQr3	.370

**VIII. Conclusion**

This study is to describe the relationships between the five factors in the SERVQUAL model and customer satisfaction. From the according to results of these analyses, all five factors were positively related to customer satisfaction. Therefore, reliability had only partial support, indicating a need to improve reliability for service quality wishing to be more competitive in the marketing. In the previous analysis the results suggest that women customers in the banking sector require higher levels of service than their male counterparts. Mongolia commercial banks have expanded banking services with many advantages. The banking sector

should increase the professional level of staff members providing services directly to customers to decrease the distance between banks and customers. Therefore, staff members should clearly understand and master their services as well as their utility to ensure an adequate level of advisory capacity and customer accommodation. This research is causality in time series cannot be inferred. Future research will find a longitudinal model in this regard to explore the relationship between cause and effect and to assess changes in variables over time.

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