Service Quality, Customer Satisfaction and Service Loyalty in Retail Banking Sector in Thailand & Malaysia: An Exploratory Research on Validity and Critical Factor

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ABSTRACT

The objective of this research was to fill the gap in service quality concept and offer a more holistic view, by measuring, assessing and exploring the relationship of service quality on customer satisfaction and service loyalty in the context of Thailand and Malaysia retail banking industry. The purpose of this research is fourfold, first, to validate the reliability and validity of SERVQUAL model. Second, is to identify the critical dimension of service quality in relation to service loyalty and customer satisfaction. Third, is to identify the interrelation between these factors within the context of the sector. Lastly, is to verify that country of different culture has distinct service quality dimension which affect customer satisfaction and service loyalty.

This research undertook quantitative approach to achieve the research objective in investigating relationship between service quality's dimension, customer satisfaction and service loyalty. The study collected a total number of 400 samples equally divided into Thailand and Malaysia context. The result of the study was reported through descriptive statistic and inferential statistic to facilitate meaningful investigation.

The finding exhibited that the strongest service quality's dimension in predicting customer satisfaction is assurance for both Thailand (β =0.273) and Malaysia (β=0.276) retail banking. In the context of service loyalty, the strongest predictor for both countries is different which reliability (β =0.238) is strongest predictor for Thailand and empathy (β =0.420) is strongest predictor of Malaysia. Furthermore, results also indicate that customer satisfaction is a mediator between the relationship between service quality and service loyalty.

Keyword: Service Quality; SERVQUAL; Customer Satisfaction; Service Loyalty; Retail Bank; Thailand; Malaysia

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Chuen Seong OOI

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CHAPTER 1: INTRODUCTION

1.1 RATIONALE OF THE RESEARCH

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. It is extensively recognized that there are fundamentally three distinct competitive strategies that applied to both specific and universal markets include integrated cost leadership, focus and differentiation strategy (Porter, 1980). Banks have to focus on these three strategies to provide unique or standard products with differentiated features that customer value, producing products with lowest possible cost structure to improve profit margin and offering products which fulfill specific needs of distinct customer group to dominate the market segments (Howcroft, 1991) and gain market leadership. The focus has been spotlighted on high quality banking service and technological innovated products at low cost to differentiate institutions from rival competitor (Bedi, 2010).

Banking institutions have to move from short-term transaction-oriented goal to long-term relationship-oriented goal (Kotler, 1992). Short-term transaction-oriented goal is achievable through cost reduction but if pursue in long term, the approach will result to declining business transaction (Howcroft, 1991). Price is influential only when the competing products are perceived to be identical. Institution successfulness in reducing vulnerability to price competition is to processed differentiation through both products and service quality (Howcroft, 1991). A long-term relationship-oriented goal is achievable through relationship building (Ndubisi, 2006). Marketing research has shown that increased rates of customer retention can reduce costs which increase institution profit margin. As consequence, institutions successfulness is highly depends on the quality of relationship with customers which relates to customer satisfaction and loyalty (Ndubisi, 2006; Kheng, Mahamad, Ramayah, & Mosahab, 2010; Jones & Taylor, 2007; Caruana,

2002). The distinction of services marketing and products marketing is the level of interaction between service provider and the service customers. Real marketing takes place in this confluent where many relationship are both created and destroyed. Consequently, businesses are trying to offer high service quality in order to generate customer satisfaction leading to repurchase intention and building long term customer loyalty (Siddiqui & Tripathi, 2010).

The principle of "quality of Service" as competitive advantage in gaining market leadership has therefore been well accepted by both academic research and leading service organizations (Zeithaml, Berry, & Parasuraman, 1996; Kandampully, 1998; Parasuraman, Zeithaml, & Berry, 1985). Research has repeatedly shown that effective measurement, management and improvement of service quality will enable banking institution to achieve differential advantage over their competitor (Lewis & Soureli, 2006). Thus, service quality has developed into an essential prerequisite in satisfying and retaining customers in the banking industry. The interrelationship between service quality, customer satisfaction and customer loyalty is essential to provide innovative idea for service improvement in an effort to gain competitive advantage in the retail banking sector (Siddiqi, 2011; Kheng, Mahamad, Ramayah, & Mosahab, 2010; Caruana, 2002; Parasuraman, Zeithaml, & Berry, 1985; Parasuraman, Zeithaml, & Berry, 1988). Banks have to continuously enrich service quality, as excellent service today is no assurance of applicability in future. Therefore, bank managers have constantly in search for strategic advantage to differentiate their institution from rival institution within the competitive industry (Lee, 2011; Ndubisi, 2006).

The levels of service quality, customer satisfaction and service loyalty have become a critical factor for survival to the banking sector and others service industries as it's involves frequent interaction with customers. Consequently, the banking sector has invested significant investment in an effort to improve service quality. In unison to attention by industries, over the past 20 year academics arena has divert enormous attention dedicating to the management of service quality (Ladhari, Assessment of the Psychometric Properties of SERVQUAL in the Canadian Banking Industry, 2009; Chen, 2009). Research has shown that superior service quality leads to enhanced customer satisfaction, improved customer retention, positive words of mouth advertising, reductions in customer complaint and enhanced image of the financial institution (Chen, 2009; Karatepe, Yavas, & Babakus, 2005; Buttle F. , 1996). In

addition, superior service quality significantly improves financial performance in terms of interest margins, return on assets, profit per employee and capital adequacy (Ladhari, Assessment of the Psychometric Properties of SERVQUAL in the Canadian Banking Industry, 2009; Finn & Lamb, 1991; Duncan & Elliott, 2002; Yavas, Bilgin, & Shemwell, 1997; Zeithaml, Berry, & Parasuraman, 1988). Therefore, delivering quality service to customers is essential survival and success method in today's competitive banking industry (Kheng, Mahamad, Ramayah, & Mosahab, 2010; Bedi, 2010; Cronin & Taylor, 1992).

In spite of the importance of service quality as principal competitive weapon in the industries, the assessment of service quality is elusive, abstract and therefore difficult constructs to define and conceptualize (Cronin & Taylor, 1992) for managers and researchers, to a large extent results from three unique characteristic of service namely, intangibility, heterogeneity and inseparability (Zeithaml, Berry, & Parasuraman, 1988). The relationship between customer satisfaction and service quality is a complicated issue characterized by mystification about the distinction and casual relationship between the two constructs. Service quality researches in the past have identified the distinction between the measures of the variables whereby customer satisfaction is a transaction specific assessment while service quality is a global assessment (Parasuraman, Zeithaml, & Berry, 1994).

The relationship between satisfaction and loyalty is not well specified and the idea that these variables move concurrently is simply imprecise (Oliver, 1999). Although, high service quality results to customer satisfaction which may likely be a loyal customer who give repeated business to bank, greater willingness to recommend to others, reduction in complaints and increase customer retention rates (Zeithaml, Berry, & Parasuraman, 1996; Bedi, 2010; Aldlaigan & Buttle, 2005). Recent evidence illustrated significant percentage of consumers may switch their business to another service provider even though they are fully satisfied (Buttle, Ahmad, & Aldlaigan, 2002). Increase competition in the banking sector result to lower switching costs as banks made it easier for customers to shift their accounts to other competitors in the market (Ahmad & Buttle, 2002). An essential managerial obligation at this moment is to identify the possible alternative or approached in improving customer retention rates.

1.2   THAILAND RETAIL BANKING SECTOR

The Thailand 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 Thai Baht currency triggered intense devaluation of Thai Baht in July 1997 (Vines & Warr, 2003). Turning into a fully fledge 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 Thai 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 Thailand (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 Thailand's Banking Industry has been a story of restructuring, adjustment and renewal. Rectifying the havoc in banking industry, Bank of Thailand 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 Thailand Financial landscape into a highly competitive environment leads through promotion of competency driven consolidation and modification of prudential guideline (Bank of Thailand, 2006).

Table 0-1 Thailand's 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 introduce with an intention to revitalize Thailand banking sector to meet future competitive environment. Every facet of the operation of Thailand banking industry include customer service, credit management, investment, foreign exchange management, human resource development and asset-liability management are enduring drastic changes. The number of financial institution during pre-crisis, post-crisis and post-FSMP was 176, 83 and 38 respectively signified a drastic decrease in number of financial institution in the sector as presented in Table 1–1. As of November 2004, the player in the sector consisted of central bank (Bank of Thailand), 16 locally incorporated retail banks, 15 foreign

commercial bank branches, 2 domestically registered retails bank, 1 foreign bank subsidiaries and 6 non-bank financial institution (Subhanij & Sawangngoenyuang, 2011; Herberholz, Sawangngoenyuang, & 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 Thailand 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 Thailand, 2010).

1.3   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 result of financial turmoil which hit the region in mid-1997 following the devaluation of Thai Baht had its full effect on Malaysia's Economy in year 1998. In combating the turmoil, banking policies in 1998 was 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 objective 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 has 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 objective 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 institution 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**

Driven by increased competition, recessionary pressures to control costs and customer demands for improved quality, financial institutions have now adopted one or more quality initiatives. At this moment, Malaysian banks face the challenges of greater market satisfaction in order to cultivate customer loyalty (Kheng, Mahamad, Ramayah, & Mosahab, 2010).

1.4   PROBLEM STATEMENT

Observing the changes in Thailand's and Malaysia's financial sector, it can be proven that the market is 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 cause 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 Thailand. By using these existing models in the context of Thailand 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 Thailand and Malaysia consumer market. The result of this research will be able to generalize to other service sector in both Thailand and Malaysia which will help expend the knowledge about consumer behavior to both researchers and businesses.

1.5   RESEARCH QUESTION

The present paper tries to offer a more holistic view and endeavor to fill the gap in service quality concept, by measuring, assessing and exploring relationship of service quality on customer satisfaction and service loyalty in the context of Thailand and Malaysia retail banking industry. The purpose of this research is fourfold, first, to validate the reliability, and validity of SERVQUAL model in retail banking sector of Thailand and Malaysia. Second, is to identify the critical dimension of service quality in relation to customer loyalty and customer satisfaction in the Thailand and Malaysia retail banking sector. Third, is to identify the interrelation between these factors within the context of the sector. Lastly, is to verify that country of different culture has distinct service quality dimension which affect customer satisfaction and service loyalty. In this, the research is attempted to provide an answer to research question as follow:

1. Do the five dimensions of the SERVQUAL scale exhibit predictive validity and reliability?

2. What is the relative importance and critical factor in service quality dimension which affects customer satisfaction and service loyalty?

3. What is the interrelation of service quality, customer satisfaction and service loyalty in banking industries?

4. Is it true that the dimensions' service quality which has significant effect on overall service quality, customer satisfaction and service loyalty is different among Thailand and Malaysia as consequence of cultural different?

1.6   RESEARCH OBJECTIVES

The present paper tries to offer a more holistic view and endeavor to fill the gap in service quality concept, by measuring, assessing and exploring the relationship of service quality on customer satisfaction and service loyalty in the context of Thailand and Malaysia retail banking industry. The objective of this research is fourfold as follow:

1. To validate the reliability and validity of SERVQUAL model.

2. To identify the critical dimension of service quality in relation to customer loyalty and customer satisfaction.

3. To identify the interrelation between these factors within the context of the sector.

4. To verify that country of different culture has distinct service quality dimension which affect customer satisfaction and service loyalty.

1.7   SIGNIFICANT 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 Thailand 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).

1.8   RESEARCH STRUCTURE

The paper is presented in five individual sections which the first section provides a brief introduction and focus of the research concept including background of Thailand's and Malaysia's retail banking sector, research objective, problem statement, significant of the study and research framework. The second section investigates theoretical concept of the research

variables namely, service quality, customer satisfaction, service loyalty and relation among these variable through a comprehensive review of available literature leading to the formation of hypothesis for this research. The third section exhibit the research methodology includes research approach, research strategy, data collection and data analysis techniques. The fourth section will then reveal the findings and result of data analysis through descriptive and influential statistic. The closing section concludes the research findings on the criticality of service quality factors in Thailand's and Malaysia's retail banking sector, validity and reliability of SERVQUAL model in Thailand and Malaysia context, the interrelation of service quality, customer satisfaction and service loyalty and offers recommendation and direction for future research and business.

CHAPTER 2: 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 emphases 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)
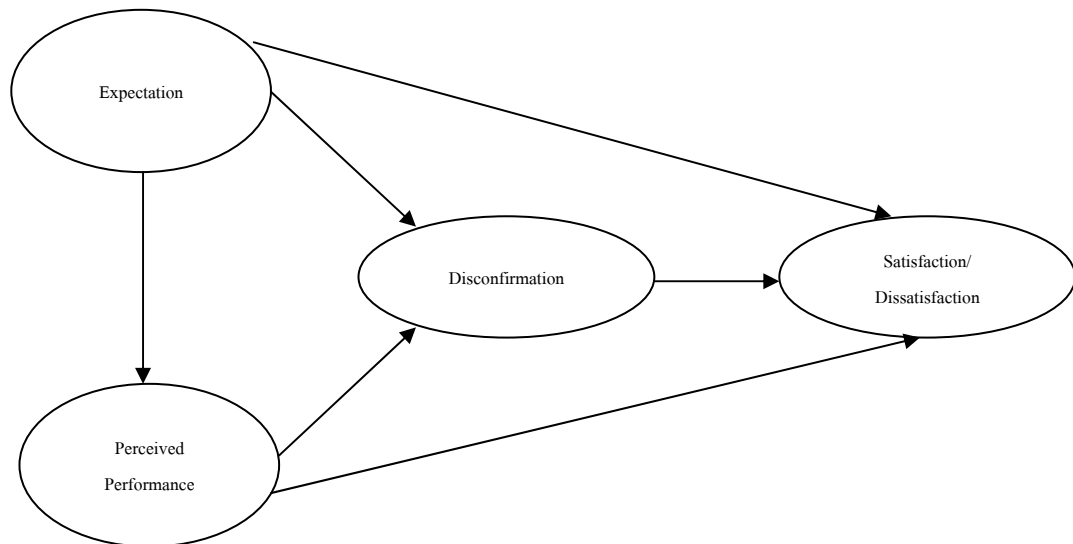
     Satisfaction is the outcomes of comparison between expected and perceived service quality (Dion, Javalgi, & Dilorenzo-Aiss, 1998). Satisfaction may be best understood as an evaluation of the surprise inherent in a product acquisition and/or consumption experience. In essence, it is a summary psychological 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

service quality is pre-decision experience (Parasuraman, Zeithaml, & Berry, 1988; Cronin & Taylor, 1992; Oliver, 1981). Third, the definition of expectation in satisfaction and service quality literature are defined differently (Caruana, 2002). In the satisfaction literature expectations reflect anticipated performance (Churchill & Surprenant, 1982) made by customer about the levels of performance during transaction. On the other hand, in the service quality literature, expectations are conceptualized as a normative standard of future wants (Caruana, 2002). These normative or ideal standards represent enduring wants and needs that remain unaffected by the full range of marketing and competitive factors. Normative expectations are therefore more stable and can be thought of as representing the service the market oriented provider must constantly strive to offer (Zeithaml, Berry, & Parasuraman, 1996). Lastly, the factors of service quality is fairly specific which limited to the five factors SERVQUAL, those for satisfaction are broader and can result from wider set of factors (Caruana, 2002).

Operationally, the measure of satisfaction can be classified into service encounter satisfaction and overall service satisfaction (Bitner & Hubbert, 1994). The service encounter satisfaction has been defined as the consumer's dis/satisfaction with a discrete service encounter also term as moment of truth (Bitner & Hubbert, 1994). Service encounter satisfaction is an evaluation of the event and behaviors that occur during a definable period of time. While overall service satisfaction is defined as the consumer's overall dis/satisfaction with the organization based on all encounter and experiences (Bitner & Hubbert, 1994). This overall service satisfaction construct reflects the consumer's multiple encounters or experience on service. Satisfaction is conceptualized as an overall consumer attitude towards a service provider in service quality research for both SERVQUAL and SERVPERF (Parasuraman, Zeithaml, & Berry, 1988; Cronin & Taylor, 1992).

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. Fulfill 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 behavior. In addition, managing loyalty is important because it means not only managing behavior 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 behavior (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 behavioral 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
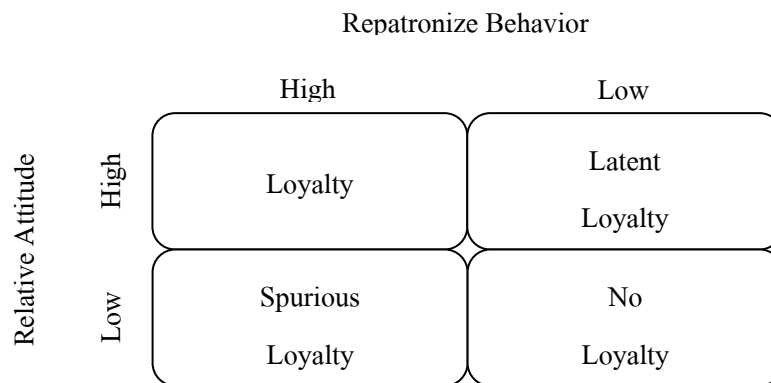
Dick and Basu (1994) conceptualized loyalty as the relationship between relative attitude and repatronize behavior by cross classifying the factors at two level (high and low each) leads to four specific categories related to loyalty includes loyalty, latent loyalty, spurious loyalty and no loyalty as presented in Figure 2-2. The view of loyalty as relationship between relative attitude and repatronize behavior 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 behavior 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),

employee (personal loyalty), retail establishment (store loyalty) and industrial good (vendor loyalty). The loyalty context group comprises of consumer markets (B2C loyalty), business market (B2B loyalty, online market (online loyalty) and offline market (offline loyalty). The loyalty content group comprises of purchase behavior (behavioural approach), attitudinal behavior (attitudinal approach) and the combine of both approach (composite approach) (El-Manstrly, 2011).

Although customer loyalty subsists its importance in all industries, the strength that persuades consumer's variety seeking and switching behavior cannot be neglected. This strength includes increasing consumer's awareness and knowledge of alternatives; rising expectations and more sophisticated behavior; competitor activities in the form of promotions, incentive to switch and ease of access (Lewis & Soureli, 2006). As a result, firm need to consider the relative importance, nature and dimensionality of the antecedent of customer loyalty and its construct (Baumann, Burton, & Elliott, 2005; Dick & Basu, 1994; Jones & Taylor, 2007). Without understanding the construct, firms may be measuring the wrong things in their attempts to identify loyal customers. Furthermore, firm may be unable to link customer loyalty to firm performance measures and rewarding the wrong customer behaviors or attitudes when designing loyalty programs (Jones & Taylor, 2007).

The formulation of loyalty concept has germinated over the years. In the dawn days, the focus on loyalty has mainly centered primarily on product related loyalty with respect to tangible goods which is often termed as brand loyalty whereas the loyalty to service organizations was persist to be underexposed (Bloemer, Ruyter, & Peeters, 1998; Caruana, 2002; Gremler & Brown, 1996; Bloemer, Ruyter, & Wetzels, 1999). Brand loyalty research had predominantly focus on behavioral measure include proportion of purchase, purchase sequence and probability of purchase which the measure is lacking conceptual basis, capturing only the static outcome of the dynamic process and make no attempt to understand the factors underlying repeat purchase (Dick & Basu, 1994).

Loyalty in the service sector is more complicated to formulate comparing to product related attributable to the characteristic of service namely, intangibility, heterogeneity and inseparability (Zeithaml, Berry, & Parasuraman, 1988; Mittal & Lassar, 1998; Lewis & Soureli, 2006). As an example, intangible attributes for instance reliability and confidence may play a

major role in building and maintaining loyalty (Bloemer, Ruyter, & Peeters, 1998; Dick & Basu, 1994). Furthermore, the inseparability of provider and customer, and the customer's participation in service production and delivery, manifests the interpersonal component of services and adds emotional dimensions to loyalty (Oliver, 1999). Lastly, the heterogeneity of service as it is very hard to make each service experience identical as it's depend on many parameter such as demands, expectation and fulfillment.

Service loyalty usually refers to the service provider rather than a specific product/brand and comprises many different variables which vary among services, according to the specific characteristics of each service industry (Lewis & Soureli, 2006; Bloemer, Ruyter, & Peeters, 1998). The key antecedent for service loyalty comprised of perceived service quality as well as satisfaction in banking and other service industries (Bloemer, Ruyter, & Wetzels, 1999; Bloemer, Ruyter, & Peeters, 1998; Dick & Basu, 1994; Lewis & Soureli, 2006). Bloemer et al. (1999) indicate that the discovery in brand loyalty field cannot be rationalized into service loyalty concept for the reason as follow:

1. Service loyalty is dependent on the development of interpersonal relationships as opposed to loyalty with tangible products.

2. The influence of perceived risk is greater in the marketing of services, as customer loyalty may act as an obstacle to customer switching behavior.

3. Brand loyalty research strongly emphasize on behavioral measure, as in the service context, loyalty is frequently define as observed behavior.

4. Intangible attributes such as reliability and confidence may be an important aspect in developing or retaining loyalty in service context.

5. Repeat purchase behavior may not be based on preferential disposition but on various bonds that acts as switching obstacle in the service context.

Early definition of loyalty concept focuses exclusively on behavioral dimension typically repurchase and switching intentions (Jones & Taylor, 2007; Gremler & Brown, 1996). As loyalty research evolved, researchers have questioned the adequacy of using solely behavioral

intentions as the indicator of loyalty and argued that loyalty developed as result of conscious effort to evaluate competing brands. The behavioral only approach to loyalty may not yield a comprehensive insight into the underlying reasons in loyalty; instead it is a consumer's disposition in terms of preferences or intentions that plays an important role in determining loyalty (Bloemer, Ruyter, & Peeters, 1998). The rising of attitudinal disposition dimension include consumers preferences or intentions was introduced, since then, the loyalty concept contain two dimension include both behavioral and attitudinal loyalty (Dick & Basu, 1994; Gremler & Brown, 1996). More recently, researchers has discovered the third dimension of loyalty namely, cognitive loyalty. That is, a customer who is considered extremely loyalty and exclusively consideration on one firm from which to purchase (Jones & Taylor, 2007). The majority of loyalty researches now focus on loyalty constructs as having three dimensions (Gremler & Brown, 1996).

Gremler and Brown (1996) extend the concept of loyalty to service firm, and their definition of service loyalty incorporates the three specific components, namely: behavioral loyalty, attitudinal loyalty and cognitive loyalty. Service loyalty is defined as:

The degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists (Gremler & Brown, 1996).

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 Thailand 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 behavior (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 Thailand and Malaysia

Country	PDI	IDV	MAS	UAV	LTO
Thailand	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

Kheng et al. (2010) explored the impact of service quality on customer loyalty and the mediating effects of customer satisfaction. In the study, it is found that satisfaction has mediating effect on the relationship between service quality dimension and loyalty concept. Cronin et al. (2000) assessed the effects of quality, value, and customer satisfaction on consumer behavioral intention in service environments, the study confirm the indirect effects of service quality on behavioral intention through service value and customer satisfaction both independently to each other.

Apart from the service quality, customer satisfaction and service loyalty, there is various other factors influence customer purchase intention includes prices, convenience, availability and personal experience with service provider (Bowen & Chen, 2001). Therefore customer may not necessary purchase the highest quality product (Cronin & Taylor, 1992; Najjar & Bishu, 2006) but they put greater emphasize on convenience and value offered by their bank, their loyalty is mainly cognitive and subject to situational changes (Lewis & Soureli, 2006).

Although, there has been limited amount of research conducted to evaluate the interrelationships of service quality, customer satisfaction and service loyalty, there have been a substantial amount of researches conducted to investigate the relationship between at least two of the factors which some of the prominent past researches will be presented in the following section.

2.5.1 RELATIONSHIP BETWEEN SERVICE QUALITY AND CUSTOMER SATISFACTION

The definition of service quality and customer satisfaction is very similar on surface; nevertheless, there are a number of distinctions between these constructs (Oliver, 1981; Cronin & Taylor, 1992). Foremost, satisfaction is a post decision customer experience while quality is not. Further point of concern is pertaining to be distinct definition of expectation in both satisfaction and quality construct. In satisfaction literature view expectations as reflect anticipated performance made by customer about the levels of performance during transaction or predictive

28

standard, *i.e., what customers feel a service provider will offer* (Churchill & Surprenant, 1982; Parasuraman, Zeithaml, & Berry, 1985) while service quality literature view expectation as conceptualized as normative standard of future wants, i.e., customers' belief about what a service provider should offer (Parasuraman, Zeithaml, & Berry, 1985). The relationship between customer satisfaction and service quality is a complicated issue characterized by mystification about the distinction and casual relationship between the two constructs. Service quality researches in the past have identified the distinction between the measures of the variables whereby customer satisfaction is a transaction specific assessment whereas service quality is a global assessment (Parasuraman, Zeithaml, & Berry, 1988).

Past researches focused on the link between satisfaction and service quality have debated for different opinion in term of its relationship. Several researches opined that service quality leads to satisfaction (McDougall & Levesque, 1994) while other support that satisfaction leads to service quality (Cronin & Taylor, 1992). Cronin & Taylor (1992) undertook investigation to evaluate the relationship of service quality and customer satisfaction across several service industries. Using structural equation modeling they found that service quality is antecedent of customer satisfaction which in turn influences purchase intention. Bloemer et. al. (1998) conducted a study to investigate the relationship between image, perceived service quality and satisfaction on bank loyalty. The result of large scale empirical study revealed that only reliability and empathy dimension of service quality has significant positive impact of satisfaction. Baumann et. al. (2007) explore the factor predicting attitude and behavioral intentions and the result indicates that all service quality dimension except tangible were significantly impact overall satisfaction with empathy as the strongest predictor.

Kheng et al. (2010) explored the impact of service quality on customer loyalty and the mediating effects of customer satisfaction. The result of the study discovered that three dimensions of service quality namely, responsiveness, empathy and assurance have found to be significant predictor of customer satisfaction while the other two dimensions, namely, tangible and reliability was found to be not significance to customer satisfaction. Bedi (2010) investigated the integrated framework of service quality, customer satisfaction and behavioral intention. The finding of the research discovered that responsiveness, reliability, empathy and assurance are significant in determining the overall satisfaction. Hu et al. (2009) assessed the relationship of

service quality, perceived value, customer satisfaction, image and behavioral intentions. The research finding reported that service quality is positively related to customer satisfaction; higher level of service quality has strong impacts on customer satisfaction.

Beyond a shadow of a doubt, service quality and customer satisfaction are compelling factor of financial performance (Matzler, Sauerwein, & Heischmidt, 2003).

2.5.2 RELATIONSHIP OF SERVICE QUALITY AND SERVICE LOYALTY

Diminutive of empirical research attention has focused on the relationship between service quality and service loyalty. Zeithaml et. al. (1996) proposed a comprehensive framework on behavioral intention and financial consequence of service quality through multi-dimensional framework of customer behavioral intentions in services. Customer behavioral intention is explored through two major constructs namely, favorable and unfavorable behavioral intention. Favorable behavioral intention are behavior gesture indicating that customer are building bond with a firm such as say positive things, recommend company, remain loyal to company spend more with company and pay price premium. Whereas unfavorable behavioral intention are combination of negative response trigger from dissatisfaction consist of say negative things such as switch to another company, complain to external agencies and do less business with company (Zeithaml, Berry, & Parasuraman, 1996).

The preliminary framework consisted of four main dimension includes word-of-mouth, purchase intentions, price sensitivity and complaining behavior. Nevertheless, the dimensions were reconfigured into 13 items into five dimensions to be in consistence with result from factor analysis. The five dimensions consist of loyalty to company (loyalty), propensity to switch (switch). Willingness to pay more (pay more), external response to problem (external response) and internal response to problem (internal response) (Zeithaml, Berry, & Parasuraman, 1996). The switch and external response dimension is classified as unfavorable behavioral intention while loyalty and pay more are classified as favorable behavioral intention. The internal response classification is in ambiguity. The authors conclude that service quality is positively associated with favorable behavioral intention and negatively with unfavorable behavioral intention.

Bloemer et. al. (1998) conducted a study to investigate the relationship between image, perceived service quality and satisfaction on bank loyalty. The result of large scale empirical study revealed that service quality has an indirect effect on loyalty through satisfaction. Baumann et. al. (2007) explore the factor predicting attitude and behavioral intention using four major construct namely affective attitude, willingness to recommend to others, short and long term intention to remain as customer of the bank. The result revealed that affective attitude, overall satisfaction and empathy are best predictor of willingness to recommend to others and long term intention, while short term intention is best predicted by overall satisfaction and responsiveness.

Kheng et al. (2010) explored the impact of service quality on customer loyalty. The result of the study discovered that three dimensions of service quality namely, reliability, empathy and assurance have positive relationship with customer loyalty while the other two dimension, namely, tangible and responsiveness was found to be not significantly impact on customer loyalty.

Hu et al. (2009) assessed the relationship of service quality, perceived value, customer satisfaction, image and behavioral intentions. The research finding reported that service quality has no effects on behavioral intentions but has an indirect effect through customer satisfaction.

2.5.3 RELATIONSHIP OF CUSTOMER SATISFACTION AND SERVICE LOYALTY

Satisfied customer is likely to be a loyal customer who will give repeated business to the company (Kwan & Hee, 1994). Satisfaction is not a finale by its own as satisfying customer is not enough to ensure customer loyalty signifying that satisfied customers may also switch at a high rate (Pont & McQuilken, 2008). Satisfied customers may consider alternative services option rationalizes from their ability to get a better service elsewhere and dissatisfied customers may choose not to switch because they do not expect to obtain better service somewhere else (Mittal & Lassar, 1998). The relationships of customer satisfaction, service loyalty and profit growth is self-reinforcing by means profit growth is stimulated primarily by

customer loyalty and loyalty is direct result of customer satisfaction (Huskett, Jones, Loveman, W.Earl Sasser, & Schlesinger, 1994; Helgesen, 2006). Although customer satisfaction is an essential indicator of customer loyalty, keeping customer is appear to be dependent on various other factors includes like choice, convenience, price and income (Bowen & Chen, 2001).

Helgesen (2006) investigated the fundamental relationship of customer satisfaction, customer loyalty and customer profitability reported that the more satisfied a customer tends to be, the higher is the loyalty of the customer and the more loyal a customer tends to be, the higher customer profitability is obtained. Baumann et. al. (2007) explore the factor predicting attitude and behavioral intention using four major construct namely affective attitude, willingness to recommend to others, short and long term intention to remain as customer of the bank. The result revealed that affective attitude, overall satisfaction and empathy are best predictor of willingness to recommend to others and long term intention, while short term intention is best predicted by overall satisfaction and responsiveness.

Bloemer et. al. (1998) conducted a study to investigate the relationship between image, perceived service quality and satisfaction on bank loyalty. The result of large scale empirical study revealed that satisfaction has significant positive impact of loyalty. Mosahad et. al. (2010) studied the relationship between service quality, customer satisfaction and loyalty reported that customer satisfaction is a mediating role in the effects of service quality on service loyalty. Kheng et al. (2010) explored the impact of service quality on customer loyalty; the result found that customer satisfaction has mediating effect on the relationships between service quality dimensions and customer loyalty.

2.6 RESEARCH 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 Thailand and Malaysia. The major purpose of the present study is to investigate critical service quality factor in the banking industries of Thailand and Malaysia and confirm the validity and reliability of SERVQUAL model in Thailand 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) as presented in Figure 1–1.

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 Mediational model (Caruana, 2002). Through literature

Figure 2-3 Research Framework
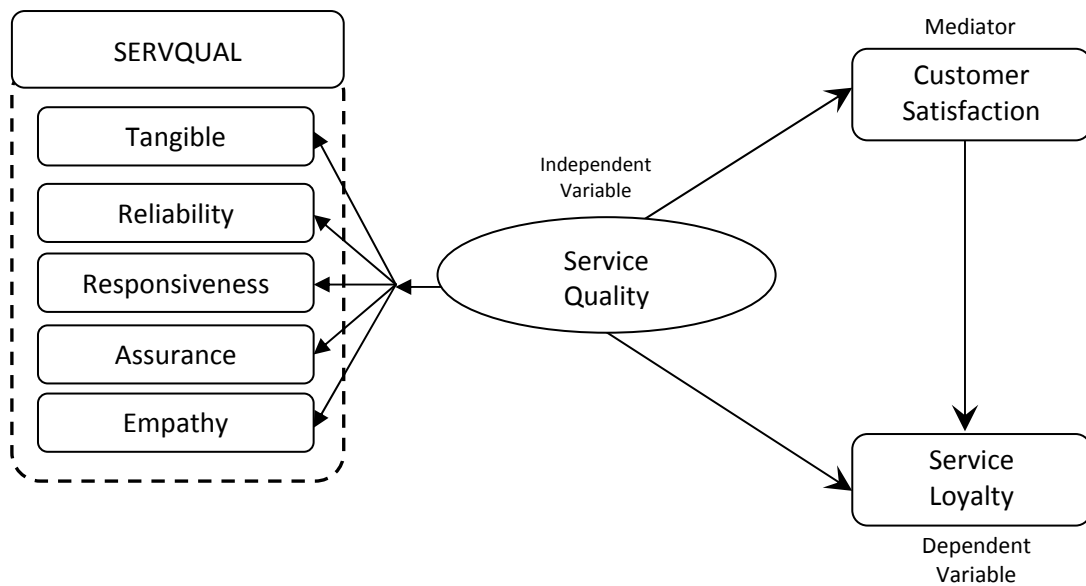
Hypothesis 1: Service quality is positively associated to customer satisfaction

Hypothesis 2: Service quality is positively associated to service loyalty

Hypothesis 3: Customer satisfaction in positively associated to service loyalty

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

CHAPTER 3: 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 Thailand and Malaysia. Therefore, data were collected using random sampling of retail banking customers in Thailand 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). Thailand is a unilingual country where Thai is the official language. Hence, the questionnaire will be prepared in Thai language for Thailand and English for Malaysia. Back translation technique will be adopted to ensure that both questionnaire communicate similar information to all respondent (Brislin, 1970).

The Thailand population frame of this research focus on retail bank customers in Hatyai city. Hatyai is located in southern part of Thailand. The population of Hatyai is 374,891 people, ranked sixth in the country after Bangkok, Samut Prakan, Nakhon Ratchasima, Udon Thani, and Khon Kean (National Statistical Office, 2012). Hatyai is the regional economic hubs for lower southern Thailand and is the gateway connecting to Malaysia. Tourism is the most important component of Hatyai economy where tourist from Malaysia and Singapore visit the city throughout the year. Other important sector of Hatyai's economy includes manufacturing, retailing and other services.

The Malaysia population frame of this research focus on retail bank customers in Penang city. Penang is located in the north-west coast of Peninsula Malaysia. It is also known to be the highest populated state of Malaysia in term of density (Kheng, Mahamad, Ramayah, & Mosahab, 2010). The population of Penang is 1.56 million people (Deparment of Statistic Malaysia, 2013) and is the third largest economy amongst the state of Malaysia after Selangor and Johor. The most important part of Penang economy is manufacturing of electronic component. Furthermore, Penang has been the banking center of Malaysia before Kuala Lumpur which first

establish in year 1875. Most of the older banks still maintain their local headquarters in Penang (Kheng, Mahamad, Ramayah, & Mosahab, 2010).

The critical sample size for this study is considered to be at least 200 samples (Caruana, 2002; Hair, Black, Babin, & Anderson, 1998). Therefore, data will be collected with 200 sample size each for both Thailand and Malaysia totaling 400 samples.

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.

3.2.1   MODEL FOR MEASURING SERVICE QUALITY

Although there are a few models introduce by various researchers to access service quality such as SERVPERF (Cronin & Taylor, 1992), SQUAL (Karatepe, Yavas, & Babakus, 2005), Hierarchical Model (Dabholkar, Thorpe, & Rentz, 1996), and E-S-QUAL (Parasuraman, Zeithaml, & Malhotra, 2005), SERVQUAL is not without critics (Cronin & Taylor, 1992), however SERVQUAL is widely recognized standard for assessing various dimensions in service quality (Buttle F. , 1996; Parasuraman, Zeithaml, & Berry, 1988) namely tangibles, reliability, responsiveness, assurance and empathy and probably the best available (Yavas, Bilgin, & Shemwell, 1997). It is a concise multiple-item scale with good reliability and validity that researcher can use to better understand the service expectations and perceptions of consumers (Parasuraman, Zeithaml, & Berry, 1988). As a result, it can help in determining areas requiring

managerial attention and action to improve service quality (Parasuraman, Zeithaml, & Berry, 1985).

Figure 3-1 SERVQUAL Two Column Format in Measuring Expectation and Perception

	My Expected Service Level Is:	My Perception of the Service Level is:
	Low High	Low High
1. Providing services as promised	1 2 3 4 5 6 7	1 2 3 4 5 6 7

Furthermore, SERVQUAL is valuable when it is used periodically to track the service quality trends, and when it is used in conjunction with other forms of service quality measurement (Parasuraman, Zeithaml, & Berry, 1994). For the purpose of this study, the SERVQUAL Model was chosen to measure service quality with measure using seven point Likert scale (1: strongly disagree to 7: strongly agree) as presented in Table 3-1. The survey instrument consist of two section; first section of 22 items to measure customers' service expectations and second section of 22 items to measure customers' service perception. These two sections will be combined into a two column format to measure service expectation and service perception as presented in Figure 3–1. These two column format shorten the survey instrument and measure service quality without repeating the dimension of items, as a result, facilitates ease of administrating the survey process.

Table 3-1 Items for Measuring SERVQUAL Construct

Variable	Reference
Service Quality	**Parasuraman et al (1994)**
• **Reliability**	
1. Providing services as promised.	
2. Dependability in handling customers' service problems.	
3. Performing services right the firrst time.	
4. Providing services at the promised time.	
5. Maintaining error-free records.	

Table 3-1 Items for Measuring SERVQUAL Construct (Continued)

Variable	Reference
Service Quality	**Parasuraman et al (1994)**

- **Responsiveness**

6. Keeping customers informed about when services will be performed.
7. Prompt service to customers.
8. Willingness to help customers.
9. Readiness to respond to customers' requests.

- **Assurance**

10. Employees who instill confidence in customers.
11. Making customers feel safe in their transactions.
12. Employees who are consistently courteous.
13. Employees who have the knowledge to answer customer questions.

- **Empathy**

14. Giving customers individual attention.
15. Employees who deal with customers in a caring fashion.
16. Having the customer's best interest at heart.
17. Employees who understand the needs of their customers.
18. Convenient business hours.

- **Tangible**

19. Modern equipment.
20. Visually appealing facilities.
21. Employees who have a neat, professional appearance.
22. Visually appealing materials associated with the service.

In assessing the SERVQUAL scale exhibit predictive validity and reliability, each correspondent rate the overall service quality of the corresponding bank on a ten point Likert scale (1: Extremely Poor to 10: Extremely Good) as presented in Table 3-2. The overall service quality ratings has been used to regressed on SERVQUAL gap scores with the five dimensions to confirm SERVQUAL construct validity (Parasuraman, Berry, & Zeithaml, 1991).

Table 3-2 Items for Measuring Overall Service Quality

Variable	Reference
Overall Service Quality	**Parasuraman et al (1991)**

1. The appearance of the bank company physical facilities, equipment, personnel, and communications materials
2. The ability of the bank company to perform the promised service dependably and accurately
3. The knowledge and courtesy of the bank company's employee and their ability to convey trust and confidence.
4. The knowledge and courtesy of the bank company's employee and their ability to convey trust and confidence.
5. The caring, individualized attention the bank company provides its customers.

3.2.2   MODEL FOR MEASURING CUSTOMER SATISFACTION

Operationally, satisfaction is similar to an attitude, as it can be assessed as the sum of the satisfactions with the various attributes of the product or service (Churchill & Surprenant, 1982). The primary distinction between attitude and satisfaction attitude is derived from pre-decision construct while satisfaction is derived from post-decision constructs (Churchill & Surprenant, 1982). Satisfaction can be considered at two interrelated levels namely service encounter satisfaction and overall satisfaction (Bitner & Hubbert, 1994). Levesque and McDougall (1996) conceptualize satisfaction as composite overall customer attitudes towards a service provider which incorporate a number of measures.

Table 3-3 Items for Measuring Satisfaction Construct

Variable	Reference
Satisfaction	**Bitner & Hubbert (1994)**

1. Based on all of your experience, how satisfied overall are you
2. Based on all my experience, how dissatisfied are you.*
3. Compared to other banks you have done business with
4. In general, I am satisfied

*Reversed Score

It is therefore customer satisfaction in this paper will be measured as overall satisfaction construct as presented by Bitner & Hubbert (1994) with four items using five point Likert scales (1: strongly disagree to 5: strongly agree) as presented in Table 3–3. Overall service satisfaction is distinguished from customer's overall dis/satisfaction with the organization based on all encounter and experience with that particular organization (Bitner & Hubbert, 1994).

3.2.3   MODEL FOR MEASURING SERVICE LOYALTY

The operationalisation of service loyalty would have to consider behavioral, attitudinal and cognitive aspects in the development of a composite index (Bloemer, Ruyter, & Wetzels, 1999; Gremler & Brown, 1996). Service loyalty is defined as:

The degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises (Gremler & Brown, 1996).

As a result, Service Loyalty construct will be measured through behavioral, attitudinal and cognitive aspects through 12 items developed by Gremler and Brown 1996 using seven-point Likert scale (1-strongly disagree to 7- strongly agree) as presented in Table 3-4.

Table 3-4 Items for Measuring Service Loyalty Construct

Variable	Reference
Service Loyalty	**Gremler & Brown (1996)**
1. Say positive things about XYZ to other people 2. Intend to continue doing business with XYZ 3. Encourage friends and relatives to do business with XYZ 4. Seldom consider switching away from XYZ 5. Doubt that I would switch 6. Really like doing business with XYZ 7. To me, XYZ is clearly the best to do business with 8. Believe XYZ is a good bank 9. Try to use XYZ every time I need services 10. Consider XYZ my primary bank 11. First choice when I need XYZ services 12. Primary place where I consider when I want to use XYZ services	

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 analyze 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.

   - To determine the relationship among service quality, customer satisfaction and service loyalty.

5.   Fisher-Z Test

   - To test the difference between two independent correlation coefficient.

Caruana (2002) outline the data analysis method referencing to the procedure recommended by Baron and Kenny (1986) which the researcher propose method that can be utilized to examine the mediating effect of customer satisfaction on service quality and service loyalty. The procedure comprises of the computation of three regression equations which consisted of the following:

1. The regression of the mediator (Customer Satisfaction) on the independent variable (service quality)

2. The regression of the dependent variable (service loyalty) on the independent variable (service quality)

3. The regression of the dependant variable (service loyalty) on both the independent variable (service quality) and on the mediator (customer satisfaction).

In concluding that the mediation effect of customer satisfaction, the above three regression equation must comply with three criteria. First, the independent variable of first equation must have an effect on the mediator. Second; the independent variable in the second equation must be shown to have effect on the dependent variable. Finally, the mediator in third equation must have effect on the dependent variable to the exclusion of independent variable. The indirect effect of service quality on service loyalty through customer satisfaction is well supported by various researchers (Lewis & Soureli, 2006; Caruana, 2002)

CHAPTER 4: RESEARCH FINDING

4.1   FREQUENCY ANALYSIS

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

4.1.1   RESPONDENT DEMOGRAPHIC

Demographic profile in this study of both Thailand and Malaysia is as presented in Table 4-1. The demographic profile of Thailand'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 under 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 under 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 Baht 6,000 monthly personal income group.

Table 4-1 Demographic Profile of Respondent

Profile	Description	Thailand (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 Personal Income	< Baht 20,000*	86	43.0%	33	16.5%
	Baht 20,001 – 40,000*	77	38.5%	78	39.0%
	Baht 40,001 – 60,000*	18	9.0%	46	23.0%
	Baht 60,001 – 80,000*	14	7.0%	28	14.0%
	Baht 80,001 – 100,000*	4	2.0%	10	5.0%
	> Baht 100,001*	1	0.5%	5	2.5%

Note: *Baht 10 = RM 1.00

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 Thailand

Service Quality Dimension	Thailand								
	Perception			Expectation			Gap Score		
	Rank	Mean	$Ó_X$	Rank	Mean	$Ó_X$	Rank	Mean	$Ó_X$
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 Thailand, 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 Thailand'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 Thailand'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 Thailand'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 Thailand'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	$\acute{O}_X$	Rank	Mean	$\acute{O}_X$	Rank	Mean	$\acute{O}_X$
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.

In term of perception, the dimension rated highest is reliability (M = 5.303; SD = 1.538) and the dimension rated lowest is responsiveness (M = 4.975: SD = 1.108). Comparing the perception and expectation ranking, it can be observe that Malaysia's retail banking should emphasis on improving responsiveness of service and assurance of service.

As for gap scores, the dimension with highest gap score is responsiveness (M = -1.281; SD = 1.179) and the dimension rated lowest is reliability (M = -0.913: SD = 1.690). This coincides with the above which signified that much improvement is needed on responsiveness and less on reliability.

4.3   ANALYSIS OF RELIABILITY

Pilot study was administered to establish reliability of the questionnaire instruments and to ensure that the scales were appropriate based on the cronbach's alpha score. Testing reliability is also to measure consistency in the data that is defined as *"an assessment of the degree of consistency between multiple measurements of a variable"* or testing internal consistency (Hair, Black, Babin, & Anderson, 1998). Research has shown that cronbach's alpha should not be use as a measure of uni-dimensionality and if several factors exist then cronbach's alpha should be analyzed separately (Cronbach, 1951). In the case of this study, cronbach's alpha was analyzed for each of the variable separately namely, tangible, reliability, responsiveness, assurance, empathy, overall service quality, customer satisfaction and service loyalty. Furthermore, Hair *et al* (1998) suggested that a series of diagnostic measures are to be used to assess internal consistency as follow:

1. Inter-item correlation should exceed 0.30 which measure correlation among items, this measure is relating to each separate variable

2. Reliability investigation through Cronbach's Alpha as a method that is frequently used to assess the consistency of the entire scale. Due to it's heavily usage it is agreed that Cronbach's Alpha should exceed 0.70 to have reliability.

The pilot study was conducted with 60 questionnaires equally divided into the Thailand and Malaysia profile group. Firstly, the service quality of each item was computed to

represent gap score "Q" for five SERVQUAL dimension tangible, reliability, responsiveness, assurance and empathy (Parasuraman, Zeithaml, & Berry, 1988; Parasuraman, Berry, & Zeithaml, 1991). Service quality gap score is perception minus expectation and defined as follows:

$$Q = P - E$$

P and E are the ratings on the corresponding perception and expectation items respectively.

Secondly, the difference score "Q" of each item are group into its correlate dimension of the five service quality dimension and variable was computed separately to determine the internal consistency through Cronbach's Alpha score. Table 4-4 shows a summary of number of items and Cronbach's alpha coefficients derived from pilot test and actual survey of 400 samples. In the independent variable service quality, there were 4 items for tangible scale, 5 items for reliability scale, 4 items for responsiveness scale, 4 items in responsiveness scale and 5 item in empathy scale. In the mediator variable, satisfaction, there is 4 items which question two have to be recode as result from reverse score. In the dependent variable service loyalty, there is 12 items and lastly, the overall service quality, there is 5 items.

Table 4-4 Pilot Study & Actual Survey Cronbach's Alpha Result

Dimensions	Number of Items	Cronbach's Alpha			
		Pilot Test		Actual	
		Thailand	Malaysia	Thailand	Malaysia
Tangible	4	0.837	0.920	0.844	0.896
Reliability	5	0.851	0.866	0.819	0.906
Responsiveness	4	0.936	0.913	0.826	0.955
Assurance	4	0.892	0.840	0.914	0.822
Empathy	5	0.838	0.934	0.831	0.929
Service Quality (P-E)	22	0.945	0.966	0.949	0.965
Overall Service Quality	5	0.899	0.941	0.941	0.959
Customer satisfaction	4	0.831	0.781	0.920	0.879
Service Loyalty	12	0.907	0.944	0.905	0.940

All nine scales including the combined service quality scale reached an appropriate level of reliability exceed 0.70 without elimination of any items. During the pilot study of Thailand correspondence, the weakest scale is customer satisfaction ($\alpha = 0.831$) and strongest scale is service quality ($\alpha = 0.945$). In the actual survey of Thailand correspondence, the weakest scale is reliability ($\alpha = 0.819$) and strongest scale is service quality ($\alpha = 0.949$). As for Malaysia correspondence, during the pilot study, the weakest scale is assurance ($\alpha = 0.840$) and strongest scale is service quality ($\alpha = 0.966$). In the actual survey of Malaysia correspondence, the weakest scale is assurance ($\alpha = 0.822$) and strongest scale is service quality ($\alpha = 0.965$).

The evaluation of internal consistency of 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 Thailand 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 Cronbach's Alpha coefficient obtained from this study is identical for both Thailand and Malaysia to the coefficient reported by Parasuraman *et al* (1988) with the minimum value for bank sample is 0.85 and maximum is 0.92.

Another method of deciding the reliability of the scale is to analyze the inter-item correlations. Hair et al (1998) recommended that the inter-item correlation should exceed 0.30 for the data to be reliable. An analysis of the inter-item correlation for Thailand pilot test and actual survey, Malaysia pilot test and actual survey reported that the minimum of 0.443 (service quality) and 0.458 (service quality), 0.524 (customer satisfaction) and 0.553 (assurance) respectively as presented in Table 4-5. 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.

Table 4-5 Pilot Study & Actual Survey Inter-Item Correlation Result

Dimensions	Number of Items	Mean Inter-Item Correlation			
		Pilot Test		Actual	
		Thailand	Malaysia	Thailand	Malaysia
Tangible	4	0.574	0.747	0.575	0.690
Reliability	5	0.543	0.563	0.477	0.656
Responsiveness	4	0.795	0.727	0.546	0.843
Assurance	4	0.686	0.580	0.729	0.553
Empathy	5	0.521	0.745	0.496	0.727
Service Quality (P-E)	22	0.443	0.567	0.458	0.563
Overall Service Quality	5	0.646	0.763	0.767	0.825
Customer satisfaction	4	0.579	0.524	0.743	0.650
Service Loyalty	12	0.473	0.585	0.498	0.586

4.4 CORRELATION BETWEEN SERVICE QUALITY DIMENSION, CUSTOMER SATISFACTION AND SERVICE LOYALTY

Correlation is a measure of how strongly two variables relates to each other. Weak correlation effects is occur on correlation coefficient below 0.30, coefficient between 0.30 to 0.49 is classified as moderate effect and value above 0.50 and higher indicate strong effect (Mooi & Sartedt, 2011). The correlation coefficient of five service quality dimension, overall service quality, customer satisfaction and service loyalty are presented in Table 4-7 and Table 4-8 for Thailand and Malaysia respectively.

Correlation matrices of both Thailand and Malaysia indicated that all studied dimensions and variables are positively associated. Essentially, the inter-correlation between service quality dimension is relatively high for Thailand and Malaysia ranging from $r(198) = 0.510$ to $r(198) = 0.817$ and $r(198) = 0.318$ to $r(198) = 0.826$ respectively. The inter-correlation between overall service quality, customer satisfaction and service loyalty on service quality dimension is lower with some variables relate in moderate effect but the correlation relationship is still significant at $p < 0.01$ and most of the correlation coefficient is still having strong effect.

Table 4-6 Pearson Correlation Coefficient of Service Quality Dimension, Overall Service Quality, Customer Satisfaction and Service Loyalty for Thailand

	Thailand (N =200)							
	1	2	3	4	5	6	7	8
1 Reliability	1.000							
2 Responsiveness	0.727**	1.000						
3 Assurance	0.613**	0.663**	1.000					
4 Empathy	0.763**	0.628**	0.594**	1.000				
5 Tangible	0.723**	0.626**	0.638**	0.715**	1.000			
6 OSQ	0.810**	0.682**	0.684**	0.764**	0.817**	1.000		
7 CS	0.741**	0.704**	0.745**	0.750**	0.748**	0.792**	1.000	
8 Service Loyalty	0.580**	0.510**	0.539**	0.539**	0.567**	0.645**	0.710**	1.000
Mean	-1.394	-1.208	-0.715	-1.216	-1.074	7.705	3.764	5.245
Standard Deviation	0.885	0.946	1.088	0.910	0.938	1.375	0.968	0.945

** $p < 0.01$ (two-tailed); OSQ: Overall Service Quality; CS: Customer Satisfaction

Table 4-7 Pearson Correlation Coefficient of Service Quality Dimension, Overall Service Quality, Customer Satisfaction and Service Loyalty for Malaysia

	Malaysia (N =200)							
	1	2	3	4	5	6	7	8
1 Reliability	1.000							
2 Responsiveness	0.668**	1.000						
3 Assurance	0.723**	0.593**	1.000					
4 Empathy	0.765**	0.683**	0.812**	1.000				
5 Tangible	0.694**	0.561**	0.726**	0.798**	1.000			
6 OSQ	0.552**	0.318**	0.683**	0.635**	0.616**	1.000		
7 CS	0.518**	0.369**	0.650**	0.608**	0.777**	0.614**	1.000	
8 Service Loyalty	0.566**	0.399**	0.611**	0.664**	0.788**	0.632**	0.826**	1.000
Mean	-1.014	-0.913	-1.281	-1.179	-0.951	6.926	3.693	5.007
Standard Deviation	1.067	1.670	1.179	1.284	1.285	1.750	0.767	1.086

** $p < 0.01$ (two-tailed); OSQ: Overall Service Quality; CS: Customer Satisfaction

4.5 VALIDITY OF SERVQUAL INSTRUMENT & RELATIVE IMPORTANCE OF THE FIVE SERVICE QUALITY DIMENSION

The consistent factor loadings and high reliability of SERVQUAL scale across both country samples support scale's validity. However, such evidence is inadequate for establishment of scale's construct validity (Parasuraman, Berry, & Zeithaml, 1991). In this, additional analyses were performed to assess the SERVQUAL scales directly. Each customer sample rated the overall service quality of the corresponding bank on a ten point scale, anchored at the end by "extremely poor" (scale as 1) and "extremely good" (scale as 10). The overall service quality ratings as dependent variable were regressed along the five service quality perception minus expectation gap score dimensions (Parasuraman, Zeithaml, & Berry, 1988).

Table 4-8 Regression Analysis of OSQ vs. SERVQUAL Scores for Five Dimensions

Independent Variables	Thailand			Malaysia		
	B	SE B	â	B	SE B	â
Constant	9.434	0.087		8.307	0.130	
Tangibles	0.539***	0.078	0.368***	0.263**	0.114	0.193**
Reliability	0.489***	0.094	0.315***	0.184	0.137	0.112
Responsiveness	0.042	0.076	0.029	0.295***	0.073	0.285***
Assurance	0.182***	0.060	0.144***	0.664***	0.131	0.447***
Empathy	0.236***	0.083	0.156***	0.309**	0.146	0.227**
R^2 Value	0.793***			0.540***		
Adjusted R^2	0.788***			0.528***		
F	149.039			45.482		

a Dependent variable: OSQ (10-point scale)

* Significant at $p < 0.1$; ** Significant at $p < 0.05$; *** Significant at $p < 0.01$

The results were statistically significant for both Thailand (R^2=0.793, F=149.039, p<0.01) and Malaysia (R^2=0.540, F = 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. A striking result in term of relative importance of predicting overall service quality is that assurance is consistently critical dimensions across both countries.

Analyzing individual country sample in term of order of importance of each dimension based on the values of the beta (β) coefficients, the order of important for Thailand context was tangible (β=0.539), reliability (β=0.489), empathy (β= 0.236), and assurance (β=0.182). Summarizing the case of Thailand, tangible, reliability, empathy and assurance is positively associated with overall service quality and is significant explanatory of overall service quality.

As for Malaysia, the order of important was assurance (β=0.664), empathy (β=0.309), responsiveness (β= 0.295) and tangibles (β=0.263). Summarizing the case of Malaysia, assurance, empathy and tangible is positively associated. These four dimensions were significant explanatory of overall service quality.

Lastly, the regression equation in predicting overall service quality for both Thailand and Malaysia can be defined as follow:

- Thailand: OSQ = 9.434 + 0.539 (X_1) + 0.489 (X_2) + 0.042 (X_3) + 0.182 (X_4) + 0.236 (X_5)

- Malaysia: OSQ = 8.307 + 0.263 (X_1) + 0.184 (X_2) + 0.295 (X_3) + 0.664 (X_4) + 0.309 (X_5)

Where X_1 : Tangible; X_2 : Reliability; X_3 : Responsiveness; X_4 : Assurance X_5 : Empathy

4.6 THE EFFECT OF SERVICE QUALITY DIMENSIONS ON CUSTOMER SATISFACTION

A linear regression analysis was performed to examine the association of five service quality dimensions with customer satisfaction as presented in Table 4-10. The results were statistically significant for both Thailand (R^2=0.749, F = 115624, p <0.001) and Malaysia (R^2=0.460, F = 33.076, p<0.001) indicating five service quality dimensions explained 74.2% and 44.6% of variance in customer satisfaction for respective Thailand and Malaysia. In the Thailand sample, empathy, assurance and tangible is the strongest only predictor with p < 0.001, follow by

reliability and responsiveness with p<0.1. As of the Malaysia sample, assurance is the strongest predictor with p < 0.001, while tangible, responsiveness and empathy is significant with p < 0.01 and reliability was not significant.

Lastly, the regression equation in predicting customer satisfaction for both Thailand and Malaysia can be defined as follow:

- Thailand: CS $= 4.852 + 0.215 \, (X_1) + 0.134 \, (X_2) + 0.130 \, (X_3) + 0.273 \, (X_4) + 0.262 \, (X_5)$

- Malaysia: CS $= 4.249 + 0.099 \, (X_1) + 0.026 \, (X_2) + 0.060 \, (X_3) + 0.276 \, (X_4) + 0.116 \, (X_5)$

Where CS: Customer Satisfaction; X_1 : Tangible; X_2 : Reliability; X_3 : Responsiveness; X_4 : Assurance X_5 : Empathy

Table 4-9 Regression Analysis of Customer Satisfaction vs. SERVQUAL Scores for Five Dimensions

Independent Variables	Thailand			Malaysia		
	B	SE B	â	B	SE B	â
Constant	4.852	0.068		4.249	0.130	
Tangibles	0.215***	0.061	0.208***	0.099*	0.054	0.166*
Reliability	0.134*	0.073	0.122*	0.026	0.065	0.036
Responsiveness	0.130*	0.059	0.127*	0.060*	0.034	0.133*
Assurance	0.273***	0.047	0.306***	0.276***	0.062	0.424***
Empathy	0.262***	0.064	0.246***	0.116*	0.069	0.195*
R^2 Value	0.749***			0.460***		
Adjusted R^2	0.742***			0.446***		
F	115.624			33.076		

a Dependent variable: Customer Satisfaction (5-point scale)

* Significant at p < 0.1; ** Significant at p< 0.01; *** Significant at p< 0.001

4.7   THE EFFECT OF SERVICE QUALITY DIMENSIONS ON SERVICE LOYALTY

A linear regression analysis was performed to examine the association of five service quality dimensions with service loyalty as presented in Table 4-11. The results were statistically significant for both Thailand (R^2=0.414, F = 27.374, p<0.001) and Malaysia (R^2=0.471, F = 34.611, p<0.001) indicating five service quality dimensions explained 39.9% and 45.8% of variance in service loyalty for respective Thailand and Malaysia. In the Thailand sample, reliability is the strongest predictor with p<0.1, follow by tangible and assurance. As of the Malaysia sample, empathy is the strongest predictor with p < 0.001; follow by responsiveness with p < 0.01 and assurance with p < 0.1. Tangible and reliability were not significant.

Table 4-10 Regression Analysis of Service Loyalty vs. SERVQUAL Scores for Five Dimensions

Independent Variables	Thailand			Malaysia		
	B	SE B	â	B	SE B	â
Constant	6.066	0.102		5.789	0.130	
Tangibles	0.190*	0.090	0.188*	0.018	0.076	0.021
Reliability	0.238*	0.109	0.223*	0.146*	0.144	0.144*
Responsiveness	0.040	0.088	0.040	0.099**	0.048	0.154**
Assurance	0.177*	0.070	0.204*	0.165*	0.087	0.180*
Empathy	0.091	0.096	0.088	0.420***	0.097	0.497***
R^2 Value	0.414***			0.471***		
Adjusted R^2	0.399***			0.458***		
F	27.374			34.611		

a Dependent variable: Service Loyalty (7-point scale)

* Significant at p < 0.1; ** Significant at p< 0.01; *** Significant at p< 0.001

Lastly, the regression equation in predicting service loyalty for both Thailand and Malaysia can be defined as follow:

- Thailand: $SL = 6.066 + 0.190 (X_1) + 0.238 (X_2) + 0.040 (X_3) + 0.177 (X_4) + 0.091 (X_5)$

- Malaysia: $SL = 5.789 + 0.018 (X_1) + 0.146 (X_2) + 0.099 (X_3) + 0.165 (X_4) + 0.420 (X_5)$

Where SL: Service Loyalty; X_1 : Tangible; X_2 : Reliability; X_3 : Responsiveness; X_4 : Assurance X_5 : Empathy

4.8 MEDIATING EFFECT OF CUSTOMER SATISFACTION BETWEEN SERVICE QUALITY AND SERVICE LOYALTY

The procedure in testing mediating effect of customer satisfaction between service quality and service loyalty comprises of the computation of three regression equations which consisted of, first, the regression of the mediator (Customer Satisfaction) on the independent variable (service quality). Second, the regression of the dependent variable (service loyalty) on the independent variable (service quality) and lastly, the regression of the dependant variable (service loyalty) on both the independent variable (service quality) and on the mediator (customer satisfaction) (Caruana, 2002).

Table 4-11 Result of Regression Analysis Testing Mediating Effect of Customer Satisfaction

Parameter	Thailand			Malaysia		
	[EQ 1]	[EQ 2]	[EQ 3]	[EQ 1]	[EQ 2]	[EQ 3]
	CS	SL	SL	CS	SL	SL
R^2 Value	0.742	0.407	0.506	0.377	0.399	0.708
Adjusted R^2 Value	0.741	0.404	0.501	0.373	0.396	0.705
F	570.863*	136.150*	101.007*	119.593*	131.674*	238.445*
Beta – SQ	0.862*	0.638*	0.270*	0.641*	0.632*	0.200*
Beta – CS			0.619*			0.703*

Note: Beta reported are Standardized Values

* Significant at $p < 0.001$

Definition: CS: Customer Satisfaction; SQ: Service Quality; SL: Service Loyalty; EQ: Equation

In concluding that the mediation effects of customer satisfaction, Caruana (2002) suggested that the above three regression equation must comply with three criteria. First, the independent variable of the first equation must have an effect on the mediator. Second; the independent variable in the second equation must be shown to have effect on the dependent variable. Finally, the mediator in the third equation must have effect on the dependent variable to the exclusion of independent variable.

The result of the regression equation required to evaluate the mediating effect of customer satisfaction are shown in Table 4-12 which exhibited that the condition required for mediation to hold are present in both country, Thailand and Malaysia. The results of first regression equation indicated that there were statistically significant for both Thailand (R^2=0.742, $F = 570.863$, $p<0.001$) and Malaysia (R^2=0.377, $F = 119.593$, $p<0.001$) indicating that 30.0% and 37.3% of variance in customer satisfaction for respective Thailand and Malaysia can be predicted from service quality. In the second regression equation, the results were also statistically significant for both Thailand (R^2=0.407, $F = 136.150$, $p<0.001$) and Malaysia (R^2=0.399, $F = 131.674$, $p<0.001$) indicating that 40.4% of Thailand and 39.6% of Malaysia variance in service loyalty can be predicted by service quality.

In the third regression equation, Thailand (R^2=0.506, $F = 101.007$, $p<0.001$) and Malaysia (R^2=0.708, $F = 238.445$, $p<0.001$) both illustrated statistically significant. An important point of observation is that the beta value for service quality on service loyalty in the third regression equation and much lower comparing to the second regression equation for both country. In Thailand, the beta value for second and third equation is 0.638 and 0.270 respectively. As for Malaysia, the beta value for second and third equation is 0.632 and 0.200 respectively. Comparing the beta value of second equation to third equation, the declination is equivalent to 0.368 and 0.432 for Thailand and Malaysia respectively. This considerable decline in beta value can bring to the conclusion that service quality acts on service loyalty through the mediating role of customer satisfaction (Caruana, 2002).

4.9 FISHER-Z TEST FOR DIFFERENCE BETWEEN TWO INDEPENDENT CORRELATION

A Fisher-Z test was performed to examine the independent correlation coefficients of Thailand and Malaysia is difference as presented in Table 4-13. The results were statistically significant for all service quality dimensions except empathy in term of overall service quality. As for customer satisfaction, only empathy was statistically significant. Lastly, focusing on service loyalty, only tangibles and empathy was statistically significant.

Table 4-12 Fisher-Z Test Result

Parameter	Z-Score		
	Overall Service Quality	Customer Satisfaction	Service Loyalty
Tangibles	3.309***	1.182	1.730*
Reliability	3.460***	1.080	0.949
Responsiveness	-2.600**	0.701	-0.589
Assurance	-6.112***	0.032	0.123
Empathy	0.783	1.906*	-3.538***

* Significant at 2 tail $p < 0.1$; ** Significant at $p < 0.01$; *** Significant at $p < 0.001$

CHAPTER 5: 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 Thailand 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 Thailand 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 Thailand 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 Thailand (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 Thailand 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	Thailand			Malaysia		
	OSQ	Customer Satisfaction	Service Loyalty	OSQ	Customer Satisfaction	Service 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 Thailand 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 Thailand 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 Thailand 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 lead 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 Thailand, 2006).

In Thailand, 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 Nothern 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 Thailand 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 Thailand 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 Thailand 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 Thailand context and empathy dimension for Malaysia context. **Therefore hypothesis two is proven**

Hypothesis 3: Customer satisfaction in 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

observation 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 Thailand 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 Thailand 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:

1. To validate predictive validity, reliability and dimensionality of SERVQUAL instrument.

2. To determine relative importance and critical factor in service quality dimension which affects customer satisfaction and service loyalty.

3. To describe interrelation of service quality, customer satisfaction and service loyalty in banking industries

4. 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 Thailand 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.

Objective two, three and four were explored using regression analysis which this study had proposed hypothesis base on past research to describe the relationships between variable. Overall, the strongest predictor for overall service quality, customer satisfaction and service loyalty in Thailand was tangibles, assurance and reliability respectively. As for Malaysia, the strongest predictor for overall service quality and customer satisfaction was assurance while service loyalty was empathy. Furthermore, the study also concluded that customer satisfaction has mediating effect between service quality and service loyalty. Lastly, the study concluded that culture different have significant influence on overall service quality, customer satisfaction and service loyalty.

As conclusion, the objectives of this research were effectively accomplished using a combination of literature search and quantitative research. The findings offered some important insights into the nature of service quality, customer satisfaction and service loyalty in retail banking sector, as well as findings that could apply to other areas. The most important finding was of course that service quality was important for developing customer satisfaction and brand loyalty. However, perhaps the more important finding is that service quality, customer satisfaction, and service loyalty are interrelation among each other.

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 Thailand 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 Thailand, assurance and reliability is the most important dimension in determining customer satisfaction and service loyalty respectively. Thailand's banks could achieve competitive advantage by emphasizing on these two dimensions since Thailand 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:

1. Possess ability, knowledge and courtesy in inspiring trust and confidence to customers.

2. Provide caring and individualized attention to customer

4. 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 Thailand 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 Thailand and Malaysia respectively. However, foreign banking institutions have made a strong presence in domestic banking sector in Malaysia (Bank Negara Malaysia, 2012) and Thailand 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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APPENDIX

6.1 QUESTIONNAIRE - THAILAND (แบบสอบถาม – ประเทศไทย)

การสำรวจนี้ถูกออกแบบมาเพื่อศึกษาความสัมพันธ์ระหว่างคุณภาพการบริการ ความพึงพอใจของลูกค้า และ ความจงรักภักดีของการบริการในภาคธนาคารค้าปลีกในประเทศไทย และ ประเทศมาเลเซีย การสำรวจนี้ใช้เวลาของท่านประมาณ 15 นาที การมีส่วนร่วมในการสำรวจนี้แสดงให้เห็นถึงความยินยอม และ ความสมัครใจของท่าน การศึกษานี้เป็นส่วนหนึ่งของงานวิจัย สำหรับการศึกษาปริญญาโท คณะบริหารธุรกิจ มหาวิทยาลัยสงขลานครินทร์

ส่วนหนึ่ง 1: ข้อมูลทั่วไป

โปรดทำเครื่องหมาย ✔ ลงในช่องว่าง ( ) หน้าข้อความที่ท่านเลือก

1. เพศ   ( ) Male (ชาย)   ( ) Female (หญิง)

2. อายุ   ( ) <20   ( ) 20 – 30   ( ) 31 – 40   ( ) 41 – 50   ( ) 51 – 60   ( ) >60

3. ระดับการศึกษา

      ( ) ไม่ได้มีการศึกษา   ( ) อนุปริญญาหรือเทียบเท่า)

      ( ) ประถมศึกษา   ( ) ปริญญาตรี

      ( ) มัธยมศึกษา   ( ) ปริญญาโท

                                                    ( ) สูงกว่าปริญญาโท

4. รายได้ส่วนบุคคลต่อเดือน

      ( ) < 20,000 บาท   ( ) 60,001 – 80,000 บาท

      ( ) 20,001 – 40,000 บาท   ( ) 80,001 – 100,000 บาท

      ( ) 40,001 – 60,000 บาท   ( ) > 100,001 บาท

วัดผลคุณภาพบริการ

A. กรุณาเลือกธนาคารที่ท่านใช้บริการมากที่สุด

( ) ธนาคารกสิกรไทย   ( ) ธนาคารกรุงเทพ

( ) ธนาคารไทยพาณิชย์   ( ) ธนาคารกรุงไทย

หมายเหตุ:   1. ในหัวข้อด้านล่างนี้ กรุณาตอบคำถามเกี่ยวกับธนาคารที่ท่านเลือกไว้

2. คำ "ธนาคาร XYZ" ในหัวข้อด้านล่างนี้หมายถึงธนาคารที่ท่านเลือกไว้

กรุณาระบุระดับที่ดีที่สุดในการสะท้อนเรื่องเกี่ยวกับความคาดหวัง และ ประสบการณ์จริง ในด้านการบริการของ "ธนาคาร XYZ" ในแง่มุมต่างๆ บนพื้นฐานของ ประสบการณ์ และ ความรู้สึกของท่านโดยให้คะแนนเจ็ดระดับ ดังนี้

ไม่เห็นด้วยอย่างยิ่ง   →   เห็นด้วยอย่างยิ่

1	2	3	4	5	6	7

องค์ประกอบคุณภาพบริการในมิติต่างๆ	ระดับความคาดหวัง :	ระดับการได้รับบริการจริง
ด้านความน่าเชื่อถือ		
1. ได้ให้บริการตามที่สัญญาไว้	1 2 3 4 5 6 7	1 2 3 4 5 6 7
2. แสดงให้เห็นถึงความเชื่อถือในการแก้ปัญหาแก่ท่าน	1 2 3 4 5 6 7	1 2 3 4 5 6 7
3. ได้ให้บริการตรงตามความต้องการตั้งแต่แรก	1 2 3 4 5 6 7	1 2 3 4 5 6 7
4. ได้ให้บริการตามเวลาที่สัญญาไว้	1 2 3 4 5 6 7	1 2 3 4 5 6 7
5. การบันทึกรายการใช้บริการเป็นไปอย่างถูกต้อง	1 2 3 4 5 6 7	1 2 3 4 5 6 7
ด้านการตอบสนอง		
6. แจ้งให้ท่านทราบถึงเวลาที่จะสามารถให้บริการแก่ท่าน	1 2 3 4 5 6 7	1 2 3 4 5 6 7
7. ได้ให้บริการท่านด้วยความรวดเร็ว	1 2 3 4 5 6 7	1 2 3 4 5 6 7
8. ยินดีให้บริการท่านเสมอ	1 2 3 4 5 6 7	1 2 3 4 5 6 7
9. พร้อมที่จะให้บริการท่านสม่ำเสมอ	1 2 3 4 5 6 7	1 2 3 4 5 6 7

องค์ประกอบคุณภาพบริการในมิติต่างๆ	ระดับความคาดหวัง :	ระดับการได้รับบริการจริง
ด้านการสร้างความมั่นใจ		
10. ลักษณะท่าทีของพนักงานของธนาคารได้สร้างความมั่นใจให้กับท่าน	1 2 3 4 5 6 7	1 2 3 4 5 6 7
11. ท่านรู้สึกไว้วางใจเมื่อทำการติดต่อกับพนักงานของธนาคาร	1 2 3 4 5 6 7	1 2 3 4 5 6 7
12. พนักงานมีความสุภาพ อ่อนน้อมต่อท่านเสมอ	1 2 3 4 5 6 7	1 2 3 4 5 6 7
13. พนักงานมีความรู้ที่จะตอบคำถามท่านได้	1 2 3 4 5 6 7	1 2 3 4 5 6 7
ด้านการดูแลเอาใจใส่		
14. พนักงานได้ให้ความสนใจในการบริการท่านเป็นส่วนตัว	1 2 3 4 5 6 7	1 2 3 4 5 6 7
15. พนักงานได้ให้บริการท่านอย่างเอาใจใส่	1 2 3 4 5 6 7	1 2 3 4 5 6 7
16. ได้ถือผลประโยชน์สูงสุดของท่านเป็นสำคัญ	1 2 3 4 5 6 7	1 2 3 4 5 6 7
17. พนักงานได้เข้าใจถึงความต้องการการบริการของท่าน	1 2 3 4 5 6 7	1 2 3 4 5 6 7
18. เปิดทำการในเวลาที่สะดวกแก่ผู้มาใช้บริการ	1 2 3 4 5 6 7	1 2 3 4 5 6 7
ด้านรูปลักษณ์ทางกายภาพ		
19. อุปกรณ์ที่ทันสมัย	1 2 3 4 5 6 7	1 2 3 4 5 6 7
20. อุปกรณ์อำนวยความสะดวกต่าง ๆ ดูสวยงาม และ มีความสะอาด	1 2 3 4 5 6 7	1 2 3 4 5 6 7
21. พนักงานผู้ให้บริการ แต่งกายสะอาด สุภาพเรียบร้อย	1 2 3 4 5 6 7	1 2 3 4 5 6 7
22. วัสดุอุปกรณ์ในการให้บริการดูสวยงาม และ มีความสะอาด	1 2 3 4 5 6 7	1 2 3 4 5 6 7

คุณภาพการบริการโดยรวม

กรุณาระบุคุณภาพการบริการโดยรวมของการบริการ และ ข้อมูลที่ "ธนาคาร XYZ" ส่งมอบให้ท่านในแง่มุมต่างๆ บนพื้นฐานของ ประสบการณ์ และ ความรู้สึกโดยให้คะแนนห้าระดับดังนี้

แย่มาก $\rightarrow$ **ดีมาก**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

	คุณภาพการบริการโดยรวมในมิติต่างๆ	ระดับ OSQ :
1.	สิ่งอำนวยความสะดวกทางกายภาพของธนาคาร บุคลากรและพนักงาน และอุปกรณ์การสื่อสารในการให้บริการ	1 2 3 4 5 6 7 8 9 10
2.	ผู้ให้บริการมีความสามารถในการปฏิบัติงานทำให้ผู้รับบริการเกิดวามรู้สึกไว้วางใจได้ว่า การให้บริการมีความถูกต้องเที่ยงตรง	1 2 3 4 5 6 7 8 9 10
3.	ผู้ให้บริการมีความพร้อมและเต็มใจที่จะให้บริการ สามารถตอบสนองความต้องการของผู้รับบริการได้ตามต้องการ	1 2 3 4 5 6 7 8 9 10
4.	ผู้ให้บริการมีความรู้และมีอัธยาศัยที่ดีในการให้บริการ รวมถึงทำให้ผู้รับบริการเกิดความเชื่อมั่นในการใช้บริการ	1 2 3 4 5 6 7 8 9 10
5.	ผู้ให้บริการให้บริการโดยคำนึงถึงจิตใจ และความแตกต่างของผู้รับบริการตามลักษณะของแต่ละบุคคลเป็นสำคัญ	1 2 3 4 5 6 7 8 9 10

ความพึงพอใจ

กรุณาระบุความพึงพอใจที่ท่านมีต่อ "ธนาคาร XYZ" ในแง่มุมต่างๆ บนพื้นฐานของ ประสบการณ์ และ ความรู้สึกโดยให้คะแนนห้าระดับดังนี้

ไม่พึงพอใจเลย $\rightarrow$ **พึงพอใจมากที่สุด**

| 1 | 2 | 3 | 4 | 5 |

	ความพึงพอใจ	ระดับความพึงพอใจ :
1.	จากประสบการณ์ทั้งหมด โดยภาพรวมท่านมีความพึงพอใจเพียงใด	1 2 3 4 5
2.	จากประสบการณ์ทั้งหมด โดยภาพรวมท่านไม่มีความพึงพอใจเพียงใด	1 2 3 4 5
3.	ท่านมีความพึงพอใจมากน้อยเพียงใด เมื่อเทียบกับธนาคารอื่น ที่เคยใช้บริการ	1 2 3 4 5
4.	โดยรวมแล้ว ฉัน/ผม พอใจ	1 2 3 4 5

ความจงรักภักดีต่อการบริการ

กรุณาระบุระดับที่ดีที่สุดในการสะท้อนเรื่องเกี่ยวกับ "ธนาคาร XYZ" ในแง่มุมต่างๆ บนพื้นฐานของ
ประสบการณ์ และ ความรู้สึกโดยให้คะแนนเจ็ดระดับดังนี้

ไม่เห็นด้วยอย่างยิ่ง →   **เห็นด้วยอย่างยิ่ง**

1   **2**   **3**   **4**   **5**   **6**   **7**

	ความจงรักภักดีต่อการบริการ	ระดับความจงรักภักดี:
1.	พูดถึง "ธนาคาร XYZ" ในทางที่ดีต่อคนในครอบครัว เพื่อน และคนอื่นๆ	1 2 3 4 5 6 7
2.	ตั้งใจจะใช้บริการ "ธนาคาร XYZ" ต่อไป	1 2 3 4 5 6 7
3.	แนะนำให้เพื่อน ๆ และญาติใช้บริการและ ทำธุรกิจกับ "ธนาคาร XYZ"	1 2 3 4 5 6 7
4.	ไม่ค่อยพิจารณาที่จะเปลี่ยนจาก "ธนาคาร XYZ" เป็นธนาคารอื่น	1 2 3 4 5 6 7
5	สงสัยว่าฉัน/ผมจะเปลี่ยนไปใช้บริการธนาคารอื่น	1 2 3 4 5 6 7
6	ชอบทำธุรกิจกับ "ธนาคาร XYZ"	1 2 3 4 5 6 7
7	สำหรับ ฉัน/ผม "ธนาคาร XYZ" เป็นทางเลือกที่ดีที่สุดในการทำธุรกิจ	1 2 3 4 5 6 7
8	เชื่อว่า "ธนาคาร XYZ" เป็นธนาคารที่ดี	1 2 3 4 5 6 7
9	พยายามที่จะใช้บริการ"ธนาคาร XYZ" ทุกครั้ง	1 2 3 4 5 6 7
10	"ธนาคาร XYZ" เป็นธนาคารหลักของ ฉัน/ผม	1 2 3 4 5 6 7
11	"ธนาคาร XYZ" เป็นตัวเลือกแรกเมื่อ ฉัน/ผม จำเป็นต้องใช้บริการ	1 2 3 4 5 6 7
12	เมื่อ ฉัน/ผม ต้องการใช้บริการธนาคาร ฉัน/ผม จะนึกถึง "ธนาคาร XYZ" เป็นธนาคารแรก	1 2 3 4 5 6 7

6.2 QUESTIONNAIRE - MALAYSIA

This survey is designed to study the relationship between service quality, customer satisfaction and service loyalty in retail banking sector in Thailand & Malaysia. Taking the survey will take approximately 15 minutes of your time. Participation of this survey indicates voluntary consent to involve in the study. The study is a partial fulfillment of the requirements for Degree of Master of Business Administration at Prince of Songkhla University.

Part 1: General Information

Please mark ✔ on your personal detail

1. Sex   (   ) Male   (   ) Female

2. Age   (   ) <20   (   ) 20 – 30   (   ) 31 – 40   (   ) 41 – 50   (   ) 51 – 60
(   ) >60

3. Education

     (   ) No Education   (   ) Diploma

     (   ) Primary School   (   ) Bachelor Degree

     (   ) Secondary   (   ) Master Degree

                               (   ) Higher than Master Degree

4. Malaysia - Monthly Individual Salary

     (   ) < RM 2,000   (   ) RM 6,001 – 8,000

     (   ) RM 2,001 – 4,000   (   ) RM 8,001 – 10,000

     (   ) RM 4,001 – 6,000   (   ) > RM 10,001

Service Quality Measure

A. Please choose one bank that you use the service most

( ) Maybank Berhad   ( ) Public Bank

( ) CIMB Bank   ( ) Hong Leong Bank

Remarks: 1. In the following section, please answer the question based on the bank you have chosen above

2. The word "XYZ Bank" in the following section means the bank you have chosen above

Please indicate which best reflects the degree of the expectation and perception on the quality of service and information delivered by XYZ Bank. Rate your experience and impression by the statement as below on a seven point scale.

Strongly Disagree   →   **Strongly Agree**

1   2   3   4   5   6   7

Service Quality Dimension	Degree of Expectation	Degree of Perception
Reliability		
1 Providing services as promised	1 2 3 4 5 6 7	1 2 3 4 5 6 7
2 Dependability in handling customers' service problems	1 2 3 4 5 6 7	1 2 3 4 5 6 7
3 Performing services right the first time.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
4 Providing services at the promised time.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
5 Maintaining error-free records	1 2 3 4 5 6 7	1 2 3 4 5 6 7
Responsiveness		
6 Keeping customers informed about when services will be performed.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
7 Prompt service to customers	1 2 3 4 5 6 7	1 2 3 4 5 6 7
8. Willingness to help customers.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
9. Readiness to respond to customers' requests.	1 2 3 4 5 6 7	1 2 3 4 5 6 7

	Service Quality Dimension	Degree of Expectation	Degree of Perception
Assurance			
10.	Employees who instill confidence in customers.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
11.	Making customers feel safe in their transactions.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
12.	Employees who are consistently courteous.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
13.	Employees who have the knowledge to answer customer questions	1 2 3 4 5 6 7	1 2 3 4 5 6 7
Empathy			
14.	Giving customers individual attention.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
15.	Employees who deal with customers in a caring fashion.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
16.	Having the customer's best interest at heart.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
17.	Employees who understand the needs of their customers.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
18.	Convenient business hours.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
Tangible			
19.	Modern equipment.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
20.	Visually appealing facilities	1 2 3 4 5 6 7	1 2 3 4 5 6 7
21.	Employees who have a neat, professional appearance.	1 2 3 4 5 6 7	1 2 3 4 5 6 7
22.	Visually appealing materials associated with the service.	1 2 3 4 5 6 7	1 2 3 4 5 6 7

Overall Service Quality

Please indicate which best reflects the overall service quality (OSQ) on the quality of service and information delivered by XYZ Bank. Rate your experience and impression by the statement as below on a ten point scale.

Extremely Poor → **Extremely Good**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |

	Overall Service Quality	Degree of OSQ
1.	The appearance of the bank company physical facilities, equipment, personnel, and communications materials	1 2 3 4 5 6 7 8 9 10
2.	The ability of the bank company to perform the promised service dependably and accurately	1 2 3 4 5 6 7 8 9 10
3.	The willingness of the bank company to help customers and provide customer and provide prompt service	1 2 3 4 5 6 7 8 9 10
4.	The knowledge and courtesy of the bank company's employee and their ability to convey trust and confidence.	1 2 3 4 5 6 7 8 9 10
5.	The caring, individualized attention the bank company provides its customers.	1 2 3 4 5 6 7 8 9 10

Satisfaction

Please indicate which best reflects the satisfaction toward XYZ Bank. Rate your experience and impression by the statement as below on a five point scale.

Strongly Dissatisfied → **Strongly Satisfied**

| 1 | 2 | 3 | 4 | 5 |

	Satisfaction	Degree of Satisfaction
1.	Based on all of your experience, how satisfied overall are you	1 2 3 4 5
2.	Based on all my experience, how dissatisfied are you	1 2 3 4 5
3.	Compared to other banks you have done business with	1 2 3 4 5
4.	In general, I am satisfied	1 2 3 4 5

Service Loyalty

Please indicate which best reflects in regard to XYZ Bank. Rate your experience and impression by the statement as below on a seven point scale.

Strongly Disagree　　　　　　　　→　　　　　　　　**Strongly Agree**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

	Service Loyalty	Degree of Loyalty
1.	Say positive things about "XYZ Bank" to other people	1 2 3 4 5 6 7
2.	Intend to continue doing business with "XYZ Bank"	1 2 3 4 5 6 7
3.	Encourage friends and relatives to do business with "XYZ Bank"	1 2 3 4 5 6 7
4.	Seldom consider switching away from "XYZ Bank"	1 2 3 4 5 6 7
5	Doubt that I would switch other bank	1 2 3 4 5 6 7
6	Really like doing business with "XYZ Bank"	1 2 3 4 5 6 7
7	To me, "XYZ Bank" is clearly the best to do business with	1 2 3 4 5 6 7
8	Believe "XYZ Bank" is a good bank	1 2 3 4 5 6 7
9	Try to use "XYZ Bank" every time I need services	1 2 3 4 5 6 7
10	Consider "XYZ Bank" my primary bank	1 2 3 4 5 6 7
11	First choice when I need "XYZ Bank" services	1 2 3 4 5 6 7
12	"XYZ Bank" is primary place where I consider when I want to use bank services	1 2 3 4 5 6 7

VITAE

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Student ID   5310520015

Educational Attainment

Degree	**Name of Institution**	**Year of Graduation**
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List of Publication and Proceeding

Ooi, C.S., Sukhabot, S., Service Quality, Customer Satisfaction and Service Loyalty in Retail Banking Sector in Thailand & Malaysia: An Exploratory Research on Validity and Critical Factor, *International Conference on Economics & Business Research*, May 15-16, Penang, Malaysia