SERVICE QUALITY INFLUENCES ON CUSTOMER SATISFACTION AND BRAND LOYALTY: IN CASE OF MONGOLIAN BANKINGSECTOR

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Abstract- Mongolian Bank Sector was highly developed and offer 14-15% interest rate of year for customers, which means highest interest rate in world.Today, 40% of Mongolian has saving account in the banks.Research focused to investigate relationship of Service Quality,Customer Satisfaction,Brand loyalty.Survey data was collected from 156 customers of banks by paper and answers of 110 respondents was collected by Social Media.The research result found that service quality significantly positive influences on customer satisfaction and brand loyalty.Customer satisfaction positive and significantly affects to brand loyalty. It means Service quality is main reason of customer satisfaction. If customers more satisfy, they more relate with bank for long time. Thus, Managers of service company need to focus Service Quality in order to enhance Customer Satisfaction and Brand Loyalty.

Keywords- Service Quality,CustomerSatisfaction,Brandloyalty,Banking Sector

I. BASIS FOR TOPIC

Mongolianbanks operate in 95% of financial Industry and 13 (Khaan,Golomt,Khas,TDB,State,Ubcity,Capital,Capitron,Chinggis Khan etc.) commercial banks offer financial services to 2 million customers.Financial sectoris fully privitazed and more competitive which means customers use services of different banksat the same time. Therefore Banks need to increase service quality, marketing,interest rate at the every time. Bank of Mongolia increased minimum capital requirement for banks periodically, and capital adequacy ratio of the banking sector was as high as 14-24 percent since 2000, which is 1.8-3 times higher than international minimum standards. The reason most influenced on development of private commercial banks and changed customer attitude and behaviour about service of financial(Loan , Savings Account).

II. LITERATURE REVIEW

In the 21st century,the world is growing in an increasingly rapid-changing environment. Business markets have become much more competitive.Service quality of any organizations is most important factor of customer satisfaction.In banking services provided to the customer, accuracy in completing orders, maintaining precise record and quote, accuracy in billing, maintaining promised services are the basic views of reliability which is considered as the most important factor in convincing customers to retain in banking services (Yang and Fang, 2004).The ability to satisfy customers is vital for a number of reasons.Low customer service create dissatisfaction of customer and it will lead to decrease profit or lose customers in the business. Satisfaction is often used as a predictor of future consumer purchases (Newman and Werbel, 1973;), Satisfied customers have a higher likelihood of repeating purchases in time (Zeithaml et al., 1996). Zineldin (2000) pointed that conventionally satisfied customers have been deemed as less price sensitive and prone to switching and are more likely to purchase extra and stay loyal. The more loyal the customer and the longer the customer is retained, the more sales and profits the customer might generate (Edvardsson et al., 2000). If more customers are retained at an increased rate, a business can be able to realize profits increased by 25% on an average scale (Griffin, 1995). Also, one of the extremes, customer satisfaction is always intended to influence buyers' repurchase intention through positive word of mouth interaction; meanwhile being the other extreme, dissatisfaction leads to negative word of mouth communication. Moreover, satisfied customers always suggest others to go for the product while dissatisfied customers will also recommend others in huge numbers but in the context of negative marketing, most probably dissatisfied customers recommend others not to use the product (La Barbera and Mazursky, 1983).

1.1 Brand loyalty

Brand loyalty is defined as: “The extent of the faithfulness of consumers to a particular brand, expressed through their repeat purchases, irrespective of the marketing pressure generated by the competing brands” (Anon., 2010). Oliver (1999) defined brand loyalty as "a deeply held psychological commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior ". Oliver

(1999) has proposed four ascending brand-loyalty stages according to the cognition affect conation pattern. The first stage is cognitive loyalty. Customers are loyal to a brand based on their information on that brand. The next phase is affective loyalty, which refers to customer liking or positive attitudes toward a brand. The third step is conative loyalty or behavioral intention. This is a deeply held commitment to buy a "good intention" This desire may result in unrealized action. The last stage is action loyalty, where customers convert intentions into actions. Customers at this stage experience action inertia, coupled with a desire to overcome obstacles to make a purchase. Although action loyalty is ideal, it is difficult to observe and is often equally difficult to measure.

1.2 Service quality

Service can be defined in many ways depending on which area the term is being used. An author defines service as “any intangible act or performance that one party offers to another that does not result in the ownership of anything” (Kotler& Keller, 2009, p. 789).Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002, p. 831). One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. The SERVQUAL scale which is also known as the gap model by Parasuraman, et al. (1988) has been proven to be one of the best ways to measure the quality of services provided to customers.latest SERVQUAL model has 5 deminsions.

Tangibility: physical facilities, equipment, and appearance of personnel
Reliability: ability to perform the promised service dependably and accurately
Responsiveness: willingness to help customers and provide prompt service
Assurance: knowledge and courtesy of employees and their ability to inspire trust and Confidence
Empathy: caring individualized attention the firm provides to its customers

1.4Customer satisfaction

Customer satisfaction is a highly personal assessment that is greatly influenced by individual expectations. Some definitions are based on the observation that customer satisfaction or dissatisfaction results from either the confirmation or disconfirmation of individual expectations regarding a service or product (Centre for the Study of Social Policy, 2007). For many firms, customer satisfaction is becoming the guiding principle for establishing marketing tactics as well as developing marketing activities. Customer satisfaction must not be described as a goal in its place, it should be considered as a means for improving the company's performance (Martensen et al., 2000).

1.4 Service quality and Customer satisfaction

Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Some researchers have found empirical supports for the view of the point mentioned above (Anderson & Sullivan, 1993; Fornell et al 1996; Spreng&Macky 1996); where customer satisfaction came as a result of service quality.

1.5 Service quality and Brand loyalty

In marketing concept, the achievement of the overall organizational goals depends on how best is a company in delivering satisfactions better than the competitors (Kotler and Armstrong, 2010). The success of businesses often depends on the frequency. Also, at each customer contact it should be proof that improved value is delivered to the customer. This is because the customer today is informed; he understands the motives of marketers and does not give in easily. Hence, it becomes a herculean task to build brand loyalty. However, once achieved it can promise great success to any organization. Generally speaking, Service Quality and Customer Satisfaction are closely related. The higher service quality, the higher customer satisfaction. Service quality has a highly correlation with customer satisfaction, financial performance, manufacturing cost, customer retention, customer loyalty, brand loyalty and the success of marketing strategy (Cronin et al., 2000;). Through service quality, organizations can reach a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter et al., 2000).

1.6 Customer Satisfaction and Brand Loyalty

Reference (James,1995) found that satisfied customers will naturally increase loyalty. That is, customer satisfaction will positively affect customer loyalty. Reference (Prus,1995) believed that customer satisfaction will positively affect customer loyalty, repurchase, and result in customers' recommending to others. When customer satisfaction is higher, customers will have lower brand switching behavior, that is, customers will continue to buy the original product or service of the brand (Shukla ,2004). Reference (Kim ,2008) also confirmed that customer satisfaction has a positive effect on brand loyalty

1.7Conceptual Framework

The purposes of research are to investigate the relationships among Service Quality,Customer satisfaction, brand loyalty. Based on previous literature, this study builds up the research framework as shown in Figure 2.

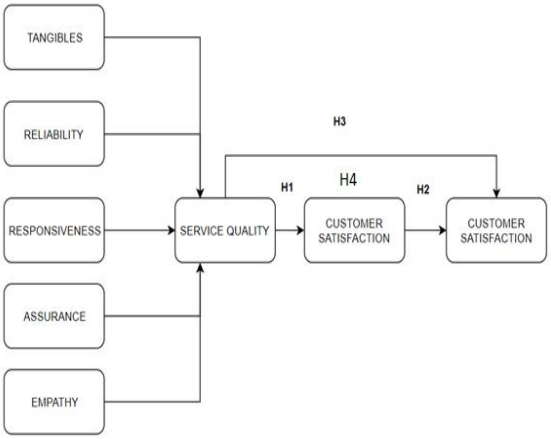


Figure 2: Conceptual Framework

Hypothesis:

H1: Service Quality positive influences on Customer Satisfaction

H2: Customer Satisfaction positive influences on Brand Loyalty

H3: Service Quality positive influences on Brand Loyalty

H4: Customer Satisfaction has mediating effect between service quality and customer satisfaction

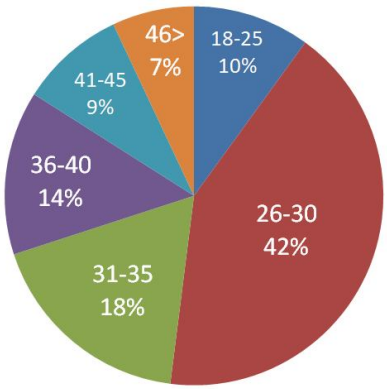
2. Data sample

In order to increase effectiveness and efficiency of the data collection, the Internet will be used as a medium to approach the sample. Data collection takes place around one month and a half from the beginning of March to the middle of April 2018. Research data was collected by social media (110 respondents) and paper survey (150 respondents).All respondents use financial service of Mongolian banks and randomly selected.

3. Personal Data Information

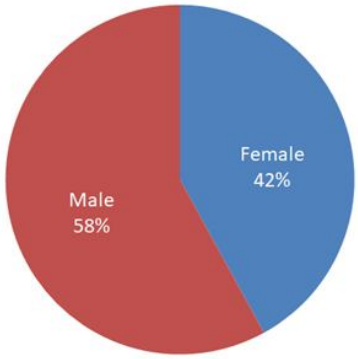
Age of respondents

The frequency analysis shows personal information of respondents and 266 customers participated in the survey. 10% ofRespondents were between 18-25 year ages and 26-30 ages (42%) , 31-35 (18%) , 36-40 ages (14%),41-45 ages (9%),46> ages (7%).



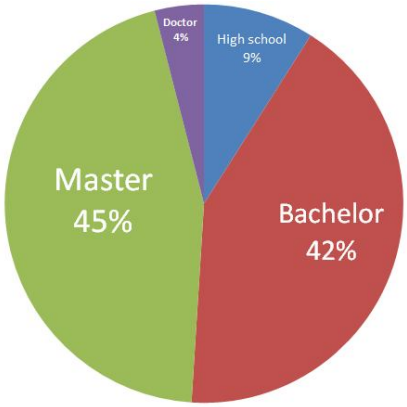
[Gender of Respondents

The frequency analysis of the questionnaire indicates that the total of 266 responders 58% were males and 42% were females. The result demonstrates that male respondents indicates more enthusiasm toward current investigation than female.]



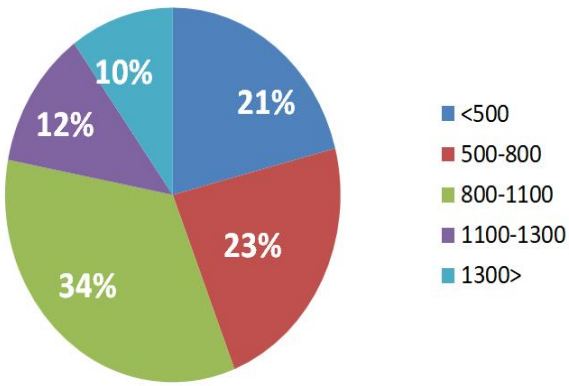
Education of Respondents

42% of total participants have bachelor degree and 9% have education of High school.



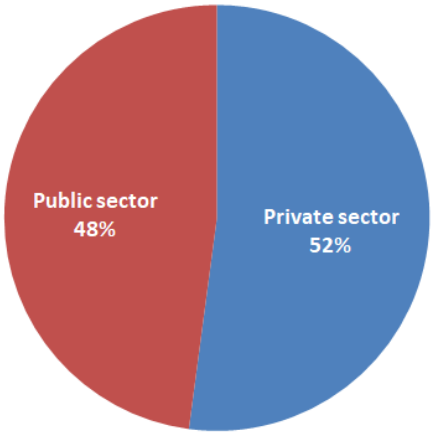
Income of Respondents

The frequency analysis of the questionnaire indicates that of the total of 266 respondents 21% have income below 500,000, 23% have 500,000-800,000,44% have 800,000-1100,000 and 12% are 1100,000-1300,000 and only 10% have more than 1300,000.



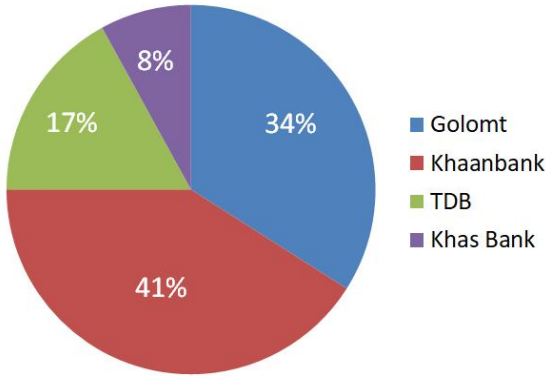
Job position of Respondents

62% of responders work in private and public companies.Graphic shows that Workers were actively involved in the survey.



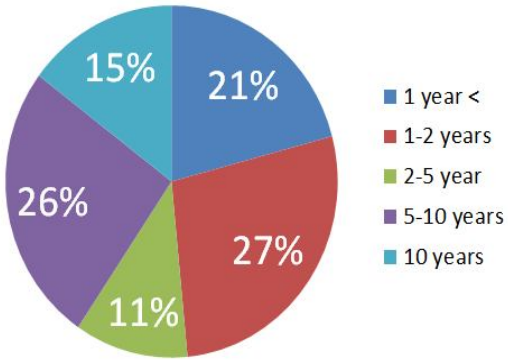
Usage of Bank services

41% of Respondersuse Khaanbank and 34% are customer of Golomt.



Usage time of Bank service

27% of participants used current cellphone operator higher than 5 years and 21% used 1-2 years.



3.Data Analysis

a. Descriptive analysis

Cronbach's Alpha values of Service Quality, Customer satisfaction and Brand loyalty is .712, .752 and .824 which is above from 0.70 which is recommended for social sciences standard for research. It shows the data consistency among the questions. In this statistics mean values and standard deviation of all variables show its consistency.

Table 1: Descriptive statistics

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Variables	Reliablity	Means	Standardard deviation
SQ	0.712	4.1372	1.142372
SAT	0.752	3.9892	1.034514
BL	0.824	3.4242	1.098272

b. Correlation Analysis

The correlation analysis shows that there is positive significant relationship between Service quality relation with customer satisfaction as the correlation value is 0.672 and also positive significant relationship has been found between service quality relations with brand loyalty as the research result value is 0.532.Customer satisfaction positive relationship with Brand loyalty (0.494) and has mediating effect between service quality and brand loyalty.

Table 2: Correlation Analysis

		SQ	CS	BL
SQ	Pearson Correlation	1	.672**	.532**
	Sig. (2-tailed)		.000	.000
	N	266	266	266
CS	Pearson Correlation	.672**	1	.494**
	Sig. (2-tailed)	.000		.000
	N	266	266	266
BL	Pearson Correlation	.532**	.494**	1
	Sig. (2-tailed)	.000	.000	
	N	266	266	266

N = 266. Reliabilities are given in parenthesis. * = p< .05, ** = p < .01 and *** = p < .001

c. Regression Analysis

Table 3 shows regression results.The results approve our proposed hypothesis.

Hypothesis 1:
Service Quality has positive and significant relationship with Customer Satisfaction ($\beta = 0.692$, $p < 0.01$). It describe 57,2% unique variance ($\Delta R2 = 0.572$, $p < 0.001$) in Customer Satisfaction.Thus hypothesis 1 approved.

Hypothesis 2:
Service Quality has positive and significant relationship with Brand Loyalty ($\beta = 0.552$, $p < 0.01$). It describe 33.9% unique variance ($\Delta R2 = 0.339$, $p < 0.001$) in Brand Loyalty.Thus hypothesis 2 approved.

Hypothesis 3:
Customer Satisfaction has positive and significant relationship with Brand Loyalty ($\beta = 0.578$, $p < 0.01$). It describe 47,8% unique variance ($\Delta R2 = 0.478$, $p < 0.001$) in Brand loyalty.Thus hypothesis 3 approved.

Hypothes 4: Customer satisfaction has mediating effect between service quality and brand loyalty.

Table 3: Regression Analysis

	Satisfaction			Brand loyalty		
Predictors	β	R^2	ΔR^2	β	R^2	ΔR^2
SQ	0.692***	0.572	0.568***	.552***	0.342	.339***
ST				.578***	0.484	0.478**

ST- Satisfaction ,SQ - Service Quality, BL-Brand Loyalty. * = p < .05, ** = p < .01 and *** = p < .001

CONCLUSION

Main purpose of research study was to investigate at evaluating the impacts of Service quality on brand loyalty and Customer Satisfaction and how customer satisfaction also important influences on brand loyalty in banking sector of Mongolia.Result of analysis is service quality positive significant affecton customer satisfaction and brand loyalty.On the opposite,Service quality had a higher influence on customer satisfaction more than brand loyalty and shows that customer satisfaction hase mediating effect between service quality and brand loyalty.Shows customer satisfaction high direct positive impacts on brand loyalty.Thusceo and managers of banking have to focus for improving service quality in order to develop continuously competitive advantage by customer satisfaction and brand loyalty.

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