The Effect of Service Quality and Customer Perceived Value on Customer Loyalty of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand

ผลกระทบของคุณภาพบริการและมูลค่าที่รับรู้ของลูกค้าที่มีต่อความภักดีของลูกค้าของธนาคารเพื่อการเกษตรและสหกรณ์การเกษตร สาขาร้อยเอ็ด ประเทศไทย

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Abstract

The objectives of this research were to investigate the effect of service quality on customer loyalty through customer perceived value of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand. The research was a quantitative research method. The population of this research was the bank's customers with the samples of 400 respondents determined by using simple random sampling based on Taro Yamane (1973) formula. Data were collected through 5-point Likert scale questionnaire surveys. Content validity was applied to ensure the accuracy of an assessment tool and Cronbach's alpha was conducted to test for reliability. Data were analyzed by descriptive statistics including percentage, mean, and standard deviation; and inferential statistics including the Pearson Product-Moment Correlation and Path Analysis. The findings of the research from hypotheses testing found that service quality and customer perceived value can explain the variation of customer loyalty up to 63.70% (Adjusted R-Square 0.637) at 0.05 significant level. The service quality had statistically significant direct effect on customer loyalty with standardized coefficients (β) of 0.398 and customer perceived value had statistically significant direct effect on customer loyalty with standardized coefficients (β) of 0.448. The service quality had statistically significant direct effect on customer perceived value with standardized coefficients (β) of 0.785. The effect of service quality on customer loyalty through customer perceived value had statistically significant indirect effect with standardized coefficients (β) of 0.352.

Keywords: 1. Service Quality 2. Customer Perceived Value 3. Customer Loyalty

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Introduction

Customer service with excellent quality is very significant, especially for banking sector, which is service-based institution. High standard service providing to targeted bank customers can enhance their perceived value in competitive arena and finally, raise customer loyalty in the long run. Most banks need to assure their service providing in compatible with the demands of the 21st century customers including Thai banks. The Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch is one of the banking mechanism on increasing quality of service, customer perceived value, and customer loyalty. Thus, the bank has launched many campaigns and services with reliability, responsiveness, and assurance in order to promote customer perceived value, which can drive perceived understanding of customer on service providing. In addition, the bank has concentrated on price of service, convenience, and service giving to customers as these critical factors can enhance customer loyalty in the long run. Many previous researches explored the relationship between service quality and customer loyalty and the research results shown that there was an influence of service quality on customer loyalty. However, the mediating variable remains unclear. The importance of the above reasons is the cause of this research. The paper begins with a review of the literatures related to service quality and customer perceived value affecting on customer loyalty in order to conceptualize the framework and develop the hypotheses. Next, the research materials and methods, analysis of data and results are explained. Finally, conclusion and discussion of the research findings as well as implications and suggestions for future researches are presented.

Literature Reviews

Definitions of service quality from the literature reviews are documented in various studies. Zeithaml, V.A. et al. (1990) stated that the quality of service is the concept and practice in the assessment of service expectation comparing to real service providing from service provider. If the provider can deliver consistent service to meet the needs of the customer; or service with the higher expectation level, it will make customer satisfaction with the service received. The famous research study on service quality is presented by Grönroos, C. (2007) who focused on comparison between customers' expectation of the service and their experience of the service received before. Previous researchers emphasize on what customers are really looking for and what they actually receive. Thus, service quality is one of the most important factors to promote customer pleasure and loyalty. Several indicators have been developed to measure and explain service quality dimensions. One of the well-known

model is service quality model, or SERVQUAL (Zeithaml, V.A. et al., 1990), which is the most commonly used instrument linking the perception of service quality receiving to the expectations (Ali, J.F. et al., 2012). The conceptual framework of this research was applied SERVQUAL including five dimensions; tangibility, reliability, responsiveness, assurance, and empathy.

For customer perceived value, Zeithaml, V.A. (1988) defined the definition of perceived value as the perception of what customer is received and what customer is paid. It includes the prices of the services available, overall value the customers get from their money, and the convenience of service providing. Thuy, P.N. (2011) stated that services that enhance more convenience will raise the perceived value of the customer. Thus, banks as service-based institution need to concentrate on excellent service quality in order to increase customer perceived value in the long run. The conceptual framework of this research was applied perceived value model based on Zeithaml, V.A. (1988) including three dimensions; price of service, convenience, and service received. In addition, customer perceived value is a significant antecedent to repurchase intentions (Cronin, J.J., et al, 2000). The effect of customer perceived value on behavioral intentions explored by Sweeney, J.C. and Soutar, G.N. (2001) as same as Chang, H.H. and Wang, H.W. (2011), in which stated that there are the positive relationship between customer perceived value and customer loyalty. As satisfied customers are more intended to be loyal leading to producing several benefits for organization (Chang, H.H. and Wang, H.W., 2011; Jamal, A. and Anastasiadou, J., 2009)

Customer loyalty is very important concept in the study of organization theory and behavior. Oliver, R.L. (1999) described customer loyalty as the commitment of a customer to repeat a purchase. It can be seen that despite the new marketing efforts providing to loyal customers, it does not change their behavior of choosing the service. Grönroos, C. (2007) defined customer loyalty as the willingness of customers to support the organization in the long run. Customer loyalty or customer retention, is very essential for banking service. It can be achieved by establishing attitudinal and behavioral loyalty in order to deny new offerings, especially in competitive arena (Dick, A. and Basu, K., 1994). There are some benefits of loyalty such as generating more income and making customers less sensitive to competitors' offerings (Wimmala, P. and Leela, T., 2016). It shown that the importance of customer loyalty is well documented in many services literatures. The conceptual framework of this research was used customer loyalty adapted from Oliver, R.L. (1999), in which characterized by two components; attitude aspect and behavior aspect. As many previous studies shown that there were the relationships among service quality, customer perceived value, and customer

loyalty (Ali, J.F. et al., 2010, Mosahab, R. et al., 2010, Emre, S.D., 2014; Subrahmanyam, A. and Raja, S.B., 2014); more exploration in banking service in Thailand should be further investigated and conceptualized in the research framework with hypotheses development.

From the reviews of the literature, the conceptual framework of this research was presented in Figure 1. It depicts the effect of service quality and customer perceived value on customer loyalty of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand. The conceptual framework has been tested on the basis of the bodies of literature including service quality, customer perceived value and customer loyalty, cited above, as well as the researcher's own context about the relationship among variables.
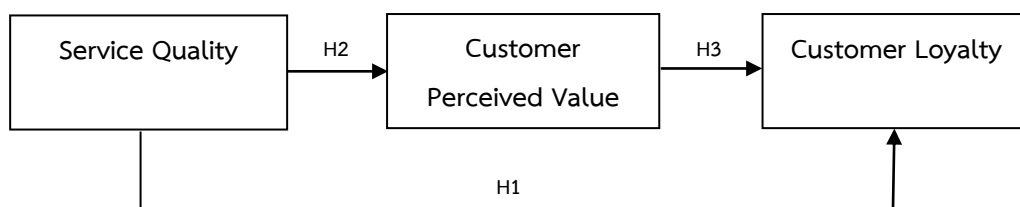

Figure 1: Research Conceptual Framework

Based on the conceptualization of the relationships among variables, the hypotheses suggested by the research conceptual framework can be described as follows:

H1: Service quality and customer perceived value have significantly positive direct effect on customer loyalty.

H2: Service quality has a significantly positive direct effect on customer perceived value.

H3: Service quality has a significantly positive indirect effect on customer loyalty through customer perceived value.

The research hypotheses can be explained in the forms of structural equations in order to show the relationship among variables and predict the dependent variable for hypotheses testing. The symbols used to represent the variables stated as follows:

SQL = Service Quality   **CPV** = Customer Perceived Value   **CLT** = Customer Loyalty

The structural equation can be described as follows:

$$CLT = \beta_1 SQL + \beta_2 CPV \qquad \text{........................ (1)}$$
$$CPV = \beta_3 SQL \qquad \text{........................ (2)}$$

Materials and Methods

The research study was a quantitative research method. The population of this research was 215,032 bank customers registered with the Bank for Agriculture and Agricultural Cooperatives as of September, 2017. The samples of 400 respondents were determined by using simple random sampling based on Taro Yamane (1973) formula. Data were collected through 5-point Likert scale questionnaire surveys. This research was cross-sectional as the data were collected at a single point of time from the key respondents. Content validity was applied to ensure the accuracy of an assessment tool and Cronbach's alpha was conducted to test for reliability with Cronbach's alpha coefficient stated in Table 1. The Cronbach's alpha value of the scale of all variables is much greater than 0.700 (Gliem, J.A. and Gliem, R.R., 2003), so it shows that the scale has very good reliability. Data were analyzed by descriptive statistics including percentage, mean, and standard deviation; and inferential statistics including the Pearson's Product-Moment Correlation and Path Analysis. The research results can be significantly analyzed with 95% confidence interval.

Table 1: Reliability Analysis

Variables	Cronbach's Alpha Coefficient
Service Quality (SQL)	0.920
Customer Perceived Value (CPV)	0.916
Customer Loyalty (CLT)	0.857

Results

The research results were analyzed by using the statistical package for social science. The research finding and the hypotheses testing in this research were presented as follows.

For demographic information of the bank customers, the research results showed that the survey data of the respondents were made up of 52.50% male. The averages ages of the bank customers were in between 41-50 years up to 30.80%. The respondents were married up to 68.50%. They had earned primary school up to 55.20%. Most of them were farmers up to 81.00% with the average monthly income of less than 50,000 Baht up to 46.50%.

For descriptive statistics, the collected data were analyzed by using means and standard deviation. The means score of bank customers' opinion on service quality, customer perceived value, and customer loyalty were at the highest levels; mean scores of 4.464, 4.444, and 4.458 with standard deviation of 0.436, 0.458, and 0.458, respectively.

For inferential statistics, in this research, the analysis of the correlation coefficient among variables was explored. Pearson's Product-Moment Correlation was used to determine the relationships of all variables to find the magnitude of correlation according to research conceptual framework. Path Analysis was used to test the hypotheses. Multicollinearity was tested on predictor variables to avoid unreliable and unstable estimates of regression coefficients. Thus, correlation analysis among the variables was shown in Table 2.

Table 2: Pearson's Correlation Analysis

	SQL	CPV	CLT
Mean	4.464	4.444	4.458
S.D.	0.436	0.458	0.458
SQL	1		
CPV	.785*	1	
CLT	.750*	.760*	1
Adjusted R^2 = 63.70% SEE = 0.276			

*. Correlation is significant at the 0.05 level

Table 2 shown the relationships among variables that correlation coefficients (*r*) are not exceed 0.800 (Hair *et al.*, 2010). Multicollinearity problem was not found. Therefore, it can be tested by using Path Analysis, in which estimating linear models.

The research results from hypotheses testing on the effect of service quality and customer perceived value on customer loyalty of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand were presented in the forms of path diagram as shown in Figure 2.
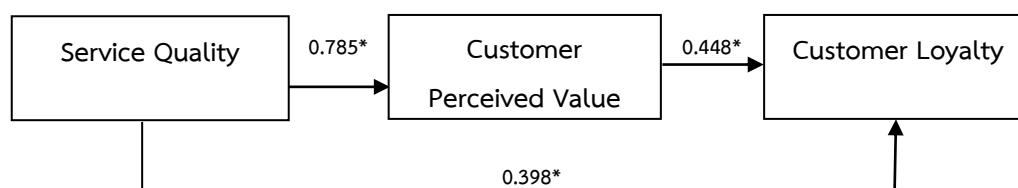

Figure 2: Path Diagram

In addition, the research results from hypotheses testing can be depicted in the following structural equations as described below:

$$CLT = 0.398\ \mathbf{SQL} + 0.448\ \mathbf{CPV} \quad \dots\dots\dots\dots\dots (3)$$
$$(8.187) \quad\quad (9.213)$$

$$CPV = 0.785\ \mathbf{SQL} \quad\quad\quad\quad \dots\dots\dots\dots\dots (4)$$
$$(25.245)$$

The hypotheses testing found that service quality and customer perceived value have significantly positive direct effect on customer loyalty with standardized coefficients (β) of 0.398 and 0.448, respectively. Service quality has a significantly positive direct effect on customer perceived value with standardized coefficients (β) of 0.785. Service quality has a significantly positive indirect effect on customer loyalty through customer perceived value with standardized coefficients (β) of 0.352 (service quality -> customer perceived value -> customer loyalty = 0.785 x 0.448). According to hypotheses testing, service quality and customer perceived value have significantly effected on customer loyalty of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand providing the bank decision makers need to concentrate on excellent service quality and good customer perceived value as these critical factors promote customer loyalty in the long run.

Discussion and Conclusion

This research aimed to investigate the effect of service quality on customer loyalty through customer perceived value of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand. The research is designed to test the conceptual model to directly and indirectly predict customer loyalty. The two independent variables were used for hypotheses testing including service quality and customer perceived value. The dependent variable, customer loyalty, was predicted by such independent variables. The research results shown that service quality and customer perceived value have significantly positive direct effect on customer loyalty. Service quality has a significantly positive direct effect on customer perceived value. Service quality has a significantly positive indirect effect on customer loyalty through customer perceived value. Thus, the following suggestions from the research results can be applied as bank management guidelines. Firstly, service quality seems to be the key success factor to raise customer perceived value in banking service and to

keep targeted customer in the long run. To directly increase value perceived by the customer; empathy, tangibility, assurance, and responsiveness, should be strengthening. Secondly, all customer perceived value dimensions; price of service, convenience, and service received, can directly enhance bank customer loyalty. Thirdly, banking service in Thailand should focus on assurance, empathy, responsiveness, and tangibility in order to directly increase customer loyalty in the long run. To conclude, service quality and customer perceived value have significantly effect on customer loyalty of the Bank for Agriculture and Agricultural Cooperatives in Roi Et Branch, Thailand. However, there are many other factors that can be expected to promote customer loyalty such as corporate image, customer satisfaction, or service environment for further researches.

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