

Customer Satisfaction: A Case Study of Mongolia Banking Sector

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ABSTRACT

The aim of this work is to assess the degree of customer satisfaction in the banking sector in Mongolia based on customer perceptions of service quality. The questionnaire was personally conducted on a sample of 150 bank customers. This document makes a useful contribution since there are only a few studies devoted to assessing the quality of service in the banking sector of Mongolia. Results based on three different independent variables showed that all of these variables influenced consumer satisfaction in the Mongolian banking sector.

KEYWORDS: *customer satisfaction, service quality, bank, Mongolia*

How to cite this paper: Onon Bayarsaihan | Gendendamba Nerguibaatar | Nyamsuren Delgertsogt "Customer Satisfaction: A Case Study of Mongolia Banking Sector" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-4 | Issue-2, February 2020, pp.45-47, URL: www.ijtsrd.com/papers/ijtsrd29882.pdf



IJTSRD29882

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1. INRODUCTION

The issue of quality of service is a critical issue in all areas of services, as enterprises try to maintain their competitive advantage in the market. Due to financial services, such as competition of banks in the market with undifferentiated products, this emphasizes the quality of service as the main competitive tool [1]. In other words, a banking organization can attract customers through the provision of quality services. Thus, structural changes led to the fact that banks were able to carry out various types of activities, which, in turn, allows them to be more competitive even compared to non-banking financial institutions [2].

In addition, technological advances help banks to develop their service strategies, offered to both individuals and commercial customers. In addition, banks offering high-quality services have a distinctive marketing advantage, because improving the quality of service is associated with higher revenues, customer retention and higher cross-selling rates [3]. Banks are also well aware of the fact that customer loyalty is that banks produce more value than their competitors [4].

Mongolia is a country with an area of 1.5 million square kilometers, and it occupies 18th place in the world in size. The Mongolian economy is primarily dependent on revenues from the oil sector, which accounts for almost all export revenues and about a quarter of GDP.

Significant changes have taken place in the Mongolian banking sector, especially after the adoption of laws on banks and money by the Central Bank of Mongolia. In 2005, the Mongolian Central Bank played a key role in organizing banks and capital restructuring, encouraging them to seek investment opportunities in order to compete in the provision of services similar to international banking services, and to attract investors and investors to increase shares and replenish capital. These laws called on banks to have capital of at least 30 million Mongolian tugrug. Consequently, banks initiated their new marketing services that were previously absent in Mongolia, including Visa Card, electronic banking, mobile banking, Western Union and Money Gram. In addition, leading financial institutions sought to meet the needs and requirements of customers for their survival and successful competition in the current dynamic corporate market. Financial institutions generally believe that customers are the target of their services, and therefore their activities depend on their customers. That is why financial institutions are more concerned about customer satisfaction, their loyalty and retention [5]. In fact, customer loyalty is determined by the organization creating benefits for customers, so they will be preserved and continue to conduct business with the organization [6-8].

The main problem faced by Mongolian banks is that most of them are still managed by outdated programs. Another

problem is the lack of qualified and experienced workforce, which ultimately explains the poor quality of customer service. For this reason, most banks have developed a method for solving customer problems. This includes providing a suggestion box in the lobby or at the entrance to the bank and conducting a survey to determine customer satisfaction. This indicates that in order to maintain attention and customer loyalty, banks need to create sections of proposals and complaints, such as hotlines, round-the-clock call services, as well as online services [9-12].

Thus, the aim of the study is to identify key factors affecting the level of customer satisfaction in a Mongolian commercial bank.

2. METHOD

The data for this study was obtained from a simple random sample of bank customers in Ulaanbaatar city of Mongolia, not limited to a specific city or specific branch. The sample

3. Results

Table I shows that the adjusted R-square is 38% of the variance of customer satisfaction, which was largely explained by a 1% change in three independent variables, namely: customer loyalty, quality and security.

Table1 Research model summary

R	R-square	Adjusted R-square
0.624 ^c	0.389	0.380

Table2 shows the coefficients for each model tested. Note that all models are statistically significant with a p-value of less than 0.05 ($p < 0.05$), which means that each predictor variable has a contribution to the output variable.

	Standardized Coefficients	t
Beta		
(Constant)		7.269
Customer Loyalty	0.522	9.401***
Service Quality	0.519	6.178***
Security	-0.303	-3.595***

Note: ***, ** and * denotes significantly at 1%, 5% and 10% level of significant respectively

Table 2 also shows an analysis of the coefficients for the variables that affect customer satisfaction. The result shows that a 1% change in customer loyalty leads to a 52.2% increase in customer satisfaction. This result indicates that customer loyalty is a major factor affecting customer satisfaction. There is a significant and positive relationship between loyalty and customer satisfaction (t -statistics = 9.401, $p < 0.01$).

Similarly, with regard to the quality of service, the result shows that a change in the quality of service by 1% leads to an increase in customer satisfaction by 51.9%. This result is almost the same as in the case of customer loyalty, indicating that the quality of service also has a big impact on customer satisfaction. There is a significant and positive relationship between the quality of service and customer satisfaction (t -statistics = 6.178, $p < 0.01$). Positive relationships indicate that the higher the expected quality of service, the higher the customer satisfaction at the respective banks.

While security means that a 1% change in security leads to a 30.3% reduction in customer satisfaction. This result indicates that security affects customer satisfaction. There is a negative relationship between safety and customer satisfaction statistically significant (t -statistic = -3.595).

4. CONCLUSIONS

As a rule, this study allows us to conclude that customer satisfaction is positively related to customer loyalty and quality of service, but adversely affects safety. This study also shows that customer loyalty is a major factor affecting customer satisfaction in Mongolia's commercial banking sector. In this study, we give practitioners more motivation

occupies part of the population to represent the entire population, but the researcher managed to find only 150 people to become respondents. However, the sample occupies part of the population to represent the entire population, but the researcher managed to find only 150 people to become respondents. A population is a group of people who can participate in a study. The choice of population depends on the research conducted by the researcher.

In this study, the researcher will examine how independent variables affect a dependent variable. Therefore, the dependent variable is customer satisfaction, and the independent variables are customer loyalty, quality of service, and security.

This study used a quantitative research approach. SPSS version 21 software was used to provide a comprehensive study of the relevant issues. Multiple regression analysis was used to test and validate the hypothesis as part of the study.

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