A DEVELOPMENT OF MODEL FOR SERVICE QUALITY, STUDENT SATISFACTION, STUDENT LOYALTY AND PERCEIVED VALUE IN THE UNIVERSITY OF NOTTINGHAM, MALAYSIA

ZARITH THURAYA BINTI ABD AZIZ

UNIVERSITI TEKNOLOGI MALAYSIA
A DEVELOPMENT OF MODEL FOR SERVICE QUALITY, STUDENT SATISFACTION, STUDENT LOYALTY AND PERCEIVED VALUE IN THE UNIVERSITY OF NOTTINGHAM, MALAYSIA

ZARITH THURAYA BINTI ABD AZIZ

A dissertation submitted in partial fulfillment of the requirements for the award of the degree of
Master of Management (Technology)

Faculty of Management
Universiti Teknologi Malaysia

DECEMBER 2014
I dedicate this thesis to my beloved parents and all my family members
ACKNOWLEDGEMENT

In the name of Allah SWT, the Most Gracious and the Most Merciful, Alhamdulillah, all praised to Allah for the strengths and HIS blessing in completing this thesis.

This research paper was prepared for the partial fulfillment of Master in Management (Technology). I would like to thank to all people who made this study possible. First and foremost, I would like to acknowledge my supervisor, Prof. Madya Shoki Md. Ariff for his guidance, support and help throughout this study. It is an honor for me to complete this study under his supervision and guidance. I’m also grateful to Dr. Norhayati Zakwan and Dr. Aslan Amat Senin for comments and advice to complete this study.

I owe my deepest gratitude to my late mother, Kamariah Abd Shukor for her advices and support that encouraged me to complete this study. I would like to show my gratitude to my father, Abd Aziz Othman and my family for all support, advices and help to complete my Master in Management (Technology).

Last, but not least, I would like to thanks to all my friends for their support and help throughout this study, without their support I would never be able to finish my study. May ALLAH SWT bless all of you.
ABSTRACT

Delivering superior service quality is becoming important elements in order to generate and maintaining loyal customers and it will be same in the higher education sector context. The higher education management or the universities have to provide superior service quality in order to retain loyal students and remain competitive in the industry. This study aims to investigate: i) the relationship between service quality and student satisfaction ii) the relationship between student satisfaction and student loyalty, and iii) the mediating effect of student’s perceived value on the relationship between service quality and student satisfaction. The research was conducted at University of Nottingham, Malaysia Campus and 355 students were selected randomly as a sample of this study. Then, a total of 220 set questionnaires were collected out of 355 set questionnaires distributed, indicating 61.97% of questionnaires returned. This study employs modified HEDPERF instruments (non-academic, academic, reputation, access, programme issues) and two additional dimensions (educational resources and financing). The Factor Analysis, Pearson Correlation and Hierarchical Regression model (to test mediation effects) were used in this study. The result of this study indicated that all dimensions of service quality have a positive relationship with student satisfaction. It also shows the high correlation between student satisfaction and student loyalty (r=0.787). Meanwhile, perceived value also identified has a partial mediator role on the relationship between service quality and student satisfaction. Based on this study, financing dimension has identified as an important role in influencing student satisfaction. This study also may provide useful information for University Nottingham, Malaysia in improving service quality, student satisfaction, student loyalty and perceived value.
Penyediaan perkhidmatan kualiti yang baik menjadi elemen yang penting dalam melahirkan dan mengekalkan kesetiaan pelanggan dan begitu juga dalam konteks institusi pengajian tinggi dimana universiti perlu menyediakan kualiti perkhidmatan yang baik untuk mengekalkan kesetiaan pelajar pada institusi dan kekal kompetitif dalam industry pendidikan. Kajian ini bertujuan mengkaji i) hubungan di antara kualiti perkhidmatan dan kepuasan pelajar ii) hubungan di antara kepuasan pelajar dan kesetiaan pelajar iii) kesan pengantaraan nilai yang diterima kepada hubungan kualiti perkhidmatan dan kepuasan pelajar. Kajian ini dijalankan di Universiti Nottingham, Kampus Malaysia dan seramai 355 sampel pelajar telah di pilih secara rawak. Sebanyak 220 soal selidik telah dikumpul daripada 355 soal selidik yang diedarkan menunjukkan 61.97% pulangan. Kajian ini menggunakan instrumen modifikasi HEDPERF (bukan akademik, akademik, reputasi, akses, isu program) dan dua dimensi tambahan (sumber pendidikan dan kewangan). Faktor analisis, korelasi pearson dan regresi hierarki (kesan pengantaraan) telah digunakan di dalam kajian ini. Hasil kajian menunjukkan semua dimensi kualiti perkhidmatan mempunyai hubungan yang positif dengan kepuasan pelajar. Ia juga menunjukkan kepuasan pelajar mempunyai korelasi yang tinggi dengan kesetiaan pelajar (r=0.787). Manakala, nilai yang diterima juga mempunyai peranan sebahagian pengantara di antara hubungan kualiti perkhidmatan dan kepuasan pelajar. Berdasarkan kajian ini, dimensi kewangan mempunyai peranan yang penting dalam mempengaruhi kepuasan pelajar. Kajian ini juga menyumbang maklumat yang berguna kepada pihak pengurusan Universiti Nottingham, Kampus Malaysia dalam menambahbaikkan kualiti perkhidmatan, kepuasan pelajar, kesetiaan pelajar dan kesan pengantara nilai yang diterima.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
<td></td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
<td></td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iv</td>
<td></td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>vi</td>
<td></td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>vii</td>
<td></td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xii</td>
<td></td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xviii</td>
<td></td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>xix</td>
<td></td>
</tr>
</tbody>
</table>

1. INTRODUCTION 1

1.1 Introduction 1

1.2 Background of the Study 2

1.3 The University of Nottingham, Malaysia Campus 5

1.4 Problem Statement 5

1.5 Research Questions 7

1.6 Objective of the Study 8

1.7 Significance of the Study 9

1.8 Scope of the Study 10

1.9 Chapter Summary 11
2 LITERATURE REVIEW

2.1 Introduction

2.2 Review of literature related to Service quality, Student Satisfaction, Student loyalty and Perceived Value in Private Higher Education

2.3 Theories of Service quality
   2.3.1 Groenroos theory
   2.3.2 Service gap theory
   2.3.3 The Dynamic Process model

2.4 Service quality in higher education

2.5 Instruments for measuring service quality
   2.5.1 SERVQUAL MODEL
   2.5.2 SERVPERF MODEL
   2.5.3 HEDPERF MODEL
   2.5.4 Pivotal, Core and Peripheral (PCP) Attributes Model

2.6 Measures service quality in higher education

2.7 Review of dimensions to measure service quality in Higher education institution

2.8 Customer satisfaction
   2.8.1 Theory of customer satisfaction
      2.8.1.1 The Expectation –disconfirmation theory
      2.8.1.2 Cognitive and affective component
   2.8.2 Measuring customer satisfaction
      2.8.2.1 The Expectancy-disconfirmation theory
   2.8.3 Measuring student satisfaction
   2.8.4 Service quality and Student Satisfaction

2.9 Customer loyalty
   2.9.1 Theory of Customer loyalty
   2.9.2 Measuring Customer loyalty
   2.9.3 Student satisfaction and Student loyalty
2.10 Theory of Value 47
  2.10.1 Measuring Perceived value 49
2.11 Perceived Value and its mediating role in the relationship between Service Quality and Student Satisfaction 51
2.12 Conceptual Framework 53
2.13 Hypotheses Development 56
2.14 Chapter Summary 61

3 METHODOLOGY 62

3.1 Introduction 62
3.2 Research Design 62
3.3 Population and Sampling Procedure 63
  3.3.1 Target Population 64
  3.3.2 Sampling Techniques 65
  3.3.3 Sample Size 65
3.4 Types of Data 66
  3.4.1 Primary Data 67
  3.4.2 Secondary Data 67
3.5 Instrument Development 68
  3.5.1 Questionnaire Design 68
3.6 Validity 75
  3.6.1 Factor Analysis 76
  3.6.2 Reliability 77
3.7 Data Analysis 77
  3.7.1 Descriptive Analysis 78
  3.7.2 Pearson Correlation 78
  3.7.3 Hierarchical Regression Model 79
3.8 Summary statistical analysis 81
3.9 Chapter Summary 82
4  DATA ANALYSIS  83

4.1  Introduction  83
4.2  Response rate  83
4.3  Respondents Profile Analysis  84
4.4  Validity Analysis  86
   4.4.1  Service quality  86
   4.4.2  Student satisfaction  96
   4.4.3  Student loyalty  98
   4.4.4  Perceived value  100
4.5  Reliability  102
4.6  Examining data variables and assumption test  103
   4.6.1  The Normality test  104
   4.6.2  Linearity test  105
   4.6.3  The Multicollinearity test  106
4.7  Correlation analysis  107
   4.7.1  The relationship between Service Quality and Student Satisfaction  108
   4.7.2  The relationship between Student Satisfaction and Loyalty towards the Private Higher Education Institution  111
4.8  Hierarchical Regression (Mediator)  112
   4.8.1  Mediating effect of Perceived Value on the relationship between Service Quality and Student Satisfaction  112
4.9  Summary of Hypotheses test  131
4.10  Chapter Summary  135

5  DISCUSSION OF FINDINGS  136

5.1  Introduction  136
5.2  Summary of the Main Findings  136
5.3  Research Findings  138
5.3.1 Findings on the research objective 1: The relationship between Service Quality and Student Satisfaction 138

5.3.2 Findings on the research objective 2: The relationship of Student Satisfaction to Student Loyalty in a Private higher Education Institution 140

5.3.3 Findings on the research objective 3: mediating role of Perceived Value on the relationship between Service Quality and Student Satisfaction 141

5.4 Implication of the Findings 143

5.5 Chapter Summary 147

6 CONCLUSION AND RECOMMENDATION 148

6.1 Introduction 148

6.2 Conclusion 148

6.3 Recommendation for Higher Management for Future Studies 150

6.3.1 Recommendation for Higher Education Management 150

6.4 Limitation and Recommendation for future studies 152

6.4.1 Limitation of the Study 152

6.4.2 Recommendation for Future Studies 153

6.5 Chapter Summary 155

REFERENCES 156

Appendices A-B 181 - 190
## LIST OF TABLES

<table>
<thead>
<tr>
<th>TABLE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>The enrollment of student in Malaysia Higher Education Institution</td>
<td>3</td>
</tr>
<tr>
<td>1.2</td>
<td>Total numbers of Private Higher Education Institutions in Malaysia in year 2009 and year 2014</td>
<td>3</td>
</tr>
<tr>
<td>2.1</td>
<td>Service quality dimensions as identified by several scholars</td>
<td>28</td>
</tr>
<tr>
<td>2.2</td>
<td>The dimensions that contribute to student Satisfaction</td>
<td>40</td>
</tr>
<tr>
<td>2.3</td>
<td>Understanding Customer Value</td>
<td>48</td>
</tr>
<tr>
<td>2.4</td>
<td>The factors to measure perceived value</td>
<td>50</td>
</tr>
<tr>
<td>2.5</td>
<td>The Perceived value mediates the relationship between Service Quality and Student Satisfaction</td>
<td>53</td>
</tr>
<tr>
<td>3.1</td>
<td>Likert scales table for service quality, Student Satisfaction, Student Loyalty and Perceived Value</td>
<td>70</td>
</tr>
<tr>
<td>3.2 (a)</td>
<td>Service Quality and items constructed</td>
<td>70</td>
</tr>
<tr>
<td>3.2 (b)</td>
<td>Student satisfaction items constructed</td>
<td>73</td>
</tr>
</tbody>
</table>
3.2 (c) Student loyalty items constructed 74
3.2 (d) Perceived value items constructed 75
3.3 The level of strength in relationship between Parameters 79
3.4 Mediation effect analysis step 80
3.5 Summary of Statistical Analysis 81
4.1 The Frequency table of respondent’s profile 84
4.2 KMO and Bartlett’s test (service quality) 87
4.3 Total Variance Explained (service quality) 88
4.4 The Rotated Component Matrix (service quality) 90
4.5 KMO and Bartlett’s test (Second round) 91
4.6 Total Variance Explained (Second round) 92
4.7 The Rotated Component Matrix (Second round) 93
4.8 The Implication of Service Quality Dimensions 95
4.9 KMO and Bartlett’s test Analysis (student satisfaction) 96
4.10 Total Variance Explained (student satisfaction) 97
4.11 The Component Matrix (student satisfaction) 97
4.12 The KMO and Bartlett’s analysis (student loyalty) 98
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.13</td>
<td>Total Variance Explained (student loyalty)</td>
</tr>
<tr>
<td>4.14</td>
<td>The Component Matrix (student loyalty)</td>
</tr>
<tr>
<td>4.15</td>
<td>The KMO and Bartlett’s test Analysis (perceived value)</td>
</tr>
<tr>
<td>4.16</td>
<td>Total Variance Explained (perceived value)</td>
</tr>
<tr>
<td>4.17</td>
<td>The Component Matrix (perceived value)</td>
</tr>
<tr>
<td>4.18</td>
<td>The Cronbach’s alpha for all variables</td>
</tr>
<tr>
<td>4.19</td>
<td>The Normality test</td>
</tr>
<tr>
<td>4.20</td>
<td>Multicollinearity analysis of Perceived Value mediate the relationship between Service Quality and Student Satisfaction</td>
</tr>
<tr>
<td>4.21</td>
<td>The correlation between Service Quality and Student Satisfaction</td>
</tr>
<tr>
<td>4.22</td>
<td>Correlation between Student Satisfaction and Student Loyalty</td>
</tr>
<tr>
<td>4.23</td>
<td>Relationship between Academic and Student Satisfaction</td>
</tr>
<tr>
<td>4.24</td>
<td>Relationship between Non-Academic and Student Satisfaction</td>
</tr>
<tr>
<td>4.25</td>
<td>Relationship between Reputation and Student Satisfaction</td>
</tr>
<tr>
<td>4.26</td>
<td>Relationship between Access and Student Satisfaction</td>
</tr>
</tbody>
</table>
4.27 Relationship between Programme Issues and Student Satisfaction

4.28 Relationship between Educational Resources and Student Satisfaction

4.29 Relationship between Financing and Student Satisfaction

4.30 Relationship between Academic and Perceived Value

4.31 Relationship between Non-Academic and Perceived Value

4.32 Relationship between Reputation and Perceived Value

4.33 Relationship between Access and Perceived Value

4.34 Relationship between Programme Issues and Perceived Value

4.35 Relationship between Educational Resources and Perceived Value

4.36 Relationship between Financing and Perceived Value

4.37 Relationship between Perceived Value and Student Satisfaction

4.38 Relationship between Academic, Perceived value and Student Satisfaction

4.39 Result of Hierarchical multiple regression analysis for mediating effect of Perceived Value on the relationship between Academic and Student Satisfaction
4.40 Relationship between Non-Academic, Perceived Value and Student Satisfaction 122

4.41 Results of Hierarchical multiple regression analysis for mediating effect of Perceived Value on the relationship between Non-Academic and Student Satisfaction 122

4.42 Relationship between Reputation, Perceived Value and Student Satisfaction 123

4.43 Results of Hierarchical regression analysis model of Mediating effect of Perceived Value on the relationship between Reputation and Student Satisfaction 124

4.44 Relationship between Access, Perceived Value and Student Satisfaction 125

4.45 Results of Hierarchical regression analysis model of mediating effect of Perceived Value on the relationship between Access and Student Satisfaction 125

4.46 Relationship between Programme Issues, Perceived Value and Student Satisfaction 126

4.47 Results of Hierarchical regression analysis model of mediating effect of Perceived Value on the relationship between Programme Issues and Student Satisfaction 126

4.48 Relationship between Educational Resources, Perceived Value and Student Satisfaction 127
<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.49</td>
<td>Results of Hierarchical regression analysis model of mediating effect of Perceived Value on the relationship between Educational resources and Student Satisfaction</td>
<td>128</td>
</tr>
<tr>
<td>4.50</td>
<td>Relationship between Financing, Perceived Value and Student Satisfaction</td>
<td>129</td>
</tr>
<tr>
<td>4.51</td>
<td>Results of Hierarchical regression analysis model of the mediating effect of Financing, Perceived Value and Student Satisfaction</td>
<td>129</td>
</tr>
<tr>
<td>4.52</td>
<td>Summary of testing mediator hypotheses</td>
<td>130</td>
</tr>
<tr>
<td>4.53</td>
<td>Summary of Hypotheses testing</td>
<td>131</td>
</tr>
</tbody>
</table>
# LIST OF FIGURE

<table>
<thead>
<tr>
<th>FIGURE NO.</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Gap model</td>
<td>17</td>
</tr>
<tr>
<td>2.2</td>
<td>The Pivotal, Core and Peripheral attributes model</td>
<td>26</td>
</tr>
<tr>
<td>2.3</td>
<td>The Expectation-Disconfirmation model</td>
<td>38</td>
</tr>
<tr>
<td>2.4</td>
<td>Student Loyalty Assessment model</td>
<td>47</td>
</tr>
<tr>
<td>2.5</td>
<td>The Conceptual Framework of Service Quality, Student Satisfaction and Perceived Value</td>
<td>56</td>
</tr>
<tr>
<td>4.1</td>
<td>The Linearity Analysis</td>
<td>106</td>
</tr>
</tbody>
</table>
# LIST OF APPENDICES

<table>
<thead>
<tr>
<th>APPENDIX</th>
<th>TITLE</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Example of Questionnaire</td>
<td>181</td>
</tr>
<tr>
<td>B</td>
<td>Table of the Normality test</td>
<td>188</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysia consist 574 private higher education institutions in 2012 (Minister of Higher Education, 2012). Both of public and private higher education institutions playing a same role and they offer a wide range of courses to local and international students. Therefore, higher education institutions realized it is important to deliver high quality service and ensure students are satisfied with the service provided. According to National Higher Education Strategic Plan 2020 which had launched by Ministry of Higher Education (2007), the plan intends to transform local higher education in sync with the global landscape (Chapman et al, 2007). It describes two of seven thrusts states in the plan are widening access and enhancing quality and improving the quality of teaching and learning. Higher education institution acts as service provider which have direct interactions with students and student acts as main customer or service receiver who may responses on services provided by the institution. Meanwhile, student acts as a main customer of higher education institution. Therefore, it is important to considered student satisfaction factor as this issue important in service marketing. Besides that, customer plays a vital role to determine the success of business. Therefore, analyzing of customer needs is an important duty to increases the success of business (Parasuraman, Zeithaml and
Berry, 1988). Therefore, this study will provides a direction for educational management, administrator and scholars to understand student needs, service quality, student satisfaction, student loyalty and perceived value in the University of Nottingham, Malaysia Campus.

1.2 Background of the Study

In today’s competitive educational environment, most higher education institutions looking for more innovative ways to achieve competitive advantage in order to attract students to their institution, improve their efficiency and make students retained to the institution. As stated by Rust et al (2000) customer loyalty has a powerful impact on the firm’s performance and it is considered by many companies as an important source of competitive advantage. Therefore, the institutional providers have to differentiate their service offering by cultivating long term relationship with customers (student) in order to create competitive advantage. Then, the education industry in Malaysia has growth and it can be seen through several areas such as the increasing student enrollment, increasing number of higher education institutions, increasing in government spending, additional government policies in promoting education and the country continuous need for human resources (Ariffin, 2008). As in Table 1.1 it shows the increasing student enrollment in Malaysia. Meanwhile, Table 1.2 shows the total of private higher education institution in Malaysia.
Table 1.1: The Enrollment of student in Malaysia Higher Education Institutions  
(Source: 9th Malaysia Plan).

<table>
<thead>
<tr>
<th>Level of Study</th>
<th>2000</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public</td>
<td>Private</td>
<td>Total</td>
</tr>
<tr>
<td>Certificate</td>
<td>23,816</td>
<td>81,754</td>
<td>105,570</td>
</tr>
<tr>
<td>Diploma</td>
<td>91,398</td>
<td>117,056</td>
<td>208,454</td>
</tr>
<tr>
<td>First Degree</td>
<td>170,794</td>
<td>59,932</td>
<td>230,726</td>
</tr>
<tr>
<td>Master</td>
<td>24,007</td>
<td>2,174</td>
<td>26,181</td>
</tr>
<tr>
<td>PhD</td>
<td>3,359</td>
<td>131</td>
<td>3,490</td>
</tr>
<tr>
<td>Total</td>
<td>313,374</td>
<td>261,047</td>
<td>574,421</td>
</tr>
</tbody>
</table>

Table 1.2: Total numbers of Private Higher Education Institutions in Malaysia in  
Year 2009 and Year 2014 (Source: Ministry of Higher Education)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Private University and College</td>
<td>448</td>
<td>505</td>
</tr>
<tr>
<td>Foreign University branch campus in Malaysia</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Total of active IPTS</td>
<td>453</td>
<td>533</td>
</tr>
</tbody>
</table>
As in Table 1.1, it shows the increasing number of student enrollment in both public and private higher education institutions from year 2000 to year 2010 and it has contribute to the growth of private higher education in Malaysia as shown in Table 1.2. Besides that, the other factors also may contributes to the growth of private higher education institutions in Malaysia such as the significant changes in the infrastructure and system of higher education in Malaysia. As stated by Vaz and Mansori (2013) the significant changes in the infrastructure and the system of higher education in Asia (e.g: Hong Kong, Singapore, and Malaysia) have contributed to the exponential growth in supply and demand in the higher education institution in a very short period of time.

Besides that, limited number of public higher education institutions in Malaysia also contribute to the growth of private higher education institution as the available number of public higher education institutions (IPTA) in Malaysia can only provide access to a limited number of students (Mohamed Ali, 2010). Thus, student who fail to enter public institution tend to continue study at private institution. Therefore, it leads to high demand for private higher education institutions. Then, as there is increasing number of private higher education institutions in Malaysia, the competitive marketing strategy is required for a private institution to create competitive advantage such as provides high service quality to students. As stated by Mohamed Ali (2010) IPTS or private higher education institutions must be able to provide quality higher education similar to that provided by public universities in order to ensure that students receive quality higher education services. Therefore, it encouraged author to study service quality, student satisfaction, student loyalty, perceived value and the interrelationship between them in The University of Nottingham, Malaysia Campus.
1.3 The University of Nottingham, Malaysia Campus

The University of Nottingham began in the city of Nottingham, United Kingdom in 1881 and known as a civic college. Then, they became the University of Nottingham in 1948. After few years, they extended to become a global university with several numbers of campuses at home and international campuses in China and Malaysia. The University of Nottingham, Malaysia campus was opened in year 2000 and become the first campus of a British University opened in Malaysia. Besides that, the University of Nottingham, Malaysia campus is one of the first anywhere in the world earning the Queen’s award for Enterprise 2001 and the Queen’s award for industry (International Trade) 2006. The University of Nottingham, Malaysia confers the same degrees as those in the United Kingdom and all courses are taught in English. Then, currently, the University of Nottingham, Malaysia campus consist 3,177 students for academic session 2012/2013 with 2,129 students are international students. Thus, this University was chosen to conduct this study.

1.4 Problem Statement

The rapid growth of private higher education institutions in Malaysia encouraged them to deliver superior services. Therefore, it created more options for students and makes the competition more intense among private higher education institutions. Moreover, the similar programs offered in both public and private higher education institutions make them hard to implement strategies to create competitive advantage. So, educational providers have to focus on improving their service quality in order to differentiate themselves to others competitors. As stated by Thomas (2011) educational institutions are forced to commit themselves to certain quality criteria and adopt a market orientation strategy to differentiate themselves from their competitors by delivering superior quality service. Thus, it is important for the institution to deliver high service quality. Therefore, future study is required
to identify factors of service quality that influence student satisfaction in order to improve their services. Besides that, as review of literatures the author identified most studies on service quality emphasizes in public higher education (e.g: Janardhana and Rajashekar, 2012, Basheer et al, 2012, Raheem et al, 2012, R.jain et al, 2010, Halil et al, 2009) and less emphasizes in private higher education institutions especially in Malaysia. Therefore, it has encouraged for future studies to obtain more information on service quality in the private higher education context.

As review of literatures, it shows that service quality as one of the important factor for higher education institution to create competitive advantage. Therefore, the institution has to ensure that students will satisfy with services provided by the institution in order to remain competitive in the industry. As concludes by Vipin Kumar (2014) service quality is a vital factor that determines the level of student satisfaction. However, lack of literatures on service quality and student satisfaction in the private education industry especially in Malaysia private colleges and Universities (Mansori et al, 2014) encouraged for future studies to validate this relationship and identify factors that contributes more on student satisfaction in the University of Nottingham, Malaysia Campus.

Besides that, as review of literatures it shows that student loyalty is very important to improve its competitiveness (Soedijati, 2013). Moreover, student loyalty is one of the critical factors to win the competition to attract students to their institutions (Elisabeth, 2013). So, it shows that student loyalty is important as a source of competitive advantage for higher education. Then, several studies also found that student satisfaction has a relationship with student loyalty (e.g. Baseer et al, 2012, Sam Thomas, 2011, Mahadzirah and Zainudin, 2009, Arambewela and Hall, 2009) but there are still arguing among scholars that the other factors may affect more on student loyalty. Therefore, it has encouraged for further study to identify the relationship between this variables in the University of Nottingham, Malaysia Campus.
Then, as review of literatures student perceived value also important in long term success for higher education institution. As stated by Phadke and Bhagwat (2011) value is a critical factor in the long term success of an educational institution that aims at attracting and retaining students. Thus, the institution has to understand how students perceive the value of services they offer so that the higher education institution can improve their services in order to attracting and retaining students. Meanwhile, Hamid and Noor (2013) found few studies proven perceived value to be the antecedents for customer’s behavior and attitude such as intention and decision to purchase, satisfaction, loyalty and willingness to recommend a particular offering. Besides that, only few studies have explored the concept of perceived value within the higher education context (Hamid and Noor, 2013). Therefore, it encourages for higher education institution to consider students perceived value issues in order to identify whether student perceived value has a mediating effect on the relationship between service quality and student satisfaction in the University of Nottingham, Malaysia Campus.

1.5 Research Questions

The objectives of this study are to examine the relationship between service quality (non-academic aspects, academic aspects, access, reputation, programme issues, educational resources and financing) and student satisfaction. Then, examine the relationship between student satisfaction and student loyalty. Finally, examine the mediating effect of perceived value on the relationship between service quality and student satisfaction. Therefore, several questions have been addressed:
1) Does service quality (non-academic aspects, academic aspects, reputation, access, programme issues, educational resources and financing) have a positive relationship with student satisfaction in the private higher education institution?

2) Does student satisfaction have a relationship on student loyalty towards the private higher education institution?

3) Does the student perceived value mediate the relationship between service quality and student satisfaction in the private higher education institution?

1.6 Objectives of the Study

The objectives of this study are followed:

RO1: To examine the relationship between service quality (non-academic aspects, academic aspects, reputation, access, programme issues, educational resources and financing) and student satisfaction in the private higher education institution.

RO2: To examine the relationship between student satisfaction and their loyalty towards the private higher education institution.

RO 3: To examine the mediating effect of the student’s perceived value of higher education on the relationship between service quality and student satisfaction.
1.7 Significance of the study

The results of this study would give new insight on measurement of service quality in higher education especially for the private higher education institution. This study identified HEDPERF model is the best measurement of service quality in higher education but the author employs a modified HEDPERF as several items do not fit with HEDPERF dimensions. Therefore, seven dimensions of service quality have been proposed in order to fit in the latest trend with five dimension were adopted from HEDPERF model (non-academic, academic, reputation, access, programme issues) and two additional dimensions of service quality (educational resources and financing) were adopted from previous studies and literatures. Besides that, the study on the relations between service quality and student satisfaction and the study on the relation between student satisfaction and student loyalty would give deeper vision to scholars on these relationships. Moreover, by investigating the relationship between service quality and student satisfaction it would be identify which dimension have more impact on student satisfaction. So, the educational management could plan strategies to improve their services. Besides that, by investigating student perceived value as a mediator on the relationship between service quality and student satisfaction it could contribute information on this study as lack of studies emphasizes on value in higher education institution especially in the private higher education institution.

Then, practically this study is beneficial for educational management of University of Nottingham, Malaysia Campus to improve their service quality. Besides that, this study is also beneficial for the stakeholder to plan strategies for the dimensions that need improvement (Ernest and Tan, 2013). Then, the results of this study also can contribute information and help educational management of the institution in determining the satisfaction level for management to enhance the service provided by the institution (Subrahmanyam et al, 2013). Furthermore, the study on the relationship between service quality and student satisfaction also can give in-depth insight for educational management into how students perceived the quality of the services offered at the institutions and how satisfied they are with these
offerings (Thorsten et al, 2005). So, the institution can understand how service quality influence student satisfaction and plan a strategy to improve their service in order to satisfied student which can attract potential students and existing student retained to the institution.

1.8 Scope of the study

This research is focused on student perception of service quality and its relationship with student satisfaction, relationship between student satisfaction and student loyalty and the mediating effect of student perceived value on the relationship between service quality and student satisfaction at the University of Nottingham, Malaysia. This study decided to employ HEDPERF model and its dimension of service quality which consists five dimensions (non-academic, academic, reputation, access and programme issues) and the author add two dimensions (educational resources and financing) as reviews in previous studies and literatures of service quality in higher education institutions. Then, this study focuses on University of Nottingham, Malaysia students (private higher education institution) and the reason to choose this University is because they are first British University established in Malaysia in year 2000 and one of the private higher education institution operated more than 10 years in Malaysia. Thus, respondents of this study are students in this University. Therefore, to analyze the data questionnaire was used to collect the data.
1.9 Chapter summary

This chapter consists of the background of this study and the scenario of service quality in higher education institutions. Besides that, it also consists of the problem statement of this study, objectives of the study that identified the purpose of this study and research questions. Moreover, the scope of this study focuses on students at the University of Nottingham, Malaysia. Then, in chapter 2 it discusses the literature review related to this study.
REFERENCES


