The Relationship Between Service Quality and Student Retention in Private Higher Education Institutions in Malaysia

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Abstract
Attrition in education is a major issue in higher education. Globalization has increased the mobility of international students, prompting higher global competition. HEIs must prioritize improving services to compete in higher education. The study aims to understand international students’ learning needs, expectations, and experiences comprehensively. This study seeks to examine the link between service quality and student retention in private higher education institutions in Malaysia. In this study, SERVQUAL service model with compliance dimension is used. This research employed a positivist ontology, empirical epistemology, and quantitative methods. This study explores the link between service quality and student retention. Data for this study will be collected from China students studying at private universities in West Malaysia. To measure the service quality’s impact on student retention in private higher education institutes in Malaysia, the study analysed the necessity of improving higher education services for retaining China students. The respondent for this study is China students who studying in private higher education institutions in Malaysia. The sample size is generated from G*Power software. An online survey will be conducted. The data will be processed and analysed by IBM SPSS version 29 and Smart-PLS version 4-3 to construct relationship and predictive power of the structural model.

Keywords: Service Quality, Student Retention, Higher Education Institutions, and China Students

Introduction
In the last decade, the number of China students seeking education abroad has consistently increased (Mok, et al., 2021). Most Asian middle- and upper-class families prefer their children to study abroad. Students studying abroad to improve their knowledge. Student mobility is not new, but international educational mobility grew from 1995 to 2020 with the establishment of regional education centres in developing countries, leading to more
international students traveling abroad (Bozbay et al., 2020). China students are also included in this context.

China students have studied abroad for undergraduate programmes. Chinese citizens studying abroad in 2019 increased to 703,500, up 6.25% from the previous year (Ministry of Education of the People's Republic of China, 2020). China students often choose prestigious universities with high rankings to study abroad. The main study abroad destinations for China students are four countries: They are Canada, Australia, USA, and UK.

Why Malaysia?
China students desire to explore and study abroad, particularly in Malaysia. Why Malaysia? This is due to Malaysia’s cost of living is low compared to Europe, Australia, and the United States. Malaysia was ranked 69 in 2022 on the global cost of living and purchasing power index, while the US, UK, Australia, and Canada were ranked 20, 18, 17, and 12, respectively (WorldData.info, 2022).

Another factor is the close proximity of Malaysia, as it is in the same time zone. The language barrier made communication easier in another place. Other foreign universities also praised Malaysia's educational system highly. Malaysia was becoming a top educational hub in the area.

As per the ICEF Monitor (2023) report, Education Malaysia Global Services (EMGS) stated that the number of international students studying in Malaysia in 2022 ranged between 130,000 and 170,000. Malaysia’s objective is to have a total of 250,000 students within its academic institutions by 2025. In pursuit of this goal, they are currently striving for 50,000 international student applications in the year 2022. In December, EMGS saw a significant rise of 27.5% in application numbers, reaching a total of 51,270, compared to the previous year (ICEF Monitor, 2023; EMGS, 2023). China is among the top five countries that send students to Malaysia. In Malaysia, the proportion of new applications from China students increased from 47% in 2021 to 43% in 2022. In 2022, there was a 15% increase in the number of applications submitted by China students compared to the previous year, reaching a total of 21,943 submissions (ICEF Monitor, 2023).

According to Shuo (2021), 50% of China students prefer studying in countries with a friendly learning environment. Research shows that the number of China students pursuing undergraduate programmes overseas will rise in the next five years, and may subsequently decline (Pola, 2022). Controlling student enrolment will be tougher due to different pandemic conditions and geopolitical tensions. The situation worsens as few students go to college, with those who do studying abroad (Pola, 2022).

Academic Certificate Accreditation is important for China students who studying overseas. The Academic Degrees Committee of the State Council and the Chinese Service Centre for Scholarly Exchange (CSCSE), A government agency under the Ministry of Education (MOE), must verify students' foreign academic certificates after their study abroad. By endorsing foreign academic credentials, it is shown that qualifications obtained abroad are equally valuable and recognized in China. It is necessary for the students who completed their studies in Malaysia to further their education, work, and take numerous professional qualification exams to become an effective credential in China. Three Malaysian HEIs underwent rigorous certification examinations for their academic certificates from 2021 to 2022 due to concerns over provided education quality (CSCSE, 2022).

The Malaysian Qualifications Agency (MQA) is a statutory agency under the Ministry of Education in Malaysia. The MQA upholds Malaysia's higher education standards through the
Malaysian Qualifications Framework. MQA enforces programme accreditation to regulate curriculum and operational standards of higher learning institutions (MQA, 2022). This code of conduct applies to faculty and operations departments, ensuring high-quality programmes. When a programme is fully accredited by MQA, it meets MQA’s quality standards (MQA, 2022). Higher education institutions must apply MQA and meet quality assurance criteria. MQA-accredited curriculum proves student compliance with the Malaysian Qualifications Framework and MQA’s standards. Every university/college degree/diploma programme needs accreditation. Due to incompliance, students’ awards are not recognized upon completion of their studies.

Private HEIs differ from public HEIs as they must generate their own funds to sustain and expand. Private HEIs in Malaysia are facing financial difficulties due to factors like declining international student enrolment, low retention rates and inadequate marketing planning (Hunter, 2020). Up to 2021, there were 30% lesser private HEIs in Malaysia (Azman, 2021). Private HEIs in Malaysia should prioritize student satisfaction and the delivery of exceptional services. Private HEIs in Malaysia must maintain quality at an acceptable level as required by MOHE, MQA, and other regulatory agencies.

The number of international students studying abroad has increased due to globalisation, which has also increased international rivalry (Abu-Rumman & Qawasmeh, 2022). In order to stay ahead in the increasingly competitive field of higher education, HEIs must distinguish themselves by focusing on improving the quality of their services in all aspects, including academics and non-academic areas. This will enable them to gain long-lasting competitive advantages over their competitors. Njau (2019) also acknowledges that in today’s interconnected digital economy and highly competitive atmosphere, offering good service quality is of the most important. Since attrition is a difficult, multifaceted issue, higher education institutions must concentrate on student retention. A higher retention rate will attract more students, which is essential for the university’s success since those students will pay tuition and fees and provide excellent academic outcomes (Burke, 2019).

Customer satisfaction is influenced by factors such as repeat purchases, the spread of positive recommendations, increased customer loyalty, and the maintenance of long-term relationships (Magasi et al., 2022). Therefore, considering the above-mentioned benefits of perceived service quality, it can be concluded that service quality is highly effective strategy for a service company. This strategy leads to success and provides advantages for both the service providers and their valued customers (Magasi et al., 2022).

Numerous studies have examined and established the beneficial relationship between student satisfaction and the quality of educational services (Islam et al., 2019). As a result, service quality plays a key role in differentiating HEIs from rival institutions and distinguishing outstanding graduates from their schools. In research investigations, the SERVQUAL model has been used to assess the quality of teaching at tertiary institutions but less focus on student retention (Arthur et al., 2022).

To improve student learning, HEIs must understand the needs of international students. Certain studies have primarily concentrated on educational or university assistance, leading to a restricted comprehension of international students' complete requirements and encounters and an inadequately optimized learning atmosphere (Xu et al., 2022). Limited studies focus on China students studying abroad, examining their needs, expectations, and integration experiences, including language proficiency, community inclusion, and access to social and cultural resources, and additionally, there are limited studies exploring all aspects of higher education programs for China students (Xu et al., 2022).
Adhering to the guidelines and requirements set by educational institutions and regulatory bodies is crucial for the continued success, upkeep, and long-term viability of quality education in the education system. The aspect of compliance, which is a part of the service quality model in the educational sector, has not been thoroughly examined (Magasi et al., 2022). In relation to compliance, the idea is that if higher education institutions consistently and correctly adhere to the laws and standards in the education sector, such as quality assurance policies, regulations, procedures, standards, and structures, it will lead to an enhancement in the quality of education they offer (Magasi et al., 2022). Hence, there is no research conducted in this pursuit.

Universities place high importance on student retention and completion rates due to their direct influence on the income generated from tuition fees. Quality assurance agencies emphasize the significance of these rates, as they directly impact on the accreditations and funding. In addition, these rates are often used to gauge institutional rankings.

The goal of this study is to understand the requirements, expectations, and experiences of international students and how it affects their learning process. This will help to optimize the higher education environment and measure the relationship between perceived service quality in both academic and non-academic aspects. This present study attempts to address the research question and research objective as follows:

**RQ:** What is the relationship between service quality dimensions (including Reliability, Responsiveness, Tangibles, Assurance, Empathy, and Compliance) and student retention among China students in Malaysian private HEIs?

**RO:** To investigate a significant relationship between service quality dimensions (including Reliability, Responsiveness, Tangibles, Assurance, Empathy, and Compliance) and student retention among China students in Malaysian private HEIs.

### Literature Review

#### 1) Service quality

Parasuraman et al (1988) developed the SERVQUAL model to effectively evaluate how customers perceive the quality of a service, helping to bridge the gap between their expectations and actual experiences. In order to easily recall the five dimensions, the original developers of the SERVQUAL model propose using the letters of RATER, representing reliability, assurance, tangibles, empathy, and responsiveness (Parasuraman et al., 1988). The following outlines the five dimensions being explored: The first dimension, Reliability, relates to the ability to consistently and accurately deliver the expected service. Additionally, assurance entails having knowledge and expertise, employees providing friendly and knowledgeable service, and successfully building trust and confidence in customers towards the service provider. Thirdly, in an academic context, the term "Tangibles" pertains to the external characteristics of various elements such as physical infrastructures, apparatus, staff members, and communication resources. Fourthly, Empathy is characterized by the extent to which caring, personalized attention is extended to customers. Moreover, responsiveness refers to the willingness to assist customers and offer timely services.

The SERVQUAL model is widely recognized and commonly utilized by researchers to explore service quality in various service industries, including the higher education sector. Its reliability and credibility make it an effective tool for evaluating consumer expectations and perceptions (Nojavan et al., 2021). Analysing whether universities meet the requirements of
their students is crucial. Private HEIs can use service quality to evaluate student satisfaction and make changes to their operations to maintain a competitive edge.

The issue of student attitude and university service quality on education has been recognised in prior studies. Students believe they are paying high tuition fees to HEIs as consumers, whereas HEIs are more concerned with generating a profit (Raza et al., 2021). Students use referrals to share university information and recruit new students. HEIs should ensure student satisfaction to promote a positive perception of their institutions.

Institutions strive to fulfil the expectations of their students, with service quality being a fundamental aspect of achieving excellence. Both public and private educational establishments are recognizing the crucial importance of concepts such as institutional reputation, student satisfaction, and student retention in their strategic plans (Al Hassani & Wilkins, 2022). Malaysian universities need to consistently meet or exceed student expectations. Additionally, students and lecturers highly value university services and facilities when choosing a university to support their professional paths or further their studies. A university that doesn't care about the quality of its services and facilities puts everyone in danger and impacts its sustainability and long-term success (Ghanad and Hussin, 2022). In addition, the extent to which education is perceived as high-quality plays a significant role in students' decision-making when it comes to selecting the academic institutions to pursue their studies (Phonthanukitithaworn et al., 2022). Students' satisfaction and loyalty levels are strongly connected to the quality of educational services (Paul & Pradhan, 2019).

The appraisal of higher education quality is a topic that interests people all around the world. The public has begun to expect more accountability from higher education institutions in recent years (Guillén Perales et al., 2020). This leads to positive recommendations, university endorsement, and ongoing relationship with high student retention. A student's satisfaction with the institution's achievements affects their perception of service quality.

2) Student Retention
The student attrition rate is a major issue in higher education. Student withdrawing from higher education impacts on both sides namely the social and academic surroundings. The objective of universities, colleges, and professors is to encourage students to stay committed to their studies and make the most of the educational opportunities available to them (Tight, 2020). The retention of students also has a substantial impact on financial planning because student tuition and fees are a key source of revenue for private higher education institutions (Burke, 2019). According to Latif et al (2019), service quality is essential for HEI performance, financial viability, and competitive advantage. To increase customer loyalty and student retention, we must enhance service quality to improve consumer satisfaction.

According to Tinto (2012), the Institutional Departure Model suggests that student integration is crucial for continued enrolment and academic achievement. Evaluating students' grade performance and academic development is one way to measure academic integration, while assessing their interaction with the college society, including peers and faculty, is how social integration is evaluated (Tinto, 2012).

The quality of higher education plays a crucial part in the progress of nations and has great potential to contribute to overall development (McCowan, 2019; Maia et al., 2021) and it is highly desirable to provide students with the opportunity to access superior education. The rapid growth of higher education institutes (HEIs) has led to a competitive race to attract
and retain new students (Darawong & Sandmaung, 2019). In order to attract students, universities must improve their quality and standards.

Previous studies have examined various variables pertaining to the analysis and forecasts of customer/student loyalty. These factors encompass the degree to which a provided service aligns with the expectations of consumers/students (Bacher-Hicks et al., 2019), the reputation of the educational institution (Saoud & Sanséau, 2019) and student satisfaction (Williams et al., 2019).

Just like other industries, the HEI sector has been dealing with worldwide competition, as highlighted by (Meyer and Hamilton, 2020). In higher education institutions, it is now seen as very important to have dedicated and supportive undergraduate programmes (Kaushal & Ali, 2020). The positive feedback received from university graduate students serves as a persuasive factor in influencing their siblings and friends to select the same university for their educational endeavours.

It is suggested that universities concentrate on promoting student loyalty and amplifying the quality of the services they offer. The implementation of this measure is expected to have a positive impact on the academic advancement of the university (Susilawati et al., 2021). The concept of loyalty has the potential to serve as a determinant factor for students to remain enrolled and persist in their academic pursuits at the university (Ghobehei et al., 2019). Student loyalty is an important factor as its proves the quality of the institution.

A significant portion of the theoretical literature pertaining to student retention is derived from Tinto's (1975) conceptual framework of the interactions between students and the University. Furthermore, several academics have offered retention prediction models and suggested strategies or programs for enhancing student retention (Eather et al., 2022). The effectiveness of higher education institutions (HEIs) is evaluated by student retention, which is a vital measure. Employers and societies depend on students in higher education to acquire knowledge and skills, while many institutions rely on students' financial contributions to fund their growth and enhance their resources.

Research Methodology
This study is an exploratory as it investigates the existing association between service quality and student retention. An online survey is used for this research. This study will use a traditional research approach, including formulating research inquiries, generating hypotheses, constructing the research instrument, collecting, and analysing data, and presenting findings. The first step in research is identifying issues and acknowledging gaps in the current literature. Insufficient research on the link between service quality model and China student retention in Malaysia is emphasized. Academic literature advises studying variables that affect student retention rates. The conceptual development phase includes reviewing past research, assessing higher education service quality, student satisfaction, and retention. The research literature is used to create the framework for the study and develop hypotheses. The researcher will establish the research design, including developing research techniques, determining the sample group structure, and conducting a pre-test. The sampling design choice is crucial in determining the methodology for sample size and techniques. The measurement used in this study was carefully customized based on previous research. Changes made to align items with study requirements.

According to MOHE Malaysia, most private higher education institutions are in West Malaysia. In 2021, a total of 28,593 Chinese students studied in Malaysian higher education
institutions (MOHE, 2021). Over 15k China students enrolled in private higher education institutions in 2021 (MOHE, 2021). The data for this study will be collected from China students who are studying at private higher education institutions in West Malaysia. The population in this study comprises China students studying in private higher education institutions in West Malaysia. To comply with study obligations, participants had to meet three specific criteria through a rigorous filtering process. The criteria are:

- Students from China
- Studying in private higher education institutions in West Malaysia
- Aged 18 years old and above

This study aims to examine the impact of service quality on student retention among China students. The unit of analysis is the China students attending private higher education institutions, as indicated by the hypothesized variable of service quality. To study the impact of service quality on student retention at private higher education institutions in Malaysia. The G*Power software tool was employed to ascertain the requisite minimum sample size, and the desired sample size was set to 343. Structured questionnaires acquire primary data for quantitative analysis in research. Structured questionnaires are used for self-completion data collection. IBM SPSS version 29 will be used for descriptive analysis. Smart-PLS version 4-3 will analyse construct relationships and predictive power in this study.

A Proposed Conceptual Framework

Based on the reviews from past literatures, the study variables are determined by SERVQUAL model with new additional variables from the recommendation of previous research. Figure 1 shows the proposed research framework in this study.

**SERVICE QUALITY**

- Tangibles
- Reliability
- Responsiveness
- Assurance
- Empathy
- Compliance

Student Retention

*Figure 1. Proposed Research Framework*
Conclusion
The most recent study on the quality of services in universities in South East Asian countries, including Malaysia, has not been very extensive. Therefore, this study fills the gaps at a new way of understanding how good the service is in private colleges and universities. This study helps us learn more about how service quality affects student retention in private universities in Malaysia, focusing on students from China. Universities can use this information to make their rules, ways of doing things, and help students to improve their studies. This research will help MOHE in creating rules for how universities should operate, creating guidelines for what students should learn, and developing ways to measure the quality of universities.

References


