

# CUSTOMER EXPECTATION, SERVICE QUALITY, AND LOYALTY IN PERSONAL FINANCIAL SERVICES: EVIDENCE FROM REGIONAL BANKS IN GUANGXI, CHINA

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## ABSTRACT

This study examines the structural relationships among customer expectation, perceived quality, perceived value, customer satisfaction, and customer loyalty in personal financial services at regional banks in Guangxi, China. Using partial least squares structural equation modelling (PLS-SEM) with data from 400 customers across four local commercial banks, six hypotheses derived from the American Customer Satisfaction Index (ACSI) framework were tested. Results reveal that customer expectation has the strongest effect on customer satisfaction ( $\beta = 0.642$ ,  $p < 0.001$ ), and customer satisfaction significantly influences loyalty ( $\beta = 0.456$ ,  $p < 0.001$ ). Notably, perceived quality shows a significant negative relationship with customer satisfaction ( $\beta = -0.163$ ,  $p < 0.001$ ), while perceived value's effect is not significant. These findings suggest the traditional ACSI model operates differently in regional banking contexts, where customers evaluate experiences primarily through an expectation-based lens, offering implications for expectation management in regional banking.

**KEYWORDS:** customer loyalty, customer satisfaction, customer expectation, perceived quality, regional banking

## 1. INTRODUCTION

Chinese residents' income levels and wealth accumulation have significantly increased along with the continuous strengthening of China's national economic strength, directly driving the sustained rise in the demand for personal and family wealth management. According to a report titled 2023 Trends in Chinese Household Wealth Changes, jointly released by Southwest University of Finance and Economics and Ant Group (China), the average asset value of urban Chinese households has exceeded 3 million yuan, with the proportion of financial assets increasing year by year, indicating that residents' awareness of wealth management is gradually growing (China Household Finance Survey and Research Center, 2023). Furthermore, according to the Hurun Wealth Report 2024, the number of high-net-worth individuals (with personal wealth exceeding 10 million yuan) in mainland China has reached approximately 1.68 million, while those with assets over 6 million yuan totaled 4.14 million (Hurun Research Institute, 2025). These affluent individuals have a particularly urgent demand for specialized and diversified wealth management services, driving rapid market growth. To meet the growing wealth management needs of residents, various financial institutions and professional wealth management companies have increased their investments in core areas such as investment management, insurance planning, and retirement management. According to a report titled Future Wealth Management (KPMG, 2022), China's market of wealth management size is expected to exceed 25 trillion USD by 2025, with an annual growth rate of over 10%. Banks, securities firms, fund companies, and third-party wealth management institutions are actively competing for market share through innovative financial products, smart advisory services, and personalized asset allocation solutions. This trend not only reflects the improvement in residents' wealth management awareness but also illustrates the deepening and diversification of China's financial market. The Guangxi Zhuang Autonomous Region is with both coastal and border advantages, is the only ethnic minority autonomous region in China. Its unique geographical location and rich ethnic culture make it an important gateway connecting China to Southeast Asia. Due to its special geographic environment and multicultural background, Guangxi's financial market exhibits distinct regional characteristics,

especially in personal financial services. The development path and product/service design of these services are deeply influenced by the local economic structure, residents' needs, and policy guidance. According to General Office of the People's Government of Guangxi Zhuang Autonomous Region (2021), currently, Guangxi has four local commercial banks with asset scales exceeding 100 billion yuan, all established by local governments, enterprises, or residents, with funds primarily directed toward local projects to support regional economic development, rather than provincial or international investments. These banks' business strategies focus more on serving the local market rather than competing on a national scale. Therefore, when providing personal financial services, financial institutions in Guangxi must fully consider the regional economic characteristics, wealth management needs of residents, and cultural differences in order to optimize product design, improve market adaptability, and contribute to the prosperity and stability of the local financial market. Personal financial services have become a core pillar of modern banking (Cahaya et al., 2023; Els & Bisschoff, 2023; Dubyna & Fedoriv, 2024; Benjamin et al., 2024; Shah et al., 2024), with their strategic value mainly reflected in three aspects: First, these services effectively enhance customer loyalty, boosting the bank's market competitiveness; second, through professional wealth management services and customized investment plans, banks can preserve and increase clients' assets, thus strengthening long-term customer relationships; finally, personal financial services provide banks with stable sources of funds and cross-selling opportunities, becoming a key engine driving overall performance growth. From a market practice perspective, as the demand for wealth management among residents becomes increasingly diversified, innovation in personal financial services by banks is not only about short-term market share but also about long-term sustainable development (Shapovalov, 2024; Sukarman, 2025). Particularly in regional markets like Guangxi, financial institutions need to combine local economic characteristics and customer needs, conducting an in-depth analysis of the key factors influencing customer loyalty—such as the degree of service personalization, product returns, and digital experience (Zhang & Hartley, 2018; Lai et al., 2023; Lin, 2024). Such research can provide banks with accurate market insights, guiding them in optimizing product design and improving service models, thereby gaining an advantage in the intense regional competition.

The research aims to achieve the following objectives through a sampling survey of customers from the four local commercial banks in Guangxi: 1) To understand customers' evaluations of personal financial products offered by local banks in Guangxi, China; 2) To examine the structural relationships among customer expectations, perceived quality, perceived value, satisfaction, and loyalty using partial least squares structural equation modeling (PLS-SEM). This study concentrates on the factors influencing customer loyalty in personal financial services and offers dual value: 1) On a theoretical level, it contributes to the advancement of academic research in financial service marketing; 2) On a practical level, it provides valuable insights for local banks in Guangxi to develop effective market strategies and business directions. Specifically, by analyzing the factors influencing customer loyalty, banks can better understand customer needs, optimize service processes, enhance customer satisfaction, and thus improve their market competitiveness. In conclusion, the successful operation of personal financial services requires banks to continually invest resources at the strategic level while dynamically adjusting their execution strategies to adapt to an ever-changing market environment. This research holds both theoretical significance and practical implications for regional financial organizations, which can offer empirical support for product iterations and market expansion.

## 2. LITERATURE REVIEW

### 2.1 The Effect of Customer Expectation on Perceived Value and Customer Satisfaction

Customer expectations represent the anticipated standards of service quality or overall experience that consumers expect to receive from a business (Zeithaml et al., 2018). These expectations are shaped by previous experiences, marketing communications, and individual needs, incorporating aspects such as reliability, assurance, empathy, and responsiveness. Expectations are not static but evolve over time as customers accumulate more experience with service providers.

Perceived value reflects a customer's overall assessment of a product or service, considering the balance between the benefits received and the costs incurred, including money, time, effort, and opportunity costs (Zeithaml, 1988). In banking services, perceived value is particularly important as customers evaluate whether the financial returns and service quality justify their investment and trust in the institution.

Customer satisfaction refers to a consumer's overall assessment of their experience with a product or service, based on how well actual performance meets or exceeds expectations (Oliver, 2014; Hunt, 1977). The expectation-disconfirmation paradigm suggests that satisfaction is determined by the gap between what customers expect and what they actually receive.

Research suggests that customer expectations serve as a reference point for evaluating both value and satisfaction. Kim et al. (2024) found that in digital banking services, customer expectations enhance perceived value, though the effect was moderate compared to factors like service quality and transaction

convenience. This suggests that while expectations matter, they work in conjunction with other factors to shape value perceptions. Imran (2024) demonstrated that fulfilling or surpassing customer expectations is essential for fostering satisfaction in financial services, particularly in the banking industry where trust and reliability are paramount. Sunitha (2024) further noted that service improvements could enhance satisfaction even when some expectations remain unmet, suggesting a complex relationship between these constructs.

Based on this evidence, the following hypotheses are proposed:

*H1*: Customer expectation has a positive effect on perceived value.

*H2*: Customer expectation has a positive effect on customer satisfaction.

## 2.2 The Effect of Perceived Quality on Perceived Value and Customer Satisfaction

Perceived quality is a customer's subjective judgment of a product's or service's overall excellence, distinguishing it from objective quality measures (Zeithaml, 1988). In banking services, perceived quality encompasses multiple dimensions including reliability (consistent and dependable service), responsiveness (prompt attention to customer needs), assurance (employee knowledge and courtesy), empathy (individualized attention), and tangibles (physical facilities and equipment).

The relationship between perceived quality and perceived value is well-established in the literature. Wang (2024) confirmed that service quality positively affects perceived value in the Chinese banking sector, demonstrating that customers who perceive higher quality services also recognize greater value from their banking relationships. Zhong and Chen (2023) found similar results in mobile payment services, though they noted that functional and experiential values were particularly important factors in the quality-value relationship.

However, the relationship between perceived quality and customer satisfaction has shown inconsistent results across studies, presenting a theoretical puzzle that warrants investigation. While Shah et al. (2024) found a positive relationship between service quality and customer satisfaction in banking, other studies have reported contradictory findings. Sukardi et al. (2023) found instances where certain aspects of service quality, such as e-service quality and promotional efforts, were negatively correlated with customer satisfaction in online banking contexts. This counterintuitive finding suggests that higher quality does not automatically translate to greater satisfaction.

Several explanations have been proposed for this inconsistency. Hapsari et al. (2016) suggested that perceived value may moderate how service quality affects satisfaction, implying that quality affects satisfaction indirectly through value perceptions rather than directly. Tambunan and Widyadhari (2024) found that company values interacting with perceived service quality can weaken the direct impact on satisfaction. These findings indicate a complex interplay among variables that may be context-dependent, highlighting the need for further investigation in specific market contexts such as regional banking.

Despite these inconsistencies, the majority of evidence supports positive relationships. Thus, the following hypotheses are proposed:

*H3*: Perceived quality has a positive effect on perceived value.

*H4*: Perceived quality has a positive effect on customer satisfaction.

## 2.3 The Effect of Perceived Value on Customer Satisfaction

The link between perceived value and customer satisfaction has received considerable attention in service marketing research. The underlying logic is straightforward: when customers perceive that the benefits they receive outweigh the costs they incur, they are more likely to feel satisfied with the service experience.

Mainardes and Freitas (2023) conducted a comprehensive study comparing traditional banks and fintechs, demonstrating that perceived value significantly affects customer satisfaction in both contexts, though the relationship was stronger in traditional banking settings. Their findings suggest that value perceptions remain crucial for customer satisfaction even as the banking industry evolves toward digital platforms.

However, some studies suggest this relationship may not be universal across all banking contexts. Sriwidadi and Prabowo (2023) examined mobile banking applications in Jakarta and found that while perceived value positively affected satisfaction, it did not directly translate into loyalty for mobile banking users. This finding suggests that the role of perceived value may vary depending on the specific banking channel and customer segment being studied. In traditional banking contexts where personal relationships and face-to-face interactions are more common, as is the case with regional banks in Guangxi, perceived value may play a more prominent role.

Based on the weight of evidence, the following hypothesis is proposed:

*H5*: Perceived value has a positive effect on customer satisfaction.

## 2.4 The Effect of Customer Satisfaction on Customer Loyalty

Customer loyalty reflects a consumer's dedication to continually purchasing or using certain products or services, often demonstrated through repeated transactions and a reluctance to switch to competitors even

when faced with external pressures or attractive alternatives (Oliver, 1999). Loyalty encompasses both behavioral aspects (actual repeat purchasing) and emotional aspects (psychological attachment to the brand), where individuals form strong connections that extend beyond habitual purchasing patterns (Dick & Basu, 1994). In the banking sector, customer loyalty is particularly valuable as the cost of acquiring new customers significantly exceeds the cost of retaining existing ones.

The satisfaction-loyalty link is one of the most robust and well-established findings in marketing research. Ooko et al. (2023) confirmed that customer satisfaction is a significant predictor of loyalty, with its role being central in driving repeat patronage in industries like banking and telecommunications. Shah et al. (2024) found that customer satisfaction mediates the relationship between service quality and customer loyalty in the banking sector, positioning satisfaction as a critical link in the loyalty formation process. However, recent studies have begun to question whether satisfaction is always a necessary condition for loyalty. Wulandari et al. (2024) found that service quality can directly result in customer loyalty without satisfaction being felt first, challenging the traditional view that satisfaction must precede loyalty. This suggests that in some contexts, particularly where switching costs are high or alternatives are limited, customers may remain loyal despite moderate satisfaction levels.

Nevertheless, the overwhelming weight of evidence supports the importance of satisfaction in building loyalty, particularly in competitive markets where customers have multiple banking options. Based on this evidence:

*H6*: Customer satisfaction has a positive effect on customer loyalty.

## 2.5 Research Gap and Conceptual Framework

Despite extensive research on customer satisfaction and loyalty in banking, several important gaps remain in the literature. First, most studies have focused on national or international banks operating in major urban markets, with limited attention to regional banks that serve distinct local markets with unique customer characteristics and needs. Regional banks often develop closer relationships with their customers and operate within specific cultural and economic contexts that may influence how satisfaction and loyalty are formed.

Second, the relationships among customer expectations, perceived quality, perceived value, and satisfaction have shown inconsistent results across different cultural and market contexts. The perceived quality-satisfaction relationship, in particular, has produced contradictory findings that have not been adequately explained, suggesting the need for context-specific investigation.

Third, few studies have examined these relationships in the Chinese regional banking sector, particularly in areas like Guangxi where local banks play a dominant role in personal financial services. Guangxi's unique position as an ethnic minority autonomous region with strong connections to Southeast Asian markets creates a distinctive banking environment that warrants dedicated study.

This study addresses these gaps by examining the structural relationships among customer expectation, perceived quality, perceived value, customer satisfaction, and customer loyalty in the context of personal financial services at Guangxi local banks. By employing partial least squares structural equation modeling (PLS-SEM), this research provides empirical evidence from an understudied regional banking context and contributes to the theoretical understanding of loyalty formation in financial services. The conceptual framework illustrating the hypothesized relationships is presented in Figure 1.

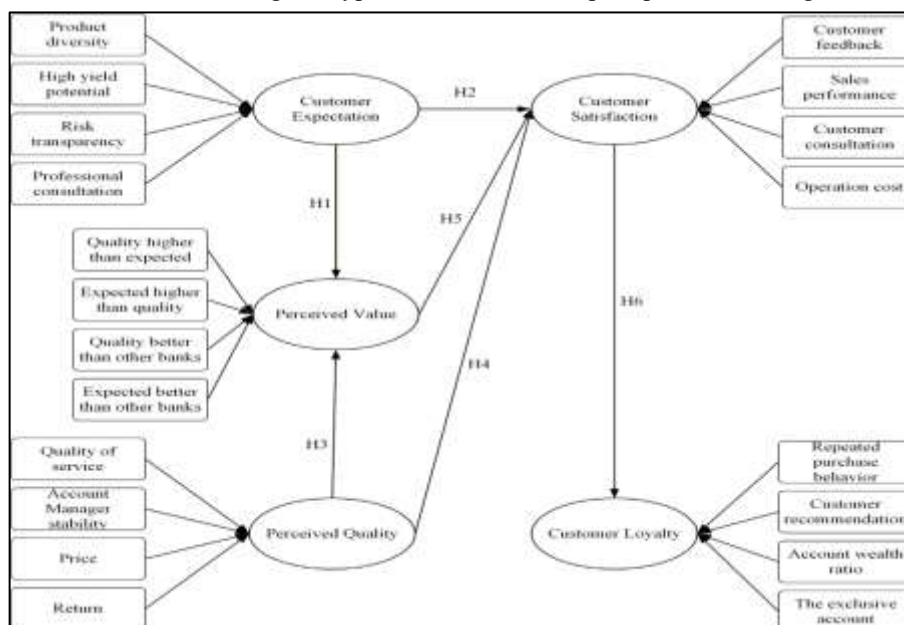


Figure 1 Conceptual Framework

### 3. METHODS

#### 3.1 Research Design

This study adopted a quantitative research approach using survey methodology to examine the structural relationships among customer expectation, perceived quality, perceived value, customer satisfaction, and customer loyalty in personal financial services. A cross-sectional research design was employed to collect data from customers of regional banks in Guangxi, China. Six hypotheses regarding the relationships among five constructs were tested using partial least squares structural equation modeling (PLS-SEM).

#### 3.2 Population and Sample

As of the data collection period from December 2023 to December 2024, there are four local commercial banks in Guangxi: Guangxi Zhuang Autonomous Region Rural Credit Cooperative Union (GXRCU), Guangxi Beibu Gulf Bank (GXBANK), Guilin Bank, and Bank of Liuzhou (LZCB). The study population includes all users of personal financial services from these four banks; however, the exact population size is not publicly available. According to the formula by Krejcie and Morgan (1970), a sample of 400 participants was determined to ensure the study's accuracy and reliability.

#### 3.3 Sampling Procedures

This study employed a stratified sampling strategy to ensure representative coverage across major banking institutions in Guangxi. The sampling process involved three sequential stages: first, four commercial banks were designated as distinct sample groups; second, customers were randomly selected from each banking group using an "intercept access" method whereby questionnaires were distributed near bank outlets in 3-5 selected cities among Guangxi's 14 prefecture-level cities; and third, a final sample of 400 participants was selected from the initial 600 collected responses, with each bank contributing approximately 100 participants (GXRCU: 27.2%, GXBANK: 24.5%, Guilin Bank: 25.2%, LZCB: 23.1%) to ensure balanced representation across all banking institutions.

#### 3.4 Research Instruments

The research instrument employed a structured questionnaire comprising 8 demographic items and 68 scale items distributed across five main constructs to measure customer loyalty and its determinants in personal financial services. A 5-point Likert scale was used, ranging from 1 (strongly disagree) to 5 (strongly agree).

The instrument's constructs included customer expectation with four sub-dimensions of product diversity, high yield potential, risk transparency, and professional consultation (16 items); perceived quality encompassing service quality, account manager stability, price, and return (16 items); perceived value covering quality-expectation comparisons and inter-bank comparisons (12 items); customer satisfaction including feedback, sales performance, consultation, and operation costs (12 items); and customer loyalty measuring repeated purchase behavior, recommendations, account wealth ratio, and exclusive account usage (12 items).

Content validity was established through expert evaluation using the Index of Objective Congruency (IOC) method, achieving a score of 0.68 (above the 0.6 threshold). Reliability was confirmed through pilot testing with 30 participants, resulting in a Cronbach's alpha coefficient of 0.875, indicating high internal consistency of the research instrument.

#### 3.5 Data Collection

This study was conducted in accordance with the ethical principles outlined in the Declaration of Helsinki. The research protocol was reviewed and approved by the Research Ethics Committee of Bansomdejchaopraya Rajabhat University. Prior to data collection, all participants were provided with an informed consent statement at the beginning of the questionnaire, which explained the study's purpose, the voluntary nature of participation, the right to withdraw at any time without consequence, and the guarantee of anonymity and confidentiality. Consent was indicated by participants' voluntary completion and submission of the questionnaire. No personally identifiable information, such as names, identification numbers, or contact details, was collected during the survey.

Data were collected from December 2023 to December 2024 using an intercept sampling approach combined with online questionnaire administration. Research assistants distributed questionnaires near the branch outlets of the four target banks in three cities (Nanning, Guilin, and Liuzhou) where the headquarters of the four target banks are located. Potential respondents who confirmed they were customers of the target banks were invited to complete the questionnaire by scanning a QR code linked to WenJuanWang ([www.wenjuanwang.com](http://www.wenjuanwang.com)), an online survey platform. This approach ensured that respondents were actual customers of the target banks while leveraging the convenience and data quality controls of online survey platforms. A total of 600 responses were collected, of which 400 valid responses were retained for analysis after removing incomplete or invalid questionnaires.

### 3.6 Data Analysis

Data analysis was conducted using SmartPLS 4.0 to perform partial least squares structural equation modeling (PLS-SEM). PLS-SEM was chosen over covariance-based SEM (CB-SEM) for several reasons. First, PLS-SEM is more suitable for predictive research models that aim to explain variance in endogenous constructs (Hair et al., 2019). Second, PLS-SEM places fewer restrictions on data distribution and sample size compared to CB-SEM (Hair et al., 2017). Third, PLS-SEM is particularly appropriate when the research objective is theory development and prediction rather than theory confirmation (Henseler et al., 2015).

Following the guidelines of Hair et al. (2019), indicators with outer loadings below 0.50 were removed from the measurement model to ensure adequate convergent validity. This item purification process resulted in the retention of 34 items from the original 68 items: 6 items for customer expectation (A1, A2, A3, A8, A9, A10), 10 items for perceived quality (B6, B7, B8, B9, B10, B11, B12, B14, B15, B16), 3 items for perceived value (C1, C2, C3), 8 items for customer satisfaction (D1, D2, D3, D4, D5, D6, D7, D8), and 7 items for customer loyalty (E1, E4, E6, E7, E10, E11, E12).

The measurement model was assessed using the following criteria: internal consistency reliability was evaluated through Cronbach's alpha (threshold > 0.60) and composite reliability (CR > 0.70); convergent validity was assessed through average variance extracted (AVE > 0.50); and discriminant validity was evaluated using the heterotrait-monotrait ratio of correlations (HTMT < 0.85) as recommended by Henseler et al. (2015). The structural model was evaluated using path coefficients ( $\beta$ ), coefficient of determination ( $R^2$ ), and the standardized root mean square residual (SRMR < 0.10) for model fit assessment. Bootstrapping with 5,000 subsamples was performed to test the statistical significance of path coefficients at the 0.05 level.

## 4. RESULTS

### 4.1 Sample Characteristics

The demographic profile of respondents is presented in Table 1. The majority of respondents were female (63.5%) and married (53.0%). In terms of age distribution, most respondents were aged 20-30 (39.5%) and 31-40 (37.3%). The sample was highly educated, with 67.8% holding undergraduate degrees and 17.4% holding postgraduate degrees. Regarding annual income, 61.8% of respondents earned between 30,000 to 100,000 CNY. Most respondents had 1-3 years of investment experience (54.8%), indicating moderate familiarity with financial products.

**Table 1** Demographic Profile of Respondents (n=400)

Characteristic	Category	n	%
Gender	Female	254	63.5
	Male	146	36.5
Marital Status	Married	212	53.0
	Single	161	40.3
	Divorced/Widowed	27	6.7
Age	Under 20	74	18.5
	20-30	158	39.5
	31-40	149	37.3
	41 and above	19	4.7
Education	High school and below	1	0.3
	Junior college	58	14.5
	Undergraduate	271	67.8
	Postgraduate	70	17.4
Annual Income (kilo CNY)	Under 30	41	10.3
	30-100	247	61.8
	100-200	68	17.0
	Over 200	44	11.0
Investment Experience	Under 1 year	32	8.0
	1-3 years	219	54.8
	3-5 years	118	29.5
	Over 5 years	31	7.7

#### 4.2 Measurement Model Assessment

The measurement model was assessed for internal consistency reliability, convergent validity, and discriminant validity. Following Hair et al. (2019), indicators with outer loadings below 0.50 were removed, resulting in 34 items retained from the original 68 items. Table 2 presents the measurement model results. All outer loadings exceeded the minimum threshold of 0.50, ranging from 0.509 to 0.820. Composite reliability (CR) values ranged from 0.741 to 0.866, all exceeding the recommended threshold of 0.70, indicating adequate internal consistency reliability (Hair et al., 2019). The AVE values for CE (0.393), PQ (0.393), CS (0.421), and CL (0.291) were below the recommended threshold of 0.50. However, according to Fornell and Larcker (1981), when AVE is less than 0.50 but composite reliability exceeds 0.60, the convergent validity of the construct is still adequate. Since all CR values in this study exceeded 0.70, the convergent validity was considered acceptable.

**Table 2** Measurement Model Results

Construct	Item	Loading	Cronbach's $\alpha$	CR	AVE
Customer Expectation (CE)	A1	0.618	0.701	0.792	0.393
	A2	0.820			
	A3	0.587			
	A8	0.574			
	A9	0.569			
	A10	0.553			
Perceived Quality (PQ)	B6	0.695	0.830	0.866	0.393
	B7	0.633			
	B8	0.665			
	B9	0.643			
	B10	0.579			
	B11	0.613			
	B12	0.613			
	B14	0.628			
	B15	0.580			
	B16	0.607			
Perceived Value (PV)	C1	0.695	0.562	0.770	0.528
	C2	0.775			
	C3	0.707			
Customer Satisfaction (CS)	D1	0.603	0.803	0.853	0.421
	D2	0.636			
	D3	0.715			
	D4	0.664			
	D5	0.666			
	D6	0.655			
	D7	0.611			
	D8	0.633			
Customer Loyalty (CL)	E1	0.542	0.596	0.741	0.291
	E4	0.566			
	E6	0.509			
	E7	0.513			
	E10	0.516			
	E11	0.567			
	E12	0.555			

*Note: CR = Composite Reliability; AVE = Average Variance Extracted*

Discriminant validity was assessed using the heterotrait-monotrait ratio of correlations (HTMT) criterion recommended by Henseler et al. (2015). Table 3 presents the HTMT results. All HTMT values were below the threshold of 0.85, confirming that discriminant validity was established among all constructs.

**Table 3** Discriminant Validity (HTMT)

	CE	CL	CS	PQ	PV
CE	—				
CL	0.793	—			
CS	0.647	0.638	—		
PQ	0.561	0.762	0.166	—	
PV	0.513	0.557	0.221	0.327	—

Note: HTMT values should be below 0.85

### 4.3 Structural Model Assessment

The structural model was assessed for model fit, explanatory power, and path coefficients. The SRMR value was 0.100, meeting the threshold of less than 0.10 recommended by Henseler et al. (2015), indicating acceptable model fit. Table 4 presents the coefficient of determination ( $R^2$ ) for each endogenous construct. The model explains 12.0% of the variance in perceived value, 35.2% in customer satisfaction, and 20.8% in customer loyalty. Customer satisfaction showed the highest explanatory power among the endogenous constructs.

**Table 4** Coefficient of Determination ( $R^2$ )

Endogenous Construct	$R^2$	Interpretation
Perceived Value (PV)	0.120	Weak
Customer Satisfaction (CS)	0.352	Moderate
Customer Loyalty (CL)	0.208	Weak to Moderate

The path coefficients and hypothesis testing results are presented in Table 5. Bootstrapping with 5,000 subsamples was performed to test the statistical significance of path coefficients. Five out of six hypotheses were supported. Customer expectation had significant positive effects on perceived value ( $\beta = 0.262$ ,  $p < 0.001$ ) and customer satisfaction ( $\beta = 0.642$ ,  $p < 0.001$ ), supporting H1 and H2. The effect of customer expectation on customer satisfaction was the strongest in the model, indicating that meeting customer expectations is crucial for achieving satisfaction in regional banking services.

**Table 5** Path Coefficients and Hypothesis Testing

Hypothesis	Path	$\beta$	p-value	Result
H1	CE $\rightarrow$ PV	0.262	0.000	Supported
H2	CE $\rightarrow$ CS	0.642	0.000	Supported
H3	PQ $\rightarrow$ PV	0.149	0.003	Supported
H4	PQ $\rightarrow$ CS	-0.163	0.000	Not Supported
H5	PV $\rightarrow$ CS	-0.022	0.641	Not Supported
H6	CS $\rightarrow$ CL	0.456	0.000	Supported

Note:  $\beta$  = Standardized path coefficient; Significance level at  $p < 0.05$

Perceived quality had a significant positive effect on perceived value ( $\beta = 0.149$ ,  $p = 0.003$ ), supporting H3. However, contrary to the hypothesized positive relationship, perceived quality had a significant negative effect on customer satisfaction ( $\beta = -0.163$ ,  $p < 0.001$ ). Thus, H4 was not supported. This unexpected finding will be discussed in the next section. The relationship between perceived value and customer satisfaction was not significant ( $\beta = -0.022$ ,  $p = 0.641$ ), thus H5 was not supported. This finding suggests that perceived value does not directly contribute to customer satisfaction after accounting for the effects of customer expectation and perceived quality in this context. Customer satisfaction had a significant positive effect on customer loyalty ( $\beta = 0.456$ ,  $p < 0.001$ ), supporting H6 and confirming the well-established satisfaction-loyalty link in banking services. The structural model with path coefficients is illustrated in Figure 2.

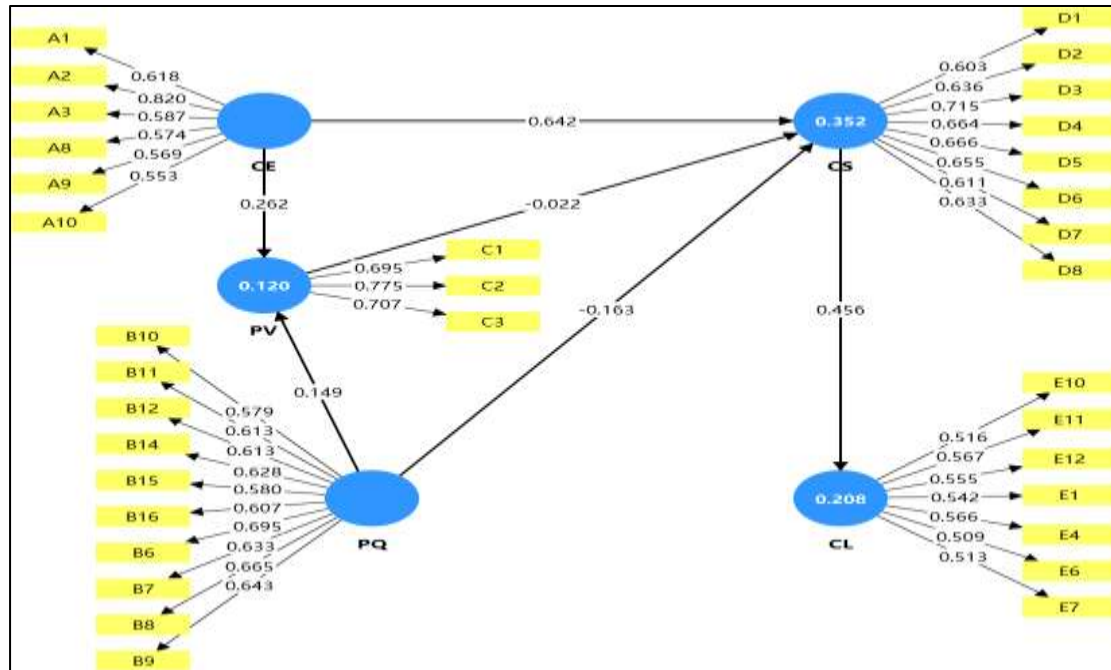


Figure 2 Structural Model Results

## 5. DISCUSSION

This study set out to examine the determinants of customer loyalty in personal financial services at Guangxi regional banks. While the findings largely supported the hypothesized relationships, several results challenge conventional assumptions in service marketing literature and reveal the unique dynamics of regional banking contexts.

The most striking finding is the dominant role of customer expectation in shaping satisfaction. With a path coefficient of 0.642, customer expectation far exceeded all other predictors in its influence on customer satisfaction. This suggests that in regional banking contexts, the psychological benchmark customers bring to their service encounters matters more than the objective quality they receive or the value they perceive. Regional bank customers in Guangxi appear to evaluate their experiences primarily through the lens of whether their expectations were met, rather than through careful cost-benefit calculations or quality assessments. This finding resonates with the expectation-disconfirmation paradigm (Oliver, 2014), but extends it by demonstrating that expectations can dominate other factors to an unexpected degree in relationship-oriented banking environments.

This dominance of expectations helps explain two other unexpected findings: the negative effect of perceived quality on satisfaction and the non-significant effect of perceived value on satisfaction. The negative quality-satisfaction relationship ( $\beta = -0.163$ ) initially appears counterintuitive. However, when viewed through the lens of expectation dynamics, it becomes more understandable. Customers who perceive high service quality may simultaneously develop elevated expectations for future interactions. When these heightened expectations are not consistently met, dissatisfaction follows. In essence, quality perception becomes a double-edged sword that satisfies in the moment but raises the bar for future encounters. This interpretation aligns with Sukardi et al. (2023), who found negative correlations between certain quality dimensions and satisfaction in online banking, and with Hapsari et al. (2016), who demonstrated that the quality-satisfaction relationship is often mediated or moderated by other factors rather than being direct.

The non-significant relationship between perceived value and satisfaction further reinforces the expectation-centric nature of customer psychology in this context. Mainardes and Freitas (2023) found perceived value to be a significant driver of satisfaction in traditional banks, yet our findings suggest this relationship may not hold uniformly across all banking contexts. In Guangxi's regional banking environment, where personal relationships and local connections are valued, customers may evaluate their banking experiences less through a transactional value lens and more through a relational expectation lens. The strong effect of expectations appears to absorb the explanatory power that perceived value might otherwise contribute, suggesting that regional bank customers prioritize whether their expectations were met over whether they received good value.

These findings carry important theoretical implications. The traditional ACSI model positions perceived value as a key mediator between quality perceptions and satisfaction. Our results suggest this mediation pathway may be weaker or even absent in regional banking contexts, where expectation management appears to be the critical factor. This does not invalidate the ACSI framework, but rather highlights the

need for context-sensitive application. Regional banks operate differently from national banks. They serve communities where customers and bankers often know each other personally, where word-of-mouth reputation carries significant weight, and where switching costs include social and relational dimensions beyond mere inconvenience. In such environments, meeting expectations may be more about maintaining trust and relationship continuity than about delivering superior quality or value.

The satisfaction-loyalty relationship ( $\beta = 0.456$ ) confirmed the well-established link between these constructs, consistent with Ooko et al. (2023) and Shah et al. (2024). However, with satisfaction explaining only 20.8% of the variance in loyalty, substantial room remains for other factors. Wulandari et al. (2024) found that service quality can directly influence loyalty without satisfaction as a mediator, and our findings suggest that in regional banking, factors such as relationship quality, trust, community ties, or switching barriers may play important complementary roles. The moderate explanatory power of our model indicates that customer loyalty in regional banking is a multifaceted phenomenon that cannot be fully captured by satisfaction alone.

Several limitations of this study warrant acknowledgment, and these limitations point toward productive avenues for future inquiry. The focus on Guangxi regional banks raises questions about the generalizability of these findings. Guangxi's unique position as an ethnic minority autonomous region with strong Southeast Asian connections creates a distinctive banking environment that may not reflect other Chinese provinces. However, this specificity is also a strength because it provides insight into how cultural and regional factors shape customer psychology in ways that studies of national banks cannot capture. Future research comparing regional banks across different Chinese provinces could illuminate which findings are Guangxi-specific and which reflect broader regional banking dynamics. Additionally, the sample was skewed toward younger (76.8% aged 20-40) and highly educated respondents (85.2% with undergraduate degrees or above), which may limit the generalizability of findings to older or less educated customer segments. Future studies could incorporate demographic quotas to ensure more balanced age and education representation and examine whether the expectation-satisfaction dynamics differ across these groups.

The cross-sectional design captures relationships at a single point in time, yet customer expectations and perceptions evolve through ongoing service encounters. The negative quality-satisfaction relationship we observed may reflect accumulated experiences rather than immediate reactions. Longitudinal research tracking how expectations, quality perceptions, and satisfaction change over repeated banking interactions could provide a more dynamic understanding of these relationships and offer stronger grounds for causal inference.

The measurement challenges we encountered, particularly the low AVE values for customer loyalty, reflect a deeper issue. Loyalty in regional banking may encompass dimensions that standard loyalty scales do not capture, such as community obligation, personal relationships with bank staff, or local pride. Qualitative research exploring how regional bank customers conceptualize and experience loyalty could inform the development of more contextually appropriate measurement instruments.

Finally, the unexpected negative quality-satisfaction relationship deserves dedicated investigation. Our quantitative findings identify this relationship but cannot fully explain its underlying mechanisms. In-depth interviews with regional bank customers could reveal whether this pattern reflects rising expectations, comparison effects with national banks, or other psychological processes unique to regional banking relationships.

## 6. CONCLUSION

This study examined the structural relationships among customer expectation, perceived quality, perceived value, customer satisfaction, and customer loyalty in personal financial services at Guangxi regional banks. Using PLS-SEM analysis with data from 400 bank customers, the results reveal that customer expectation is the dominant driver of customer satisfaction, with a substantially stronger effect than perceived quality or perceived value. Customer satisfaction, in turn, significantly influences customer loyalty, confirming the central role of satisfaction in customer retention strategies.

The findings contribute to the service marketing literature by demonstrating that the traditional ACSI model may operate differently in regional banking contexts. The unexpected negative relationship between perceived quality and satisfaction, along with the non-significant effect of perceived value on satisfaction, suggests that regional bank customers evaluate their experiences primarily through an expectation-based lens rather than through quality assessments or value calculations. This expectation-centric pattern may reflect the relationship-oriented nature of regional banking, where personal connections and community ties shape how customers interpret their service experiences.

For practitioners, this study offers clear strategic guidance. Regional bank managers should prioritize understanding and managing customer expectations rather than focusing solely on service quality improvements. Investments in customer research, expectation setting through clear communication, and consistent service delivery that aligns with customer expectations are likely to yield stronger returns in

customer satisfaction and loyalty than quality enhancement initiatives alone. The negative quality-satisfaction relationship also serves as a caution: raising service quality without managing the accompanying rise in customer expectations may paradoxically lead to lower satisfaction.

In conclusion, customer loyalty in regional banking is built primarily through meeting customer expectations and maintaining satisfaction over time. Regional banks that understand the expectation-driven psychology of their customers and manage these expectations effectively will be better positioned to enhance customer retention in an increasingly competitive financial services market.

#### Declarations

**Conflicts of Interest:** All authors declare that they have no conflicts of interest.

**Informed Consent:** Informed Consent: This study was conducted in accordance with the ethical principles outlined in the Declaration of Helsinki. The research protocol was reviewed and approved by the relevant institutional Research Ethics Committee. Informed consent was obtained from all participants prior to data collection.

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