Reassessing Organizational Competence as a Mediator between Service Quality and Customer Satisfaction: An Integrated SERVQUAL-Resource-based View Study of Amanah Ikhtiar Malaysia

Wan Nur Rahini Aznie Binti Zainudin[1]*, W. Muhammad Zainuddin Bin Wan Abdullah[2], Norlida Binti Mahussin[1], Farah Alia Binti Zakaria[1]

[1]Faculty of Science and Technology, Universiti Sains Islam Malaysia, Negeri Sembilan, Malaysia, [2]Faculty of Business, Economics and Social Development, Universiti Malaysia Terengganu, Terengganu, Malaysia. *Email: rahini@usim.edu.my

ABSTRACT

The primary microfinance institution in the country, Amanah Ikhtiar Malaysia (AIM), is used as the case environment in this study to re-examine the presumed mediating function of organisational competency in the relationship between service quality and customer satisfaction. It examines whether internal capabilities like staff knowledge, operational effectiveness, and community outreach can mitigate the effects of service quality dimensions like tangibles, responsiveness, reliability, empathy, and assurance. It does this by incorporating the SERVQUAL framework and drawing on the resource-based view (RBV) theory. The research pursued four objectives: to investigate how service quality affects organisational competence, how organisational competence affects customer satisfaction, to assess whether organisational competence mediates this relationship, and whether service quality directly affects satisfaction. Using descriptive statistics and ordered probit regression to analyse responses from 400 AIM clients, the study concludes that organisational competency does not significantly mediate the findings. Instead, service quality dimensions directly and significantly influence customer satisfaction. The significance of frontline service performance in promoting customer satisfaction and sustained involvement in microfinance is underscored by these findings.

Keywords: Resource-based View, SERVQUAL Model, Microfinance Institutions, Customer Satisfaction
JEL Classifications: G210, M31, D120

1. INTRODUCTION

In the dynamic landscape of microfinance, customer satisfaction remains a critical success factor, especially for institutions like Amanah Ikhtiar Malaysia (AIM) that serve vulnerable, underserved communities. Given the increasing complexity of financial inclusion efforts, institutions are under pressure to deliver not only accessible financial products but also exceptional service quality. Within this context, the dimensions of service quality such as Tangibles, Responsiveness, Reliability, Empathy and Assurance have a fundamental influence on how client experiences and perceptions. According to existing research, there may be a more indirect relationship between customer satisfaction and service quality. With reference to the resource-based view (RBV), the ability of a company to efficiently use its internal resources and capabilities is known as organisational competence, and it has been frequently proposed as a strategic mediator that explains how higher customer happiness level is correlated with higher service quality. This theoretical lens posits that service quality strengthens an institution's internal

competencies, which in turn elevate customer satisfaction levels, offering a sustained competitive advantage. However, in this study, we critically revisit this assumption through the lens of Amanah Ikhtiar Malaysia (AIM) the country's most established microfinance institution. Empirical findings from our research reveal a noteworthy deviation from theoretical expectations. Contrary to the RBV's proposition, organizational competence did not emerge as a significant mediator. Instead, the analysis indicates a direct and robust relationship between service quality dimensions and customer satisfaction. These findings challenge conventional thinking and suggest that, at least in the context of AIM, frontline service delivery may play a more immediate and dominant role in shaping client satisfaction than previously understood. By integrating the SERVQUAL model with RBV theory, this study contributes to both academic discourse and practical implications for microfinance institutions. It calls for a re-evaluation of strategic focus from internal capability enhancement to immediate service delivery excellence as a pathway to achieving high levels of customer satisfaction in community-based financial services.

1.1. Overview of Service Quality to Customer Satisfaction through Organizational Competence in Amanah Ikhtiar Malaysia

Malaysia's microfinance landscape has evolved into a key pillar of national financial inclusion and poverty eradication strategies, targeting low-income households, especially in rural and semi-urban areas. The process of providing small amounts of credit to the poor along with those with no assets for collateral, financial information, or histories of credit is known as microfinance (Haque et al., 2021). The sector operates not merely as a provider of microcredit but as an enabler of socioeconomic upliftment, entrepreneurial development, and women empowerment. To achieve sustainable development, authorities must identify factors that can improve people's economic standing and promote national economic growth (Qamruzzaman, 2023; Abdullah et al., 2024). In this regard, AIM's primary goal is to reduce poverty by offering microloans, business training and support for microenterprise especially women (Al-Mamun et al., 2018; Abdullah et al., 2024). Among the key players in this ecosystem, AIM stands as the nation's pioneer and most prominent microfinance institution, having served millions of clients since its inception in 1987.

As a non-profit organization, AIM's mission extends beyond financial transactions. It embodies the broader social objective of empowering economically disadvantaged communities through ethical financing, human development programs, and sustainable income-generating initiatives. In this regard, the quality of services delivered including tangibles, responsiveness, reliability, empathy and assurance becomes paramount in shaping client experiences and long-term loyalty. Yet, delivering high quality service alone does not guarantee customer satisfaction. Increasingly, attention is being directed toward the internal capabilities of microfinance institutions. Such attention is matter refers as organizational competence by resource-based view (RBV). This includes institutional knowledge, staff professionalism, innovation in delivery models, adaptability, training systems, and operational efficiency. These competencies act as strategic enablers that translate front-line service delivery into meaningful customer satisfaction. Considering AIM, the

institution's organizational competence plays a nuanced role. On one hand, it reflects the institution's capacity to support its staff, ensure consistent loan disbursement procedures, provide financial education, and resolve client issues effectively.

The organizational competence is hypothesized to serve as a mediator that is a critical conduit through which service quality dimensions influence the satisfaction levels of AIM's clients. However, the findings from this study challenge this mediating assumption. Although AIM exhibits good organisational skills and provides high-quality services, empirical findings show a stronger correlation between customer satisfaction and service quality, suggesting that clients respond more immediately to tangible service encounters rather than internal institutional strengths. This insight is particularly relevant for microfinance institutions like AIM, where the personal interaction between staff and clients often outweighs the perception of back-end competence.

In sum, the microfinance sector in Malaysia, in this case AIM, provides a rich context to investigate the triadic relationship between service quality, organizational competence, and customer satisfaction. Understanding these dynamics offers both theoretical insights and practical guidance for strengthening service delivery models and reinforcing institutional trust in the eyes of clients who rely on microfinance not just as a financial tool, but as a transformative journey out of poverty.

1.2. Objectives of the Study
The purpose of this study is to examine how customer satisfaction, organisational competency, and service quality interact dynamically in Malaysian microfinance organisations, with specific reference to Amanah Ikhtiar Malaysia (AIM). The following are the study's particular objectives:
1. To investigate how Amanah Ikhtiar Malaysia's (AIM) organisational competency is impacted by the five aspects of service quality: Tangibles, responsiveness, reliability, empathy, and assurance
2. To assess the impact of organizational competence dimensions such as staff expertise and competency, process and operational efficiency, staff support and commitment and community engagement and outreach among AIM's clients
3. To assess how aspects of service quality directly affect customer satisfaction, regardless of how organisational competency acts as a mediator
4. To assess the applicability of the resource-based view (RBV) framework in the context of microfinance service delivery by examining the mediating effect of organisational competence in the relationship between customer satisfaction and service quality dimensions.

These objectives provide a comprehensive framework for exploring how internal capabilities and external service performance jointly contribute to client satisfaction in microfinance institutions.

2. LITERATURE REVIEW

Customer satisfaction determines how pleased clients are with the products, services, and general capabilities of the business

(Chow and Ho, 2025). Comparing the quality of a product or service after purchase is another common definition of customer satisfaction (Yi et al., 2021). Numerous academics agree that customer satisfaction is influenced by service quality, and Parasuraman et al. (1988) developed a model to measure it (Fida et al., 2020).

As a result, the SERVQUAL model which includes tangibles, responsiveness, reliability, empathy, and assurance has emerged as a significant framework for the detailed examination of service quality and customer satisfaction across a variety of service sectors (Amin et al., 2013).

A persistent and trustworthy measure of service quality is SERVQUAL (Parasuraman et al., 1994; Mahamad et al., 2010). Customer satisfaction is strongly impacted by aspects of service quality, according to numerous empirical research. For instance, Parasuraman et al. (1988), and subsequent replications in financial services contexts (e.g., Ehigie, 2006; Ladhari, 2009), have often emphasised that client views and satisfaction are greatly influenced by assurance and responsiveness. More recently, in microfinance-specific studies, Khan and Fasih (2014) and Mohd Kassim and Abduh (2010) provided evidence that tangible aspects such as staff presence, clarity of information, and physical accessibility directly affect clients' satisfaction levels in Malaysia and other developing countries.

In contrast, the resource-based view (RBV) postulates that service quality alone may not be sufficient to create sustained customer satisfaction unless it is mediated through an institution's organizational competence based on a bundle of intangible resources such as managerial capabilities, employee knowledge, process integration, and adaptive capacity (Peng & Mao, 2014). Previously, organisational competence was limited to personnel abilities required to accomplish organisational objectives that promote alignment and implementation of integrated business strategies (Aqel and Alkshali, 2022; Wandiga, 2019). Prominent studies (e.g., Barney, 1991; Grant, 1996; Wernerfelt, 1984; Lusch & Vargo, 2004) suggest that these organizational capabilities form the basis of sustainable competitive advantage and serve as critical mediators that convert external performance into customer-centric outcomes. Empirical studies such as Othman et al. (2016) and Yusof and Aspinwall (2000), particularly within banking and hospitality, have found strong support for this mediating pathway.

However, the findings of this study diverge from this dominant theoretical stance. In the context of Amanah Ikhtiar Malaysia (AIM), the empirical results indicate that organizational competence does not mediate the relationship between service quality and customer satisfaction. Instead, the research shows that, regardless of organisational competency, there is a direct and strong relationship between customer satisfaction, and the service quality dimensions, particularly tangibles, responsiveness, and assurance. This suggests that frontline service experience, rather than internal institutional capabilities, may be the primary determinant of satisfaction among AIM's clientele.

Several explanations may account for this divergence from the RBV framework. First, contextual specificity matters. Unlike formal banking or hospitality sectors where clients may evaluate institutions based on operational efficiency or brand reliability, microfinance clients often place greater weight on immediacy, empathy, and interpersonal service encounters.

Studies such as Ledgerwood (2013) and Armendáriz and Morduch (2010) have noted that the relationship-building aspect in microfinance, especially with economically vulnerable groups, may override institutional evaluations. Additionally, AIM's structure as a social enterprise, rather than a profit-driven bank, may shift client expectations and reduce the salience of back-end competencies in shaping satisfaction judgments.

This study, which is based on the SERVQUAL framework and the theoretical foundations of the resource-based view (RBV), makes the following assumptions to investigate the relationships among customer satisfaction, organisational competence, and service quality in the context of microfinance institutions: specifically, Amanah Ikhtiar Malaysia (AIM):

Hypothesis 1: Service quality → Organizational competence
- Null Hypothesis (H_{01}): There is no significant relationship between service quality dimensions and organizational competence in AIM.
- Alternative Hypothesis (H_{11}): There is a significant relationship between service quality dimensions and organizational competence in AIM.

Hypothesis 2: Organizational competence → Customer satisfaction
- Null Hypothesis (H_{02}): There is no significant relationship between organizational competence and customer satisfaction in AIM.
- Alternative Hypothesis (H_{12}): There is a significant relationship between organizational competence and customer satisfaction in AIM.

Hypothesis 3: Service quality → Customer satisfaction
- Null Hypothesis (H_{03}): There is no significant direct relationship between service quality dimensions and customer satisfaction in AIM.
- Alternative Hypothesis (H_{13}): There is a significant direct relationship between service quality dimensions and customer satisfaction in AIM.

Hypothesis 4: Mediation by organizational competence
- Null Hypothesis (H_{04}): Organizational competence does not significantly mediate the relationship between service quality dimensions and customer satisfaction in AIM.
- Alternative Hypothesis (H_{14}): Organizational competence significantly mediates the relationship between service quality dimensions and customer satisfaction in AIM.

3. METHODOLOGY

3.1. Research Design
In this study, the mediation occurs when independent variables, service quality dimensions affect the dependent variable, customer satisfaction through a third variable, that is organization

competence. This relationship is built upon SERVQUAL-RBV model and presented in Figure 1. In addition, data was gathered by distributing a questionnaire, and statistical techniques were applied to analyse the results.

To explain customer satisfaction, the SERVQUAL-RBV model framework combines SERVQUAL and RBV. The SERVQUAL dimension encompasses tangibles, assurance, responsiveness, reliability, and empathy. In contrast, RBV is organizational competency. The model demonstrates how organisational competency will or will not operate as a mediator in the relationship between customer satisfaction and the dimensions of service quality.

3.2. Population of the study

The population of this study is based on all number of active clients (SAHABAT) and entrepreneur (JSA) in Amanah Ikhtiar Malaysia as for September 2023 throughout Malaysia, which is 323,033 people. The population of the study involves 124 Amanah Ikhtiar Malaysia branches (Amanah Ikhtiar Malaysia, n.d.).

3.3. Sample and Sampling Techniques

Krejcie and Morgan's (1970) formula for calculating representative samples from finite populations was used to calculate the study's sample size. As the population of this study is 323,033, by employing the formula, the sample size becomes 384.

$$s = \frac{\chi^2 N p (1-p)}{d^2 (N-1) + \chi^2 p (1-p)} \tag{1}$$

where, s = required sample size; χ^2 = the table value of Chi-square for 1° of freedom at the desired confidence level (3.841 for 95% confidence level); N = the population size; p = the population proportion (assumed to be 0.5 to provide maximum sample size); d = the degree of accuracy expressed as a proportion (0.05).

$$s = \frac{3.841(323,033)(0.5)(1-0.0.5)}{0.05^2 (323,033-1) + 3.841(0.5)(1-0.5)} \tag{2}$$

$$s \approx 384 \tag{3}$$

Out of the 500 questionnaires distributed, 400 valid responses were obtained. This sample size is sufficient to ensure the study's reliability, minimize non-response bias, enhance statistical power, and maintain the representativeness of the target population (Field, 2013; MacCallum et al., 1999).

3.4. Reliability of Research Instrument

The questionnaire's accuracy, consistency, and stability are assessed using reliability. To evaluate the instrument's reliability, the Cronbach's alpha coefficient is performed. Table 1 shows the reliability test results. Since each variable dimension's Cronbach alpha value is more than 0.7, all of the items in this study are considered reliable.

3.5. Method of Data Analysis

To analyse data pertaining to customer satisfaction, organisational competency, and service quality inside Amanah Ikhtiar Malaysia (AIM), this study used both descriptive and inferential statistical methods. Descriptive statistics such as frequencies, percentages, means, and standard deviations were used to summarize respondent profiles and highlight general response patterns. For inferential analysis, the Ordered Probit Regression Model was applied to test the research hypotheses due to the ordinal nature of the dependent variables.

To determine the strength of the relationships and the existence of mediation effects, the model is used to analyse the direct effects of service quality dimensions on organisational competence and customer satisfaction, as well as the mediating role of organisational competence between service quality and satisfaction.

3.6. Model Specification

The probit models ordered are used since all the variables are based on a five Likert scale. Additionally, it is utilised to examine each of the four study hypotheses based on the four model paths listed below:

Figure 1: Conceptual model framework
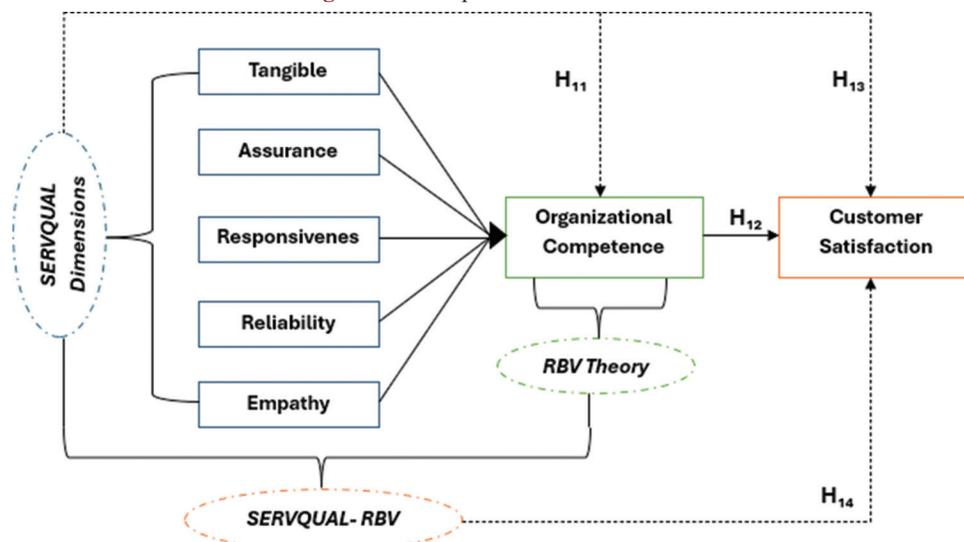
Table 1: Reliability statistics

Variable	Dimensions	Sum of items	Cronbach alpha
Dependent	Customer satisfaction	6	0.96
Mediator	Organizational competence	4	0.937
Independent	Tangible	8	0.937
	Assurance	8	0.863
	Responsiveness	11	0.909
	Reliability	7	0.924
	Empathy	4	0.809

- Path 1: Service Quality → Organizational Competence based on Hypothesis 1

$$OC_i^* = \alpha_0 + \alpha_1 TAN_i + \alpha_2 ASS_i + \alpha_3 RES_i + \alpha_4 REL_i + \alpha_5 EMP_i + e_i \quad (4)$$

Where, OC_i^* = the latent (unobserved) continuous measure of organizational competence for respondent i, which is reflected through observed ordinal response and evaluated on a five-point Likert scale, where 1 represents "Very Dissatisfied" and 5 represents "Very Satisfied;" TAN = Tangible; ASS = Assurance; RES = Responsiveness; REL = Reliability; EMP = Empathy; α_0 = constant; α_1, α_2, α_3, α_4 and α_5 = the slope coefficients; e_i = the error term, where under the probit assumption, it is presumed to have a normal distribution. All the independent variables (Tangible, Assurance, Responsiveness, Reliability and Empathy) were evaluated on a five-point Likert scale, where 1 represents "Very Dissatisfied" and 5 represents "Very Satisfied."

This equation (Model 1) is used to estimate the impact of service quality dimensions on organizational competence.
- Path 2: Organizational Competence → Customer Satisfaction based on Hypothesis 2

$$CS_i^* = \beta_0 + \beta_1 OC_i + \mu_i \quad (5)$$

Where, CS_i^* = the latent (unobserved) continuous measure of customer satisfaction for respondent i, which is reflected through observed ordinal response and evaluated on a five-point Likert scale, where 1 represents "Very Dissatisfied" and 5 represents "Very Satisfied;" OC = Organizational Competence and is measured using five-point Likert scale (1 = Very Dissatisfied to 5 = Very Satisfied); β_0 = constant; β_1 = slope coefficient; μ_i = the error term, where under the probit assumption, it is presumed to have a normal distribution.

This equation (Model 2) is used to estimate the effect of organizational competence on customer satisfaction.
- Path 3: Service Quality → Customer Satisfaction based on Hypothesis 3

$$CS_i^* = \gamma_0 + \gamma_1 TAN_i + \gamma_2 ASS_i + \gamma_3 RES_i + \gamma_4 REL_i + \gamma_5 EMP_i + \eta_i \quad (6)$$

Where, CS_i^* = the latent (unobserved) continuous measure of customer satisfaction for respondent i; γ_0 = constant; γ_1, γ_2, γ_3, γ_4 and γ_5 = the slope coefficients; η_i = the error term, where under the probit assumption, it is presumed to have a normal distribution.

This equation (Model 3) is used to estimate the influence of service quality dimensions on customer satisfaction.
- Path 4: Mediation by Organizational Competence based on Hypothesis

$$CS_i^* = \delta_0 + \delta_1 TAN_i + \delta_2 ASS_i + \delta_3 RES_i + \delta_4 REL_i + \delta_5 EMP_i + \delta_6 OC_i + \varepsilon_i \quad (7)$$

Where, CS_i^* = the latent (unobserved) continuous measure of organizational competence for respondent i; δ_0 = constant; δ_1, δ_2, δ_3, δ_4, δ_5 and δ_6 = the slope coefficients; ε_i = the error term, assumed to follow a standard normal distribution under the probit assumption.

This equation (Model 4) is used to test whether organizational competence mediates the relationship between service quality dimensions and customer satisfaction in AIM.

The conclusions whether the model achieved full mediation, partial mediation or no mediation effect can be summarized based on Table 2.

4. ANALYSIS OF FINDINGS

Key variables and respondent characteristics were compiled using descriptive statistics, which include means, standard deviations, percentages, and frequencies. Because the variables employed in this study are ordinal, the Ordered Probit Regression was used to assess the research hypotheses. Consistent with the study's objectives and theoretical framework, the analysis provided empirical insights into the relationships among service quality, organisational competency, and customer satisfaction.

4.1. Socioeconomic Details of the Respondents
The respondents' age group is represented by the data in Figure 2. The percentage in each age group is displayed in the figure where 6.75% are clients aged 18-30, 31.50% are 31-40, 43.50% in the 41-50 age group, 16.25% are in 51-60 age group and only 2.00% clients are above 61. This information tells us about the age distribution of the respondent. For example, the largest age group is 41-50, followed by clients that are aged 31-40.

Figure 3 shows the marital status for each respondent, where 89.50% respondents are married, followed by only 2.25% respondent that are single and 7.75% of the respondent is a single mother. These percentages show more about the distribution of marital status among the respondents in the sample.

The data in Figure 4 shows the level of education of the respondents. The figure shows the percentage of respondents in each category, with 0.25% respondents did not attend school, 5.75% finish school at primary school, 69.75% have finished secondary school, 19.50% have certificate/diploma, 4.75% have bachelor's degree and 0.25% have a master/PHD.

## 4.2. Hypothesis Testing for Path 1
The result from the ordered probit mode in Table 3 shows positive coefficient for Tangibles that measures physical elements such as facilities, equipment, appearance of employees, and
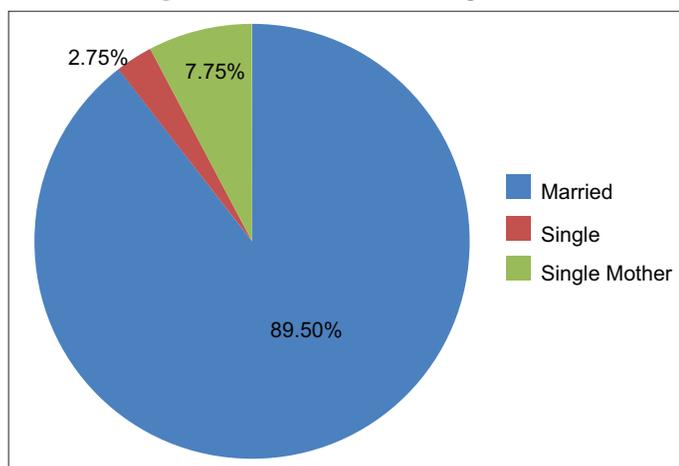
Table 2: Summary table

Direct effect		
Model pathways	Coefficient	Conclusion
Service Quality → Organizational Competence (Path 1)	α_k is significant	Service quality influences organizational competence (OC)
Organizational Competence → Customer Satisfaction (Path 2)	β_1 is significant	Organizational competence influences customer satisfaction (CS)
Service Quality → Customer Satisfaction (Path 3)	γ_k is significant	Service quality influence customer satisfaction (CS)
Indirect Effect (Mediation by Organizational Competence – Path 4)		
Type of mediation	Coefficient	Conclusion
Full mediation	α_k, β_1 and γ_k is significant δ_k is not significant and only δ_6 is significant	All effects go through Organizational Competence
Partial mediation	α_k, β_1 and γ_k is significant δ_k is still significant but reduced and δ_6 is significant	Organizational competence partly explains the effect
No mediation	α_k, β_1 and γ_k is significant δ_k is significant and δ_6 is not significant	No indirect effect

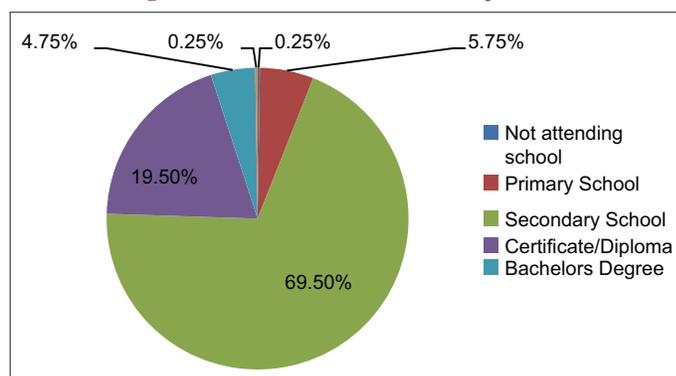*where, k=1,2,3,4 and 5

Figure 2: Age Group of the respondents
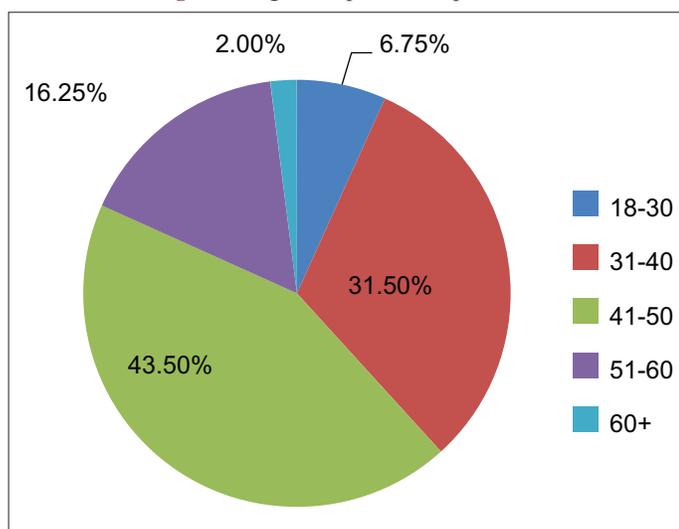
Figure 3: Marital Status of the respondents

Figure 4: Education Levels of the respondents

Specifically, as respondents' perception of Tangibles improves from a rating of 0 ("Very Not Satisfied") up to 4 ("Very Satisfied"), the probability of respondents rating organizational competence as "Not Satisfied" (P(Y=1|X)) decreases slightly by 0.027%. The probability of respondents rating organizational competence as "Average" (P(Y=2|X)) notably decreases 11.34%. The probability of respondents rating organizational competence as "Satisfied" (P(Y=3|X)) decreases by 3.99%.

These reductions in lower competency categories imply corresponding increases in the highest competency category.

Consequently, as ratings of Tangibles rise from "Not Satisfied" to "Very Satisfied," the probability of respondents rating organizational competence as "Very Satisfied" (P(Y=4|X)) substantially increases by 15.35%.

This indicates clearly that enhancing tangible aspects such as investing in modern infrastructure, maintaining appealing premises, ensuring well-presented staff, and using clear, informative communication has a meaningful and positive impact on perceived organizational competence within financial institutions.

The positive reliability coefficient, which evaluates how well financial organisations can deliver on their promises of precise

communication materials, suggests that higher satisfaction ratings in this dimension significantly enhance client's perceived organizational competence.

Table 3: Ordered probit regression result for model 1

Model 1 (Dependent variable: Organizational competence)					
Variables	Coefficient	Marginal effects			
		P (Y=1 | X)	P (Y=2 | X)	P (Y=3 | X)	P (Y=4 | X)
Age	−0.0295 (0.674)	0.000012	0.005054	0.001779	−0.006845
Marital status	0.0893 (0.371)	−0.000037	−0.015315	−0.005391	0.020743
Education	0.0545 (0.613)	−0.000022	−0.009344	−0.003289	0.012656
Tangible	0.6613 (0.000)*	−0.000271	−0.113383	−0.039910	0.153564
Empathy	0.261 (0.082)	−0.000107	−0.044750	−0.015752	0.060609
Reliability	0.4243 (0.002)*	−0.000174	−0.072743	−0.025605	0.098521
Responsiveness	0.3474 (0.069)	−0.000142	−0.059562	−0.020966	0.080670
Assurance	0.4458 (0.011)*	−0.000182	−0.076431	−0.026903	0.103517
α_1			3.122672		
α_2			5.534989		
α_3			7.873177		
N			400		
Wald Chi-square (16)			172.71		
Prob>Chi-square			0.0000		
Log Pseudolikelihood			−273.17468		
Pseudo R^2			0.3379		

*Coefficient significant at 0.05 level

and dependable services, including delivering services on time, maintaining error-free transactions, and fulfilling service commitments, suggests that higher reliability ratings significantly enhance client's perception of organizational competence. Aligned with the research objective that wants to investigate the connection between organisational competency and SERVQUAL dimensions, the results show that as respondents' satisfaction with reliability increases from a rating of 1 ("Not Satisfied") to 4 ("Very Satisfied"). The probability of respondents rating organizational competence as "Not Satisfied" (P(Y=1|X)) decreases slightly by 0.017%. The probability of respondents rating organizational competence as "Average" (P(Y=2|X)) notably decreases by 7.27%. The probability of respondents rating organizational competence as "Satisfied" (P(Y=3|X)) decreases by 2.56%. These reductions in the less favorable categories indicate a shift toward higher perceived competence. Specifically, the probability of respondents rating organizational competence as "Very Satisfied" (P(Y=4|X)) increases by 9.85% as the reliability score improves. This research highlights how crucial reliable and consistent service delivery is in fostering favourable opinions about organisational competency. When clients experience reliable service such as timely loan disbursement, accurate record-keeping, and consistent follow-up it builds confidence in the institution's overall capabilities.

The positive coefficient for assurance, which gauges how customers view staff members' expertise, knowledge, and capacity to inspire confidence in clients, suggests that higher satisfaction ratings in this dimension significantly enhance client's perceived organizational competence. In line with the research objective to examine the relationship between SERVQUAL dimensions and organizational competence within financial institutions, the analysis reveals that as respondents' satisfaction with assurance improves from a score of 1 ("Not Satisfied") to 4 ("Very Satisfied"). The probability of respondents perceiving organizational competence as "Not Satisfied" (P(Y=1|X)) decreases by 0.018%. The probability of perceiving it as "Average" (P(Y=2|X)) decreases by 7.64%. The probability of perceiving it as "Satisfied" (P(Y=3|X)) decreases

by 2.69%. These reductions in the lower competency categories indicate a positive shift toward the highest level of satisfaction. As a result, the probability of respondents rating organizational competence as "Very Satisfied" (P(Y=4|X)) increases by 10.35%. This result emphasises how important assurance is in raising opinions about institutional competency. When clients feel that staff are knowledgeable, courteous, and capable of providing consistent and confident service, particularly in handling financial matters, it strengthens their trust in the institution's overall competence. Therefore, improving assurance-related attributes can significantly boost how clients evaluate the organization's effectiveness and reliability.

4.3. Hypothesis Testing for Path 2
The result from the ordered probit mode in Table 4 shows positive coefficient for competence that measures staff knowledge, service efficiency, and the organizations' ability to meet customer needs, suggests that higher satisfaction ratings in this competence significantly enhance client satisfaction.

Specifically, as respondents' perception of competence improves from a rating of 0 ("Very Not Satisfied") up to 5 ("Very Satisfied"), the probability of respondents rating customer satisfaction as "Very Not Satisfied" (P(Y=0|X)) decreases slightly by 0.196%. The probability of respondents rating customer satisfaction as "Not Satisfied" (P(Y=1|X)) notably decreases 0.199%. The probability of respondents rating customer satisfaction as "Average" (P(Y=2|X)) decreases by 5.52%. The probability of respondents rating customer satisfaction as "Satisfied" (P(Y=3|X)) decreases by 29.08%.

These reductions in lower satisfaction categories imply corresponding increases in the highest satisfaction category.

Consequently, as ratings of competence rise from "Not Satisfied" to "Very Satisfied," the probability of respondents rating customer satisfaction as "Very Satisfied" (P(Y=4|X)) substantially increases by 35.00%.

This indicates clearly that enhancing competence through well-trained and knowledgeable staff, efficient management on client onboarding, good communication about operation and active community engagement has a meaningful and positive impact on customer satisfaction within financial institutions.

4.4. Hypothesis Testing for Path 3

The result from the ordered probit mode in Table 5 shows positive coefficient for Tangibles that measures physical elements such as facilities, equipment, appearance of employees, and communication materials, indicates that higher ratings of these physical aspects by client increase the likelihood of overall satisfaction. Specifically, as respondent's perception of Tangibles improves from a rating of 0 ("Very Not Satisfied") up to 4 ("Very Satisfied"). The probability of responses in the "Very Not Satisfied" category, $P(Y=0|X)$ decreases by 0.022%.

The probability of responses in the "Not Satisfied" category, $P(Y=1|X)$ decreases by 0.026%. The probability of responses in the "Average" category, $P(Y=2|X)$ decreases by 1.61%.

The probability of responses in the "Satisfied" category, $P(Y=3|X)$ decreases by 15.73%. These negative probabilities in less favorable categories imply corresponding increases in satisfaction probabilities within the favorable category. Hence, as the rating for Tangibles moves upward from 0 ("Very Not Satisfied") to 4 ("Very Satisfied"), the probability of client responding as "Very Satisfied," $P(Y=4|X)$, increases substantially by 17.38%. This clearly suggests that enhancing tangible aspects significantly boosts the client's overall satisfaction level.

The positive coefficient for Responsiveness that measures the willingness and ability of AIM staff to provide prompt service, address customer inquiries efficiently, and promptly resolve issues, indicates that higher responsiveness ratings significantly increase the likelihood of overall customer satisfaction among clients. Specifically, respondents' evaluation of Responsiveness improves from "0" ("Very Not Satisfied") to "4" ("Very Satisfied"). The probability of responses in the "Very Not Satisfied" category, $P(Y=0|X)$ decreases by 0.02%. The probability of responses in the "Not Satisfied" category, $P(Y=1|X)$ decreases by 0.024%. The

Table 4: Ordered probit regression result for model 2

Variables	Coefficient	Marginal effects				
		$P(Y=0|X)$	$P(Y=1|X)$	$P(Y=2|X)$	$P(Y=3|X)$	$P(Y=4|X)$
Age	0.04068 (0.556)	−0.0000907	−0.0000922	−0.00256	−0.013476	0.0162185
Marital status	0.1449 (0.184)	−0.000323	−0.0003282	−0.009115	−0.047984	0.05775
Education	0.0605 (0.547)	−0.0001349	−0.000137	−0.003805	−0.020034	0.0241098
Competence	0.87799 (0.000)*	−0.001958	−0.0019894	−0.055246	−0.290836	0.350029
α_1		−0.4110075				
α_2		−0.1854162				
α_3		0.9241112				
α_4		2.772884				
N		400				
Wald Chi-square (5)		81.00				
Prob>Chi-square		0.0000				
Log pseudolikelihood		−307.08759				
Pseudo R^2		0.1328				

*Coefficient significant at 0.05 level

Table 5: Ordered probit regression result for model 3

Variables	Coefficient	Marginal effects				
		$P(Y=0|X)$	$P(Y=1|X)$	$P(Y=2|X)$	$P(Y=3|X)$	$P(Y=4|X)$
Age	0.03796 (0.605)	−0.00002	−0.00002	−0.00140	−0.01369	0.01513
Marital status	0.1709 (0.107)	−0.00009	−0.00010	−0.00630	−0.06165	0.06814
Education	0.0914 (0.317)	−0.00005	−0.00005	−0.00337	−0.03298	0.03644
Tangible	0.436 (0.002)*	−0.00022	−0.00026	−0.01606	−0.15726	0.17379
Empathy	0.1302 (0.367)	−0.00006	−0.00008	−0.00480	−0.04697	0.05191
Reliability	−0.1186 (0.325)	0.00006	0.00007	0.00437	0.04278	−0.04728
Responsiveness	0.3972 (0.004)*	−0.00020	−0.00024	−0.01463	−0.14328	0.15834
Assurance	0.6682 (0.000)*	−0.00033	−0.00040	−0.02461	−0.24100	0.26634
α_1		1.50335				
α_2		1.72609				
α_3		2.99120				
α_4		5.11966				
N		400				
Wald Chi-square (9)		102.72				
Prob >Chi-square		0.00000				
Log pseudolikelihood		−265.95935				
Pseudo R^2		0.2489				

*Coefficient significant at 0.05 level

probability of responses in the "Average" category, P(Y=2|X) decreases by 1.46%. The probability of responses in the "Satisfied" category, P(Y=3|X) decreases by 14.33%. The reduction in probability across these less favorable categories translates into an increased probability in the "Very Satisfied" category. Consequently, as the perceived level of responsiveness moves upward, the probability of client responding as "Very Satisfied," P(Y=4|X), increases substantially by 15.83%. This finding emphasizes improving responsiveness, especially timely service delivery, swift problem-solving, and proactive communication strongly enhances client's customer satisfaction levels.

The positive coefficient for assurance, which gauges how well-informed, courteous, and professional staff members are perceived by clients, as well as their capacity to foster consumer confidence, suggests that higher ratings in this dimension significantly enhance the overall satisfaction of clients. Specifically, as respondent's rating of Assurance increases from "0" ("Very Not Satisfied") to "4" ("Very Satisfied"). The probability of responses in the "Very Not Satisfied" category, P(Y=0|X) decreases by 0.033%. The probability of responses in the "Not Satisfied" category, P(Y=1|X) decreases by 0.04%. The probability of responses in the "Average" category, P(Y=2|X) decreases by 2.46%. The probability of responses in the "Satisfied" category, P(Y=3|X) decreases by 24.10%. The reductions in probabilities within these lower satisfaction categories lead directly to increased probabilities in the most favorable category. Consequently, as the perceived Assurance moves upward, the probability of respondents selecting "Very Satisfied," P(Y=4|X), rises substantially by 26.63%. This result underscores that enhancing Assurance through improving staff expertise, exhibiting courteous interactions, and building trust and credibility has a profound positive impact on overall customer satisfaction among clients.

4.5. Hypothesis Testing for Path 4
According to the study's goal of examining the mediating function of organisational competence (as a resource-based view construct) in the relationship between customer satisfaction and service quality, organisational competence in this context refers to the internal capabilities of the organisation, including trained staff, efficient procedures, adaptive learning, and strategic management, all of which work together to enable the organisation to consistently and effectively provide high-quality services.

However, the analysis of Model 3 shows that the mediator variable, organizational competence is not statistically significant as displayed in Table 6. This finding implies that, under the tested model, there is no proof of a mediating role for organisational competence between customer satisfaction and service quality aspects. To put it another way, rather than working through the organization's internal resources, enhancements within service quality dimensions (such tangibles, timeliness, and assurance) seem to directly affect customer happiness. Even though organisational competence is theoretically supported by the RBV framework as a possible source of competitive advantage, its function as a substantial intermediary is not supported by the empirical data in this instance. This suggests that, in this situation, organisational competency does not statistically influence the

Table 6: Ordered probit regression result for model 4

Covariates	Coefficient (Model 4)-indirect effect	Coefficient (Model 3)-direct effect
Age	0.03874 (0.598)	0.03796 (0.605)
Marital status	0.1701 (0.112)	0.1709 (0.107)
Education	0.08858 (0.336)	0.0914 (0.317)
Position	−0.00731 (0.781)	−0.00652 (0.804)
Tangible	0.3916 (0.009)*	0.436 (0.002)*
Empathy	0.1111 (0.446)	0.1302 (0.367)
Reliability	−0.1633 (0.191)	−0.1186 (0.325)
Responsiveness	0.3763 (0.007)*	0.3972 (0.004)*
Assurance	0.6387 (0.000)*	0.6682 (0.000)*
Competence	0.1894 (0.155)	-

*Coefficient significant at 0.05 level

relationship between perceived service quality and customer satisfaction, even if it may still be a useful strategic asset. Future research could explore whether this lack of mediation is due to measurement limitations, contextual factors within financial institutions, or the possibility of other intervening variables that better explain the mechanism through which service quality influences satisfaction.

5. CONCLUSION AND RECOMMENDATIONS

Using the resource-based view (RBV) in the context of Amanah Ikhtiar Malaysia (AIM), this study aimed to reevaluate the mediating role of organisational competency in the relationship between service quality and customer satisfaction. The study investigated whether internal capabilities are the main way that service quality influences customer satisfaction using an integrated SERVQUAL-RBV framework.

The results show that organisational competency does not significantly influence this relationship, which is contrary to RBV expectations. On the contrary, customer happiness is directly and statistically significantly impacted by the aspects of service quality that are tangibles, responsiveness, reliability, empathy, and assurance. These results challenge prevailing theoretical perspectives, particularly in the microfinance sector where service delivery is rooted in relational and trust-based interactions. Theoretically, this calls for a contextual reassessment of RBV's mediating logic in development finance, especially in environments where clients are acutely responsive to the quality of interpersonal service. Practically, it suggests that microfinance institutions should shift strategic focus from internal capability-building toward enhancing client-facing service delivery. Prioritizing service quality at the point of interaction may yield stronger customer satisfaction, deeper trust, and sustained engagement among underserved populations.

Overall, this study adds to the body of knowledge regarding organisational dynamics and service quality in microfinance while offering actionable insights for institutions aiming to improve customer satisfaction in mission-driven financial service models.

Given these findings, future research should explore alternative mediating variables that may better explain how service quality

influences satisfaction in microfinance contexts. For example, client trust, perceived fairness, or loan officer empathy may offer more culturally and operationally aligned explanations. Furthermore, refining how organizational competence is operationalized. To provide a deeper understanding of its role, this can be accomplished by separating technical competence from interpersonal and community participation capabilities. Qualitative approaches or mixed-method studies could enrich this line of inquiry by uncovering unmeasured dimensions of competence that may be overlooked in traditional RBV metrics.

6. ACKNOWLEGEMENT

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