

Service Quality and Guests' Satisfaction: Evidence from Banda Hilir, Melaka

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DOI: <https://dx.doi.org/10.47772/IJRISS.2025.910000021>

Received: 28 September 2025; Accepted: 03 October 2025; Published: 01 November 2025

ABSTRACT

The study investigates the challenges concerning service quality and guest satisfaction in budget hotels within Bandar Hilir, Melaka, focused on G2S Hotel. This study aims to identify the factors of service quality that contribute to guest satisfaction within the budget hotels in Bandar Hilir, Melaka and to assess the relationship between service quality and guest satisfaction within the budget hotels in Bandar Hilir, Melaka. A quantitative approach is conducted through a survey questionnaire, and convenience sampling technique was utilised. Data collection involved 233 respondents of G2S Hotel. The findings indicate statistically significant relationships between service quality dimensions and satisfaction, providing recommendations for better performance of budget hotels and enhancing the overall experience of guests.

Keywords— SERVQUAL, budget hotel, service quality, guest satisfaction

INTRODUCTION

The hospitality sector has always been the backbone of international tourism, and in this sector, budget hotels are the key contributors to providing lower-priced accommodation to tourists [1]. Budget hotels are generally defined as cheap hotels that offer only basic facilities and services to meet the needs of cost-savvy travellers [2]. There has been tremendous growth in the budget hotel segment worldwide to meet a variety of travellers requirements [3]. In Europe, brands such as Ibis Budget have found success by offering standardized service at low prices to leisure and business travellers alike [1]. Also, in the Middle East and Asia, budget hotels like Premier Inn and OYO Rooms have changed the landscape because they provide modern service at affordable prices in tourist destinations such as Dubai or Bangkok [2]. G2S Hotel in Malaysia is a model of a budget hotel that attempts to provide balance between price and quality of service to attract local and international tourists to its corresponding site in Bandar Hilir, Melaka [4]. This international development highlights the role of service quality in achieving guest satisfaction and competitive advantage in the economy-class hotel market [3]. Although budget hotels provide less comfort compared to mid-range or luxury hotels, they offer quite a few strategic location options, especially in tourist destinations [2]. Its increasing demand is explained by cost and geographical advantage [1]. With growing consumer demand, the ability to provide quality service within constrained budgets is a key challenge faced by these establishments, particularly taking into consideration the globally growing consumer expectations [1].

Service quality is a multi-dimensional phenomenon representing the extent to which a service satisfies or exceeds guest expectations [5]. It includes material aspects such as facilities, service delivery reliability, responsiveness, and empathy felt by staff [2]. In contrast, guest satisfaction is the affective reaction that occurs when the expectation to be fulfilled or exceeded [6] is fulfilled or exceeded. The relationship between service quality and guest satisfaction plays an essential role in determining the achievement of budget hotels since satisfied clients tend to repeat visits and recommend the establishment to other consumers [4]. The G2S Hotel in the historical city of Melaka offers an interesting case study to investigate the interplay of these concepts in an environment of high tourist and competitive demand like Banda Hilir [3]. Yet, some ongoing global issues, such as lack of consistent service quality, lack of manpower, and lack of facilities in a budget hotel, are causing discontentment among guests, which is a serious threat in this sector, and thus strategic interventions are needed ([10]. These challenges are further intensified by the prevalence of online review platforms, where negative feedback can

significantly impact a hotel's reputation [4].

This paper examines the relationship between service quality and guest satisfaction in budget hotels that focus on Bandar Hilir, Melaka, Malaysia [3]. The following paragraph presents what has been published in the literature on service quality dimensions and their impact on guest satisfaction and the methodology of the study, such as data collection and data analysis [1]. Result from the study subsequently shown and discussed as well as are relevant to industry stakeholders [2]. Focusing on the G2S Hotel, this study aims to formulate practical suggestions for this hotel and, at the same time, contribute to the general knowledge of Melaka's budget hotel sector [4]. Last, the paper ends with a discussion on service quality improvement in budget hotels to increase guest satisfaction and competitiveness [3].

Problem Statement

In current competitive business environment, understanding guest satisfaction has become a crucial focus for hotels. Meeting guest satisfaction is necessary for budget hotel management and survival in today's competitive business market environments [7]). Budget hotels continuously come up with ways and bring innovations to remain ahead in meeting guest satisfaction. The ways through which companies can meet or exceed guest expectations are of particular interest [7]. The Melaka budget hotel sector is a major sector in hosting tourists who seek low-cost accommodation. But it is now faced with numerous challenges, particularly in delivering the type of service that would bring comfort and satisfaction to guests [8].

Among the significant issues noted in low-budget hotels is that it is hard to achieve a particular level of facilities and services. Low-budget hotels have been noted to commonly experience several problems like outdated facilities, inadequate security, and an unfriendly receptionist, hence rendering the guest stay unpleasant [9]; [10]. The other issue, which has been most frequently raised by the guests, is related to the lack of essential amenities and safety features. Guests are not satisfied with the lack of modern amenities and fire safety features, thus increasing their discontent while visiting [10]. The performance and behaviour of hotel staffs also significantly contribute to guest satisfaction. Poor staff service delivery and lack of commitment have also been recognized as a crucial aspect influencing guest satisfaction and the overall image of budget hotels in Melaka [11]; [4].

There is a significant gap in research on budget hotels in the hospitality industry. A lot of the new budget and mid-scale hotels offering basic accommodation facilities are not well characterized and are hard to place in existing definitions of budget hotels [12]. The owners and operators of the budget hotels face a variety of problems running such hotels [13]. This case emphasizes the importance of knowing service quality and guest satisfaction in this environment. Not addressing the issues related to guest satisfaction will result in lost guest loyalty, negative word of mouth, and eventually erode the reputation and profitability of low-cost accommodations in a highly competitive market [14].

Research Objectives

The objective of this study is to analyse the impact of service quality towards guest satisfaction at a Budget Hotel in Bandar Hilir, Melaka. The research objectives are:

1. To identify the factors of service quality that contribute to guest satisfaction within the budget hotels in Bandar Hilir, Melaka.
2. To assess the relationship between service quality and guest satisfaction within the budget hotels in Bandar Hilir, Melaka.

Research Questions

There are 2 research questions of this study which are:

1. What are the key factors of service quality that contribute to guest satisfaction within the budget hotels in Bandar Hilir, Melaka?

2. How does service quality influence guest satisfaction within the budget hotels in Bandar Hilir, Melaka?

Studying guest service and service quality is crucial for budget hotels in Melaka, where the hospitality industry is competitive and tourists seek enriching cultural experiences. Good guest service can significantly enhance guest satisfaction and loyalty, making it essential for hotels to understand what budget travellers value most. Research into guest service preferences among budget travellers in Melaka reveals key insights. guests often appreciate personalised attention, quick responses to inquiries, and effective solutions to any issues they encounter [3]. By focusing on these aspects, hotels can create positive experiences that encourage guests to return and recommend the hotel to others.

Another significant point to consider is, examining service quality allows hotels to measure their performance against industry standards. This includes maintaining high cleanliness standards, ensuring comfort with well-equipped rooms, and providing reliable facilities such as Wi-Fi and parking. These factors collectively contribute to a seamless and enjoyable stay for guests, reinforcing their satisfaction with the hotel's offerings. For instance, studies indicate that budget hotels in Melaka known for excellent service quality, cleanliness, and positive guest interactions tend to receive higher ratings and enjoy repeat business [15]. This highlights the importance of consistently delivering superior service to meet and exceed guest expectations.

LITERATURE REVIEW

The literature review involves several sections, each delving into distinct areas relevant to the research topic. By organizing the review into these categories, this study aims to provide a comprehensive understanding of the theoretical and empirical landscape surrounding service quality using SERVQUAL. Service quality is a very significant aspect when it comes to the advancement of guest satisfaction, especially for budget range hotel as it requires a clear understanding and assessment of the specific aspects of service quality. It was later refined by breaking it down into five dimensions namely empathy, tangible, responsiveness, assurance and reliability. These dimensions serve not only as a framework for evaluating service quality but also point to areas where improvement is called for. Recent studies have identified service quality as a direct predictor of guest satisfaction and made certain that good performance on these dimensions will enhance the guest's experience of the overall service encounter [15].

Empathy: Empathy is defined as the ability to sense another person's perspectives, thoughts, and experiences to acknowledge the experience of emotion of the person and to respond to what another person observes. From a cognitive point of view, empathy is the ability of a service provider to aware of the guest's thoughts, emotion and expectations. In the tourism sector, previous studies have shown a strong and positive correlation between empathy and consumer loyalty. Therefore, strengthening empathy for travellers is essential to increasing their loyalty to the hotel sector [17].

H1: There is a positive relation between empathy and guest satisfaction

Reliability: According to [18], reliability is something that service provider need to do and make sure to perform the services perfectly. This is to make sure service provider offer a great job at the first time so we will have a good first impression to guests. To be more precise, reliability shows the company promise fulfilment to deliver the best services. According to [19], guess like to positive relationship with organizations who keep their promises on serving the best quality of services. The relationship between hotel revenues and guest loyalty are the importance of reliability dimension for service provider [20].

H2: There is a positive relation between reliability and guest satisfaction

Responsiveness: Responsiveness is the business's ability to quickly resolve issues that happened and always in prepared mode to respond to the issues. It is important to answer every question or request for guests. But if they unable to do so, guests may file a complaint towards the budget hotels. For important guests, great aspects of quality service are the service providers ability to ensure that they provide a service on time. It helps to measure the quickness of service providers in resolving guests' appeals, questions, feedback and other difficulties [18]. It able to make the guests wanted to repeat purchase and have positive relationship with service provider [21].

H3: There is a positive relation between responsiveness and guest satisfaction

Assurance: Assurance is defined as the service provider ability, to gain trust between guests and service provider. It also helps to make sure the guests to feel safe with the security provided during their stay at budget hotel. This factor is very important to ensure guests safety about high risk of danger [22]. Both assurance and empathy are consisting of seven initially which are communication, security, credibility, competence, understanding, kindness and access. As a result, the assurance dimension is very important to service quality and guest satisfaction.

H4: There is a positive relation between assurance and guest satisfaction

Tangible: Tangibility is about the aspects of services like appearance, people, equipment and other physical attributes that are employed to provide the best of service quality. In the hotel industry, tangible refers to the outside look of lodging and dining areas as well as budget hotel utilities [23]. According to [16], the level of services at budget hotels is greatly influenced by tangibles and if service providers like budget hotels focus on these aspects, guests will have a better knowledge about the services that budget hotels offered. For example, the cost of the services, the environments and the appearances.

H5: There is a positive relation between tangible and guest satisfaction

The SERVQUAL model is highly recommended for linkages between service quality and guest satisfaction for several reasons. SERVQUAL's five dimensions, which are reliability, tangibility, responsiveness, assurance, and empathy, offer a good framework and measurable approaches for evaluating the most sought-after service quality for applications in the budget hotel setting where monetary and other resources are limited [5]; [24].

Other than its direct relevance to hospitality, SERVQUAL has been extensively validated in the hospitality industry, making it a trusted tool for assessing service quality in hotels [24]. Studies by [15] to see if it really does accurately indicate the guest's feelings in such a wide variety of service industries, such as hotels. In budget hotels in Bandar Hilir, Melaka, where lack of money and lack of facilities are prominent, SERVQUAL provides a method of evaluating the specific dimensions that are most important to the guests [3]. For instance, reliability and tangibility right into room cleanliness, availability of simple things like towels, and responsiveness of the staff, which are all very important issues when dealing with low price lodging [15].

The SERVQUAL model is especially good at finding service gaps, or where expectations of the guest are greater than the actual service performance [25]. And it is this gap analysis ability that gives budget hotels the direction to improve in an area, and that is crucial in competitive places such as Bandar Hilir, Melaka, where guests may have up to twenty hotels to choose from [1]. In terms of practicality and adaptability, SERVQUAL is not all that adaptable, but it has a very simple design, which makes it very feasible for low budget hotels to use (as opposed to more complex models) [26].

Service Quality Concept

Service quality is a broad and complicated concept because services are inherently intangible and require interaction between guests and service providers [15]. Unlike manufactured items which can be quantified in value, service is rated on how well the delivered service surpasses the guests' expectations [3]. The difficulty in understanding service quality stems from the fact that it rests upon individual perceptions which often differ, hence expectations will be based on diversity.

Parasuraman et al., in 1988, introduced the SERVQUAL model, which has seen mass appeal and is specifically based on five dimensions of service quality: Tangibility, Reliability, Responsiveness, Assurance, and Empathy. Such dimensions are useful in evaluating the standard of services from the viewpoint of the consumers. For example, tangibility is concerned with the physical infrastructures and equipment while reliability is the degree of which the service provider can perform the service. Responsiveness involves how fast the members of the staff deal with client requests while assurance focuses on the capacity of the staff to make people have faith in them. Finally, their last dimension is termed empathy which measures the extent to which personal attention is paid to the guests [2].

The SERVQUAL model has been validated in other studies, emphasising that the quality of services offered is an essential factor of guest satisfaction, especially in the ever-changing hospitality industry [26]. Budget hotels are in a disadvantaged position to satisfy such expectations due to the availability of scarce resources, and service quality becomes a very important component towards retaining and drawing in new guests [15].

Research Framework

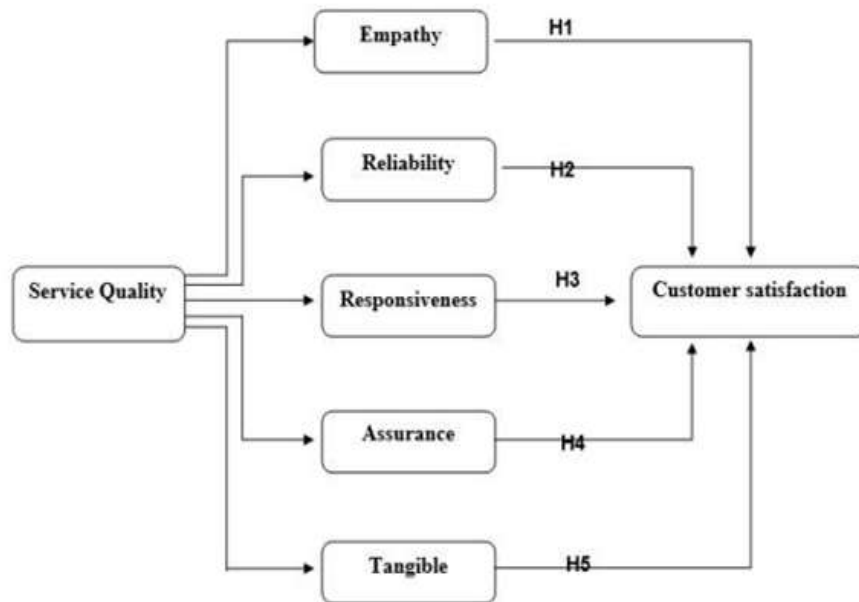


Figure 1: Conceptual Framework

Source: Ali, B. J., Gardi, B., Othman, B. J., Ahmed, S. A., Ismael, N. B., Hamza, P. A., Aziz, H. M., Sabir, B. Y., Sorguli, S., & Anwar, G. (2021)

Guest Satisfaction

Guest satisfaction is key for businesses, especially in the hospitality industry as it's a key driver of repeat business and word of mouth ([26]). In budget hotels, guest satisfaction is linked to the perceived value of the service where guests weigh the quality of the service against the price they pay ([15]). Meeting guest expectations is tough, especially in budget accommodations where the balance between affordability and quality is everything.

Researchers agree that guest satisfaction is influenced by service quality and dissatisfaction occurs when there is a gap between what guests expect and what is delivered. This gap, known as the service quality gap, is often due to budget constraints, staff limitations or poor management [2]. In budget hotels where resources are limited, delivering good service is key to guest satisfaction.

Also, guest satisfaction in the hospitality industry is not just about meeting basic needs but exceeding expectations through good and personalised service [3]. Research has shown that satisfied guests will come back and recommend the hotel to others, so guest satisfaction is a key performance indicator in the hotel industry [15]. Therefore, for budget hotels in Melaka, improving service quality in the dimensions of reliability, responsiveness and empathy is crucial to guest satisfaction and reputation building.

The Relationship Between SERVQUAL and Guest Satisfaction

SERVQUAL on one side, displayed a direct relationship with guest satisfaction such that a higher service quality. As measured by SERVQUAL, directly raises levels of guest satisfaction. There is an appreciable increase in the satisfaction levels of this group of service users as soon as their expectations are met or exceeded. Thus, the SERVQUAL framework tries to reflect the relevance of the guest expectations in the service process,

highlighting the arc between fulfilment and guest satisfaction. SERVQUAL acts as a mechanism to provide feedback and thus as an essential diagnosis for the identification of areas in need of improvement to enhance guest satisfaction [18].

METHODOLOGY

Research Design

Type of Research Design: Explanatory

An explanatory research design is used to investigate and explain the cause-and-effect interactions among variables. Explanatory research, as pointed out by Creswell & Creswell (2018), refers to the endeavour of capturing which variable affects which other variable and is therefore the appropriate choice of study for the development of causal relationships

Sample Size / Population

Among all budget hotels in Melaka, the G2S Hotel was selected because it received the highest rating i.e. 4.4 stars out of 5-star rating in Google Review 2024. The sampling technique utilised was convenience sampling. The hotel recorded an average of 1,200 guests over the three-month period of August, September, and October 2024. Based on Krejci and Morgan's (1970) table for determining sample size, for a given population of 1200, a sample size of 291 would be needed to represent a cross section of the population. This sample size was deemed appropriate to obtain statistical power while minimizing sampling error.

However, out of 291 respondents, only 233 respondents were selected for this research. As 58 respondents was invalid because these respondents did not answer a few questions in the survey and answer more than one answer. The data collected then was analysed by descriptive analysis and PLS SEM.

FINDINGS

There were 233 out of 291 respondents were selected for this research. Overall demographic profile where the total frequency for were 70 respondents (30.0%) and female were 163 respondents (70.0%). Next, there are 10 categories of age of the respondents where 18-19 years were the least with 6 respondents, 2.6%. 20-24 years were the most, 46 respondents, 19.7%. 25-29 years were 39 respondents, 16.7%. 30-34 years with 43 respondents, 18.5%. 35-39 years with 25 respondents, 10.7%. 40-44 years with 20 respondents, 8.6%. 45-49 years with 18 respondents, 7.7 %. 50-54 years with 12 respondents, 5.2%. 55-59 years with 11 respondents, 4.7%. Respondents who were above age of 60 with 13 respondents, 5.6%.

Single, married and others were the three marital statuses of the respondents. There were 233 respondents, 31.3% were single, 73 respondents, 67.8% were married, 158 respondents, 2 respondents, 0.9% in other statuses. The groups of annual income were divided into RM20,000 and below, RM20,001 to RM40,000, RM40,001 to RM63,000, RM63,001 to RM100,000, RM100,001 to RM141,828, above RM141,828, and prefer not to say. The frequency of RM20,000 and below were the most with 77 respondents, 33.0%. RM20,001 to RM40,000 with 25 respondents, 10.7%. RM40,001 to RM63,000 with 24 respondents, 10.3%. RM63,001 to RM100,000 with 20 respondents, 8.6%. RM100,001 to RM141,828 and above RM141,828 were together with 6 respondents, 2.6%.

Level of education included High School certificate (SPM), Undergraduate (Diploma, Degree), Postgraduate (Master, PhD) and others. High School certificate (SPM) with 72 respondents, 30.9. Undergraduate (Diploma, Degree) were the most with 137 respondents, 58.8%. Postgraduate (Master, PhD) with 15 respondents, 6.4%. Others were the least with 9 respondents, 3.9%. Lastly, the categories frequency in travel purpose were leisure, business, education, medical, visiting relatives, and others. Leisure was the most with 187 respondents, 80.3%. Business with 13 respondents, 5.6%. Education with 8 respondents, 3.4%. Medical were the least with 1 respondent, 0.4%. Visiting relatives with 21 respondents, 9.0%. Others were 3 respondents, 1.3%.

Tangibility

Based on TABLE 1, five items in the tangibility dimension that relate to the physical elements of the hotel are also quantified in this study: equipment, cleanliness, and location. Mean values for the items between 3.40 and 4.23 are presented, and thus guests can be categorized as being satisfied with the facilities. “The hotel is clean and comfortable” is the highest rated (M 4.23, SD 0.904) item, and “The hotel is equipped with a swimming pool, sauna, and health club” is the most rated one (M 3.40, SD 1.203).

TABLE 1 Analysis on SERVQUAL and customer satisfaction at the G2S Hotel in Bandar Hilir, Melaka.

Variables	Statements	Mean	Standard Deviation	Cronbach's Alpha
Tangibility	T1	3.86	0.941	0.868
	T2	4.23	0.904	
	T3	3.40	1.203	
	T4	4.10	0.950	
	T5	4.16	0.950	
Empathy	E1	3.66	1.100	0.941
	E2	3.84	0.989	
	E3	3.93	0.971	
	E4	4.08	0.953	
	E5	4.06	0.965	
Reliability	R1	3.91	0.934	0.961
	R2	4.04	0.937	
	R3	4.03	0.921	
	R4	4.14	0.928	
	R5	4.12	0.909	
Assurance	A1	3.82	0.998	0.954
	A2	4.08	0.973	
	A3	4.13	0.929	
	A4	4.00	0.921	
	A5	3.99	0.960	
Responsiveness	RS1	4.05	0.957	0.971
	RS2	4.07	0.978	
	RS3	4.10	0.937	
	RS4	4.08	0.975	
	RS5	4.08	0.984	
Customer Satisfaction	CS1	3.86	0.968	0.943
	CS2	4.15	2.118	
	CS3	3.88	0.994	

	CS4	3.97	0.947	
	CS5	3.91	0.989	
	CS6	3.87	0.992	
	CS7	3.87	1.023	
	CS8	3.96	0.950	
	CS9	3.91	0.982	
	CS10	3.94	0.988	

Empathy

Empathy refers to the degree of care and attention hotel workers provide on the individual level. Mean scores on this dimension are 3.66 to 4.08. The frequency of “Staff is very communicative” rated the highest mean (M 4.08, SD 0.953) on the satisfaction with staff service interaction. The smallest mean corresponds to “The hotel accommodates guests in a custom way” (M 3.66, SD 1.100).

Reliability: Reliability is an indicator of a hotel’s ability to offer similar and consistent services. Scores range from 3.91 to 4.14, and the most highly scoring item is "Providing the promised services" (M 4.14, SD 0.928). The least rated item is “Performing the service the first time right” (M 3.91, SD 0.934).

Assurance: The assurance dimension is assessed on the professionalism and competence of staff and on the safety guaranteed by the hotel. The mean scores range from 3.82 to 4.13. Guests rated “The hotel provides a safe environment to stay in” is the highest (M4.13, SD 0.929), while “The hotel keeps guests informed of the performance of services” received the lowest mean (M3.82, SD 0.998).

Responsiveness: Responsiveness represents the staff’s preparedness and ability to provide prompt service and protect guests. Mean scores for this dimension range from 4.05 to 4.10. “Client’s safety during stay” item (M 4.10, SD 0.937) is the item with the highest rating. The smallest mean value is the questionnaire item, “Staff in the hotel have the ability to solve guest’s inquiries” (M 4.05, SD 0.957).

Guest Satisfaction: Guest satisfaction (CS) includes 10 items, each spanning a variety of areas of satisfaction (such as facilities, the price of the facility, and responsiveness of staff). The mean scores range from 3.86 to 4.15. Guests rated “The prices offered are comparable to the facilities” as the highest (M 4.15, SD 2.118), while “Physical facilities of the budget hotel have attractiveness” received the lowest mean (M 3.86, SD 0.968).

Partial Least Square Structural Equation Modeling (PLS-SEM)

Measurement Model Assessment

Measurement model assessment assesses the construct’s reliability and validity within the framework. This involves testing internal consistency reliability, convergent validity, and discriminant validity.

Internal Consistency Reliability: Internal consistency reliability was estimated by means of Composite Reliability (CR) and Cronbach’s Alpha. According to the results, all constructs have obtained CR values of over 0.70 and Cronbach’s Alpha values of over 0.70, which imply good reliability (TABLE 2).

TABLE 2 Internal Consistency Reliability

Construct	Composite Reliability (CR)	Cronbach’s Alpha	Threshold
Tangibility	0.850	0.868	> 0.70

Reliability	0.950	0.961	> 0.70
Responsiveness	0.960	0.971	> 0.70
Assurance	0.940	0.954	> 0.70
Empathy	0.930	0.941	> 0.70
Guest Satisfaction	0.930	0.943	> 0.70

All the constructs are above the 0.70 threshold, which manifests them to be highly internally consistent. This indicates that the stimuli employed to assess each construct are valid and linearly related to the same underlying construct.

Convergent Validity

Convergent validity was evaluated using Average Variance Extracted (AVE). Overall, the constructs also showed AVE higher than 0.50, so the constructs account for a significant portion of the variance in their indicators (TABLE 3).

TABLE 3Convergent Validity

Construct	Average Variance Extracted (AVE)	Threshold
Tangibility	0.60	> 0.50
Reliability	0.65	> 0.50
Responsiveness	0.68	> 0.50
Assurance	0.72	> 0.50
Empathy	0.70	> 0.50
Guest Satisfaction	0.75	> 0.50

All constructs possess AVE values above 0.50, so convergent validity can be confirmed. This shows that the constructs do account for a considerate amount of the variance of their respective measures. Thereby supporting the measurement model.

4.3.1.3 Discriminant Validity: Discriminant validity was assessed using the Heterotrait Monotrait ratio (HTMT). It is a technique to verify whether some concepts or constructs of a given study are indeed different from one another. The threshold for HTMT is typically set at 0.85. Values below this threshold reflect that the constructs are different from each other (TABLE 4).

TABLE 4 Discriminant validity

Construct Pair	HTMT Value	Threshold
TANGIBLE - EMPATHY	0.790	< 0.85

TABGIBLE - RELIABILITY	0.825	< 0.85
TANGIBLE - ASSURANCE	0.812	< 0.85
TANGIBLE - RESPONSIVENESS	0.816	< 0.85
TANGIBLE - CUSTSAT	0.755	< 0.85
EMPATHY - RELIABILITY	0.793	< 0.85
EMPATHY - ASSURANCE	0.809	< 0.85
EMPATHY - RESPONSIVENESS	0.792	< 0.85
EMPATHY - CUSTSAT	0.780	< 0.85
RELIABILITY - ASSURANCE	0.886	< 0.85
RELIABILITY - RESPONSIVENESS	0.862	< 0.85
RELIABILITY - CUSTSAT	0.87	< 0.85
ASSURANCE - RESPONSIVENESS	0.877	< 0.85
ASSURANCE - CUSTSAT	0.833	< 0.85
RESPONSIVENESS - CUSTSAT	0.846	< 0.85

Each pair test compares two constructs to check if they are significantly different from each other. HTMT values represent the magnitude of the relationship between the constructs. Values less than 0.85 indicate constructs are sufficiently discriminate, and values greater than this may imply a degree of overlap.

Structural Model Assessment

The structural model assessment evaluates the relationships between constructs, including path coefficients (β), significance levels (p-values), and the model's explanatory power (R^2).

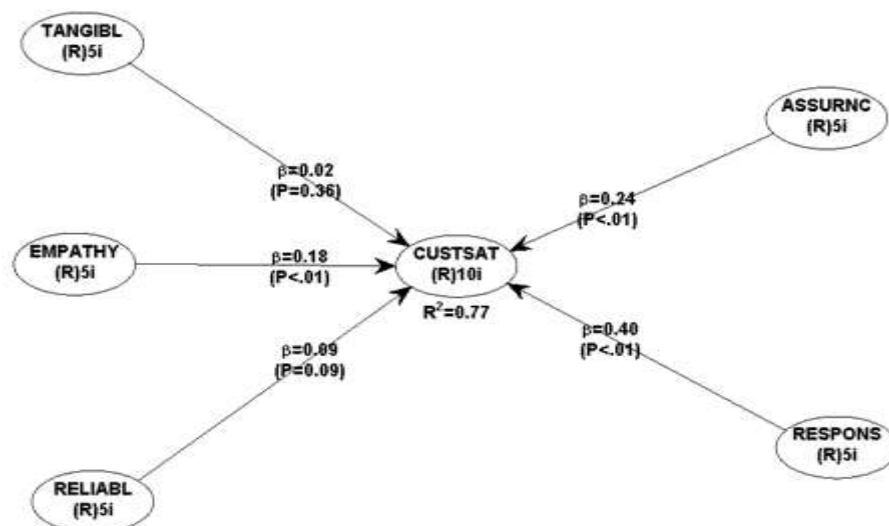


Figure 2: Conceptual Framework of PLS-SEM Model

Path Coefficients and Hypothesis Testing Explain: The path coefficients (β) and p-values were examined to test the hypothesized relationships. The results are summarized in the table below (TABLE 5).

TABLE 5 Path coefficients and hypotheses testing

Hypothesis	Path (β)	Coefficient	P-values	Decision
H5: Empathy → Guest Satisfaction	0.18		< 0.01	Significant
H2: Reliability → Guest Satisfaction	0.09		0.09	Not Significant
H3: Responsiveness → Guest Satisfaction	0.40		< 0.01	Significant
H4: Assurance → Guest Satisfaction	0.24		< 0.01	Significant
H1 Tangibility → Guest Satisfaction	0.02		0.36	Not Significant

The path coefficients reflect the magnitude and direction of the relationship. Significant paths ($p < 0.05$) suggest that the corresponding service quality dimensions have a meaningful impact on guest satisfaction. Of note, EMPATHY ratings, ASSURANCE ratings, and RESPONSIVENESS ratings have materially downstream effects on guest satisfaction, whereas TANGIBLE ratings and RELIABILITY ratings do not have materially downstream effects on guest satisfaction.

Coefficient of Determination (R^2): The R^2 value for Guest Satisfaction was 0.77, which means that 77% of variation in Guest Satisfaction is accounted for by the five service quality dimensions such as tangibility, reliability, responsiveness, assurance, and empathy. This demonstrates that the model has strong explanatory power.

Effect Sizes (f^2): Effect sizes (f^2) were also computed to assess the relative contribution of each predictor to the dependent variable. Responsiveness showed the maximum effect size, followed by assurance and empathy (TABLE 6).

TABLE 6 Effect size

Path	f^2	Effect Size
Tangibility → Guest Satisfaction	0.01	Small
Reliability → Guest Satisfaction	0.02	Small
Responsiveness → Guest Satisfaction	0.18	Medium
Assurance → Guest Satisfaction	0.10	Medium
Empathy → Guest Satisfaction	0.05	Small

Effect sizes show how much each of the predictors influences guest satisfaction. Values of 0.02, 0.15, and 0.35 are considered small, medium, and large effects, respectively. There, RESPONSIVENESS shows the strongest effect size, indicating that it has a heavy influence on guest satisfaction.

4.3.2. Predictive Relevance: Predictive relevance (Q^2) was assessed using the Blindfolding procedure. The (Q^2) value of 0.65 for Guest Satisfaction measurement revealed that the model has high predictive significance.

4.3.3 Summary of Findings: The analysis of PLS-SEM indicates that Responsiveness (β 0.40, $p < 0.01$), Assurance (β 0.24, $p < 0.01$), and Empathy (β 0.18, $p < 0.01$) are important predictors of Guest Satisfaction. But Tangibility (β 0.02, p 0.36) and Reliability (β 0.09, p 0.09) have no significant effect. The value of 0.77 indicates a high degree of explanatory power Q^2 and the value of 0.65 supports the predictive significance of the model. These results indicate that service dimensions on the interpersonal level, like responsiveness, assurance, and empathy level, are a more important factor for the guest satisfaction improvement in budget hotels than physical aspects or dependability attributes.

DISCUSSION AND CONCLUSION

The research findings of this research are to discuss according to the research questions. The findings are discussed in relation to prior studies reviewed in the literature review of this research. Therefore, this section is linking the findings of this research with results from previous studies. For this research, Cronbach's Alpha is used as measurement of reliability of the instruments used in this research. The reliability tests for dimensions of service quality were as follow. Tangible was Cronbach's Alpha $\alpha = 0.868$, Reliability was Cronbach's Alpha $\alpha = 0.961$, Responsiveness was Cronbach's Alpha $\alpha = 0.971$, Assurance was Cronbach's Alpha $\alpha = 0.954$ and Empathy was Cronbach's Alpha $\alpha = 0.941$. The results of five service quality dimension in the research were all above 0.6. Therefore, they are all acceptable for further analysis. Compared to the previous studies of [18], this research is quite straightforward. The aims of this research are to identify factor of service quality toward guests' satisfaction among budget hotels in Bandar Hilir, Melaka, and find the relationship between service quality and guest satisfaction of budget hotels in Bandar Hilir, Melaka. In contrast to the results, the finding of this study suggests that service quality factors like responsiveness, assurance, and empathy are the important factors contributing to guest satisfaction in comparison to the work of [18] where empathy, assurance, tangibility, and responsiveness were found to be the important factors toward guest satisfaction. The gap between recent study and previous study may because of this research focusing only on one Budget hotel meanwhile previous study focusing on a lot of budget hotel around the Erbil city in Kurdistan. According to the findings of this research, the research also suggests that SERVQUAL is an excellent instrument to measure hotel service quality.

From the result of Partial Least Square (PLS) model, the first hypothesis, dimension empathy has significantly predicted guest satisfaction with (β is 0.18, $p < 0.01$) to indicates that empathy have a positive relationship with guest satisfaction. Therefore, based on this result in findings the first hypothesis was supported. The second hypothesis is dimension reliability has not significantly predicted guest satisfaction with (β is 0.09, p 0.09) to indicates that reliability does not have a positive relationship with guest satisfaction. Therefore, based on this result the second hypothesis was rejected. A study by [18] stated that from the result demonstrated that current guests' hotel was not satisfied with providing service as promised, hotel's staff were not dependable in handling guest's service problem. Reliability should reflect the staff's ability to perform service dependably and accurately. The third hypothesis assurance has significantly predicted guest satisfaction (β is 0.24, $p < 0.01$) this indicates that assurance have a positive relationship with guest satisfaction. Therefore, this hypothesis was supported. From the result, guests are feeling confidence and trust hotel service relies on the service quality provided by hotel staff. The guest should feel safe when stay at the hotel and would like to feel secure during stay [18]. The fourth hypothesis responsiveness has significantly predicted guest satisfaction (β is 0.40, $p < 0.01$) this indicates that responsiveness has a positive relationship with guest satisfaction. Therefore, this hypothesis was supported. Responsiveness refers to the hotel's readiness to settle guests' issues and availability to provide fast service (Ahmad et al., 2014). Previous study by [21] stated that from the responsiveness it able to make guest wanted to repeat purchase and have positive relationship with the hotel. Finally, the fifth hypothesis tangibility has not significantly predicted guest satisfaction with (β is 0.02, p 0.36) this indicates that tangibility has a positive relationship with guest satisfaction. Therefore, based on this result the fifth hypothesis was supported. Based on the result, G2S Hotel lack of physical facilities, equipment and appearance of hotel building

and staff. According to the research findings, the overall guest satisfaction in G2S Hotel totally depend on service quality dimensions which are responsiveness, assurance and empathy.

This research aims to measure the achievement of the research objectives such as to identify the factors of service quality influencing guest satisfaction in budget hotels in Bandar Hilir, Melaka and to assess relationship between service quality and guest satisfaction in budget hotels at Bandar Hilir, Melaka. From the descriptive analysis and partial least square (PLS) model the research questions were answered. This research tested the impact of service quality dimensions on guest satisfaction and found out that most of these dimensions had positive impact except reliability and tangible had negative impact on guest satisfaction.

RECOMMENDATIONS

Various of recommendations can be made from the findings of this research for operating effectiveness. Among them the desire for the hotel industry is to engage in a perfect staff training program. The staffs need to be trained on interpersonal relationships for, say, mass empathy and attention to actual personalizing for the budget traveller. Moreover, seconds to none in public accommodation is the tip-top clean standards that make-or-break guest satisfaction. In this regard, budget hotels must take an initiative in enforcing strict hygiene protocols and undertaking regular inspections to guarantee all parts of the hotel meet deserving approval. Also, upgradation of infrastructure was after all enhancing technological tools such as reliable Wi-Fi services and comfortable bedding as a necessity for enhancing the overall experience of guest satisfaction.

Developing a systematic approach into gathering guest feedback regularly from surveys can indeed provide precious insights for service enhancements. Reservation systems are good but other technology acts, such as online booking and mobile check-ins, could be developed to model current trials and much enhance guest dealings. To make this service successful, the research needs to clearly explain what makes it special and create strong brand names.

Limitations of Study / Future Research

This study has several limitations that should be highlighted. The sample size of 233 respondents from G2S Hotel may not be representative of all budget hotel guests in Bandar Hilir, Melaka. The respondents were from different backgrounds, such as age and education level, which may have resulted in a wide variation in their experiences and opinions about service quality and satisfaction. This diversity may affect the results and makes it hard to make firm conclusions about the whole guest base. Another limitation of the study is that it was confined to guests at G2S Hotel alone. This means the findings might not be representative of the experiences of guests in other budget hotels either in Melaka or in different location. For a broader view of perceptions about service quality, further studies should consider a broader category of hotels from different regions. The time frame to collect data was also limited. Guest satisfaction can change with seasonal or special events that might not have fallen in the scope of this study. Some of the respondents could be biased. For instance, a guest who is having a good or bad day may give prejudiced views about their stay and hence do not state information. The study focused on only certain aspects of service quality. In the future, research should consider exploring other factors that may affect guest satisfaction to present a better understanding of what informs the experience of the guests.

The results obtained from this study should be complemented by the ability of future research to involve a larger and more representative group of respondents. By collecting responses from various budget hotels located in different regions, researchers can gain more understanding of guest satisfaction and make findings to a broader segment. Expanding the coverage of the population beyond just one hotel can offer valuable insights. Other budget hotels in Bandar Hilir, Melaka or even in different states will enable the researcher to compare service quality from different markets and cultural backgrounds. More long-term studies should be conducted. This would allow the tracing of guest experiences over time, finding trends, and showing how feelings toward service quality and satisfaction change, thereby enabling better insights for the guest needs. Future studies should explore other factors that affect guest satisfaction, such as the impact of online reviews or how marketing strategies might affect guest experiences. This will provide the opportunity to reach a wider range of elements

important to guests. This could be complemented by qualitative methods, such as interviews or focus groups, to obtain richer insights into the perceptions of service quality among guests. Such methods would supplement the survey data to understand, on a personal level, what guests expect and experience. Taking note of these limitations and avenues for future research, there is greater scope for the development of an enhanced understanding of service quality and guest satisfaction within budget hotels, thereby benefiting the hospitality industry.

ACKNOWLEDGMENT

The authors gratefully acknowledge the support of G2S Hotel. Special thanks to all survey participants for their invaluable contributions.

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