Impacts of Service Quality on Customer Loyalty of Shahjalal Islami Bank, Bangladesh

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ABSTRACT

Introduction: The success of banking sector merely depends upon service quality and customer satisfaction. Customer satisfaction mainly depends on service quality. This study aims the impact of service quality on customer loyalty in Shahjalal Islami Bank Limited (SJIBL), Bangladesh. **Methods:** Data were collected from 300 customers of SJIBL, Kushtia Branch through a structured questionnaire and using convenience sampling technique. To measure service quality, five dimensions (i.e. tangible, reliability, empathy, assurance and responsiveness) SERVQUAL cale was used. For analyzing the data, descriptive statistics including one-sample t-test, Analysis ANOVA, and multiple regressions were used. ANOVA and t-test were used to assess the mean differences while to reveal the relationship between service quality and customer loyalty, multiple regression was used. The significance value was set as 0.05. Data were analyzed using SPSS (23.00) software. **Results:** Except tangibility, all other variables have found significant effect on customer loyalty. The regression coefficients for significant variables responsiveness, assurance, empathy and reliability are .585, .092, .076 and .191 respectively and have significant impact on customer loyalty ($P \le 0.05$). **Conclusions:** Service quality has a significantly positive direct impact on customer loyalty. A bank should increase service quality for customer satisfaction to increase the level of customer loyalty. This study suggests that if a bank wants to be benefitted from customer loyalty, they need to pay special attention on various forms customer satisfaction.

INTRODUCTION

Banks have their own significant role to play in the economic system of any country and acts as the backbone of modern business [1]. Finance and banking system is the key to development and life force of trade and commerce [1, 2]. The banking sector comprises a number of banks which are classified considering ownership into four major categories including Private Commercial Banks (PCBs) [3]. At present, in Bangladesh, there are a lots of private commercials banks working under the central Bangladesh Bank. Various types of banks perform various functions and in Bangladesh, banking industry is highly competitive [4]. Globalization, free market and rapid economic growth have significant role in this competition [5], however, for this severe competition, attention has become increasingly focused on services [6]. The success of banking sector merely depends upon service quality and customer satisfaction [4].

Customer satisfaction can be measured by pre-purchase expectation with post purchase expectation of the product or service [7]. Researchers have given extensive concentration on customer satisfaction research in marketing although researchers have not yet agreed upon a general consensual definition [8]. Westbrook and Oliver explained customer satisfaction as a result of post-choice response [9]. It is widely used as a degree of satisfaction after post-consumption or post-purchase [10-11]. Customer satisfaction plays an important role in marketing activity as it is a unique predictor of purchase behavior [12] and in the dynamic banking sector, it is considered as the core of success [3].

Customer satisfaction mainly depends on service quality [3, 13-14]. There is a strong linkage between organizational performance and customer satisfaction [15]. Service quality is an independent influencing factor for satisfying customers [13]. A bank can make competitive, more success and gain higher position by providing high quality service. Gil *et al.* have found a strong relationship between service quality and customer satisfaction in banking sector [16]. It is found from various study that there is a positive relationship between customer satisfaction and loyalty which leads to higher profitability of the firm [17-22].

Oliver defined customer loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product offering consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior" [23]. Gremler *et al.* stated that service loyalty will significantly increase the repeated purchasing behavior from a service provider and when a need for the service arises, the customer will consider only this

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provider [24]. So, customer loyalty relates to more likely to patronize a product or service and despite availability to similar service, less likely to switch the service provider. It is found from a study that a small increase of customer satisfaction leads a dramatic increase in customer loyalty [25]. Worldwide, a number of studies have shown that customer satisfaction and customer loyalty are positively correlated [4, 22, 26-28]. In banking context, customer loyalty means the customers of bank will get available service only from the bank and recommend the others people. In Bangladesh, researchers have given a little concentration in study of the impact of service quality on customer loyalty. However, nowadays SJIBL in Bangladesh is getting popular and became one of the most reliable bank of a lot of customers. This study aims the impact of service quality on customer loyalty in SJIBL, Bangladesh.

MATERIALS AND METHODS

To determine the relationship between service quality and customer loyalty, data were collected from 300 customers of SJIBL, Kushtia Branch through a structured questionnaire and using convenience sampling technique.

To measure service quality, five dimensions (i.e. tangible, reliability, empathy, assurance and responsiveness) SERVQUAL scale was used which is most famous and developed by Parasuraman *et al.,* [29]. SERVQUAL scale is found as valid and reliable for measuring service quality [30-34].

Here, customer loyalty (yes, no, uncertain) was used as response variable while tangible, reliability, empathy, assurance and finance were used as control variables.

Tangibles were measured from four items. These were modern looking and high-tech equipment, visual physical facilities, convenient branch location and materials associated with service. For measuring reliability, four items of questions were asked. These were related to trustful, reliable and consistent services. Responsiveness also had 4 questions related to promptness, willingness, attitude and environment. Assurance were assessed through five items questions related to knowledge and courtesy level of service provider. Giving attention at individual customer and effectively addressing their concern and demands were involved in empathy. All the items were measured on three-point instead of 5-point Likert scale ranging from 1 to3, where 1= Disagree, 2= Indifferent and 3= Agree.

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The hypotheses are:

Hypothesis 1: There is no significant impact of reliability on customer loyalty.

Hypothesis 2: Responsibility has no significant effect on customer loyalty.

Hypothesis 3: Tangibility has no significant effect on customer loyalty.

Hypothesis 4: There is no significant effect of assurance on customer loyalty.

Hypothesis 5: Empathy has no significant effect on customer loyalty.

For analyzing the data, descriptive statistics including one-sample t-test, Analysis of variation, (ANOVA) and multiple regressions were used. ANOVA and t-test were used to assess the mean differences while to reveal the relationship between service quality and customer loyalty, multiple regression was used. The significance value was set as 0.05. Data were analyzed using SPSS (23.00) software.

RESULTS

For this study, the total respondents were 300. It is shown from table 1, that the most of the respondents were male (77.3 %). The percentage of female respondents were 22.7%. Among these respondents almost 57% had higher education, 31.3% had secondary and rest of the respondents (11.7%) had no education or primary.

About 30% respondents were in 31-35 years age group, 28% were in 36-40 age group and 17.3% were aged above 40. About 44% respondents were businessman and this percentage also identical to salaried or other professional respondents except students. The percentage of students were 12.3.

It is shown from table 2 that the mean score of responsiveness is 2.77 along with median 3 mode 3 and standard deviation .639. This mean score is more than 2 which was marked as indifferent. It means customers were satisfied about service provider's promptness, willingness, attitude and environment.

Assurance has a mean score of 2.71 with a median, mode and standard deviation of 3.00, 2.00 and .654 respectively which shows customers were satisfied about the knowledge and courtesy level, genuine commitments of service provider. This influences the customer to their repurchase behaviour.

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Table 1: Demographics (Categorical) (n =300)

Demographics	Categories	No. of respondents	Percentage
Gender	Male	232	22.7
	Female	68	77.3
Education	No education or Primary	35	11.7
	Secondary	94	31.3
	Higher	171	57
Age (years)	≤ 20	12	4
	21-25	18	6
	26-30	43	14.3
	31-35	91	30.3
	36-40	84	28
	41 or above	52	17.3
Occupation	Student	37	12.3
	Business	132	44.0
	Salaried or other	131	43.7

Table 2: Descriptive statistics of service quality variables

	N	Mean	Median	Mode	Std. Deviation
Responsiveness	300	2.77	3	3	.639
Assurance	300	2.71	3	3	.654
Empathy	300	2.29	3	3	.898
Tangibility	300	1.79	2	2	.590
Reliability	300	2.69	3	3	.523

The mean score of empathy is 2.29 along with median 3 mode 3 and standard deviation .898. This leads that most of the cases, customers agreed with the service providers' attention at individual customer and effectively addressing their concern and demands.

The mean score of tangibility is 1.79 along with median 2 mode 2 and standard deviation .590. This leads that most of the customers disagreed with the bank's ambience, convenient branch location and materials associated with service, and high tech equipment's of service provider.

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Reliability has a mean score of 2.69 with a median, mode and standard deviation of 3.00, 3.00 and .523 respectively. The mean score of reliability clearly indicates that customers agreed with trustful, reliable, accurate and consistent services.

Table 3: Regression analysis

Categorical Variable	B	Standard Error	P-value
(Constant)	.339	.164	.039
Responsiveness	.585	.042	.000***
Assurance	.092	.039	.018***
Empathy	.076	.038	.049***
Tangibility	-.042	.026	.105
Reliability	.191	.047	.000***
Dependent Variable: Customer Loyalty. *** 5% level of significance			

Table 3 shows regression analysis result of the model predicting customer loyalty through the independent variables of service quality (responsibility, assurance, empathy, tangibility and reliability). Except tangibility, all other variables have found significant ($P \leq 0.05$). The regression coefficients for significant variables responsiveness, assurance, empathy and reliability are .585, .092, .076 and .191 respectively. These coefficients values are all positives. But, for tangibility, the value was insignificant ($P \geq 0.05$). However, the regression analysis leads to reject the null hypotheses H_1, H_2, H_4 and H_5. So, responsiveness, assurance, empathy and reliability have significant impact on customer loyalty.

Table 4: Model Summary

Model	R	R Square	Adjusted R^2	Std. Error of the Estimate
1	.762[a]	.581	.573	.387
a. Predictors: (Constant), Tangibility, Empathy, Assurance, Tangibility, Responsiveness				

Table 4 depicts the model summary where customer loyalty is a function of tangibility, reliability, responsiveness and empathy. It is shown that the value of R square is .581. It means that 58.1% of the variation in the dependent variable (customer loyalty) is accounted for by this model which is quite good.

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Table 5: Analysis of variance (ANOVA)^a

	Sum of Squares	df	Mean Square	F	Sig.
Regression	60.392	5	12.078	80.552	.000[b]
Residual	43.635	291	.150		
Total	104.027	296			

a. Dependent Variable: Customer loyalty

b. Predictors: (Constant), Tangibility, Empathy, Assurance, Tangibility, Responsiveness

From table 5, it is found that the value of F-statistic is 80.55 which is also quite good and entails that model is a good fit at 1% level of significance.

DISCUSSION

The objective of this study was to assess the impacts of service quality on customer loyalty.

SERVQUAL mode is a popular model for measuring service quality [35] which also used here. Tangible were insignificant, however, another measures i.e. responsiveness, assurance, empathy and reliability had found as significant in influencing customer loyalty.

We could not reject the null hypothesis that tangible have no significant influence on customer loyalty. Some research shows that tangible is one of the influencing factor of customer loyalty. For example, Parasuraman *et al*. [36], Auka *et al*.[37] and Narteh *et al.* [38] found tangible as a key factor to customer loyalty. However, the result of current study is consistent with some previous findings, for example, findings of Kheng *et al.* [39] and Tweneboah-Koduah *et al.* [40]. They have also found that tangible have insignificant effect on customer loyalty. This might leads to conclude that at present, most of the banks in Bangladesh might focus much on their physical environment and they might have similar infrastructure in terms of tangibles. So, tangible has no longer influence on customer loyalty to their bank. Therefore, this result shows that there is no significant impact of tangibility on customer loyalty.

Reliability was found as significant effect on customer loyalty. This result supports previous findings of Auka *et al*. [37] and Kheng *et al*. [39] who have also found reliability as a contributing factor on customer loyalty. It leads that the ability to perform the promised service dependably and accurately has a significant impact to make customer loyal.

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This study shows that responsive have a significant impact on customer loyalty. It leads that the willingness to help and provide prompt service has a significant influence on customer satisfaction.

Empathy also has significant impact on customer loyalty. This is consistent with the findings of Ndubisi [41]. Assurance, have found as a significant factor on customer loyalty. This implies that the courtesy and knowledge level of employees and their ability to make trust and confidence increase customer loyalty. This result also consistent with the studies of Ndubisi [37] and Kheng *et al.* [39]. From the adjusted R square and ANOVA table, the model is found as well fitted.

CONCLUSION

Service quality has a significantly positive direct impact on customer loyalty. A bank should increase service quality for customer satisfaction to increase the level of customer loyalty. This study suggests that if a bank wants to be benefitted from customer loyalty, they need to pay special attention on various forms customer satisfaction. Tangible have found insignificant for customer loyalty in SJIBL. So, they should improve their convenient branch location and visual environment policy. However, this study found that the satisfaction on reliability, responsiveness, empathy and assurance have significant impact on customer loyalty. Thus, to make customer as loyal for long term, the bank should continue trustful, reliable and consistent services. The management should emphasis on giving attention at individual customer and effectively addressing their concern and demands. The bank should start training and seminar to their employee for reaching highest level of service quality.

Conflict of interest: Nil

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