# An applied study to measure the quality of banking services and customer loyalty

## "Case study of the banks of the city of SAIDA"

دراسة تطبيقية لقياس جودة الخدمات المصرفية وولاء الزبون ." دراسة حالة بنوك ولاية سعيدة "

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**Abstract:** Intense competition and shifting loyalties the banking sector are forcing to focus on service quality for increased customer satisfaction, customer loyalty, and organizational profitability.Making loyal customers to the banks has become essential for the long term survival of any bank where the service quality of the banks has also played an important role in customer loyalty.

This study assesses the service quality for banks in City SAIDA the Country of Algeria the A using the SERVQUAL model and tests the effect of five SERVQUAL dimensions on the loyalty of customers.The analysis of data using the partial least squared (PLS) based Structural Equation Modeling technique reveals a positive effect of reliability and assurance dimensions on loyalty. However, the outcomes do not reflect any significant

The findings revealed that three dimensions of service quality namely tangibles, reliability and empathy have significant positive effect on customer loyalty. Further service quality dimensions alone explain 46.3% of the variance in customer loyalty.

**Keywords**: service quality ; customer loyalty ; SERVQUAL ; pls-sem .

**Résumé :** Une concurrence intense et des loyautés changeantes obligent le secteur bancaire à se concentrer sur la qualité des services pour accroître la satisfaction des clients, la fidélité des clients et la rentabilité de l'organisation.Rendre des clients fidèles aux banques est devenu essentiel pour la survie à long terme de toute banque où la qualité de service du les banques ont également joué un rôle important dans la fidélisation de la clientèle.

Cette étude évalue la qualité de service pour les banques de la ville SAIDA du pays d'Algérie A en utilisant le modèle SERVQUAL et teste l'effet de cinq dimensions SERVQUAL sur la fidélité des clients.L'analyse des données à l'aide de l'équation structurelle basée sur le PLS (Partial Less Squared) La technique de modélisation révèle un effet positif des dimensions de fiabilité et d'assurance sur la fidélité. Cependant, les résultats ne reflètent aucune

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Les résultats ont révélé que trois dimensions de la qualité du service, à savoir les biens matériels, la fiabilité et l'empathie, ont un effet positif significatif sur la fidélité des clients. D'autres dimensions de la qualité de service expliquent à elles seules 46,3% de la variance de la fidélité des clients

Mots-clés : qualité du service ; fidélité du consommateur ; SERVQUAL; pls-sem

**ملخص:**تضطر المنافسة الشديدة وتحويل الولاءات في القطاع المصرفي إلى التركيز على جودة الخدمة لزيادة رضا العملاء ، ولاء العملاء ، والربحية التنظيمية. أصبح جعل العملاء المخلصين للبنوك ضروريًا لبقاء أي بنك على المدى الطويل حيث تكون جودة الخدمة لعبت البنوك أيضًا دورًا مهمًا في ولاء العملاء.

تقيّم هذه الدراسة جودة الخدمة للبنوك في مدينة صيدا ببلاد الجزائر باستخدام نموذج SERVQUAL وتختبر تأثير أبعاد الخدمة الخمسة على ولاء العملاء. تحليل البيانات باستخدام المعادلة النمذجة الهيكلية للمربعات الصغرى الجزئية (PLS) تكشف تقنية النمذجة عن أثر إيجابي لأبعاد الموثوقية والتأكيد على الولاء. ومع ذلك ، فإن النتائج لا تعكس أي أهمية.

حيث كشفت النتائج أن ثلاثة أبعاد لجودة الخدمة وهي الملموسة والموثوقية والتعاطف لها تأثير إيجابي كبير على ولاء العملاء. تشرح أبعاد جودة الخدمة الإضافية وحدها 46.3٪ من التباين في ولاء العملاء.

**الكلمات المفتاح:** جودة الخدمة ؛ ولاء العميل ؛ SERVQUAL ؛ pls-sem.

## I- Introduction :

the past, products were the determinants of business success. The most successful firms were firms that were able to produce high quality products. Indeed, today''s quality products are still crucial in business success, however, the quality issues of the past are quite different from the quality issues of today. In the past, quality was defined and determined from the producers'' or service providers'' perspective with little or no consideration of the customer expectations and perceptions. Customers were perceived not to know what they want and therefore accept what is available. This was the era of mass marketing. The mass marketing technique was effective because of less competition and less knowledgeable consumers.

In today''s marketing environment, the customer has become the center of all business decision. Their involvement starts from the conception of a product to the delivery. Customer centric marketing policies and processes are really important.

"The market place isn't what it used to be" (Kotler, 2000). As Kotler describes, different forces result in market change like, technological advancement, globalization and deregulation and these forces created new behaviors and challenges. Among those behavioral changes, increase in customer expectation for higher quality of service is one of them.

Businesses become more of customer oriented to be able to survive in the market or to have a competitive advantage over others. Customer orientation focuses on retaining market share through high customer satisfaction (Kaur, 2009). Measuring customer satisfaction level plays an important role in identifying the customer perception on the product /services offered by a given company and helps to take a corrective action to retain the customer's satisfaction at the highest level.

marketers also started to realise the significance of customer loyalty to their business. To achieve customer loyalty, management should meet the diverse customer demands. According to (Parasuraman, 1985) service quality is positively related to loyalty because improved service quality could enhance loyalty.

Even, there are a number of researches that investigate the relationship between service quality and customer loyalty in different industries across the globe, there is not that much of importance given to the researches on customer loyalty in context.

## I-1-PROBLEM STATEMENT

Service quality is a critical component of customer perceptions about the service. Customers perceive services in terms of its quality and how satisfied they are overall with their experiences (Zeithaml, 2002). Thus, satisfying customer needs through excellent service quality provided by customer-oriented sales people will increase the like lihood of customers returning to bank and eventually recommending the to others, thus allowing to compete effectively in the banks .

Additionally, a number of correlated factors, including the scope of services available to clients, the way in which individuals are treated by providers, the promotion of individual choice, the quality of the information provided to the clients and quality of the counselling skills, the accessibility and continuity of services, and the technical competence of providers are also a form of service quality.

Since there were few studies found in testing the relationship between the constructs service quality and customer loyalty, still there is a need to fill the empirical gap. The current study focuses to investigate "whether there is a significant relationship between service quality dimensions and customer loyalty in Commercial Banks of city saida.?

## I-2-Formulation of the problem

Based on the background stated above, the formulation of the problem presented is as follows:

**1.** Does bank service quality affect customer loyalty in city saida?

## I-3-Research Objectives

The purpose of this study is to analyze the effect of service quality on customer loyalty with problems or research questions based on questions, the purpose of this determination is as follows:

1. To measure the effect of service quality on customer loyalty at the Bank

## I-4-Benefits of Research

The results of this study are expected to provide the following benefits or benefits:

### 1. Theoretical Benefits

The results of this study are expected to contribute to the development of knowledge about banking studies as one part of the economy

### 2. Practical Benefits

### a. For writers

To compare concepts that have been learned before with practice in the real world that has nothing to do with the effect of service quality, customer loyalty at the bank

### b. For the banking world

To provide useful input to improve service quality for customer loyalty.

### c. For Academics

enhances knowledge about the influence of service quality on customer loyalty to banks as well as input for research on the same topic in the future.

## I-5-Development of Hypotheses

Research shows that there is a high positive correlation between the construct of satisfaction with quality and product loyalty (Bloemer, 1998) Menstruation This research study focuses on service quality and customer loyalty as it applies to the banks in city saida . Based on the extant literature, this research posits that each dimension of the SERVQUAL model makes a positive

impact on the attitudinal loyalty of customers, as specified in the path model exhibited in . More specifically,this study hypothesizes that

tangibles,reliability,responsiveness,assurance,and empathy make a positive effect on the attitudinal loyalty of the customers of bank services. This can be reflected through the following set of alternative hypotheses:

Tangibles have been defined as physical facilities, equipment and appearance of personnel (Parasuraman A. Z., SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality.,, 1988) . Issues related o the branches such as access to the facilities, safety and convenience are on tangible basis .Thus, the following hypotheses are proposed:

**H1. Tangibles will have positive effect on customer loyalty.**

Parasuraman et al. (1988) defined reliability as the ability to perform the promised service dependably and accurately.  (Nguyen, 2001)  consider reliability as reputation that can be the most reliable indicator of service quality which could be related to customers past experiences (Ndubisi, 2006) As such, the following are hypothesized:

**H2. Reliability will have positive effect on customer loyalty.**

According to Parasuraman et al. (1988), responsiveness is willingness to help customers and provide prompt service. Responsiveness is likely to have an important and positive effect on customer **loyalty.**Therefore, the following are hypothesized:

 **H3. Responsiveness will have positive effect on customer loyalty.**

Parasuraman et al. (1988) defined empathy as the caring, individualized attention the firm provides for its customers. Empathy is proved to be influential in customer loyalty  (Butcher, 2001) (Ndubisi, 2006); (Ehigie, 2006). Thus, the followings are hypothesized:

**H4. Empathy will have positive effect on customer loyalty.**

Parasuraman et al. (1988) defined assurance the knowledge and courtesy of employees and their ability to inspire trust and confidence. Several studies suggest that the exchange of information is an important part of both traditional selling and relationship marketing which may lead to a shared understanding (Lymperopoulos, 2006) . Therefore, the following hypotheses are proposed:

**H5. Assurance will have positive effect on customer loyalty.**

## I-6-Conceptual model

The followin_èg figure shows the conceptual framework of the study.

The theoretical model guiding the investigation is depicted in figure below, adapted from  (Agus, 2007) and  (Caruana, 2002) . This research will study 5 factors of service quality namely: tangibles, reliability,responsiveness, assurance and courtesy which were adapted from  (Agus, 2007) who studied the service quality in the context public service sector by drawing on management and customer perceptions of service quality



Figure (1): Conceptual Model
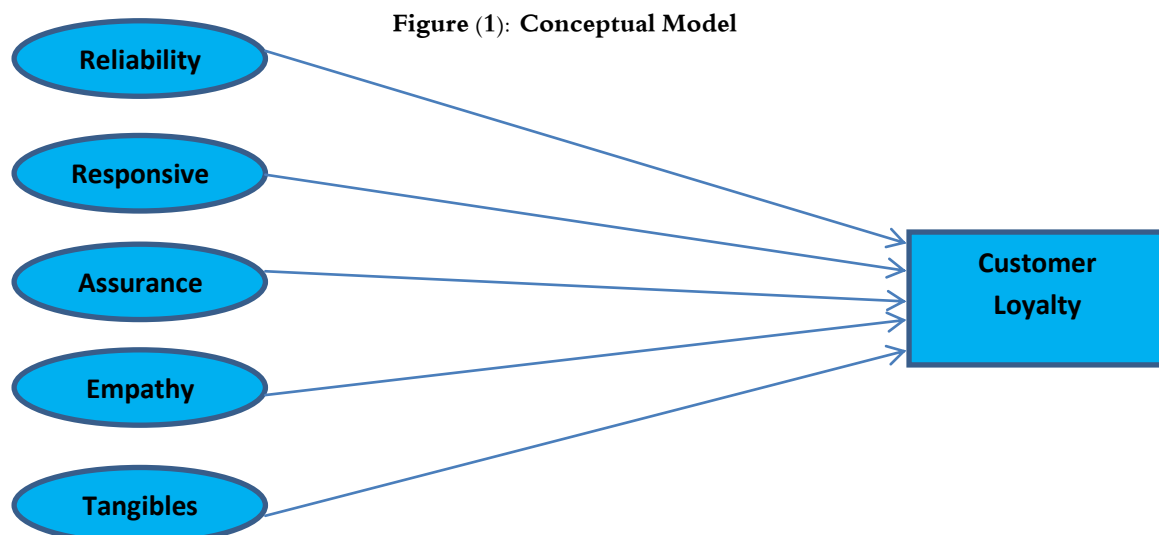
## II– Literature Review

Considering the competitive environment, there is a need for banks to plan their strategies that will differentiate them from another. This can be achieved through the delivery of high service quality. The practice of excellent service quality has been proven that customer satisfaction will significantly lead to customer loyalty  (Caruana, 2002) .The present research employs SERVQUAL scale (Parasuraman et al., 1988) to measure the customers' loyalty.

## II– 1-Service quality (SQ)

Service quality is a concept which has no definite definition or description. This is partly because the word service and the word quality are themselves hard to describe and partly because the concept of service quality varies with respect to service industry. In this section, service quality is described and discussed in terms of its nature, and measurement.

Parasuraman, et al. (1998:5)  service quality is the foundation for service marketing because the core product being marketed is a performance of the product; the performance is what customer buy. A strong service concept gives the companies the opportunity to compete for customer; a strong performance of the service concept built competitiveness by earning customer's strategy confidence and reinforcing branding, advertising, selling and pricing. An innovator's strategy of service quality is usually more difficult to imitate than it's service concept. This is because quality service comes from inspired leadership throught out an organization, a customer-minded corporate culture, excellent service-system design, the effective use of information and technology, and other factors that develop in company

The initial emphasis of quality management was focused for many years on product quality, as has been reported by  (levitt, 1972) Service quality (SQ) is a more recent concept, but widely accepted and implemented, as confirmed by  (Kang, 2004)There are still numerous challenges and disagreements about this relatively new concept. However, (Abdullah, 2005) reported that SQ has been linked to an increase in profitability and therefore considered as a vital approach to ensure a competitive edge over competitors.

This was made possible due to loyal customers committing to repeat purchases and spreading positive word-of-mouth referrals, all concepts that have been discussed in previous chapters and supported in principle.

Service quality is defined as a customer's judgment or assessment of an entity's overall excellence or superiority of a service  (Parasuraman A. Z., 1988) . During the past several decades, service quality has been a significant research topic in the marketing literature due to its apparent relationships to customer satisfaction  (Boulding, 1993) . customer retention  (Higgins, 1988),sales revenue and market shares  (Siu, 2001) While service quality is known to be based on a multi-dimensional structure  (Gronroos, 1990) (Gronroos, A service quality model and its marketing implications. , 1984) . there is no general agreement as to the nature or content of the dimensions because service quality's features of intangibility, heterogeneity and inseparability  (Bateson, 1995) During the past two decades, researchers have developed several conceptual models to explain the service quality's inner structure and to measure consumers' perceived service quality in different industries

Thus, Service Quality is perceived as a tool to increase value for the consumer; as a means of positioning in a competitive environment  (Mehta A. , 2000)

According to (Seth, 2005) conceptual models in service quality enable management to identify quality problems and thus help in planning for the launch of a quality improvement program

In conclusion, the integral involvement of the consumer within the service process sug thereby improving the efficiency, profitability and overall performance of the store.

gests that we need to increase customer perceived value by developing close and trusting relationships with customers, and such relationships are logically fostered by a market orientation

It is observed that the service quality outcome and measurement can also be changed with respect to factors like time, new technology, type of service, competitive environment, etc.

measurement tools are also should be adjusted in evaluating the perception of the service quality by customers. These demands for a continued effort to learn, validate and modify the existing concepts of service quality were interested to trace the development of the models in the literature. In the previous researches different measurement tools were explained and applied to measure the service quality, however the most modern and appropriateService Quality Scale (SERVQUAL) was experimented much at the organized

## II– 1-2-Service Quality Dimensions

In the 1988 Parasuraman study in Fandy Tjiptono (2011) perfecting and summarizing the ten dimensions into five dimensions of service quality. "Competence, courtesy, credibility, and security are integrated into guarantees, while access, communication, and the ability to understand customers are categorized as empathy (empathy)". Thus, there are five main dimensions of service quality, including:

1) Direct evidence (tangibles), including physical facilities, equipment, employees and means of communication.

2) Reliability, namely the ability to provide the promised service immediately and satisfactorily.

3) Responsiveness, which is the desire of staff to help customers and provide services responsively.

4) Guarantee, which covers the ability, courtesy and trustworthiness of the staff, free from danger, risk or doubt

5) Empathy (emphaty), includes ease of relationships, good communication and understanding the needs of customers

## II–1-3-Service Characteristics

Services have four main characteristics that greatly affect marketing  (Kotler P. A., 2001)( where the characteristics of the service are:

**a. Intangibility of services (intangibility)**

Services cannot be seen, tasted, tasted, heard, or smelled before being purchased.

**b. Service inseparability**

Services are produced and consumed at the same time and cannot be separated from the provider, whether the provider is a person or a machine.

**c. Service variability**

The quality of service can vary greatly, depending on who provide, time, place, and the way they are provided.

**d. No lasting service (service perishability)**

Services cannot be saved for future sales or use

## II–2-Customer Loyalty

Customer loyalty has an important role in a banking company, maintaining them means improving financial performance and maintaining the viability of the company, this is the main reason for a banking company to attract and retain them and make how the banking company has loyal customers.

Having loyal customers is an important goal in banking companies, customer loyalty can be defined as a customer's commitment to a banking product, based on a very positive attitude and is reflected in a consistent purchase.

Customer loyalty can be defined as a customer's commitment to a brand based on a very positive attitude and is reflected in consistent repurchases. The definition includes two important components, namely loyalty as behavior and loyalty as attitude. The combination of the two components produces four types of loyalty viz : (Tuti Supriyatmini, 2005)

**a. No Loyalty**

If the attitudes and behavior of customer repurchases are equally weak, then loyalty is not formed. There are two possibilities, namely:

1) A weak attitude (approaching neutral) can occur if a new product or service is introduced and or its marketer is unable to communicate the superiority of its product unit.

2) Relating to market dynamics, where competing brands are prepared similar or the same.

**b. Spurious Loyalty**

Spurious loyalty occurs when a relatively weak attitude is accompanied by a strong repurchase pattern. This situation is characterized by non-attitude factors towards behavior such as subjective norms and situational factors. This situation is also said to be inertia, where consumers find it difficult to differentiate various brands in product categories with low involvement levels, so repurchases are made based on situational considerations, such as due to strategic product placement on display shelves, outlet locations in shopping centers or busy intersections, or discount factor.

**c. Latent Loyalty**

he Latent loyalty situation is reflected when a strong attitude is accompanied by a weak repurchase pattern. The situation that is of great concern to marketers is due to the influence of non-attitude factors that are just as strong or even tend to be stronger than the attitude factor in determining repeat purchases.

**d. Loyalty**

This situation is the ideal situation most marketers expect, where consumers are positive about the product or producer (service provider) and accompanied by a consistent repurchase pattern.

According to Griffin, stated the benefits to be gained by the company if it has loyal customers, among other :

a. Can reduce marketing costs (because the cost to attract new customers is more expensive)

b. Can reduce transaction costs

c. Can reduce consumer turnover costs (due to fewer consumer replacements)

d. Can increase cross sales, which will enlarge the company's market share

e. Encouraging a more positive word of use, assuming that loyal customers also mean those who are satisfied

f. Can reduce failure costs (such as replacement costs, etc.).

Based on these definitions, it can be explained that loyalty refers more to the manifestation of the behavior of the decision-making units to make continuous purchases of the goods / services of a selected company.

## III-RESEARCH METHOD

### III-1-Type of Study

This research used quantitative approach. In this quantitative research, the researcher formulated new problems through the hypothesis that is a temporary answer to the formulation of research problems. According to (Given, 2008) research with quantitative method is an approach to empirical studies to collect,analyze, and display data in numerical form rather than narrative.

### III-2-Population and Sample

### III-2-1-Population

Population is the whole subject of research (Arikunto, 2010) . In this research, the population were all Customers the bank

### III-2-2-Samples and Sampling Techniques

Sample is a partial or representative of the population under the study (Arikunto, 2010). By considering the large population, limited time and cost of research, the researcher needed to limit the samples in sampling.

The sampling technique was random sampling, which took a random sample of a population that had been determined.

(Hair, 2010) stated aboutthe size of the sample. If it is too large,it will make it difficult to get a suitable model and suggested appropriate sample size between 100-200 respondents in order to use interpretation estimation . the number of samples was determined based on the results of the minimum sample calculations.

The determination of the minimum sample size according to Hair et al.(2010) is:

(Number of indicators + number of latent variables) x (estimated parameters)

Based on the guideline, the minimum sample size for this research is:

Minimum sample = (21 + 1) x 5 = 110 respondents.

Based on the formula above, the minimum sample size in this research was 145 respondents.

1. Independent variable consisted of service quality(Tangibility, Reliability, Assurance, Empathy, Responsiveness)

2. Dependent variable consisted of customer loyalty.

## III-3-Data Analysis

The data were analysed using the Statistical Package for Social Sciences (SPSS) Version 23.0 in order to describe the demographic information and characteristics of research information. SmartPLS version 3.0 was used in the test of hypotheses.

## III-3-1-Descriptive Analysis

where researcher carefully considered the different demographic profile such as gender, age, income status, occupation, educational qualification, accessed by the Customers the bank. From the available data, researcher tried to present here the demographic profile of these passengers. The summarized demographic profile of the Customers of this study is now given below:

**Table 1: Demographic profile of the Customers**

|  | Frequency | Percentage |
|---|---|---|
| **Gender** |  |  |
| Male | 64 | 58.18 |
| Female | 46 | 41.81 |
| Total | 110 | 100% |
| **Age** |  |  |
| Below 20 years | 09 | 8.18 |
| 20–30 Years | 50 | 45.45 |
| 30–40 Years | 43 | 39.09 |
| Above 40 Years | 12 | 10.90 |
| Total | 110 | 100% |
| **Monthly income** |  |  |
| Less than 20,000 | 25 | 22.72 |
| 20,000–30,000 | 28 | 25.45 |
| 30,000–40,000 | 29 | 26.36 |
| 40,000–50,000 | 15 | 13.63 |
| Above 50,000 | 13 | 11. 81 |
| Total | 110 | 100% |
| **occupation** |  |  |
| Officer | 82 | 74.54 |
| contractor | 28 | 25.45 |
| **Total** | 110 | 100% |

**The source Prepared by researchers**

According to research survey as depicted in Table (01) 58.04 , percent were males and 41.81 percent were females .With regard to the age of respondents, 8.18 percent were aged Below 20 years years, 45.45 percent were aged 20–30 Years , 39.9 percent were aged between 30–40 Years , and 10.90 years percent were aged 40years or older .

While evaluating income of the respondents,22.72 percent had an income range less than  20,000 DA , 25.45 percent had an income range 20,000–30,000DA , 26.36 percent had an income rangebetween 30,000 and 40,000 DA , 13.63 percent had an income range between 40,000 and 50,000 DA , and 11.81 percent of the respondents had an income range above 50,000 DA .
With regard to the occupation 74.54 percent of the respondents Officer,25.45 percent of contractor.

## III-4-Measurement Model Analysis

summarises the results of the measurement model for the proposed conceptual framework of the research. The model consists of 26 items that were divided into ;21 items for service quality ,  05 items for Customer loyalty . No items were deleted from this pilot questionnaire. Results of the model are presented as illustrated in Figure 1.2:



Figure 02: SmartPLS Algorithm Value of the Measurement Model
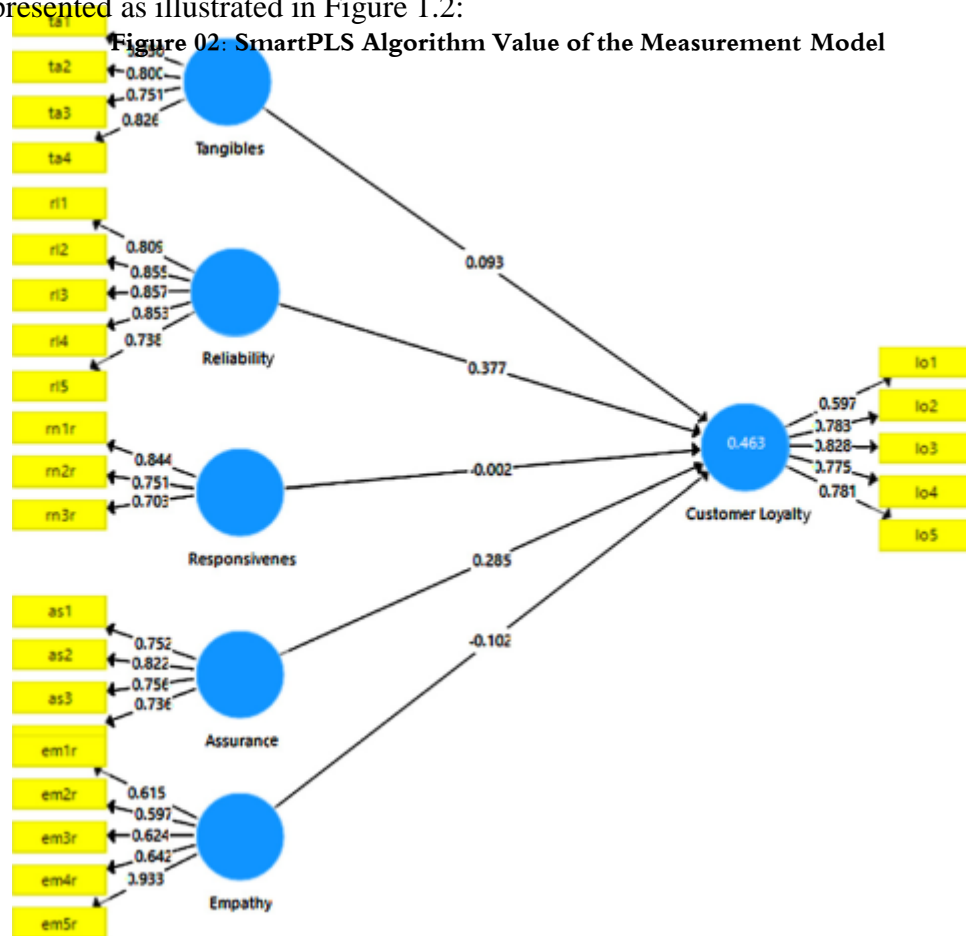
The source Prepared by researchers

Two of the significant test that need to take into consideration in determining the goodness of measure for a model are the reliability and validity test. According to (Sekaran, 2013) , reliability is a test of measuring the consistency of the instruments while validity is a test that indicates the wellness of the developed instrument in measuring a particular concept of the study.

**Measurement model specification**

The five independent variables — 'tangibles' (4 items), 'reliability' (5 items), 'responsiveness' (3 items), 'assurance' (4 items), and
'empathy' (5 items) were measured using the SERVQUAL instrument of Parasuraman et al. (1988). The dependent variable 'loyalty' was measured using five items, based on the scale developed by

(Butcher K. S., 2001) . All the constructs were reflective in nature. The overall measurement model and related estimates are presented in Fig. 02.

### III-4-1-Measurement model estimation

The reliability and validity of the measurement model (or outer model) were tested using the SmartPLS software. Indicator reliability,

Reliability of the measurement model can be accessed using two values which are the Cronbach's alpha coefficient of above 0.6 and composite reliability where value ranged from 0.7 or greater is considered as acceptable (Fornell and Larcker 1981).

The strength of the measurement model is ensured by the examination of factor loading and internal consistency reliability. Outer loadings of all indicators of all constructs were ranged between 0.613and 0.852 and were statistically significant. Thus, the indicator reliability was established. Further, the composite reliability of the constructs service quality dimensions; reliability, responsiveness, assurance, empathy and tangibles and customer loyalty were correspondingly 0.875, 0.855, 0.855, 0.899, 0.855, and 0.873. As all the composite reliability values were above which surpassed the recommended value of 0.7 (Hair et.al2010) .the internal consistency reliability was proved.

researcher decided to maintain all the 26 items for the main data collection. therefore one items were omitted from the pilot questionnaire survey after the analysis.  Table 2 shows these reliability statistics.

The discriminant validity of constructs was measured using  the Fornell Larcker criterion (comparison of AVE value with the associated correlations).

he measurement models' validity assessment focuses on convergent validity and discriminant validity. The convergent validity is attested based on the value of Average Variance Extracted (AVE) of exceeding 0.5 (Hair et al. 2014).

 The values of each service quality dimension (reliability, responsiveness, assurance, empathy and tangibles) and customer loyalty were respectively 0.584, 0.597, 0.597, 0.641, 0.6 and 0.590. Since all the values were above the threshold value of 0.5, the convergent validity was confirmed. Thus, the discriminant validity is confirmed and sufficient to support the model of this study.

**Table 2 – Reliability statistics.**

|  | AVE | Composite Reliability |
|---|---|---|
| Customer loyalty | 0.590 | 0.873 |
| Assurance | 0.597 | 0.855 |
| Empathy | 0.641 | 0.899 |
| Reliability | 0.584 | 0.875 |
| Responsiveness | 0.597 | 0.855 |
| Tangibles | 0.6 | 0.855 |

**The source  Prepared by researchers**

### III-5-Structural model estimation and test of hypotheses

After confirming the suitability of the measurement model (outer model), the estimation for the structural model (inner model) was conducted. Present svarious estimates in cluding the value of path coefficient spertaining to five dimensions of service quality and the overall variance on customer loyalty caused by them.

### III-5-1-Coefficient of Detemination (R2 )

$R^2$  IS THE Coefficient of  Detetermination ,and is evaluatted in the stuctural model.In this study, Customer loyalty is the prima r y construct of interest .from stuctural model  we find that the value of $R^2$ is strong  . see figure 02The direct effect of two constructs (i.ee., service quality Customer loyalty) jointy explain 46.3 % of variance  .

Overall, the SERVQUAL dimensions explained 43.9% of the variance in customer loyalty. presents the path coefficient and the T-values — acquired after the process of bootstrapping — for the test of hypotheses.

**Hypothesis 1** postulating that tangibles affect the attitudinal loyalty of customers positively was not supported (t value <1.96 at 5% level of significance).

**Hypothesis 2** postulating that reliability affects the attitudinal loyalty of customers positively was supported.

**Hypothesis 3** postulating that responsiveness affects the attitudinal loyalty of customers positively was not supported.

**Hypothesis 4** postulating that empathy affects the attitudinal loyalty of customers positively was also not supported.

**Hypothesis 5** postulating that assurance affects the loyalty of customers positively was supported.

It emerged that only assurance and reliability of bank services affect customer loyalty,

**Table 4 Hypothesized Model Structure and Results**

| Hypotheses | Path coefficient (β) | P values |
|---|---|---|
| **Hypothesis 1:** Tangibles → Customer loyalty | 0.093 | **0.013** |
| **Hypothesis 2:** Reliability → Customer loyalty | 0.377 | **0.013** |
| **Hypothesis 3:** Responsiveness → Customer loyalty | 0.002 | **0.178** |
| **Hypothesis 4:** Assurance → Customer loyalty | 0.058 | **0.100** |
| **Hypothesis 5:** Empathy → Customer loyalty | 0.001 | **0.000** |

**The source Prepared by researchers**

As shown in Table 03, the hypotheses were tested using the path coefficient (β) indicating the strength of the cause) effect relationship between the constructs using the p value (Hair et al., 2011; Wong, 2013). The bootstrapping procedure was used to assess the significance of path coefficient values (β) and statistical significance was tested at 5% (p<0.05).

The inner model suggests that the dimension of empathy has an effect on customer loyalty (0.237), followed by reliability (0.377) and tangibles (0.093) and Assurance (0.058) . Thus, it is concluded that the hypothesized path relationship between constructs; tangibles and customer loyalty; reliability and customer loyalty; and empathy and customer loyalty were positive and statistically significant where responsiveness and customer loyalty; and assurance and customer loyalty were positive but statistically insignificant. The current study findings coincide with the findings of previous studies in checking the relationship between the service quality dimensions and customer loyalty in different context.

## IV-Conclusion

Intense competition and shifting loyalties in the bank sector are forcing to focus service quality for increased customer satisfaction, customer loyalty, and profitability. Customer satisfaction, led mainly by the quality of services, is the key to prevent customers from switching to competitors. This study assessed the quality of banks services using SERVQUAL model, and compared their services based on five SERVQUAL dimensions, i.e., tangibles, reliability, responsiveness, assurance, and empathy. This study revealed why it is important for banks to measure their services from the perspective of securing the loyalty of customers and improve them continuously for the long-term profitability.

The finding revealed that tangibles, reliability and empathy had a significant positive effect on customer loyalty while the effects of responsiveness and assurance on customer loyalty were positive but not significant. Therefore, banks should develop proper strategies to tangibilize the intangible services, to provide reliable services to customers and to deliver customised services to customers with more care. Although the mean value of empathy shows a higher level of service quality, the value is comparably lower than the value of other dimensions and further, its' influence on customer loyalty is comparably higher than the other dimensions. Therefore, banks should give more attention specifically to the dimension of empathy through giving individualised attention to the customers by employees and understanding the specific needs of the customers and their convenience.

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