Contribution of perceived quality to satisfaction and trust of bank customers towards their service providers: the case of BADR Bank (Mascara)

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Abstract

This research demonstrates the significance of perceived quality in explaining customer satisfaction and trust in banking service providers. After outlining the fundamental principles of these concepts, a conceptual model was proposed. An investigation was conducted among 136 clients at the BADR bank (Mascara) to validate this causal model and present managerial implications and appropriate recommendations to banking sector managers. Data collected through questionnaires was processed and analyzed using AMOS.29 for causal model. Research on causal models has shown that satisfaction mediates the relationship between perceived quality and confidence in banking service providers.

Keyword: Perceived Quality, Trust, Satisfaction, BADR, Banking.

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1. INTRODUCTION

In response to increasing demands and growing competitive pressure, financial institutions are attempting to use innovative marketing techniques to adequately meet customer expectations and gain new market share.

In this context of intensified competition and a constantly changing and uncertain environment, finding effective ways to differentiate oneself and maintain a sustainable competitive advantage has become imperative for financial institutions.

One such way is to increasingly focus on the perceived quality of services offered to clients. Given that perception is a key variable in evaluating the gap between customer expectations and perceived performance, and service quality is a primary element in creating superior customer value, it is important to satisfy customer needs and establish long-term relationships that help improve their levels of trust.

In this context, banks have no choice but to ensure customer satisfaction and their perception of the service provided. A satisfied customer tends to purchase multiple products or services from the company.

A high level of satisfaction improves customer trust in banking service providers. Therefore, customer satisfaction is an essential key to achieving these objectives. The approach is based on marketing philosophy that priorities customer satisfaction. This is particularly important due to the significant economic and financial benefits that come with it. Financial institutions are increasingly interested in developing and intensifying their relationships with customers to improve trust levels in the long term.

The objective of this article is to analyze the impact of perceived service quality on overall customer satisfaction, with the aim of enhancing customer trust in BADR bank (Mascara).

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The research problem is:

❖ ***What is the relationship between perceived quality and satisfaction in improving trust levels?***

To address our problem, we propose a conceptual model that explains the relationship between perceived quality, satisfaction, and trust. Through an empirical study, we will test the validity of the relationships highlighted in the literature in the context of a bank. Therefore, our research will be structured in four stages. The first section presents the conceptual framework, conceptual model, and resulting research hypotheses. The second section outlines the methodology used to validate the conceptual model and test the hypotheses. The third section covers the analysis and interpretation of the results obtained. Finally, we present the discussion of the results, conclusion of our research, as well as its contributions, limitations, and future prospects.

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2. Theoretical Foundations of Research

Based on the literature review, we will present the definitions of the theoretical concepts and construct our research hypotheses.

- **Concept of perceived quality**

The concept of service quality, as described in the literature, pertains to perceived quality. According to [Zeithaml V., 1981, p.186], perceived quality is the consumer's evaluation of the level of excellence or superiority of an entity. Other definitions are based on the process by which quality is formed. For [Grönroos, C., 1984, p.38], perceived service quality is the result of a comparison between the customer's expectations and their actual experiences of a service. According to [Parasuraman, A., Zeithaml, V., and Berry, L., 1988, p.13], perceived service quality is the result of a

process between what the customer considers should be the service offered by a company and their perceptions of the performance of that organisation.

According to [Asubonteng, P., McCleary, K.J., and Swan, J.E., 1996, p.63], service quality can be measured by the gap between a consumer's expectations and their perceptions of the service received. Numerous studies and models have been developed to identify the most significant satisfaction factors. Two main schools of thought have been identified in this area: the Nordic Perspective and the Western Perspective. The American Perspective is also worth considering.

The Nordic school focuses on the structure of the service and its various components to measure the quality of each. For example, [Grönroos, C., 1984, p.38] perceives service quality in two dimensions. The functional dimension pertains to the service delivery process, or the way in which the experience is carried out. The technical dimension, on the other hand, pertains to the outcome of the service delivery process.

The American school [Parasuraman, A., Zeithaml, V., Berry, L., 1988, p.14] views service quality in terms of characteristics that are directly related to the services provided, such as reliability, readiness, empathy, assurance, and material values.

- Concept of satisfaction

Satisfaction has been the subject of an abundant literature in service marketing, resulting in multiple definitions of the construct.

Certain author, define satisfaction as an end state separate from the process that leads to its formation (Oliver, R.L., 1981, p.50; Westbrook, R. A., and Oliver, R. L. 1991, p.85; Bolton, R. N., and Drew, J.H., 1991, p.376). Oliver explains that satisfaction can be seen as an evaluation of the surprise involved in acquiring a product or experiencing consumption (Oliver, R.L., 1981, p.51; Oliver, R.L., 1997, p.23). Other definitions of satisfaction include all or part of the training process (Churchill Jr, G.A., and

Surprenant, C., 1982, p.492; Tse, D.K., and Wilton, P.C., 1988, p.205). Tse and Wilton (1988) define satisfaction as the consumer's response to the evaluation of the perceived gap between their prior expectations (or some other performance standard) and the actual performance of the product as perceived after consumption (Tse, D.K., and Wilton, P.C., 1988, p.204).

Other authors distinguish between two types of satisfaction. Relational satisfaction is the consumer's affective state resulting from an overall evaluation of their relationship with the company. It is cumulative, summarizing all the one-off evaluations relating to the customer's experience with the company (Volle, P., and Mimouni, A., 2003, p.2). Transactional represents an evaluative judgment following an immediate purchase or an affective reaction to the transaction with the most recent firm (Garbarino, E., and Johnson, M.S., 1999, p.72).

The concept of satisfaction is complex and ambiguous as it describes both a process and an outcome, taking into account cognitive and affective aspects. It applies to a specific experience or an aspect of a product, service, or company. Assessment can occur at various points, including during consumption or the service experience, as well as after purchase, consumption, or the service experience.

- Concept of trust

Trust plays a crucial role in relational orientations and significantly contributes to the development of exchange theory (Guibert, N., 1999, p.2; Sako, M., 1992, p.55). Conceptually, trust refers to the set of beliefs that assures the customer that the intentions and behaviors of the exchange partner will yield the expected results. According to (Scheer, L.K., and Stern, L.W., 1992, p.128), trust has defined as the belief that the partner is capable of fulfilling its obligations in the long term in accordance with the needs and interests of its customers. Trust is a crucial factor in building customer relationships [Yoon, S.G., 2002, p.48]. It ensures stable exchanges

(Gatfaoui, S., and Lavorta, L., 2001, p.213), reduces uncertainty in uncertain environments (Chaudhuri, A., and Holbrook, M.B, 2001, p.81), and provides customers with a sense of security (Georges, L., and Decock G.C., 2004, p.1). Research by (Morgan, R.M., Hunt, S.D., 1994, p.20) has demonstrated that trust is a significant indicator of a partner's ability and willingness to fulfill its commitments to its customers. Additionally, studies by (Ganesan, S., 1994, p.2; and Bories, D., 2006, p.1) have shown that trust promotes interaction between partners.

3. Conceptual Model and Research Hypotheses

Perceived quality of service and satisfaction: Several studies have demonstrated a significant correlation between quality and satisfaction. Certain author found that a company's quality have reflected in its customers' satisfaction (Malaval, P., 1996, p.12). As quality improves, so does the level of satisfaction. Anderson and Sullivan (1993) proposed an analytical framework in which satisfaction is a function of perceived quality (Anderson, E.W., and Sullivan, M.W., 1993, p.125). Cronin and Taylor (1992) demonstrated that service quality has a positive impact on satisfaction (Cronin, Jr., Taylor, S.A., 1992, p.55). Additionally, Churchill and Surprenent (1982) found that perceived quality directly and positively affects satisfaction in the long term (Churchill Jr., G.A. and Surprenant, C., 1982, p.492).

H1: The perception of service quality has a positive influence on satisfaction.

Although the literature review on the different antecedents of trust does not explicitly, mention service quality as an antecedent, [Gounaris, S.P., and Venetis, K., 2002, p.653] states that most of the antecedents of trust mentioned in the literature have been identified as specific dimensions of the notion of service quality. Therefore, it is appropriate to regard service quality as a crucial factor in establishing a trustworthy relationship between the bank and its customers.

**H2: The perception of service quality positively influences trust.**

Several studies in various areas of marketing research have examined the relationship between satisfaction and trust. In the field of industrial marketing, it has been deduced that satisfaction promotes trust in a supplier-customer relationship (Selnes, F., 1993, p.33) . In the field of consumer behavior, studies have shown that consumer satisfaction with a brand has an effect on trust (Gabriano, E., and Johnson, M.S., 1999, p.85). Similarly, it has been asserted that satisfaction can be seen as both an outcome and a confidence-builder (Sireix L., and Dubois, J-L., 1999, p.20). In the field of service marketing, a certain contradiction has been identified. According to [Bachelet, D., Badiang, A., SAMBA, Ibrahima, and al., 2012, p.5], satisfaction has a significant positive influence on the degree of trust in the hospital establishment. However, [Macdonald, J.B., and Smith, K., 2004, p.114] argued that satisfaction with a company's services does not necessarily lead to trust. Therefore, we will test this relationship and propose the third hypothesis.

H3: Customer satisfaction has a positive influence on the degree of trust in banking service providers.

H4: Satisfaction mediates the relationship between perceived quality and trust.

In addition to verifying the direct effects between the variables in our conceptual model, we will also examine the indirect effects between these research variables. Specifically, we will investigate whether satisfaction mediates the relationship between perceived quality and customer trust in the service providers of BADR bank (Mascara). Finally, here is our conceptual research model:

Fig.1. The conceptual research model
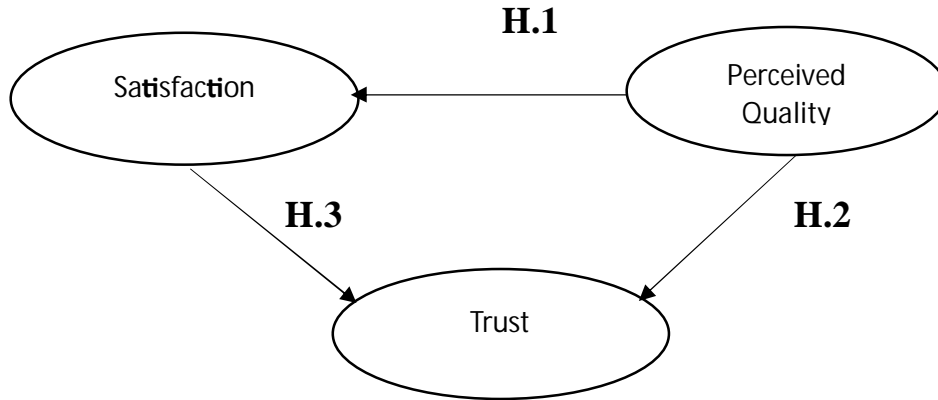
Source: own research

4. Research Methodology

The study population comprises all clients of the Bank for Agriculture and Local Development in the state of Mascara (Algeria), as defined by Malhotra (p. 285), who suggests that the target sample should be: The target sample should include all elements and objects necessary to collect the required information. The sampling method has been chosen. Non-probability sampling is a commonly used convenience sampling method in marketing. It involves interviewing the first person who agrees to respond and can provide information on the subject under study. A total of 135 usable questionnaires were obtained, resulting in a response rate of 39.8%. To analyze non-response, early and late responses were compared (Armstrong and Overton, 1977, p. 396). The study found no statistically significant differences in the average responses to the concepts used between the first and last thirds. Therefore, non-response bias may be an issue when interpreting the results.

The majority of participants were male (63.5%) and held apprenticeship certificates (70.5%) and higher education certificates (40.3%). Regarding the duration of their relationship with their bank, the majority of participants had been with their current bank for either over 10 years (28.3%) or for two years or less (21%). The participants

work in various sectors, with the majority being in the public sector (73.4%), followed by the public economic sector (20.2%) and the private economic sector (6.4%).

The adopted approach follows a two-stage process as outlined in [Anderson J.C., and Gerbing, D.W., 1988, p.420]. Firstly, the measurement model is validated using confirmatory analysis. Secondly, the linear relationships between the latent variables are tested using structural analysis. When validating hypotheses on mediator effects, it is important to note that a mediator variable intervenes in the relationship between an independent variable and a dependent variable, as stated in [Evrard, Y., Pras, B., Roux, E., 2003, p.50]. The mediating variable influences the dependent variable by being influenced by an independent variable.

5. Analysis and Interpretation of Results

This section focuses on testing the hypotheses and interpreting the results.

Presentation of the Causal Model and Validation of the Research Hypotheses:

The research hypotheses are tested using structural equation causal modelling. Structural equation models are used to verify whether the regressions identified between the latent variables correspond to significant causal links, while considering measurement errors. The model is interpreted at two levels: the estimated fit of the model to the data and the quality of the causal model. The indices utilised in confirmatory factor analysis can be used to assess the model's fit to the data. Causal analysis involves examining the relationships. To test the hypotheses, we constructed a structural model using Amos 29 software. Before discussing the relationships between the variables, it is crucial to ensure that the model fits; the data well with respect to the commonly used measurement indices (refer to table 1).

Table 1. Fitting the causal model

Index	KHI²	X² /ddL	AGFI	GFI	RMSEA	RFI	NFI	CFI
Value	378.25	3.587	0.912	0.934	0.0359	0.912	0.965	0.981
Normes	------	<5	>0.90		<0.08		>0.90	

Source: own research

The goodness-of-fit results of the model are acceptable as they are close to the recommended thresholds. The next step is to test the multi-normality of the variables. The Mardia coefficient of 51.327 (critical ratio 16.543 greater than 1.96) indicates a violation of multi-normality. Therefore, the Bollen-stine bootstrap test should be used to correct the standardized error and the biased adjustment statistics resulting from the violation of the normality of the data [Enders, C.K., 2005, p.638]. The p-value of 0.05 is considered acceptable at the 5% threshold. Therefore, we used the maximum likelihood method to interpret the results.

The research hypotheses were verified using the causal model (Figure 2), which also determined the strength and significance of the causal links between the two groups' latent variables.
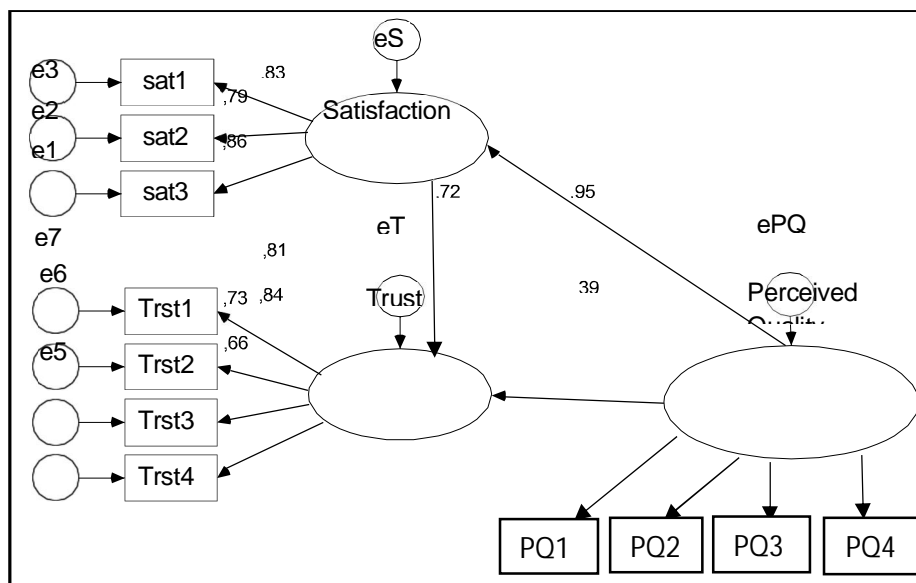

Fig.2. The causal model

Source: own research

The confirmation of hypotheses is based on the interpretation of regression coefficients and their significance. Table 2 illustrates the significance of causal links and the validation of hypotheses.

Table 2. Results of testing the hypotheses.

Research Hypotheses: Establishing a Causal Link	**C.R**	Proposed direction	Estimation	Result
H1:Perceived quality→satisfaction	16.821	+	Sig.***	Supported
H2:Perceived quality→ trust	5.024	+	Sig.***	Supported
H3:Satisfaction——→trust	9.362	+	Sig.***	Supported
Notes : Sig : P=0,005 < 0,01, Significatif *** : P < 0,001				

Source: own research

The H1 hypothesis cannot be rejected as the perception of service quality has a positive influence on satisfaction. The satisfaction of BADR bank's customers is a direct consequence of the quality of service provided by the service providers.

Hypothesis H2 cannot be rejected either as the perception of service quality has a positive influence on trust.

Hypothesis H3 cannot be rejected either. The satisfaction of BADR bank customers has a positive impact on their trust in local authorities and service providers.

Hypothesis H4 tests the mediating role of satisfaction in the relationship between perceived quality and trust. To validate this mediating role, we used regression scores (R^2), which are shown in the table 3 below.

Table 3. The Mediating Role of Satisfaction

Research Hypotheses	Ratings (R^2)
H1:Perceived quality → satisfaction	0.95
H3:Satisfaction → trust	0.72
H2:Perceived quality→ trust	0.39
H4: H1>H3*>H2	0.61>0.39

Source: own research

The presence of the mediating role of the satisfaction variable is justified by the obtained results. This is because the indirect causal link between perceived quality and

trust is higher than the direct link (0.39<0.61). Therefore, Hypothesis H4 is validated, indicating that satisfaction plays a mediating role in the relationship between perceived quality and trust.

6. CONCLUSION

The objective of this research was to propose a valid conceptual model that explains the relationship between the quality perceived by customers of BADR bank (Mascara), their satisfaction, and their trust in banking service providers.

Firstly, the first hypothesis H1 is verified based on the regression coefficients and significance test. It is widely accepted that satisfaction and perceived service quality are strongly correlated. Perceived quality has a strong positive effect, approximately 0.95, on satisfaction across its four dimensions. This positive correlation is consistent with the findings of several studies, including (Cronin, JR, J.J., and Taylor, S., 1992, p.68; McCollough, M.A., Berry, L.L., and Yadav, M.S., 2000, p.137; Molinari, L.K., Abratt, R., and Dion, P., 2008, p.373).

The H2 hypothesis, which states that perceived quality has a positive effect of 0.39 on trust, was supported by the empirical results.

Additionally, the empirical results confirm hypothesis H3, which suggests that satisfaction has a significant positive impact of 0.72 on trust. This finding is consistent with previous research by (Andaleeb, S.S., 1996, p.93; Ball, D., Coelho, P.S, Machas, A., 2004, p.1293; Bricci, L., A. Fragata, and J. Antunes, 2016, p.176).

Previous research has shown a positive, direct, and significant relationship between satisfaction and trust, as evidenced by sources (Gabriano, E., Johnson M.S., 1999, p.87; DeWitt, T., Doan, T. Nguyen, and Roger Marshall, 2008, p.281; Gul, R., 2014, p.386). It is important to maintain a balanced and objective approach to the subject matter, avoiding biased or emotional language and employing precise technical terms where

necessary. Additionally, we have established the mediating role of the satisfaction variable in the relationship between perceived quality and trust.

This research provides financial company managers and decision-makers with valuable insights. This is a reliable and valid measurement tool that will serve as a basis for understanding how customers perceive the quality of banking services, their satisfaction, and their confidence. The aim is to propose remedies to satisfy customers as best as possible and consequently increase their confidence in banking service providers. Therefore, it is essential for service providers to have a comprehensive understanding of their customers' expectations, perceptions, level of satisfaction with service quality, the importance they attach to various aspects of service quality, and their degree of trust. In this context, service providers are required to make commitments.

In this context, service providers are obligated to commit to service quality, have a service improvement plan, and be accountable for their management and service quality. However, this research is limited by the small sample size (N=136 customers), which is inadequate given the large number of customers who use the BADR bank (Mascara).

Furthermore, it is recommended to extend the field of investigation to other banks in different city to ensure the generalization of the results obtained.

Additionally, the research avenues can be expanded to include a range of moderating variables, particularly socio-demographic variables, to test the stability of the causal links between the variables in the conceptual research model.

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