Determinants of service quality and its effect on customer satisfaction and loyalty: an empirical study of private banking sector

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Abstract

Purpose – The main purpose of this study is to investigate the impact of various service quality dimensions, namely reliability, responsiveness, visibility, employee commitment and access to service on customer satisfaction in the private banking sector of Bangladesh. The research also investigates the relationship between customer satisfaction and loyalty and effect of demographic variables on customer satisfaction.

Design/methodology/approach – The researchers distributed 320 self-administered survey questionnaires among private banks' customers in Bangladesh and obtained 200 useable responses with a 62.5% valid response rate. The research data were analysed using confirmatory factor analysis (CFA) and structural equation modelling (SEM) approaches. Analysis of variance and logistic regression have also been used to obtain the supplementary findings.

Findings – The research findings indicate that visibility, responsiveness and employee commitment have positive and significant effect on customer satisfaction, whereas reliability and access to service are found to have insignificant influence on customer satisfaction of private banking services. The findings of this study also revealed that customer satisfaction has positive and significant relationship with customer loyalty. But except respondents' occupation type, all other demographic variables have no statistically significant relation with customer satisfaction.

Research limitations/implications – The research focused solely on the private banking sector of Bangladesh, and thus the results may not be applicable to other service sectors.

Originality/value – This study conducted on customers' perception of private banking services is based on extended service quality dimensions and its relationship with customer satisfaction towards loyalty. The present research findings are anticipated to offer the guidelines for improving the customer satisfaction and loyalty of private banking services in Bangladesh as well as other countries.

Keywords Private banking, Service quality, Customer satisfaction, Customer loyalty, Structural equation modelling

Paper type Research paper

1. Introduction

The economic and societal developments of countries all over the world largely depend on the contribution of their service sector (Yalley and Agyapong, 2017). At present, the service

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sector is considered as the most important growth engine as it creates and enlarges the wealth of a nation. As a service sector, banks play a vital and active role in this context. The economic growth of a country is positively influenced by its effective banking system (Ayadi *et al.*, 2015). However, the practitioners of this industry face a number of complex challenges when they operate their businesses in a dynamic, competitive situation. Therefore, it is important for the banks to better understand these challenges and meet the changing needs of the customers in order to compete more effectively with other service providers. Considering this, banks need to offer a diverse portfolio of competitive services and progressively redesign their services to meet the changing needs of their customers.

All types of customers – whether retail or corporate, are important to banks. Therefore, customer satisfaction is an important ingredient for this industry which is closely related with service quality (Spreng and MacKoy, 1996; Silvestri *et al.*, 2017). Improved service quality leads to increased probability of customer satisfaction. On the other hand, better customer satisfaction results in a number of behavioural outcomes such as commitment, customer retention, building bonds, increasing customer tolerance for service failures and positive word of mouth (Berry *et al.*, 1989; Gounaris *et al.*, 2003; Oh and Kim, 2017). Özkan *et al.* (2019) conclude that the most crucial determinant for success in banking industry is service quality.

The service quality is treated as the most important precursor for surviving in the competitive environment. Sustainable competitive advantage can be achieved by providing best possible services. High service quality differentiates service providers from their competitors by increasing profitability, attracting new customers, reducing cost, enhancing stakeholders' satisfaction, improving customer retention and thus enhancing the corporate image (Gounaris *et al.*, 2003). Furthermore, new customers are attracted through positive word of mouth (Caruana 2002). In essence, the level of customer satisfaction closely relates to service quality offered by the service providing firms. Thus, enhancement of customer satisfaction, in turn, leads to stronger customer loyalty (Heskett *et al.*, 1997; Kashif *et al.*, 2015; Kaur and Soch, 2018).

Changing needs of bank customers makes operations of banks more challenging. This requires incorporation of new forms of banking services, such as electronic banking. However, customers still measure a bank's service quality in terms of personal support they receive rather than technical support (Wang *et al.*, 2003). Therefore, in addition to providing an assortment of services, the banks should place more emphasis on quality of service. That is, the assortment of services offered is not a powerful means of differentiation as competitors can easily imitate it (Zhou, 2004). Thus, service quality is considered as key success factor in sustaining competitive advantages (Palmer, 2001). Therefore, a significant amount of work has been done to comprehend the nature and dimensions of service quality, customer satisfaction and customer loyalty across many different service industries.

2. Context of the study
The banking sector of Bangladesh is now passing through a situation of diversified patterns of ownership. A number of foreign and local stakeholders actively participate in this sector. For attracting a greater number of customers, all the banks in the country compete with each other which actually results in a long-term benefit for them. However, private commercial banks of the country are put under the direct supervision of the central bank. But a separate institutional framework does not exist for them. They are treated in the same way as other state-owned commercial banks. This constraints them to monitor the satisfaction issues of their customers. Therefore, in order to compete in the market, private commercial banks probably need to develop their own marketing strategies and give more emphasis to fulfil their customers' needs. In particular, there is a need for private commercial banks of Bangladesh to supply and maintain better service quality and customer satisfaction which may result in garnering greater customer loyalty. Saleh *et al.* (2017) investigated the

perceptions of customers of Islamic and conventional banks in Bangladesh and identified the difference in perceptions. Overall, in Bangladesh context, there are dearth of focussed studies to measure the effects of service quality on customer satisfaction and loyalty in the private banking sector. Thus, the purpose of this study is to investigate the effect of service quality on customer satisfaction and loyalty and fill up the research gap.

3. Literature review
3.1 Service quality
The term "Service Quality" has gained a noteworthy and scholarly research attention in the academic literature (Nambiar *et al.*, 2018). Service quality can be defined as the difference between what a services customer expects and what actually he/she experiences. This concept can be comprehended as an elaborative customer assessment of a specific service and the degree to which it does fulfil customers' perceived expectation and satisfaction level of the service (Al-jazzazi and Sultan, 2017). Parasuraman *et al.* (1988) explained service quality as the "function of difference between service expected and customer's perceptions of the actual service delivered". Expectations deal with customers' prediction about a service what they can experience during the transaction. Expectations may vary due to customers' knowledge about a product or service (Kant and Jaiswal, 2017). A number of uncontrollable factors may influence on customers' expectations such as customers' previous experience of other companies and their promotional activities; customers' psychological condition at the time of delivering services; norms, values and background of the customers; image of the products which are delivered (Ahrholdt *et al.*, 2017). In addition, Zeithaml *et al.* (1990) argued that customers' pre-purchase belief and opinions of surrounding people play an influential role in building service expectations of customers. Perceived performance is the actual perception of customers about the fulfilment of needs, wants and desires (Cadotte *et al.*, 1987). Perceived quality is the feelings of customers regarding the performance of products or services. If the performance of services exceeds the expectations, it is regarded as of satisfactory service quality. Providing quality service is a prerequisite for a service firm to compete in the market (Anouze and Alamro, 2019). Satisfactory perceived quality creates customer satisfaction which ultimately results in customer loyalty (Singla, 2012). Hossain and Dwivedi (2015) investigated the role of confirmation in the context of service quality. Hossain *et al.* (2015) explored the role of TQM in managing retail banking operations.

In academic literature, two schools of thoughts were found in examining the dimensions of service quality (Ananda and Devesh, 2019). One school of thought of service quality was proposed by Grönroos (1984) that measures service quality from two dimensional aspects: technical and functional, and the second school of thought measures service quality using five dimensions: tangibility, reliability, responsiveness, assurance and empathy (Parasuraman *et al.*, 1988), which is widely known as "SERVQUAL" model and has been applied to examine service quality in financial sector (Narteh, 2018; Yilmaz *et al.*, 2018). Nonetheless, several researches pointed out that the five dimensions of "SERVQUAL" model might not hold in every country, and therefore service quality is perceived to be a multifaceted model which is essentially subject to cultural difference (Teeroovengadum, 2020). Therefore, the present study considers reliability, responsiveness, visibility, employee commitment and access to service as service quality dimensions and relationships with customer satisfaction and loyalty. Figure 1 illustrates the proposed model of service quality, customer satisfaction and customer loyalty in the private banking sector.

3.2 Customer satisfaction
To develop and foster a service-oriented business, the application of customer satisfaction has become a pivotal and essential matter for business firms (Cheshin *et al.*, 2018). Customer

satisfaction is a post-purchase action behaviour which indicates the feeling of the customers after using a particular product or service. It indicates the general assessment of customers on the basis of consuming the goods or services (Özkan *et al.*, 2019). Customer satisfaction is the gap between pre-purchase expectation and disconfirmation (Ong *et al.*, 2017). Kotler and Keller (2013) illustrated the term "customer satisfaction" as "a person's feeling of pleasure or disappointment which resulted from comparing a product's perceived performance or outcome against his or her expectations" (p. 110). More precisely, customer satisfaction relates with performance of the service provided (Asnawi *et al.*, 2019). It can be referred to the customer's relative feelings that would arise from the perceived variance between customer's presumption and actual experience (Boonlertvanich, 2019). If the perception of customers about the performance of products or services exceeds expected levels, it results in positive disconfirmation for which continuous strong relationship can be built. On the other hand, perception of under-performance begets negative disconfirmation which may create discontinuity of the relationship and negative recommendations to others (Jamal and Naser, 2002). Mihelis *et al.* (2001) noticed that satisfaction of bank customers depends mostly on easy access to the facilities and behaviour of bank personnel rather than varieties of products and services offered, service dimensions and reputation of the bank. Amin and Isa (2008), when conducting a study on Malaysian banking industry, observed that smooth transaction system, friendly behaviour of staff, efficiency of services and confidentiality matters are the most influential factors for customer satisfaction.

3.3 Customer loyalty

The concept of customer loyalty has been critical for any business organization (Bhat *et al.*, 2018), although it is imperatively a matter of challenge for a service firm to create and conserve loyal customers (Mainardes *et al.*, 2020). Loyalty is a construct which includes multi-dimensional attributes (Zeithaml *et al.*, 1996). Customer loyalty reflects the behavioural action, which is evolved within the customers, followed by repeat buying habits (Fida *et al.*, 2020). Since the cost of attracting new customers is relatively higher than conserving the existing customers, hence retaining loyal customers is crucial for a service business firm. Research suggests that loyal customers exhibit a positive perception towards the business firm, purchase frequently and repeatedly from it and suggest other customers to buy from it (Levy and Hino, 2016). However, it is also noted that a loyal customer may not necessarily be a satisfied customer. For instance, customers who continue to repurchase from a particular firm due to absence of convenient alternatives are not loyal customers (Makanyeza and Chikazhe, 2017). This type of customers may turn to other service providers when they know that convenient alternatives become available. It may happen if customers are not satisfied on the existing services provided by the current service providers. In contrast, if customers
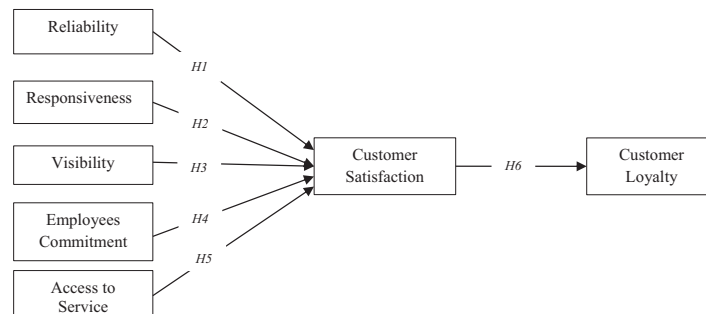
Figure 1.
Research framework
and hypotheses

possess a positive attitudinal outlook towards their existing service providers, they may continue repurchasing from them. For measuring the customer loyalty of the bank, it is important to count the attitudinal and behavioural traits of the customers. Oliver (1999) defined attitudinal traits as customers' liking towards the organisation. This liking comes from customers' experiences of satisfaction with a particular product or service. If the customers' experiences regarding satisfaction are positive, it may seem to improve their trust and commitment to the provider (Gustafsson *et al.*, 2005), and they would be more eager to recommend the provider to other customers. Behavioural measures, on the other hand, are related with the use of purchase, repeat purchase and frequency of purchase of the same service (Rundle-Thiele, 2005).

4. Research hypotheses and conceptual model

4.1 Impact of service quality on customer satisfaction

Service quality helps a service organization gain competitiveness as it is one of the significant factors of satisfying customers (Raza *et al.*, 2020). A number of past researchers have reported the interconnection between service quality and customer satisfaction, indication that greater degree of service quality is more likely to induce greater degree of customer satisfaction (Pooya *et al.*, 2020; Kant and Jaiswal, 2017; Vazifehdoost *et al.*, 2014). The following section presents the development of the hypotheses based on the relationship between the dimensions of service quality and customer satisfaction.

4.1.1 Reliability. Reliability is considered as one of the fundamental factors of service quality that significantly affects customer satisfaction (Zhang *et al.*, 2019). It is essential that the business firms deliver the service accurately in first place. Thus, reliability reflects the capacity to deliver the promised service which is complemented by service accuracy (Ananda and Devesh, 2019). The correctness and perfection of service delivery at first place have been considered as the main feature of a reliable service (Blut, 2016). Customers may not be contended with the service quality in case they perceive the service is not reliable (Hamzah *et al.*, 2017). According to Peng and Moghavvemi (2015), in relation to retaining customers in banking industry, the deciding factors are to process the customer order on time, keep the customers' financial records safe, provide accurate financial information and deliver the guaranteed services. These have been the fundamental attributes of reliability. Pakurár *et al.* (2019) reported a positive relationship between reliability and banking customers' satisfaction in Jordanian banking context. Based on the above discussion it is proposed that:

H1. Reliability has positive impact on customer satisfaction in the private banking services

4.1.2 Responsiveness. Othman and Owen (2001) stated that responsiveness represents the organizational firm inclination and potentiality to assist customers and to deliver swift customer service. Responsiveness dimension embodies the swiftness of personnel to provide required assistance in a satisfactory and prompt manner (Endara *et al.*, 2019). This dimension is principally related with how service providers react to its customers through their staff. Janahi and Almubarak (2015) opined that skilled frontline employees, proximity of branches and the convenient presence of automated teller machines can be considered as the proper examples of responsiveness in banking industry. Misbach and Hadiwidjojo (2013) suggested that responsiveness has been a critical component which would be essentially taken into consideration by banks with regard to enhancing its customer satisfaction level. Vencataya *et al.* (2019) validated in their study that responsiveness has been an influential element in predicting customer satisfaction in Mauritius banking sector. Fida *et al.* (2020) also found a positive relationship between responsiveness and customer satisfaction of Islamic banking services in the Sultanate of Oman. Sardana and Bajpai (2020), in their recent study stated that

responsiveness has been crucial in fulfilling customer expectations (satisfaction) of e-banking service in India. Hence, this study hypothesizes that:

H2. Responsiveness has positive influence on customer satisfaction in the private banking services

4.1.3 Visibility. Visibility relates with appearance of physical components. This dimension usually refers to the practicality or usefulness of any particular good or service (Mersha *et al.,* 2012). According to Othman and Owen (2001), visibility relates with tangible evidence of physical elements, representations, resources, facilities and materials of the service organization. Endara *et al.* (2019) have opined that service personnel and their uniforms, inside accommodation and service equipment are also part of this dimension. In banking sector, some aspects have been incorporated in visibility dimension which are outlook and cash counters of a bank, privileges of overdraft option, flexible and convenient banking hours and swiftness and accuracy of transaction services, which may have a potential effect on customer satisfaction (Kant and Jaiswal, 2017; Pakurár *et al.,* 2019). Khan *et al.* (2018) conducted a study on determining customer satisfaction of mobile bank in Bangladesh and found a positive association between service tangibility and customer satisfaction. Therefore, it is hypothesized that:

H3. Visibility has positive influence on customer satisfaction in the private banking services

4.1.4 Employee commitment. Employees are the key in providing quality service to the customers, which actually helps a business firm differentiate from its competitors in the market (Gustaffson, 2009). The service of the frontline personnel is salient in creating and maintaining long lasting relationship and connection with the customers, which ultimately realizes customer satisfaction (Burmann and Konig, 2011). Employee commitment can be conceived as one of the vital contributing components in achieving long-term business growth (Chai *et al.,* 2016). Dhar (2015) contemplates that employee commitment critically contributes to the business firms in attaining competitive advantage towards customer satisfaction. During service interaction, affective commitment for customers is likely to be developed from the employees' perspective that impacts satisfaction level of customers (Bahadur *et al.,* 2018). Hence, this study hypothesizes that:

H4. Employee commitment has positive relationship with customer satisfaction in the private banking services

4.1.5 Access to service. Access indicates how conveniently a service can be accessible and can be reached out swiftly. Access to service means that the service can be smoothly accessible by telecommunication, less waiting time, convenient working hours, and service facility has to be located at a suitable place (Yarimoglu, 2014). Nazeri *et al.* (2019) noted that convenient accessibility of Internet banking service positively triggers a bank customer's satisfaction. Shayestehfar and Yazdani (2019) have also reported in their comparative study that accessibility has been ranked as the highest indicator of measuring service quality of banking service in the Iranian context. The findings of Khamis and AbRashid (2018) indicate that bank customers are interested and fascinated with those Islamic banks that offer and provide easy and accessible bank services in Tanzania. The study conducted by Kumar *et al.* (2013) revealed that easy business access hours and convenient branch locations have a strong influence on attracting new customers and retaining existing ones. Based on this, it is hypothesized that:

H5. Access to service has a positive influence on customer satisfaction in the private banking services

4.2 Impact of customer satisfaction on customer loyalty
Research evidence indicated that an interconnected and correlated relationship exist between customer satisfaction and loyalty (Leninkumar, 2017). Usually, satisfied customers avail the same service frequently and speak for the business since satisfied customers tend to be loyal for the business firm as they conceive the service as less unsafe which will lead to make customers more loyal and committed while making the purchase judgement (Teeroovengadum, 2020). Munari *et al.* (2013) stated that customer satisfaction is the primary foundation to form loyalty. A customer can be regarded as loyal to a service which would significantly reinforce positive customer experience. Moreover, Heskett *et al.* (2008) argue that retaining highly satisfied customers is the vital driving force of maintaining loyal customers as a part of strategic measure for fostering firm sustainability. Several studies on service industries have documented customer satisfaction as an important variable that garner higher customer loyalty (Slack *et al.*, 2020; Aslam *et al.*, 2019). Past research evidences also point out that customer satisfaction notably mediates the interconnection between service quality and loyalty in banking industry (Fida *et al.*, 2020; Hamzah *et al.*, 2017). Hence, for building a loyal customer base, the fast and foremost important issue for banks is to maintain a sustainable relationship with the customers. Bank service providers may expect that if customers are satisfied with the services provided, then a superior level of customer loyalty can be achieved. Therefore, the research hypothesizes that:

H6. Customer satisfaction has positive relationship with customer loyalty in the private banking services

4.3 Conceptual model
Figure 1 represents the conceptual model of the current study which demonstrates the effect of reliability, responsiveness, visibility, employee commitment and access to service on satisfaction of bank customers and the impact of customer satisfaction on loyalty.

5. Methodology
In this study, 31 items were used to measure the research variables discussed in the preceding section, and all the items were adapted from the previous studies. The instrument of this research has four sections, namely A, B, C and D. Section A pertains to the respondents' demographic information such as gender, age, education, occupation, type of bank client and experience with the current bank. Section B was developed based on the five dimensions of service quality (i.e. reliability, responsiveness, visibility, employee commitment and access to service) which are adapted from Parasuraman *et al.* (1988); Choudhury (2014); Kumar *et al.* (2013); Allen and Grisaffe (2001); Awan (2011). Section C pertains to customer satisfaction (Amin and Isa, 2008). Section D deals with customer loyalty, and corresponding items were adapted from Gustafsson *et al.* (2005). From Sections B to D, all research variable items were measured using 5-point Likert scale (see summary of survey questionnaire in the Appendix). The present study handled the common method bias by keeping the survey questionnaire short, and all independent and dependent variables are placed in separate sections of the questionnaire according to Podsakoff *et al.* (2003) and Spector (2006) recommendations. In this study, 320 questionnaires were distributed to the respondents who are the customers of the private banks in Bangladesh. Out of 320 distributed questionnaires, authors received 200 responses that gave a response rate of 62.50%. According to Hair *et al.* (2010), the sample size for a research similar to the present one should be at least five times the number of items in the questionnaires. Since the present questionnaires had 31 items, therefore, minimum sample size should be 155. The sample size obtained in the present study fulfilled this minimum requirement. The research data were collected from various places in Bangladesh namely,

Dhaka, Rajshahi, Khulna, Barisal, Chittagong and Comilla. The survey data were analysed based on Pearson correlation analysis, confirmatory factor analysis and structural equation model by using SPSS-22 and AMOS-22 version. In addition to this, analysis of variance and logistic regression methods were applied on customer satisfaction for a number of demographic categorical variables. In addition to the primary method SEM for the present research, the purpose of applying ANOVA and logistic regression is to obtain additional findings that may have some important managerial implications. In order to apply LR, customer satisfaction which was originally a continuous variable has been transformed as a categorical variable. Further details of this test have been provided in the findings section.

6. Findings

6.1 Demographical profile of the respondents

As mentioned previously, the main objective of this research is to investigate the effect of service quality on customer satisfaction and customer loyalty in the private banking sector of Bangladesh. To pursue this objective, the researchers conducted a survey on a sample of private bank customers of Bangladesh. The respondents' demographic information have been shown in Table 1.

Demographic variable	Frequency	Percentage
Gender		
Male	149	74.5
Female	51	25.5
Age		
20 years or below	4	2.0
21–30 years	39	19.5
31–40 years	64	32.0
Above 40 years	93	46.5
Educational background		
Bachelor degree	29	14.5
Master's degree	126	63.0
Others	45	22.5
Occupation		
Businessman	59	29.5
Student	42	21.0
Teacher	26	13.0
Doctor	17	8.5
Engineer	12	6.0
Lawyer	8	4.0
Executive	21	10.5
Others	15	7.5
Type of bank client		
Depositor	129	64.5
Borrower	69	34.5
Others	2	1.0
Experience with current bank		
Less than 5 years	68	34.0
5–10 years	91	45.5
11–15 years	32	16.0
Above 15 years	9	4.5

Table 1.
Demographic information on gender, age, educational background and occupation

According to Table 1, there were more male respondents than their female counterparts. Out of 200 respondents, 149 male respondents represented 74.5% of the total sample size, whereas 51 were female respondents which represented 25.5% of the respondents. In this study, different age groups of the respondents participated. The age groups were 20 years or below (2%), 21–30 years (19.5%), 31–40 years (32%) and above 40 years (46.5%). It was observed that 126 (63%) respondents have master's degree, whereas 29 (14.5%) and 45 (22.5%) respondents had bachelor's degree and other qualifications, respectively. In terms of occupation of the respondents, 59 (29.5%) were businessman, 42 (21%) were students, 26 (13%) were teachers, 21 (10.5%) were executives, 17 (8.5%) were doctors, 12 (6%) were engineers, 8 (4%) were lawyers and 15 (7.5%) had other occupations.

Table 1 also presents that 129 (64.5%) respondents were depositors, whereas 69 (34.5%) and 2 (1%) respondents were borrowers and others, respectively. In terms of experience with current banking service, 91 (45.5%) respondents have 5–10 years experience with current banking service, whereas 68 (34%), 32 (16%) and 9 (4.5%) respondents have less than 5 years, 11–15 years and above 15 years experience, respectively.

6.2 Measurement model

Prior to applying the structural equation model (SEM), it is required to test the measurement model to observe the appropriateness of the latent variables (Kline, 2011). The confirmatory factor analysis (CFA) indicates the competence of the measurement model with five fit indices, namely chi-square statistic, normed chi-square, comparative fit index (CFI), normed fit index (NFI) and root mean square error of approximation (RMSEA). For the appropriateness of the model fit, normed chi-square value should be less than 5, NFI and CFI values should be above 0.9 and RMSEA should be less than 0.088 (Hair *et al.*, 2010; Byrne, 2010). Based on the CFA tests, all seven dimensions had adequate model-to-data fit: normed chi square value was 1.420 (below 5.0); NFI and CFI were 0.912 and 0.955, respectively (above 0.9); and RMSEA value was 0.046 (less than 0.088). This study has considered factor loadings and average variance extracted (AVE) to ensure the convergent validity of the constructs.

The measurement model also evaluated the internal consistency and validity of the research variables. The internal consistency of the research variables are measured by the values of Cronbach's alpha and composite reliability (CR), whereas validity is measured by variable item loading and average variance extracted (AVE). According to Hair *et al.* (2010), above 0.7 of Cronbach's alpha and CR values indicate internal consistency of research variables, whereas above 0.5 of factor loading and AVE value provides strong evidence of convergent validity. Based on the results of measurement model, it was observed that all the seven variables' Cronbach's alpha and CR values were above 0.7 which indicates internal consistency of the research variables (Field, 2009; Hair *et al.*, 2010). The results also indicate that all the variables' AVE values were above 0.5 and all the standardized loadings were above 0.5 which confirm the required convergent validity (see Table 2).

6.3 Structural equation modeling (SEM) and hypotheses testing

The present study used structural equation modeling (SEM) to test the relationships between independent and dependent variables (Kline, 2011). This study tested a structural model with six hypotheses to estimate the relationships of customer satisfaction with service quality dimensions (i.e., reliability, responsiveness, visibility, employee commitment and access to service) and customer loyalty of private banking service in Bangladesh (see Figure 2). The model had an adequate fit to the data: chi square per degree of freedom (9.584/4) = 2.396, less than 5; NFI = 0.989; CFI = 0.993, above 0.9; $p = 0.048$, close to 0.05; RMSEA = 0.084, less than 0.088; and PNFI (Parsimony Normed Fit Index) = 9.16 higher than 0.9 (Hair *et al.*, 2010).

Variable	Item	Standard loadings	Cronbach alpha	Composite reliability (CR)	AVE
Reliability	REL1	0.591	0.81	0.84	0.57
	REL2	0.505			
	REL3	0.807			
	REL4	0.641			
	REL5	0.721			
Responsiveness	RES1	0.656	0.72	0.76	0.52
	RES2	0.574			
	RES3	0.608			
	RES4	0.554			
Visibility	VISB1	0.819	0.76	0.81	0.62
	VISB2	0.772			
	VISB3	0.538			
Employee commitment	EMC1	0.648	0.72	0.75	0.56
	EMC2	0.595			
	EMC3	0.590			
	EMC4	0.625			
Access to service	ATS1	0.631	0.75	0.79	0.58
	ATS2	0.593			
	ATS3	0.605			
Customer satisfaction	CS1	0.511	0.71	0.73	0.55
	CS2	0.752			
	CS3	0.657			
	CS4	0.546			
Customer loyalty	CL1	0.782	0.90	0.94	0.63
	CL2	0.836			
	CL3	0.824			
	CL4	0.852			
	CL5	0.672			

Table 2.
Construct validity through confirmatory factory analysis
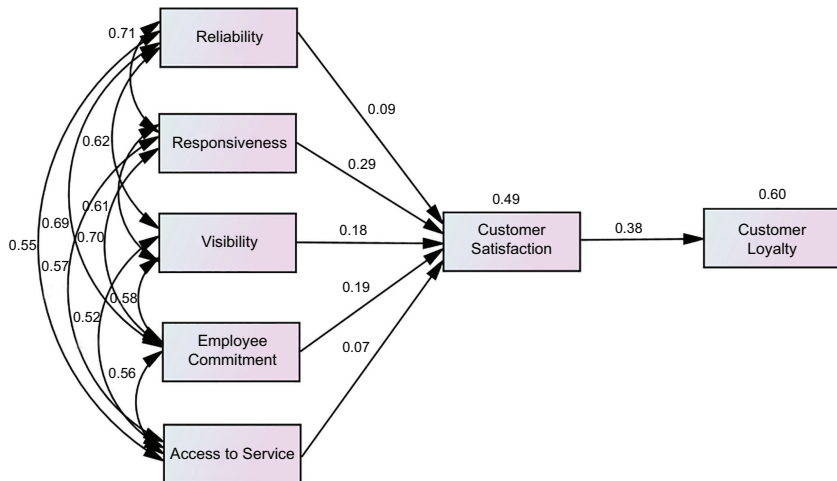
Figure 2.
Structural equation modelling of service quality, customer satisfaction and loyalty in private banking services

As illustrated in Figure 2, the R^2 values for the two dependent (endogenous) variables were 0.49 (customer satisfaction) and 0.60 (customer loyalty) which indicated that variations in dependent (endogenous) variables are moderately explained by the independent (exogenous) variables. Based on the SEM analysis, it was observed that the four hypotheses, namely H2, H3, H4 and H6 were supported at 5% significant level. The findings are also supported by the previous studies of Allen and Grisaffe (2001); Jamal and Naser (2002); Gustafsson *et al.* (2005); Kumar *et al.* (2013). However, hypotheses 1 and 5 (H1 and H5) were not supported in the SEM model (see Table 3). The results indicate that reliability does not have significant impact on customer satisfaction in the private banking services of Bangladesh. Some of the previous studies (Kitapci *et al.*, 2013, 2014; Chaniotakis and Lymperopoulos, 2009) also have found that reliability does not have significant influence on customer satisfaction in different contexts. A possible reason for insignificant effect of reliability on customer satisfaction in the present study is that the banking sector might have failed to offer reliable, dependable and trustworthy banking services to the bank clients which might have led them to experience problems with reliability dimension. The research findings also indicate that access to service has insignificant impact on customer satisfaction in the private banking services of Bangladesh. This may be due to poor accessibility of the banking services.

6.4 Analysis of variance and logistic regression analysis

Apart from the above SEM analysis, some additional tests such as analysis of variance (ANOVA) and logistic regression (LR) have been performed. Customer satisfaction has been chosen as the dependent variable as this is the prime determinant for gaining customer loyalty and hence a springboard for organisational sustainability. The independent variables considered for ANOVA tests are gender, age, education, occupation, client type and experience. Note that not all the categories of these variables have been considered in the test. The categories where number of respondents is considerably less than the other categories of the same variable are excluded from the analysis. For example, for age, the respondents whose age were 20 years or below are excluded as the number is far lower than the other

Model fit summary			
Types of measure	Fit index	Acceptable value	Observed value
Absolute Fit Index – to examine the level of effectiveness the model reproduces data	Normed χ^2 (CMIN/df)	≤3.0	1.927
	RMSEA	≤0.088	0.084
Incremental Fit Index – model fit to relative baseline model	Normed Fit Index (NFI)	≥0.9	0.989
	Comparative Fit Index (CFI)	≥0.9	0.993
Parsimony Fit Index – best model comparing its fit relative to its complexity	Parsimony Normed Fit Index (PNFI)	≥0.9	0.916

Hypothesised path coefficient tests			
Relationships	Coefficient (β)	C.R.	p-value (sig.)
H1	Reliability → customer satisfaction	0.082	1.134	0.257
H2	Responsiveness → customer satisfaction	0.272	3.478	0.001
H3	Visibility → customer satisfaction	0.187	2.604	0.009
H4	Employee commitment → customer satisfaction	0.191	2.439	0.015
H5	Access to service → customer satisfaction	0.078	1.119	0.263
H6	Customer satisfaction → customer loyalty	0.508	6.866	0.001

Table 3.
Results of structural
model fit and
hypothesis tests

categories of age. By the same logic, for occupation, the respondents of categories businessman, students and teachers are considered for analysis.

The ANOVA results are shown in Table 4. As it is observed from the significant values, except occupation no other demographic characteristic of the respondents is significant. Therefore, gender, age, education level, client type and experience of the respondents have no effect on their level of satisfaction on bank services. But the type of occupation of the respondents was found to have significant effect on customer satisfaction (F $(2,123) = 12.327$, $p < 0.001$). Tukey HSD post hoc test reveals that students group ($M = 3.265$, $SD = 0.727$) were significantly less satisfied than businessman group ($M = 3.841$, $SD = 0.586$, $p < 0.001$) and teachers ($M = 4.020$, $SD = 0.826$, $p < 0.001$). Possible reason could be lack of promptness in providing service as students cannot wait long time in the queue for obtaining the necessary service. So, the private banks should be mindful to cater better services to the students group.

Next, a binary logistic regression (LR) analysis was performed considering customer satisfaction as categorical dependent variable. Customer satisfaction was coded as satisfied ($M > 3.0$) and not-satisfied ($M < 3.0$). On the other hand, gender, age, education level, occupation, client type and experience played the role of independent variables. The LR test was run entering all the independent variables at once. The results reveal $-2LL = 58.502$, Nagelkerke $R^2 = 0.446$. The classification results show the hit ratios for not satisfied and satisfied customers and overall as 41.2, 94.7, and 84.8%, respectively. This shows that the logistic regression model is powerful enough to identify the satisfied customers; however, the predicting power of the model for not satisfied customers is rather poor.

Table 5 presents the main results of the LR analysis. The findings confirm the observations made through ANOVA analysis. Only occupation (Wald (2) = 11.897, $p = 0.003$) has significant relation with customer satisfaction. The full LR equation is the following:

Logit (customer satisfaction) = 21.214–0.951 gender (male) −0.139 age (21–30 years) + 1.027 age (31–40 years) – 0.008 education (bachelor's) + 1.826 occupation

Variable	Mean	SD	F	Sig. Value
Gender			0.653	0.420
Male	3.686	0.723		
Female	3.781	0.697		
Age			2.439	0.090
21–30 years	3.589	0.597		
31–40 years	3.627	0.715		
Above 50 years	3.837	0.751		
Education			3.656	0.058
Bachelor's	3.529	0.701		
Master's	3.810	0.704		
Occupation			12.327	<0.001
Businessman	3.841	0.586		
Student	3.265	0.727		
Teacher	4.020	0.826		
Client type			0.012	0.914
Depositor	3.709	0.703		
Borrower	3.698	0.745		
Experience			0.877	0.418
Less than 5 years	3.647	0.723		
5–10 years	3.750	0.731		
11–15 years	3.843	0.698		

Table 4.
ANOVA results for customer satisfaction as dependent variable

Variable	B	S.E.	Wald	df	Sig	Exp (B)
Gender (male)	−0.951	0.821	1.340	1	0.247	0.386
Age			1.625	2	0.444	
Age (21–30 years)	−0.139	0.882	0.025	1	0.875	0.870
Age (31–40 years)	1.027	0.929	1.222	1	0.269	2.792
Education (Bachelor's)	−0.008	0.899	0	1	0.992	0.992
Occupation			11.897	2	0.003	
Occupation (students)	1.826	1.180	2.393	1	0.122	6.207
Occupation (teachers)	−2.082	0.883	5.557	1	0.018	0.125
Client type (depositor)	1.175	0.830	2.007	1	0.157	3.240
Experience			2.294	2	0.318	
Experience (less than 5 years)	−20.704	10630.068	0	1	0.998	0
Experience (5–10 years)	−19.195	10630.068	0	1	0.999	0
Constant	21.214	10630.068	0	1	0.998	1.634E9

Table 5.
Binary logistic
regression analysis
results

(businessman) – 2.082* occupation (students) + 1.175 client type (depositor) – 20.704 experience (less than 5 years) – 19.195 experience (5–10 years).

Note that the exponentiated coefficient for students, which actually represents relative odds for students when compared with teachers, is only 0.125. This means that students are only 0.125 times more satisfied with respect to teachers, having allowed all other variables in the model. When taken inverse of exp (β), i.e. $-1/0.125 = 8$, it can be concluded that students are eight times more dissatisfied when compared with teachers group.

7. Discussion
Based on the research findings it is observed that responsiveness, visibility, employee commitment have significant relationships with customer satisfaction in the private banking sector of Bangladesh. The research findings also indicate that customer satisfaction has positive and significant impact on customer loyalty. However, reliability and access to service have no significant influence on customer satisfaction (see Tables 3 and 6). This might be due to the poor quality in bank management system and nonchalant banking service access for the customers. To overcome these problems, banks need to ensure a high level of security in the banking transactions which will increase customers' confidence as well as satisfaction and loyalty (Kumar *et al.*, 2010). Moreover, the banks can open more branches near to customer areas or can introduce other options to access the banking services from anywhere (i.e. online banking facilities) to address the issue of access to service.

No	Hypothesized relations	Remark
H1	Reliability has positive impact on customer satisfaction in the private banking services	Not supported
H2	Responsiveness has positive influence on customer satisfaction in the private banking services	Supported
H3	Visibility has positive influence on customer satisfaction in the private banking services	Supported
H4	Employee commitment has positive relationship with customer satisfaction in the private banking services	Supported
H5	Access to service has a positive influence on customer satisfaction in the private banking services	Not supported
H6	Customer satisfaction has positive relationship with customer loyalty in the private banking services	Supported

Table 6.
Summary results on
hypotheses tests

From the ANOVA and LR analyses, it is concluded that all the demographic characteristics except occupation have no significant impact on customer satisfaction. The results confirm that the student customers are significantly less satisfied compared to other type of customers. Finally, as customers' needs and expectations change over time, the private banks of Bangladesh should dynamically design and progressively deliver better services to satisfy all types of their customers including students.

8. Managerial implications

The study has offered some practical implications for the managers of banking organisations. In the study, three variables (responsiveness, visibility and employee commitment) of service quality are reported as significant influencer of customer satisfaction, that would essentially drive customer loyalty; so it is essential for the bank managers to implement the application of these variables to fulfil customer contentment. Since responsiveness is found to be a critical determinant of customer satisfaction, thus bank managers should adopt a comprehensive information/technological infrastructure within the gamut of current banking operations with a view to provide swift and seamless banking service to the customers. Also, bank officials need to be trained sufficiently to provide best possible services. To offer more responsive banking service, bank managers can set up a one-stop service centre through which customers' demands and queries can be instantly answered. Bank management needs to focus on increasing the visibility of bank service by adopting newest technology to understand customer needs and serve customers promptly and opening better equipped branches across the country to deliver the financial services and different customized products to the customers, which would eventually fulfil customer needs and create more loyal customers. Furthermore, bank managers have to provide necessary training sessions and financial and non-financial rewards to their staff so that bank staff will remain committed, motivated, connected, empathetic to customers and deliver the fast track, suitable and reliable services towards the customers and create greater level of customer fulfilment and satisfaction.

9. Conclusions

Numerous research studies have found strongly positive relationship between service quality and customer satisfaction and then between customer satisfaction and customer loyalty. The present study has established, once again, the above relationships in the context of private banking sector of Bangladesh. In particular, from among the five dimensions of service quality, namely responsiveness, visibility and employee commitment are found to have significant positive relationships with customer satisfaction. Notably, all these dimensions are related with employees working in the banking sector. Hence private banking sector of Bangladesh should pay sufficient attention to provide training on continuous basis to their employees. In this way, the banking sector can increase their customers' satisfaction level and hence their revenue. In addition to this, it is also concluded that the bank managers should pay special attention to fulfil the expectations of their customers who are students of various colleges or universities.

The major limitation of this research has been linked with the geographical area of data collection. Although the study has collected data from the major cities in Bangladesh, still the generalizability of the research findings may not be applicable to other countries. Thus, cross country sampling and longitudinal research technique can be adopted in future studies for the purpose of evaluation of the customers' perception towards banking service quality for more comprehensive and robust results. Another limitation of the study is the consideration of measuring service quality of general banking services. Hence, future studies might be

interested into measuring the service quality of automated teller machine (ATM) or Internet banking service of different financial organizations in cross country context.

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Appendix
Summary of survey questionnaire

Code	Items	Sources
Reliability		
REL1	When the bank promised to do something by a certain time, it does so	Parasuraman *et al.* (1988)
REL2	Bank shows a sincere interest to solve my problem	
REL3	Bank inform me exactly when services will be performed	
REL4	Bank provide services at the time it promised to do so	
REL5	Bank employees give me prompt service	
Responsiveness		
RES1	Bank employees are never be too busy to respond my request	Parasuraman *et al.* (1988), Choudhury (2014)
RES2	Bank employees understand my specific needs	
RES3	Bank has the employees who give me individual attention	
RES4	Bank has the clients' best interest at heart	
Visibility		
VISB1	Bank has up-to-date equipment	Kumar *et al.* (2013)
VISB2	Physical facilities of the bank are visually appealing	
VISB3	Bank employees are well dressed and neat in appearance	
Employee Commitment		
EMC1	Bank employees are consistently polite with customers	Allen and Grisaffe (2001)
EMC2	Bank employees are professional to provide services	
EMC3	Bank employees show their interest to help the customers	
EMC4	Feel confident to deal with bank because of employee commitment in banking service	
Access to Service		
ATS1	Easily can depend on the banking service	Awan (2011)
ATS2	Location of the bank branch is convenient	
ATS3	Operating hour of the bank is convenient	
Customer Satisfaction		
CS1	Satisfied with banking services	Amin and Isa (2008)
CS2	Satisfied with banking operations	
CS3	Satisfied with the total system provided by the bank	
CS4	Satisfied with the bank as it is originated in Bangladesh	
Customer Loyalty		
CL1	Recommend to the relatives and friends to use my bank	Gustafsson *et al.* (2005)
CL2	I will continue to use this banking service in the future	
CL3	My bank is more interesting than others	
CL4	Feel delighted for choosing the service of the bank	
CL5	Feel positive image when hear the name of my bank	

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