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Service quality and customer loyalty in the Ghanaian banking sector: the mediating role of customer satisfaction

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ABSTRACT: *The potential for customer satisfaction (CS) to play a mediating role on the relationship between banking service quality (SQ) and customer loyalty (CL) in the Ghanaian banking sector was examined in this study. Two hundred respondents were engaged in a survey and data were quantitatively analyzed using multiple regression and Process Macro statistical tool for testing mediation function. Model test statistics show R^2 and adjusted R^2 values of 0.813 and 0.789 respectively, showing that the independent variables were able to predict up to 81.30 % of the variability observed in the dependent variable. The predictive quadratic regression model equation showed that, for every unit increment in performance for SQ, there is a 65.90 % chance of having higher incidence of CL, holding all other variables constant. Similar case can be made for CS with a 37.10 % chance of improving CL of clients in the banking sector of Ghana. Unlike found in other literature, the mediation test showed no mediation effect of CS on the relationship between SQ and CL as was expected. The indirect effect coefficient of mediation was 0.257 with lower and upper confidence intervals being 0.0184 and 0.4610 respectively. The mediation coefficient (0.441) was far lower than the direct effect coefficient of SQ (0.625) on CL. Further follow-up interrogation to find out the reasons behind the lack of mediation revealed that majority of banking clients (78.00 %) have had challenges with their banks, so much so that, their loyalty to the banks does not depend on the satisfaction they derive because such were almost always transient and unreliable. This study suggests that banking firms enhance customer sustainable customer satisfaction through experiential marketing strategies to enhance loyalty.*

Keywords*: Banking; customer satisfaction; customer loyalty, mediation; service quality*

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I. INTRODUCTION

Several studies have been done to link service quality to customer loyalty, customer repurchase and repurchase intention, customer satisfaction, customer wellbeing and many other concepts that show positive image of organizations (Auka et al., 2013; Boohene& Agyapong, 2011; Cheng et al., 2008; Goyal & Chanda, 2017). It is most often technically easy to make the linkages between these variables and these relationships are most often expected too. However, not many of them report on the effect of customer satisfaction on the relationship between service quality and customer loyalty (Shanka, 2012; Sulieman, 2011). Growing competition and increasing awareness of the relevance of quality of goods and services to the consumer has become a mainstream corporate goal worldwide in this contemporary era of business sustainability.

Experiential marketing has also been heightened as a concept that ensures the continual loyalty of customers based on the positive effects experienced with firms; and this has much to do with the quality of services paid for (Datta, 2017; Qader& Omar, 2013). In order to behave as responsible corporate firms, businesses are focusing on initiatives that give their customers the greatest sense of satisfaction (Goyal & Chanda, 2017). Service quality has become a crucial requirement of the firm's marketing strategy such that companies are concerned about how their service delivery efforts affect thebehaviour of customers so as to improve customer loyalty and enhance market share.

Customer satisfaction deals with a feeling that is linked with several others such as value, quality, complaining behavior, good feeling, wellbeing, and loyalty (Hom, 2000). The effective management of customer satisfaction and the ability to use it to enhance customer loyalty have been given attention by corporate organizations and marketing researchers (Blut et al., 2015; Rust & Chung, 2006). Plethora of researches have linked higher level of customer satisfaction to higher customer loyalty and recommendations byword-of-mouth from customers (Guo et al., 2009; Yoo et al., 2015).

The increased level of competition among firms has made it very crucial for business sustainability to ensure that customers are satisfied with services provided. This is because customer satisfaction influences many variables of customer behaviour such as repurchase intentions and actual repurchase, recommendations, referrals, willingness to pay and others. These are all concepts that businesses need in order to remain competitive, and so cannot be overlooked by the management of corporate organizations. It is therefore not surprising that although many works have been done in this area, a lot more is being done to further understand the behaviour of customers, as influenced by service quality.

Customer loyalty is another concept of customer behaviour that seeks to establish a phenomenon in which a customer remains attached to patronizing the services of a particular company based on some individual positive influence (Rai &Srivasta, 2012). Customer loyalty is a key driver of market share and business profitability. Without customer loyalty, corporate firms stand the risk of losing significant market share and of collapse (Asuncion et al., 2004). Customer loyalty clearly brings in significant benefits to the business and calls for a deeper investigation into the factors that act as its originator and contribute in its enhancement since, as mentioned by Johnson et al. (2006), the antecedents of customer loyalty are convoluted and dynamic, changing and evolving over time. Customer loyalty ensures that customers of a firm do not wonder about in search of better deals, but remain attached to patronizing services of particular firm. This may be related to the special characteristics akin to the services industry regarding customer and personnel relationship and experience (Rai &Srivasta, 2012). Concerning the relevance of all three factors discussed so far in relation to business management and profitability, this study seeks to establish the relationship between them and also see the extent to which customer satisfaction influences the relationship between service quality and customer loyalty in the Ghanaian banking sector.

Customer loyalty has become like the golden boot used in measuring the eventual outcome of management strategies developed and practiced by corporate firms in the world, especially in developing countries like Ghana. With keener competition in recent times among banking firms in Ghana, it is easy to see customers drift from one bank to the other in search of better contracts. The ability of Ghanaian banks to therefore retain their customers and get them to be loyal to the patronage of their services is crucial for banking business continuity in Ghana. Imagine banking organizations in Ghana are capable of understanding how different customer behaviour concepts interact with each other to produce an effect. This potential achievement will be an advantage to many folding corporate banking firms in the country to enable them improve on their profitability and sustainability. Many banking firms in Ghana are faced with such problems, making this study even more relevant in developing parts of the world where banking firms are faced with similar challenges ranging from financial investments to customer satisfaction and service quality. The problem this study seeks to address is that of lack of literature on the potential mediating effect of customer satisfaction on the relationship between service quality and customer loyalty among banking organizations in Ghana. No such study exists in the context of Ghana and this is a bottleneck in fully comprehending how to manage customer behaviour for future business forecasting and competition.

1.1 Study objectives

The main goal of this study is to establish the relationship between service quality, customer loyalty and customer satisfaction and also assess the effect of customer satisfaction on the relationship between service quality and customer loyalty in the Ghanaian banking sector. The specific objectives of the study are:

a. Find out how service quality and customer satisfaction influence customer loyalty;
b. Assess the extent to which customer satisfaction mediates the relationship between service quality and customer loyalty; and
c. Recommend means of enhancing customer loyalty based on results of the study.

1.2 Study hypothesis

The research hypothesis that guide this study are:

a. H_1: Customer satisfaction will positively influence customer loyalty.
b. H_2: Service quality will enhance customer loyalty.
c. H_3: Customer satisfaction will improve the relationship between service quality and customer loyalty.

1.3 Conceptual framework of study

The relationship between SQ, CS and CL are presented in Fig. 1, highlighting the potential of CS to mediate the relationship between SQ and CL.

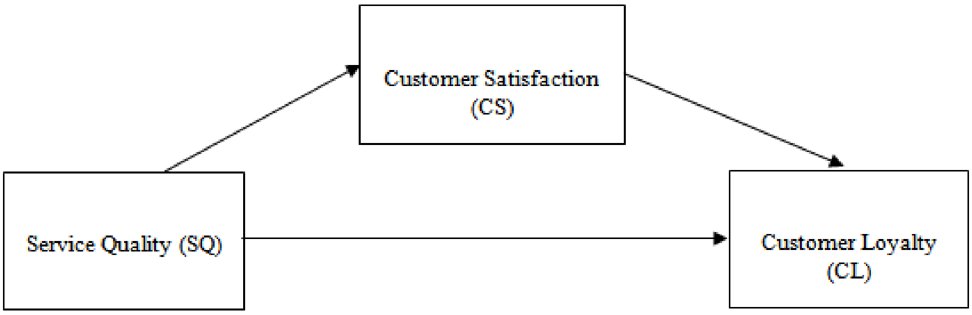

Figure 1: Conceptual framework of the study

The conceptual framework depicts the potential relationships and hypothesis this study seeks to prove. Customer satisfaction (CS) and Service quality (SQ) are the independent or predictor variables of the study whereas Customer loyalty (CL) is the dependent or response variable.

This study is relevant for the banking sector of Ghana and for other corporate organizations that depend on customers for the sustenance and profitability. The banking sector in Ghana, has over the past three years faced many challenges, leading to many folding out of business with debts yet to be cleared. Understanding the dynamics of customer satisfaction and loyalty, as influenced by service quality is important to help them compete advantageously with other international banks. It is quite common to find literature on the relationship between service quality and customer loyalty in the banking sectors of different countries. The effect of the variables such as customer satisfaction and service quality have been assessed as direct relationships with customer loyalty, but not indirectly with customer satisfaction as a potential mediator. No such study has also been conducted in the Ghanaian context, and especially in this present era of mayhem in the banking sector of Ghana. The relevance of this study to the Ghanaian banking sector cannot be overemphasized. By extension, the outcomes of this study can be used as source of baseline information to be replicated in a different context in better understanding the mediation roles of variables on main effects and relationships in customer behavioral studies.

II. METHODOLOGY

2.1 Research design

This study follows a quantitative cross-sectional research and collects empirical data through survey design from banks and banking service customers in Ghana. The study further seeks to establish the relationship between banking service quality, customer satisfaction and customer loyalty. It further assesses the potential of customer satisfaction in enhancing the effect of service quality on customer loyalty.

2.2 Sampling technique and sampling size

A multiphase sampling approach was adopted for this study. Simple random sampling was used to sample ten (10) banking institutions within the capital city of Ghana, Accra. From the list of randomly sampled banks, purposive sampling was followed for selecting respondents at the bank level to include all staff including security personnel, totaling ten (10) staff from each bank. Respondents from the banking sector responded to questions related to all three variables, thus one-hundred (100) respondents. On the other hand, ten (10) customers for respective banks were sampled conveniently at the banking hall until the maximum is reached for each bank, totaling one-hundred (100) customer respondents who responded to questions related to all three (3) variables as well. The total number of respondents for the studywastwo-hundred (200).

2.3 Data collection

Cross-sectional data will be collected using structured questionnaires. The data gathering instrument will consist of a 20-item survey question with a 5-points Likert scale [5-Strongly Agree (SA), 4-Agree (A), 3-Neutral (N), 2-Disagree (D), and 1-Strongly Disagree (SD)]. Questionnaires will be piloted and administered by face-to-face mode to ensure apt response to any ambiguities in questions and to ensure maximum response.

2.4 Model specification and variables

The multivariate regression model involving four independent variables and one dependent variable is explained in the econometric model, which is described using the following equation: $\mathbf{y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \ldots \beta_p x_{ip} + \varepsilon_i}$ **for i = 1,2, .. n…(equation 1).**Using real variable terms, equation 1 can be transformed into:

$\mathbf{CL = \alpha + \beta_1 SQ + \beta_2 CS + \varepsilon}$ **…… (equation 2)**

Where: SQ = Service quality; CS = Customer satisfaction and ε = Error term.

2.5 Data analysis

Cross-sectional data collected will be analyzed using the Statistical Package for Social Sciences (IBM-SPSS, Version 25). A multiple regression analysis will be performed and statistical assessments such as correlation, and linear regression used to establish the relationships dependent and independent variables of the econometric model adopted for financial performance of firms. Analysis of variance (ANOVA) will be used to establish statistical significance of model variables using a confidence interval of 95%. Data will also be assessed using the PROCESS macro function in SPSS as described byHayes' (2018) and multiple linear regression to establish the relationships between all variables and the mediating function of customer satisfaction (CS). Findings will be presented in Tables and Figures.

3. Results and discussion

3.1 Descriptive statistics and model fitness

Data were checked for normality (Fig. 2) and the statistical appropriateness for multivariate regression assessment confirmed with correlation matrix for collinearity checks between variables as depicted in Table 1 and with variance inflation factor values, which were less than 2. Model residual plot of expected verses observed data points in Fig. 3was also used to test the statistical fitness of method used in this study.

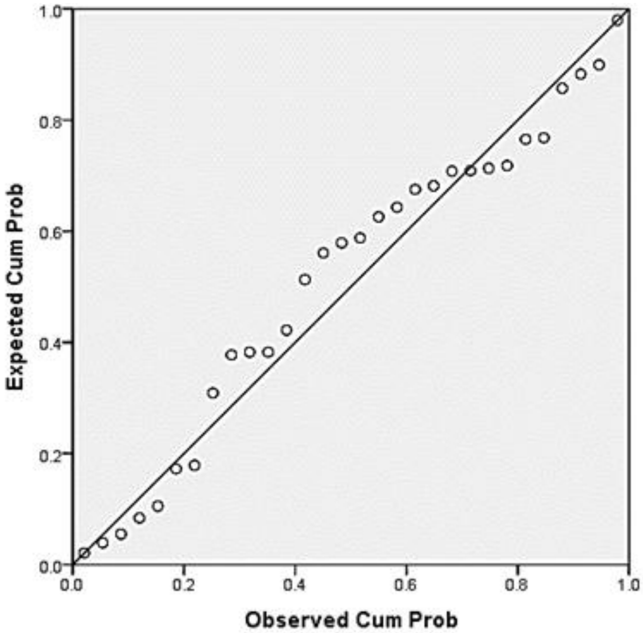

Figure 2: Normality plot of distribution of data

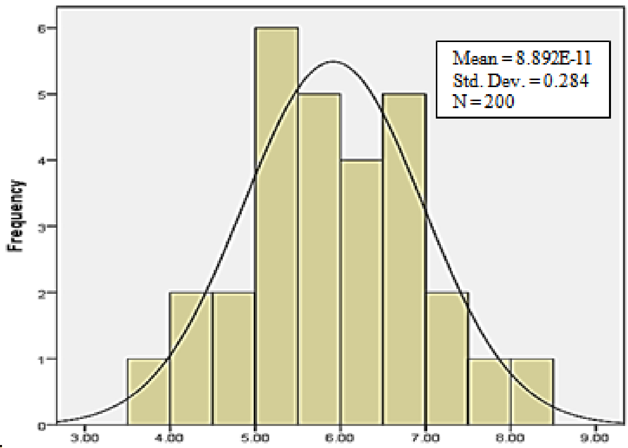

Figure 3: Residual plot for regression model

Table 1: Correlation matrix

		CL	SQ	CS
CL	Pearson Correlation	1	.706**	.582**
	Sig. (2-tailed)		.000	.000
	N	200	200	200
SQ	Pearson Correlation	.706**	1	.121*
	Sig. (2-tailed)	.000		.039
	N	200	200	200
CS	Pearson Correlation	.582**	.201*	1
	Sig. (2-tailed)	.000	.039	
	N	200	200	200

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation between independent variables (SQ and CS) was weak and non-significant. Added, a variance inflation factor (VIF) of 1.5 confirmed the absence of multicollinearity between the independent variables, hence their suitability for explaining the variabilities observed in the dependent variable (Table 1). Strong correlations were however observed (0.706 and 0.582 for SQ and CS respectively) as expected between each independent variable and the dependent variable (CL). These results, all make it suitable to use study data for further statistical assessment.

3.2 Multiple regression model assessment

The multiple regression model was significant ($P < 0.01$) a confirmed by ANOVA and suitable for further assessment and for establishing the relationship between CL and SQ, considering the mediating role of CS. Model test statistics show R^2 and adjusted R^2 values of 0.813 and 0.789 respectively, showing that the independent variables were able to predict up to 81.30 % of the variability observed in the dependent variable.

Table 2: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799[a]	**.813**	**.789**	0.97121

a. Predictors: (Constant), CS, SQ
b. Dependent Variable: CL

Table 3: Model ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1142.006	2	271.228	2523.013	**.000[b]**
	Residual	107.671	197	18.988		
	Total	1249.677	199			

a. Dependent Variable: CL
b. Predictors: (Constant), CS, SQ

Table 4 present the model regression coefficients which were used for the predictive equation of the model. From results, the generic regression equation (**$\hat{Y}= \beta_0+\beta_1X_1+\beta_2X_2+\mathcal{E}$**) was transformed to
$CL = \beta_0+\beta_1SQ+\beta_2CS$… (equation 1),
where β_0, β_1 and β_2 are he coefficients for the constant, SQ and CS respectively.

Substituting coefficients from Table 4 into equation 1, we have **$CL = 9.261\pm1.107 + 0.659\pm0.327SQ + 0.371\pm0.094CS$.** This infers that for every unit increment in performance for SQ, there is a 65.90 % chance of having higher incidence of CL, holding all other variables constant. Similar case can be made for CSwith a37.10 % chance of improving CL of clients in the banking sector of Ghana.

Table 4: Model Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.261	1.107		2.010	.020
	SQ	.696	.327	.659	2.960	**.001**
	CS	.335	.094	.371	3.303	**.001**

a. Dependent Variable: CL

3.3 Test of mediation

The model for assessing mediation was significant ($P< 0.05$) and analysis carried out by the PROCESS macro application in SPSS showed no mediation effect of CS on the relationship between SQ and CL as was expected from common literature findings. This result was different from many similar studies which found that

CS has the potential to mediate the relationship between SQ and CL. The indirect effect coefficient of mediation was 0.257 with lower and upper confidence intervals being 0.0184 and 0.4610 respectively. The mediation coefficient (0.441) was far lower than the direct effect coefficient of SQ (0.625) on CL (Figure 4).

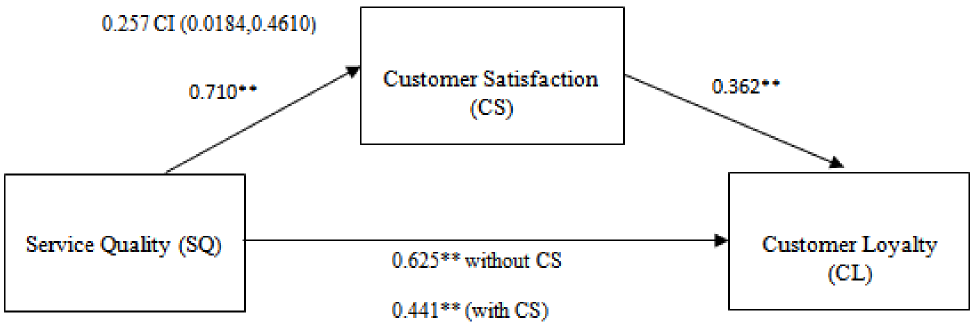

Figure 4: Mediation role of CS on the relationship between SQ and CL.

Further follow-up interrogation to find out the reasons behind the lack of mediation revealed that majority of banking clients (78.00 %) have had challenges with their banks, so much so that, their loyalty to the banks does not depend on the satisfaction they derive but from the quality of services rendered and within a short-term perspective. The key reason most client gave was that their experiences with satisfaction have been transient and could change at any moment. However, service quality gave them instant justification for prolonged patronization of banks. This study, unlike many other has revealed that a banking culture that does not ensure stability in customer satisfaction is bound to have clients who may not feel satisfied any longer, due to the impression that such good feelings of being satisfied do not last. It may therefore, take a long period to be able to recondition the minds of clients and to regain the brand of banks, especially regarding how satisfied their customer are. There was therefore no doubt why the relationship between SQ was stronger than the effect of CS. Further studies will be needed to understand the scope of satisfaction that banking clients expect from their banks and to ascertain why service quality may not always imply satisfaction.

As mentioned by Johnson et al. (2006), the antecedents of customer loyalty are convoluted and dynamic, changing and evolving over time. This study has confirmed this statement because the results have shown a different trend from traditional findings in most studies that affirm that quality services translate into customer satisfaction. The dynamism of customer loyalty has been therefore confirmed in this study, that things may not always follow the known concepts. According to Rai &Srivasta (2012), customer loyalty may be related to the special characteristics akin to the services industry regarding customer and personnel relationship and experience (Rai &Srivasta, 2012). The key words here to consider are customer relationship and experience; no wonder many industries today invest in research about experiential marketing in order to get more satisfied clients. Therefore, from the results of this study, the transient nature of satisfaction experienced by banking clients may be a reflection of lack of quality customer relationship and experience, and not necessarily about the quality of their services related to promptness to customer needs, facilities, among other physical characteristics that most banks think enhance customer satisfaction.

III. CONCLUSION

Clients of banking firms were engaged on providing data on how satisfied they are with their bank, quality of services as well as their loyalty to same banks. Employees of the banks were also engaged to respondto questions pertaining the quality of their services as well as their perception of the satisfaction and loyalty of their clients. Results showed that SQ had a stronger and direct effect on customer loyalty (CL) than customer satisfaction (CS). It was revealed through further surveys that banking clients were less encouraged by the transient nature of satisfaction that could be derived from the services of their banks and that SQ alone was enough to determine their loyalty to the banks. This finding was quite different from many other literatures and has open a new opportunity to further understand why customer satisfaction could play such an insignificant role in determining the loyalty of banking clients in Ghana. This study recommends that management of banks pay special attention to customers whilst enhancing the quality of their services rendered, as customers are emotionally complex beings and may be affected by many other challenges as trivially perceived as transience in the level of satisfaction. This is crucial because it is something that is not expected as one may think providing quality services could translate definitely into a satisfied client base; which has been disproved in this study not to always be the case.

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