

DETERMINANTS OF BANKING SERVICE QUALITY AND THEIR IMPACT ON  
CUSTOMERS' PATRONAGE IN RETAIL BANKING IN INDIA

by

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## ABSTRACT

This study examines at the key variables of banking service quality and how they affect consumer patronage in Indian retail banking. To investigate the relationships between banking service quality and customer patronage, data from 425 respondents was collected from Maharashtra state. According to the demographic information, the majority of respondents are married and male, and the population is under 30 years of age group. The majority of the respondents have graduate degrees, indicating a highly educated group. Respondents are mostly from the districts of Thane and Pune, and the occupation profile is dominated by self-employed and in the private sector.

As a result of hypotheses testing, all four determinants of service quality and consumer patronage were found to be significantly correlated, with staff conduct showing the strongest relationship ( $r = 0.726$ ). Customer patronage also demonstrated favourable relationships with other determinants, including communication ( $r = 0.568$ ), credibility ( $r = 0.500$ ), and access to teller services ( $r = 0.618$ ). The direct impact of these elements was further supported by path analysis, which showed that customer patronage was most significantly influenced by staff conduct (coefficient = 0.394) and communication (coefficient = 0.300), followed by credibility and access to teller services. The results indicate that customer patronage and retention can be significantly increased by improving the behaviour of workers, encouraging clear communication, boosting bank credibility, and making teller services more easily accessible. The study supports earlier research that emphasises the role that customer satisfaction, service quality, and trust play in promoting customer patronage. The study sheds light on how India's retail banks may raise customer patronage by enhancing service quality.

**Key Words:** Service Quality, Customers' Patronage, Retail Banking, Indian Banking.

## TABLE OF CONTENTS

List of Tables .....	VII
List of Figures .....	IX
CHAPTER 1: INTRODUCTION .....	<b>ERROR! BOOKMARK NOT DEFINED.</b> -15
1.1 Relevant Background.....	<b>Error! Bookmark not defined.</b>
1.2 Problem Statement .....	5
1.3 Research Objectives .....	7
1.4 Research Questions .....	7
1.5 Limitations and delimitations .....	8
1.6 Definition of terms .....	<b>Error! Bookmark not defined.</b> 1
1.7 Summary .....	<b>Error! Bookmark not defined.</b> 5
CHAPTER 2: REVIEW OF LITERATURE.....	16-40
2.1 Introduction.....	16
2.2 Banking Service Quality .....	17
2.3 Customer Patronage .....	24
2.4 Impact of Banking Service Quality on Customer Patronage .....	30
2.5 Conceptual Framework.....	38
2.6 Summary .....	40
CHAPTER 3: RESEARCH METHODOLOGY .....	41-51
3.1 Introduction.....	41
3.2 Research Design.....	42
3.3 Sampling Technique .....	43
3.4 Data Collection and Instrumentation .....	45
3.5 Ethical Considerations .....	46
3.6 Procedure .....	46
3.7 Data Analysis .....	49
3.8 Summary .....	<b>Error! Bookmark not defined.</b> 1
CHAPTER 4: DATA ANALYSIS .....	52-108
4.1 Introduction.....	52
4.2 Organization of data analysis.....	52
4.3 Findings related to each hypothesis/objective .....	105
4.4 Summary .....	107
CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS .....	109-118
5.1 Introduction.....	108
5.2 Summary of findings.....	108
5.3 Theoretical and Managerial Implications .....	111

5.4 Suggestions for future research.....	117
REFERENCES .....	119-139
APPENDIX A SURVEY COVER LETTER .....	140
APPENDIX B QUESTIONNAIRE.....	141-146

## LIST OF TABLES

Table 4.1 Demographic Profile on gender basis .....	<b>Error! Bookmark not defined.</b>	3
Table 4.2 Demographic profile on marital status basis...	<b>Error! Bookmark not defined.</b>	3
Table 4.3 Demographic profile on age basis .....	<b>Error! Bookmark not defined.</b>	4
Table 4.4 Demographic profile on education basis .....	<b>Error! Bookmark not defined.</b>	5
Table 4.5 Demographic profile on occupation basis .....	<b>Error! Bookmark not defined.</b>	6
Table 4.6 Demographic profile on district basis .....	<b>Error! Bookmark not defined.</b>	7
Table 4.7 Demographic profile on income basis .....	<b>Error! Bookmark not defined.</b>	8
Table 4.8 Demographic profile on type of bank basis ....	<b>Error! Bookmark not defined.</b>	9
Table 4.9 Frequency of transactions with the bank .....		60
Table 4.10 Frequency of using bank branch in a month.....		61
Table 4.11 Frequency distribution of "Situation during busy hours" .....		62
Table 4.12 Frequency distribution of "Promptness of service from the branch staff" ....		63
Table 4.13 Frequency distribution of "Willingness of the branch staff to help me" .....		64
Table 4.14 Frequency distribution of "Branch staff greets, when it is my turn to be served" .....	<b>6Error! Bookmark not defined.</b>	
Table 4.15 Frequency distribution of "Neat appearance of branch staff" .....		66
Table 4.16 Frequency distribution of "Ability of branch staff to apologise for a mistake" .....		67
Table 4.17 Frequency distribution of "Expression of a genuine concern if there is a mistake in my account" .....		68
Table 4.18 Frequency distribution of "Ability of branch staff to put a mistake right" .....		70
Table 4.19 Frequency distribution of "Feelings of security in my dealings with the branch staff" .....		71
Table 4.20 Frequency distribution of "Branch staff keeping me informed about matters of concern to me" .....		72
Table 4.21 Frequency distribution of "Branch staff telling me about different types of accounts and investments available" .....		73
Table 4.22 F Frequency distribution of "Branch staff telling me about different types of accounts and investments available" .....		74
Table 4.23 Frequency distribution of "Branch staff helping me learn how to keep down my banking costs" .....		75
Table 4.24 Frequency distribution of "Branch staff's knowledge of bank services and products" .....		77
Table 4.25 Frequency distribution of "Branch staff telling me when services will be performed" .....		78

Table 4.26 Frequency distribution of “Number of open tellers during the busy hours of the day” .....	79
Table 4.27 Frequency distribution of “Number of staff behind the counter serving customers” .....	80
Table 4.28 Frequency distribution of “I say positive things about this bank to other people” .....	81
Table 4.29 Frequency distribution of “I recommend this bank to others” .....	82
Table 4.30 Frequency distribution of “I consider this bank my first choice to avail banking services” .....	83
Table 4.31 Frequency distribution of “I encourage friends and relatives to do business with this bank” .....	84
Table 4.32 Frequency distribution of “I will do more business with this bank in future also” .....	85
Table 4.33 Correlation Table .....	86
Table 4.34 Outer loading values of staff conduct .....	89
Table 4.35 Outer loading values of credibility .....	90
Table 4.36 Outer loading values of Communication .....	91
Table 4.37 Outer loading values of access to teller services .....	91
Table 4.38 Outer loading values of customer patronage .....	92
Table 4.39 Reliability and Validity .....	93
Table 4.40 Cross loadings table .....	95
Table 4.41 Fornell and Larcker Criterion .....	97
Table 4.42 HTMT Ratio .....	99
Table 4.43 VIF Values .....	101
Table 4.44 Path coefficient table .....	104
Table 4.45 Summary of Hypotheses testing H1-H4 .....	106
Table 4.46 Summary of Hypotheses testing H5-H8 .....	107

## LIST OF FIGURES

Figure 1.1 Structure of Indian Banking System.....	3
Figure 2.1 Schema of Literature Review .....	16
Figure 2.2 Conceptual Framework .....	39
Figure 4.1 Bar graph distribution of respondents on gender basis .....	53
Figure 4.2 Bar graph distribution of respondents on marital status basis.....	54
Figure 4.3 Bar graph distribution of respondents on age basis.....	55
Figure 4.4 Bar graph distribution of respondents on qualification basis .....	56
Figure 4.5 Bar graph distribution of respondents on occupation basis.....	57
Figure 4.6 Bar graph distribution of respondents on district basis .....	58
Figure 4.7 Bar graph distribution of respondents on income basis.....	59
Figure 4.8 Bar graph distribution of respondents on type of bank basis .....	60
Figure 4.9 Bar graph distribution of respondents on frequency of transactions basis.....	61
Figure 4.10 Bar graph distribution of respondents on frequency of using bank branch in a month basis .....	62
Figure 4.11 Bar graph titled "Situation during busy hours" .....	63
Figure 4.12 Bar graph titled "Promptness of service from the branch staff" .....	64
Figure 4.13 Bar graph titled "Willingness of the branch staff to help me" .....	65
Figure 4.14 Bar graph titled "Branch staff greets, when it is my turn to be served" .....	66
Figure 4.15 Bar graph titled "Neat appearance of branch staff" .....	67
Figure 4.16 Bar graph titled "Ability of branch staff to apologise for a mistake" .....	68
Figure 4.17 Bar graph titled "Expression of a genuine concern if there is a mistake in my account" .....	69
Figure 4.18 Bar graph titled "Ability of branch staff to put a mistake right" .....	70
Figure 4.19 Bar graph titled "Feelings of security in my dealings with branch staff" .....	71
Figure 4.20 Bar graph titled "Branch staff keeping me informed about matters of concern to me" .....	72
Figure 4.21 Bar graph titled "Branch staff telling me about different types of accounts and investments available" .....	73
Figure 4.22 Bar graph titled "Quality of advice given about managing my finances" .....	75
Figure 4.23 Bar graph titled "Branch staff helping me learn how to keep down my banking costs" .....	76
Figure 4.24 Bar graph titled "Branch staff knowledge of bank services and products" .....	77
Figure 4.25 Bar graph titled "Branch staff telling when services will be performed" .....	78
Figure 4.26 Bar graph titled "Number of open tellers during busy hours of the day" .....	79
Figure 4.27 Bar graph titled "Number of staff behind the counter serving customers" .....	80

Figure 4.28 Bar graph titled “I say positive things about this bank to other people” .....	81
Figure 4.29 Bar graph titled “I recommend this bank to others” .....	82
Figure 4.30 Bar graph titled “I consider this bank my first choice to avail services” .....	84
Figure 4.31 Bar graph titled “I encourage friends and relatives to do business with this bank” .....	85
Figure 4.32 Bar graph titled “I will do more business with this bank in future also” .....	86
Figure 4.33 Measurement model .....	100
Figure 4.34 Structural Model .....	103

# CHAPTER 1

## INTRODUCTION

### 1.1 RELEVANT BACKGROUND

According to Raman (2012), 'Bank' is a financial institution that receives contributions from the community that exceeds these funds to give loans and advances to those in need who desire to establish innovative businesses. As a result, the bank will contribute to the economy's overall capital generation. Since banks are in the service industry, they provide a range of financial services to their customers, including mutual funds, insurance, foreign trade, and money transfers.

Retail banking is all about providing personal banking services directly to the public. It includes a variety of financial products and services for both individuals and small-scale businesses, usually provided by commercial banks and other financial institutions, (Edward et al., 1999). The way that consumers engage with their banks has experienced a significant change in the retail banking industry in recent years. This transformation has not only marked the beginning of the 21st century but has also dramatically changed the way people manage their finances in their everyday lives (Kumar et al., 2024). The banking sector is highly competitive, and the success of banks largely hinges on their ability to attract and retain customers (Narteh, 2018; Yilmaz et al., 2018). The ability of banks to attract and retain customers is integral to their performance in the highly volatile banking industry (Narteh, 2018; Yilmaz et al., 2018). Long-term financial success for businesses has been found to be significantly influenced by customer loyalty (Jones, 1996), with comparable results seen primarily in the banking sector (Belás, 2016). Retail banks are concentrating more on devising measures to improve customer satisfaction because it greatly influences the development of loyalty among consumers.

The global banking industry is constantly changing for those factors that include deregulation of finance, globalization, fast and better technology changes, and evolving demand of consumers for banking services. These latest structural changes in the industry have focused on the detailed understanding of the factors influencing the behavioral intentions of customers (Bakar et al., 2017). As per the Reserve Bank of India, Indian banking sector is the best capitalized and highly regulated sector. India's financial and economic conditions are stronger compared to many other countries across the world. Studies on credit, market, and liquidity risks claimed that Indian banks are more resilient than most of their global

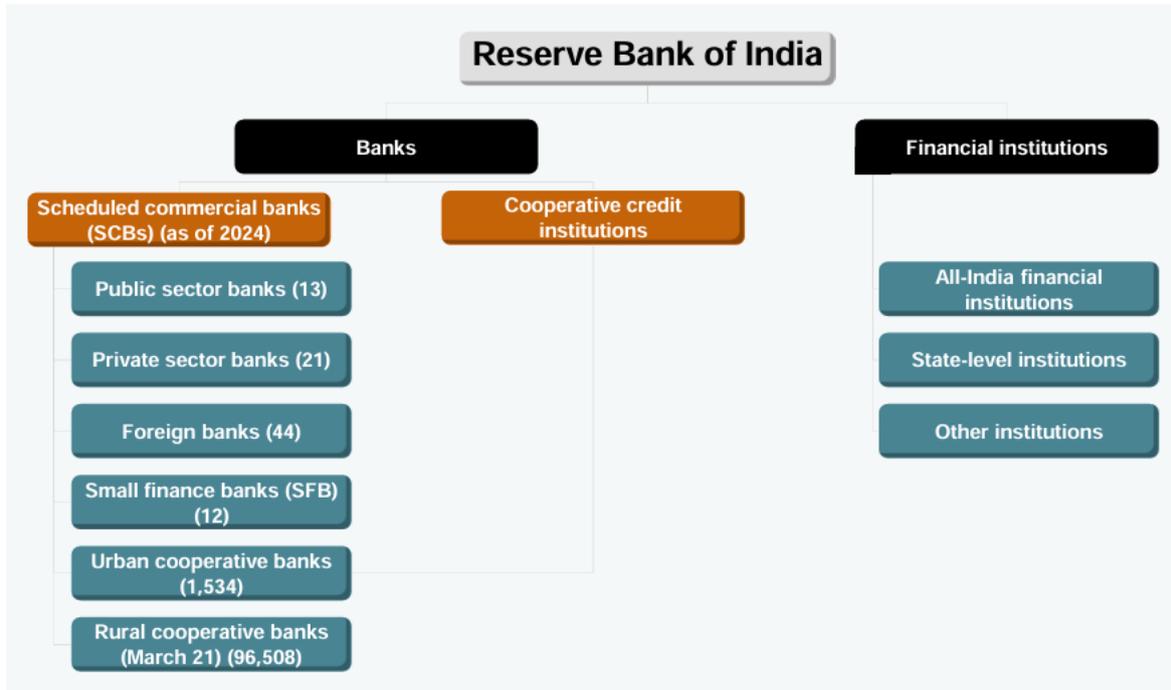
counterparts and even proved strong enough to face the challenges of the world recession. Some of these new-age models which have been introduced during the past couple of years include payments banks and small finance banks. India has also sincerely tried to enhance access to banking through initiatives like the Pradhan Mantri Jan Dhan Yojana and introducing payment banks.

Indian retail banking has emerged as a very important function, playing crucial role in the overall economic landscape of the country, acting as a main channel for financial inclusion and economic development (Dangi, 2012; Kant et al., 2019). There are diversified banking services that vary from saving accounts, term deposits, to personal loans, auto loans, mortgaging, and credits. These banking services largely impact the lives of millions by facilitating consumer expenditure and saving behavior. Significantly, retail banking has played the most important role in impelling the Indian nation toward a financial inclusion agenda whereby a significant percentage of the population was brought into the more formal banking (Chakrabarty, 2011). Inclusivity boosts consumer spending and leads to the aggregation of capital while also boosting economic activities across various sectors (Dangi and Kumar, 2013). Moreover, by extending credit to individuals and families, retail banks play a crucial role in enabling homeownership, education, and entrepreneurship (Dixit and Ghosh, 2013). These activities work together to promote a stronger and more resilient economy, marked by enhanced job creation, improved living standards, and greater overall economic stability. As such, the health and accessibility of retail banking are directly correlated with the economic empowerment of individuals and the overall economic health of the nation (Sharma and Satish, 2022).

As of June 2024, India's banking system comprises 13 public sector banks, 21 private sector banks, 44 foreign banks, and 12 small finance banks. The number of micro-ATMs across the country has reached 1,517,580. Additionally, there are 126,772 on-site ATMs and Cash Recycling Machines (CRMs), with banks having added 2,796 ATMs in the first four months of FY23, compared to 1,486 in FY22 and 2,815 in FY21. In rural India, 100% of new bank accounts are now opened digitally (IBEF, 2024). According to BCG, digital payments are projected to constitute 65% of all payments by 2026. In 2024, total assets in the public sector banking system amounted to US\$ 1,861.72 billion, while the private sector held US\$ 1,264.28 billion in assets. Public sector banks represented 59.53% of the total banking assets, including public, private, and foreign banks. Public sector banks generated US\$ 128.1 billion in interest income in 2024, while the private sector's interest income reached US\$ 95.7 billion. In recent times, the Indian banking sector has seen the introduction of novel banking

models such as payments Banks and small finance Banks (IBEF, 2024). The structure of Indian Banking system is given in Figure 1.1

Figure 1.1 Structure of Indian Banking system



Source: Reserve Bank of India (2024)

The banking sector in India has witnessed a profound transformation, driven by technological advancements, changing consumer behaviors, and an evolving regulatory landscape (Gupta, 2023). Competition is growing leaps and bounds across the industry and Indian banking sector is no exception. In the constantly evolving Asian and emerging economies, where traditional banks have less dominance, bankers have observed that the primary issues they confront include the attraction and retention of existing customers amidst intense competition and the entry of new players into the market (PwC, 2014; Rakshit and Bardhan, 2022). Reichheld (2003) notes that “the percentage of customers who were enthusiastic enough to refer a friend or colleague—perhaps the strongest sign of customer loyalty—correlated directly with differences in growth rates among competitors”. In order to ensure sustainable growth and profitability, it is very important for the companies across the industry to attract customers on regular basis and retain them for long period of time (Kumar and Shah, 2004). Loyal customers not only make repeat purchases of the organization’s products and services more often, but they also attract new customers without incurring additional costs. Reichheld and Sasser (1990) state that “companies can boost profits by almost 100% by retaining just

5% more of their customers”. According to Gallo (2014), with similar line of thought, the cost of acquiring a new customer is five to twenty-five times more than the cost of retaining an existing one.

The significance of service quality and customer happiness in achieving success and being viable in the contemporary competitive market has been well acknowledged (Laroche et al., 2004). Companies across various industries spare no effort in providing high-quality products and services to ensure customer patronage, and Indian banks are no exception to this commitment. The significance of service quality as a way of attaining a strategic advantage in a progressively competitive landscape is evident, as consumers increasingly expect higher quality when choosing service providers (Parasuraman et al., 1985). Similar to other service industries, the growth and development of the banking sector depend on the quality of service provided to customers. Service quality is vital in fostering customer loyalty within the banking industry; when customers believe that a bank consistently offers high-quality services, they are more inclined to remain loyal and recommend the bank to others, making it a key factor for achieving success.

Customer patronage is referred to as the intention to purchase the goods of an organization at the price of a competitor’s product (Etuk et al., 2021). Customer patronage reflects the loyalty and consistent support of customers to their preferred business or brand by regular buying habits (Nyarko et al., 2016). Customers who exhibit patronage are more likely to buy again, stay with a company long-term, and even refer the business to others (Sharma, 2015; Singh and Nika, 2019). Patronage is generally developed from positive experiences, satisfaction about products or services, and value perceived in the relationship with the business itself (Khan, 2014; Liu, 2007). According to Holbrook (1994), the recognition of customer value holds significant importance in many marketing endeavors as it enables organizations to effectively enter established market segments, explore new markets, innovate new products and services, and ultimately fosters customer loyalty. In recent years, there has been an increased emphasis among service organizations on the comprehension of customers' desire to patronize, as this is a crucial factor in achieving success (Vannucci et al., 2023). Generally, a business organization dedicates much of its activities towards customer patronage as it represents building a loyal customer base and lay the foundation for long-term success.

The rapidly growing banking industry across the globe leads to intense competition. It is only possible for individual banks to attract and retain customers efficiently as this competition expands through recognizing the perceptions that customers have of service quality is it

(Kaur and Arora, 2021). Before this, it has been recognized that a prolonged period of competitive advantage can be enjoyed through customer retention, which might be difficult to emulate by any rival. In this context, educated and aware new customers are not only aware of the available products and services but are increasingly interested in knowing how banks operate. As such, it is up to the interest of the banks to know the factors that affect customers' choice of a bank, whereas they continue to employ strategies to retain their customers in place (Kaur and Arora, 2019).

Against this background, this research work has investigated the determinants of banking service quality in Indian retail banking and its impact on customer patronage. The empirically tested data and research-based insights of this work will significantly add value to the existing body of knowledge in this area. In addition to its academic interest, the understanding of the determinants of banking service quality and their effects on customer loyalty has various practical implications for banks, policymakers, and consumers. This research is an attempt to deliver a clear learning perspective regarding the retail banking landscape in India, demonstrating how the banks could better serve their customers, meet changing trends, and be successful in a competitive world. With the important role of banking services towards financial inclusion as well as economic development in India, this study would greatly contribute toward the overall growth and wellbeing of the Indian economy. This research aims to decode the complexities of retail banking in India and the valuable contribution that it makes toward customer patronage through the study of banking service quality.

## **1.2. PROBLEM STATEMENT**

Since the 1991 economic liberalization, the Indian banking industry has undergone significant transformation. Bank operations have changed significantly as a result of increased industry competition caused by the introduction of private sector banks. During the last two decades, these changes have fueled rapid growth in the banking sector. The entry of new generation private sector banks, changes in product and service offerings, the turnaround in the technological front facilitated by services, and government-led financial inclusion initiatives have forced the industry to rethink and reshape its marketing strategies. Supported by increasing customer needs and expectations in India, this growth has been mainly fueled by changes in the business environment of banks.

At present, customers have the benefit of selecting from an extensive variety of service providers, all of them competing for customers' business by providing more convenient and superior services (Kaura et al., 2015). Because of this, banks have been compelled to constantly innovate by launching new goods and services that are customised to the requirements of various customer groups. Customer expectations continue to rise along with competition, and banks are under immense pressure to satisfy these increasing requirements. Since it is now more expensive for banks to bring on new customers, keeping existing customers is a more economical approach. As a result, retaining current customers has become more crucial than acquiring new ones. Because of this paradigm shift, banking professionals are now concentrating on figuring out the main elements that affect customer patronage and satisfaction. Gaining knowledge of these factors empowers banks to improve interactions with customers, which in turn promotes customer loyalty and, eventually, customer patronage (Kaura et al., 2015).

The banking industry faces several significant challenges, including greater competition, a constantly changing market environment, and growing expectations from potential customers. In an effort to further improve the customer experience and service offerings, it is now crucial to evaluate the requirements of customers for the quality of the services they receive. This enables service providers to measure their current level of service quality as well as recognize any gaps in it. The concept of service quality and its dimensions in this framework would help bankers in attracting new business, retaining current customers, and increasing profitability.

Service quality has emerged as a critical factor in the attraction and retention of customers in the dynamic scenario of Indian retail banking. However, most of the banks fail to adjust their services in accordance with the changing expectations and preferences of consumers that eventually reflect in the customer loyalty and patronage. The Indian banking sector is characterized by a tremendous amount of competition and swift change created due to the technological front and shifting demands from the customer's end, which requires an even more insightful understanding of determinants of service quality to cater to its customers' needs effectively.

While perceptions of customers about service quality play the relatively more significant role in aspects like satisfaction and loyalty that are crucial in maintaining customer bases, the current studies on service quality factors conducted comprehensively in the Indian scenario remain somewhat significant. Considering the cultural and economic factors, the critical role played by these elements in the Indian context, as discussed previously, indicates a

significant gap in these studies. Service quality determinants hitherto have not featured prominently in discussions about customer patronage. The Indian retail banking context is one that this gap must be filled within. In light of this inevitability, this study identifies the key determinants of service quality in Indian retail banks and the influence they exhibit on customer patronage. This study, through this investigation, anticipate to provide actionable insight that may enable banks to improve on service delivery and retain customers and increase the market share.

### **1.3 RESEARCH OBJECTIVES**

Research objectives play a vital role in steering the course of a study by establishing clear, focused goals that guide the investigation into specific questions. In the context of exploring the determinants of service quality and their impact on customer patronage in Indian retail banking, these objectives outline the key aspects of service quality that significantly influence customer decision-making. They are essential for examining the complex nature of customer satisfaction and loyalty, pinpointing gaps in existing banking practices, and suggesting actionable strategies to enhance service delivery. By aligning the research with these objectives, the study can systematically identify the critical factors that affect customer retention and overall bank performance, providing valuable insights for both academic inquiry and practical application within the banking sector.

The main objective of the study is to conduct an investigation on the influence of service quality on customer satisfaction and patronage intention among selected public and private sector commercial banks in Maharashtra. In order to achieve this objective, the following specific objectives have been set forth.

1. To identify and evaluate the key determinants of service quality perceived by customers in Indian retail banking.
2. To investigate the relationship between service quality and customer patronage in Indian retail banking.
3. To identify the most important as well as least important determinants of service quality perceived by customers in Indian retail banking.
4. To analyze the impact of service quality determinants on customer patronage in Indian retail banking.

## **1.4 RESEARCH QUESTIONS**

The purpose of the study is to investigate how customer patronage are influenced by service quality in the Indian retail banking industry. The study seeks to identify and evaluate key determinants of perceived service quality and assess how these factors influence customer patronage—the tendency to remain loyal to or frequently use the bank's services. Additionally, the research will aim to prioritize which determinants are most important and which are least important in driving customer satisfaction. Finally, it will examine how different service quality elements directly impact customer loyalty and retention in Indian retail banking.

On the basis of above discussion, the study aims to find answers for the below mentioned questions.

1. What are the key determinants of service quality perceived by customers in Indian retail banking?

This question aims to identify the most critical factors that define the overall service quality from the customer's perspective.

2. What is the relationship between service quality and customer patronage in Indian retail banking?

This question explores whether high service quality leads to greater customer loyalty in Indian retail banking.

3. Which specific determinants of service quality have the most significant and least impact on customer patronage in Indian retail banking?

This aims to pinpoint which factors most strongly influence customer patronage and usage of banking services.

4. How do the service quality determinants affect customer patronage in Indian retail banking?

This seeks to understand impact of banking service quality determinants on customer patronage.

## **1.5 LIMITATIONS AND DELIMITATIONS**

### **Limitations of the study**

#### **Subjectivity of Customer Perception:**

Service quality in banking is subjective because it varies based on individual customer expectations, experiences, and cultural backgrounds. Different customers value different

aspects of service, such as speed, convenience, or personalized attention, depending on their location, financial literacy, and personal preferences. Cultural differences also affect perceptions about quality of service. This variability makes it rather challenging to try to establish some sort of standard or uniform definition of quality service that will meet the needs of all clients. Consequently, measuring and comparing service quality between various customer groups becomes a challenge for researchers and banks alike.

**Limited Generalizability:** This study's findings cannot be generalized to the Indian population of retail banking in its entirety because it focuses only on a specific geographical region, ie. Maharashtra, public and private banks, specific customer demographics like urban and semi-urban regions. The investigation's purview does not include foreign banks or cooperative banks. The perceptions of service quality may differ between rural and low-income customers who would likely have other issues like limited access to banking services and a relatively lower level of financial literacy. Because research focused on the public and private banks and urban and semi-urban areas, it may not fully articulate the experiences and expectations of these rural groups, the conclusions derived from such studies may not be as applicable to the banking industry in general.

**Response Bias:**

In social desirability bias, participants of a study might also report inaccurately or untruthfully because they are responding as they think is asked of them or socially acceptable, as opposed to their true opinions. This bias occurs when the respondents want to portray themselves favorably or tend to answer in line with what is perceived to be expected or the norms, regardless of whether it's their actual experience or opinion. This behavior distorts the data, making it difficult for results to reflect precisely the perceptions from the customers. As a result, the study's findings may become distorted, potentially impacting the validity and reliability of the conclusions drawn from the research.

**Changing Banking Environment:**

Technological banking, in the expression through digital banking and artificial intelligence, drastically changes the customer expectations as well as perceptions of quality of service. New technologies bring new standards. So, sooner than later, previously established research findings become outdated. For instance, today's customers may desire to open an account online while looking forward to being assisted by artificial intelligence immediately. In such an environment, ongoing adaptation and re-assessment of service quality metrics are important to ensure that the research remains relevant and meaningful in the present scenario.

**Time Constraints:**

The limited duration of the study may not adequately capture the long-term trends in customer behavior and service quality changes because factors that are time-limited, such as a period of adjustment to regulatory changes or a recession, may leave an impression. Longitudinal or time-lagged studies must be considered for increased reliability since they track changes in long periods and give a better understanding of the dynamics in customer behavior and service quality in the banking sector.

**Sample Size and Representation:**

This sample would have a limited size from the urban and semi-urban areas that can lead to skewed results and may not represent the larger Indian banking population correctly. The large variability in income levels, regions, and banking habits across Indian demographics necessitates more inclusive sampling. A small sample may miss the specific needs and preferences of rural and low-income customers, and the research findings may not be generalizable to all groups. Hence, there is a necessity to capture a representative sample of the research that has been conducted to validate the findings regarding the entire customer base of the Indian retail banking sector.

**Exclusion of Digital-Only Products:**

Prime focus on traditional banking services may lead to lack of insights experienced in the perception of service quality at digital-only banks and fintech services. As these modern financial solutions are gaining popularity among the tech-savvy consumers, the lack of attention may further make it incomplete in terms of customer preferences. The customers will prefer fintech services that supports them with convenience, speed, and innovative experiences unlike the experiences delivered through traditional banking. This then leads to exclusion from insight into existing trends and behavior, which makes it difficult to design appropriate strategies that resonate with a diverse and evolving banking customer base.

**Delimitations of the study:**

**Focus on Retail Banking:**

The scope of the study will be confined solely to the retail banking sector; therefore, the study will not consider anything in association with corporate or investment banking. Corporate and investment banking being excluded, the research is streamlined to understand customer experiences and expectations in relation to retail banking. This is so because the needs and behaviors of individual customers are largely different from B2B transactions. The focus allows this research work to expand on personal experiences in banking while

providing specific insights related to customer satisfaction, loyalty, and perceived value of banking services.

### **Determinants of Service Quality Determining Decision Making**

The scope of the study limits its analysis to only specific well-recognized determinants of service quality, including staff conduct, credibility, communication and access to teller services. On the basis of the frameworks in widespread use, such as SERVQUAL, BANKSERV, these factors thus provide a clear structure for the measurement of how customers perceive the quality of retail banking services. Focusing on these measurable elements ensures that the study remains precise and manageable. By practicing these particular factors, this work can produce actionable insights on what aspects of service quality drive customer decision-making in retail banking.

### **Customer-Centric Perspective:**

The research emphasizes the perspective of the customer, focusing on their experiences and perceptions of service quality. This customer-centric approach contrasts with an operational viewpoint, which might focus on internal bank efficiencies, processes, or cost structures. The focus of this research is to explore gaps or opportunities for improvement in customers' satisfaction by making provision for how customers experience and perceive service. This is valuable since customer perceptions directly influence their patronage, loyalty, and recommendations-and all these parameters are very important for a bank's success in a competitive retail environment.

### **Geographical Focus:**

This will be on urban and semi-urban customers of Maharashtra as it is assumed that infrastructure for banks is more developed in these regions as compared to rural areas. In this manner, the research excludes rural areas, where infrastructure and customer expectations may be significantly different from the focal segment of population that likely utilizes modern facilities of banking, like electronic banking, and demands better service standards. This focus enhances the relevance of the study to banks operating in similar environments, ensuring that the results are applicable to areas with well-established banking services.

## **1.6 DEFINITION OF TERMS**

### **Service quality**

Service quality is an obscure, ambiguous and abstract concept (Marković and Raspor Janković, 2013). Building and sustaining relationships with customers is the key for banks to succeed in the competitive business environment of today (Rootman et al., 2008).

Implementing excellent client service strategies has become essential in the present scenario. Banks have to capitalise on their primary advantages to set themselves out from the competition in order to be successful. The most effective way to achieve it is to provide exceptional customer service, among other things. Consequently, banks that offer superior customer service than their competitors have a better chance of surviving (Ramay, 2012).

Throughout the years, there have been challenges both from marketing scholars and practitioners on attempts to define and measure "service quality" itself, which has been lacking in many ways (Parasuraman et al., 1988; Ananth et al., 2010). Still working against those difficulties, Parasuraman et al. (1988) still managed to make a significant contribution in the foundational definition. They defined "service quality" as a "global judgment or attitude relating to the overall excellence or superiority of the service." Such a definition gives quite a wide conceptual space to service quality. However, the general criteria used to define service quality may not always be universally applicable in all contexts or industries. Parasuraman et al. (1994), states "service quality as the degree and direction of discrepancy between customers' service perceptions and expectations". Parasuraman's (1985) framework of ten basic factors that determine service quality serves as the basis for the American school of thought. The ten basic factors that influence service quality are: access, communication, competence, courtesy, credibility, tangibility, reliability, responsiveness, security, and understanding the customer. He defined it as the gap between customer expectations and perceptions, considered as GAP 5. The larger the gap, the greater the need to improve the service quality.

Because of the difficulties in defining and measuring service quality, there is lack of consensus regarding each point, which resulted in an increased level of interest and debate in the research literature around the concept of service quality (Wisniewski, 2001). According to Dotchin and Oakland (1994) and Wisniewski and Donnelly (1996), the degree to which a service satisfies the demands or expectations of customers is known as service quality. The gap between what customers perceive and anticipate from a service provider is known as service quality. When performance is lesser than the expectations, customers become dissatisfied because perceived quality is inadequate (Parasuraman et al., 1985; Lewis and Mitchell, 1990).

In 1988, Parasuraman developed this model into a scale consisting of 22 items spread over five key dimensions:

1. **Reliability** The ability of the service provider to precisely deliver commitments is referred to as reliability.
2. **Assurance** The ability of staff members to inspire confidence and trust in customers is referred to as assurance.
3. **Tangibles** are the physical aspects of the service environment, including equipment, and appearance of its personnel.
4. **Empathy** refers to the abilities of the employees in offering customized and attentive services to customers.
5. **Responsiveness:** The speed and manner in which customers' inquiries are answered.

In essence, Parasuraman's model talks about the balance of the difference between expectation levels and experiential levels of service delivery to satisfy the service quality.

Avkiran (1994) also identified four primary dimensions of service quality, which are consistent with previous studies, like SERVQUAL by Parasuraman (1985).

**Staff conduct:** Staff conduct is the conduct, manners, and professionalism of bank workers. Consumers appreciate helpful, personable employees who can efficiently handle their questions and purchases.

**Credibility:** Customers evaluate a bank's honesty and dependability, particularly with regard to its ability to provide the services it has promised with precision and consistency.

**Communication:** How well the bank informs clients about its goods, services, and possible problems, as well as the effectiveness of its communication with them. Maintaining client pleasure requires effective communication.

**Access to teller services:** This dimension deals with how simple it is for clients to obtain services, such as branch locations, hours of operation, and the availability of ATMs or other online banking alternatives.

Even in the banking sector, similar to most of the other service industries, the concept of understanding and measuring the service quality was primarily developed by Grönroos in 1984, and later built upon by Parasuraman et al. in 1985 and 1988. In banking, service quality is typically viewed as the customer's cognitive assessment, which results from the gap they perceive between the actual performance of banking services and their prior expectations regarding key service attributes (Bahia and Nantel, 2000). This evaluation plays a crucial role in determining customer satisfaction and loyalty, as it reflects how well the bank's services meet or exceed customer expectations.

## **Customer patronage**

Patronage refers to the extent to which customers consistently choose to make purchases from a specific business over time within a particular service category. This concept is rooted in the idea that repeated positive experiences with a business reinforce customer loyalty and influence their buying behavior (Oliver, 1997). Essentially, as customers have favorable interactions and receive satisfactory service, they are more likely to concentrate their purchases with that entity, leading to a deeper, ongoing relationship. This is the likelihood with which customers are likely to talk about, purchase or revisit the services offered by a firm, which defines patronage intention. In the context of the present study, customer patronage refers only to the users' willingness to engage with the experiences offered by retail banks. Patronage intention measures how likely customers will continue or expand their patronage based on overall satisfaction and interaction with the services offered by the bank across various platforms (Kumar et al., 2024).

Customer patronage is considered loyalty and the existing relationship between a customer and a firm, where customers usually keep on returning regularly to buy from the firm based on perceived value and satisfaction with previous experiences (Babin et al., 2005). Customer patronage is perceived as the long-term preference of customers to favor a business over time based upon perceived service quality and satisfaction with the firm's offerings (Homburg and Giering, 2001). This way, customer patronage could be referred to as the continued loyalty of customer towards a business or brand because of multiple practices of purchasing and the increment in trust over time through incessant service delivery and customer satisfaction (Han and Ryu, 2009).

To summarize, customer patronage in banking refers to the ongoing preference of customers to engage with a specific bank over time, driven by positive experiences, satisfaction, and trust in the bank's services. It reflects repeated purchasing behavior and loyalty, influenced by factors like service quality, value, and overall customer satisfaction. This includes both physical and digital service interactions, where consistent service delivery plays a key role in improving customer loyalty in retail banking. Patronage is often linked to the likelihood of customers recommending or continuing to use the bank's services.

## **1.7 SUMMARY**

The introduction chapter discusses the critical role of retail banking in India focusing on the customers of Maharashtra state, emphasizing on its revolution significantly driven by technological advancements, globalization, and changing consumer demands. As the sector faces intense competition, understanding service quality determinants and their impact on customer patronage has become essential for banks aiming to enhance customer satisfaction and loyalty. The study reports a substantial gap in research regarding the specific factors influencing service quality perceptions among Indian consumers, particularly in the context of rapid industry changes. Key research objectives include identifying critical service quality determinants, exploring their relationship with customer patronage, and assessing their implications for customer retention. Limitations such as the subjectivity of customer perception, response bias, and the evolving banking environment are acknowledged, while delimitations focus on the study's concentration on retail banking and customer-centric perspectives within urban and semi-urban regions of Maharashtra. Overall, the research aims to provide actionable insights to improve service delivery and support the broader financial inclusion and economic development goals in India.

## CHAPTER 2 LITERATURE REVIEW

### 2.1 INTRODUCTION

The past few decades have seen tremendous developments in the banking sector, powered by globalization, advances in technology, and shifting demands from customers. These changes have placed a renewed emphasis on the importance of service quality in maintaining competitive advantage and securing customer patronage. This chapter reviews existing research on the relationship between banking service quality and customer patronage, providing a theoretical and empirical understanding of the factors that influence customer satisfaction and loyalty. This section presents comprehensive overview for the existing body of knowledge on related area of study in order to provide necessary background for undertaking the present research study. The literature review has been divided into three broad sections i.e. Banking Service Quality, Customer Patronage and Impact of banking service quality on customers' patronage (Refer Figure 2.1).

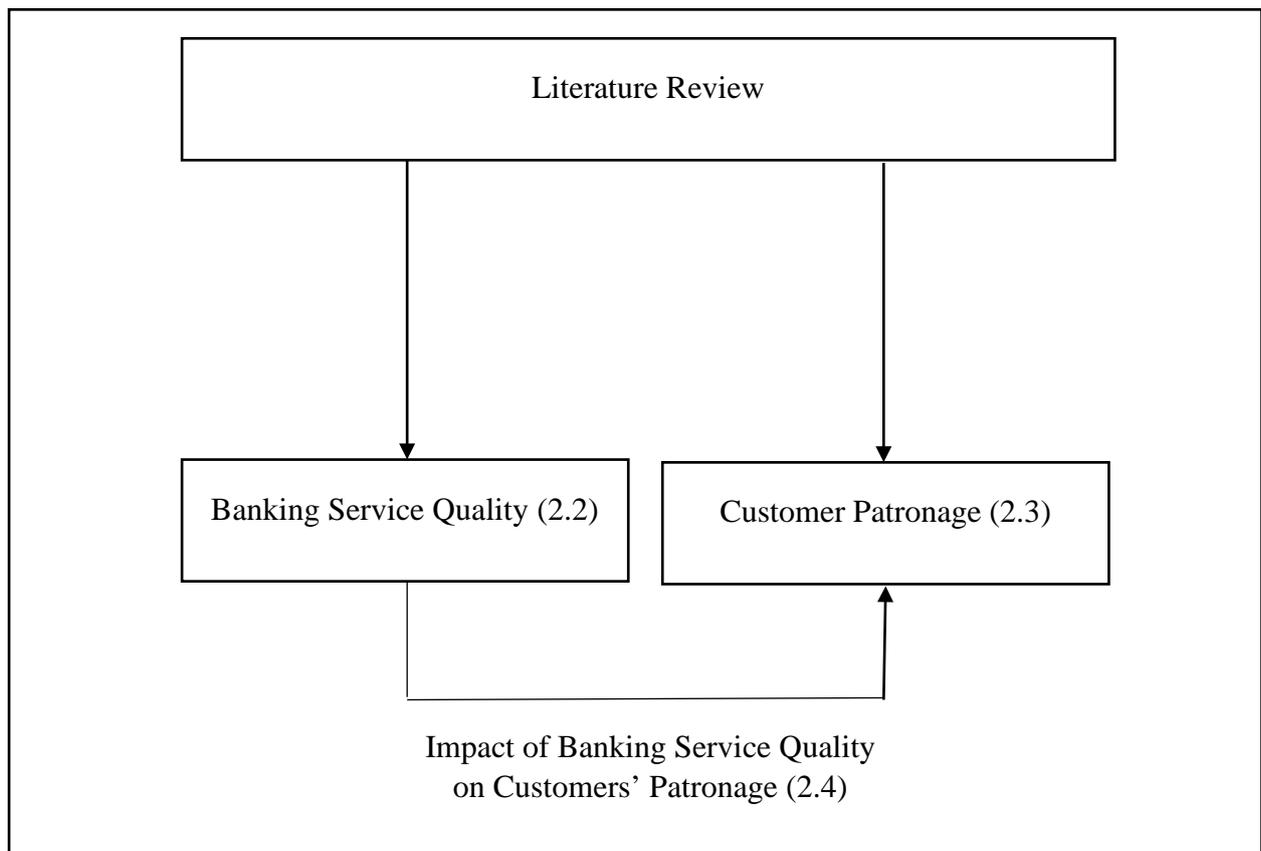


Figure 2.1 Schema of Literature Review

Source: The Author

## **2.2 BANKING SERVICE QUALITY**

The banking sector in India is considered to be one of the most technologically advanced industries in the world, with extensive branch networks supported by robust financial systems, a broad selection of products, and highly effective channels for distribution. However, structural, technological, and regulatory reasons are substantially changing the global banking landscape. Due to the intense competition introduced by financial liberalisation, retail banks are now focusing their strategies on providing better services in order to obtain over larger numbers of customers and promoting customer patronage. Given the immense potential in the Indian banking sector, all of the top banks are striving to become the bank that customers prefer the most. This will only be possible if they can establish themselves apart from competitors based on the quality of services they deliver.

Indian banking industry has developed into a complex and multi-faceted industry in order to suit the varied demands of Indian economy that is developing at an exponential rate. The sector which employs both conventional and non-conventional banking methods is crucial to India's economic development and financial inclusion efforts (Mohan, 2005). Different types of banks are now operating within this sector, like cooperative banks, commercial banks, foreign banks, public sector banks, small finance banks and payment banks. The banking industry in India has been greatly impacted by technological improvements. The use of digital payment technologies, mobile banking, and online banking has completely altered the financial transaction landscape. The growth of Fin Tech companies and the government's efforts to transition to a digital economy have expedited this change, allowing more people to use banking services (Guild, 2017).

According to Herd et al. (2011), the retail banking sector of India has undergone remarkable growth and dynamic changes over the years. Because of the increasing middle class and more disposable incomes, the demand for financial services is growing at a fast pace. This sector in the Indian economy plays a very vital role as it primarily connects the banks with the individual consumers. Retail banking encompasses a wide range of products designed to cater to the varied banking needs of an individual, such as savings and fixed deposit accounts, personal loans, credit cards, and more. Digital banking has thus formed one of the major developments of retail banking in India. Rapid smartphone production, and accelerated growth in internet penetration, have transformed customer preferences. Customers increasingly adopted online banking, mobile banking applications, and platforms for digital payment, which increased the demand for such products and services. Due to this, most of the

banks made deep investments into technological frameworks to better serve the clients, streamline their operations, and secure online transactions (Wewege and Thomsett, 2020).

In India, retail banking has significant regulations imposed by regulatory frameworks. The Reserve Bank of India introduced several initiatives towards financial inclusion as well as protection of consumers. Initiatives such as Pradhan Mantri Jan Dhan Yojana and other efforts along similar lines have been able to extend basic banking services to larger demographics that have increased financial inclusion, education, and acceptance of digital transactions. Indian retail banks have diversified their products to cater to diverse needs. The most frequently consumed personal loan, home loan, and auto loan, and to cater for such customers, the banks more often customize their offerings for specific demographics. The industry's intent to keep up with times also highlights the introduction of innovative financial products, such as robo-advisory and digital wallets (Alam et al., 2019).

But there are always challenges-those of cyber security concerns, data privacy concerns, and the continuous need for innovation to effectively satisfy every new demand from customers. But besides all these problems, the outlook for the retail segment of banking in India is bright, triggered by the continuous efforts at digitization, regulatory reforms, and proactive policies of the banks to better deal with market dynamics. Given the ongoing evolution of the sector, it is quite probable that it will assume a crucial role in promoting financial inclusion and making a significant contribution to the overall (Vives, 2019).

In recent years, the retail banking business in India has experienced substantial changes, mostly aimed at improving service quality to cater to the changing demands of clients. The deployment of new technology is a crucial factor in enhancing the quality of financial services. Several financial institutions have allocated resources towards digital platforms, mobile banking applications, and internet banking services, offering customers simple and effective methods to oversee their financial matters. This has not only optimized regular transactions but has also facilitated round-the-clock availability of banking services, enhancing the overall client experience (Parikh, 2006).

Banks in India have made customer service a central focus, alongside technological developments. Institutions are progressively acknowledging the significance of tailored and prompt client assistance. The implementation of specialized customer care helplines, chat assistance, and effective grievance redressal systems has been important in rapidly resolving consumer issues. The dedication to ensuring client happiness has greatly improved the overall quality of banking services in the retail industry (Johnston, 1997).

Five attributes related to perceived quality are applicable to all service industries, according to Parasuraman et al. (1988): tangibility, assurance, responsiveness, empathy, and reliability. While researchers believe that perceived service quality is a multifaceted concept, they cannot agree upon its universally applicable, generic dimensions. However, an essential component of any decision pertaining to business is service quality. It is imperative to precisely identify the dimensions of these perceived service quality components to understand how customers perceive them since perceived service quality plays significant roles in businesses with significant customer involvement, especially in the banking sector (Spathis et al., 2004).

Moreover, the execution of regulatory changes and the introduction of cutting-edge financial products have had a favourable effect on the quality of services. Regulatory authorities in India have implemented efforts to guarantee transparency, equitable procedures, and consumer safeguarding. As a result, there has been a rise in customer confidence and a heightened sense of stability and security in the banking sector. Not only has this made the scope of banking services greater, but it has also provided access to a wide range of customers to many banking services due to host of innovative and personalized financial products including customized savings accounts, digital payment alternatives, and investment instruments (Vishwanath and Kaufmann, 1999).

However, such a long and diversified Indian geography poses challenges in ensuring uniform service quality. Divergence at the local level can be observed in terms of physical infrastructure, literacy, and adaptability toward technology. This further disseminates inequality in financial service access and effectiveness. In addition, digital data concerns have still not fully diminished and, therefore, call for banks' constant enhancement of their cyber security measures (Saeed et al., 2023). Hence, India's retail banking sector was able to make great improvements in developing the quality of services that had been delivered by introducing technical progression, customer service enhancement, regulatory updates, and innovative products in the sector. Despite the challenges, a general tendency reveals a positive trend in the delivery of integrated best-in-class financial services to the highly diversified Indian populace (Agrawal and Jain, 2013).

Due to their diverse nature and complexity, factors that influence the quality of banking services in the final customer experience in the banking sector may vary. Perhaps the most essential characteristic of efficiency and accuracy in transactions is how smooth and flawless the execution process is, whether depositing funds, withdrawing cash, or transferring money. An efficient and dependable technology structure is necessary to ensure that such procedures

are fast and accurate, hence enhancing the perceived quality of financial services. In addition to that, easy accessibility and comfort of financial services exert an even greater influence on the level of client satisfaction. Extensive coverage of ATMs, internet banking systems, and mobile applications contribute to the higher degree of convenience. A bank's dedication to provide easily available services showcases its comprehension of the changing demands of customers and enhances the favourable view of service excellence (Mohan, 2005).

Customer service and human relationship further enhance the service quality. Employees, who are polite and knowledgeable and highly approachable in addressing queries and problems of the customers, make the service much superior (Tax et al., 1998). The second factor that can build strength in a bank's ability to address customer complaints quickly and effectively is the effectiveness of complaint resolution techniques. Another factor that may influence results is the reliability of banking systems. Customers expect a reliable and constant ability to access their accounts and gain access to banking services. System outages, technological malfunctions, or security breaches have the potential to diminish trust and have a detrimental effect on the perceived excellence of financial services. Hence, it is crucial to allocate resources towards implementing strong cyber security protocols and upholding the dependability of financial systems to guarantee the provision of high-quality services (Gao and Waechter, 2017).

The efficiency of technology and infrastructure is a critical issue. In the present era of digitalization, customers anticipate flawless online and mobile banking services. Banks that allocate resources towards advanced technological platforms, intuitive interfaces, and secure transaction systems are more inclined to deliver a superior service that effectively caters to the changing requirements of their consumers. Customer service is a crucial factor that significantly impacts the quality of banking services. The competence, promptness, and availability of bank personnel play a crucial role in shaping the overall client experience. An adept and customer-focused staff has the ability to handle inquiries, rapidly fix problems, and establish confidence with clients. The inclusion of this personalized element elevates the perceived level of service quality and nurtures enduring client connections (Allioui and Mourdi, 2023).

The dependability and safeguarding of banking services are of utmost importance. Customers highly prioritize the dependability of online platforms, the precision of transactions, and the security measures implemented to safeguard their financial information. Financial institutions that continuously supply dependable and safeguarded services foster trust in their clientele and are more prone to being seen as providers of superior quality services (Casaló et al.,

2007). Service quality in the banking business is significantly affected by regulatory compliance. Financial institutions that comply with regulatory regulations and adhere to industry best practices exhibit a strong dedication to ethical behavior and effective risk management. Compliance safeguards both customer interests and enhances the stability and reputation of the financial institution (Ahmed, 2009).

Moreover, the extent and adaptability of banking goods and services provided are crucial factors in evaluating the quality of service. Financial institutions that offer a wide range of financial goods, tailored solutions, and competitive interest rates effectively serve the diversified requirements of their clientele. This adaptability improves the overall perception of the quality of service and the pleasure of customers (Merton and Bodie, 1995). Customer views are significantly influenced by the presence of clear and open charge structures and financial transactions. Obscure charges or intricate price structures might result in discontent and scepticism. Transparent and clear information on fees and conditions encourages openness, enhancing the quality of the service experience in general (Wong and Welch, 2004).

As identified by Rai and Gupta (2017), the latest and the revolutionizing options of services are the new push factors for financial services quality. By putting advances in technology into practice in the design of new products and services, such as contactless payments, personalized advice for financial needs, or user-friendly mobile banking, banks establish themselves as modernistic institutions responsive to the fast-changing needs of customers. Conversely, service quality determinants in the banking industry vary and are at the same time interlinked, like ease of access to technology, accessibility, care for customers, system reliability, transparency, and innovation. An integrated approach by banks will capture these issues and make the maintenance of a high level of service quality even better, that therefore promotes customer happiness and loyalty (Pakurár et al., 2019).

In the pursuit of understanding and gauging the quality of banking services, many theories and models have been conceived and advanced to specify the dynamic and changing nature of attributes of the financial service industry. The SERVQUAL model is one of the most prominent models and was proposed by Parasuraman, Zeithaml and Berry in the late 1980s. The five dimensions of the SERVQUAL model include reliability, responsiveness, assurance, empathy, and tangibles, based on which the service quality is measured. According to the concept, the quality of service is affected by how well the actual experiences of the customer compare with their expectations in most respects (Mauri et al., 2013).

According to Abu-Taieh et al., (2022), besides SERVQUAL, it has also become crucial for the quality of banking services nowadays mainly because of the growth in digital technology. Technology Acceptance Model (TAM) states that how users perceive the utility of technology and the ease of using it would affect how they are likely to adapt and use it. Among the enormous digital transformations in the banking business, TAM plays a vital role in comprehending how it is perceived by and adopted into customers' minds and subsequently influences the quality of service they perceive and receive.

The other fundamental point raised by Service-Dominant Logic (SDL) concerns the collaborative generation of value between a service provider and a customer. Under this view, the banking service value is something that is being taken by both parties as a shared venture, and not necessarily it is something that the provider has come up with. In the context of banking, the SDL refers to the active nature of a customer in generating value through the contacts created from interaction with the bank, which has an effect on the level of service overall (Grönroos and Gummerus, 2014).

The philosophy here is one of a contemporary view; the customer relation management technique, based on customer and relationship, stresses that a long-term relationship with customers is as indispensable as their creation. Banks may improve service quality by prioritizing client satisfaction, loyalty, and retention, and using personalized interactions and customized financial solutions. CRM acknowledges the importance of comprehending consumer requirements and preferences in order to provide an exceptional and enduring banking experience (Sathiyavany and Shivany, 2018).

Chang et al. (2010) investigated the relationships between customer satisfaction, loyalty, perceived service value, perceived service guarantee strength, and service convenience in a sample of Chinese chain restaurants. Their study examined how the perceived value of a service impacted the relationship between customer satisfaction and service convenience, with an emphasis on the mediating effect of customer-perceived service value. They also explored the moderating effect of perceived service guarantee, examining how customers thought about the strength of service guarantees affected their loyalty and satisfaction after making a purchase.

On the contrary, Thuy (2011) examined the direct and indirect relationships that relate customer satisfaction with service convenience in Vietnamese airline industry. Thuy's study examined the direct and indirect effects of service convenience on customer satisfaction through perceived service quality, demonstrating the significance of multiple facets of service convenience. Thuy's research specifically determined the relative significance of various

service convenience factors, including transaction, choice, and access convenience, in influencing customer satisfaction in the airline sector. Despite being conducted in separate sectors, both studies highlight how important service convenience is in affecting customer satisfaction, with many mediating and moderating factors affecting these relationships.

Chen et al. (2011) investigated the classification of home delivery quality components, which were adapted from the service convenience model, and how they affected customer satisfaction. The intention of their study was to determine how different elements of home delivery quality—like prompt delivery, ease of ordering, and communication—affect total consumer satisfaction. The study attempted to determine and classify the essential components of a satisfactory delivery experience and how these components directly affect consumers' overall happiness with home delivery services by using the service convenience model.

On the contrary, recent research on Indian retail banking, conducted by Kaura and Datta (2012) and Kaura (2013), concentrated on how customer satisfaction and retention are affected by service quality. These studies investigated about how customer satisfaction in the retail banking industry is impacted by aspects of service quality such as assurance, responsiveness, empathy, tangibles, and reliability. They also investigated the relationship between customer satisfaction and loyalty, highlighting how better service quality improves customer retention and long-term commitment in the banking sector. Although they focus on different service contexts—home delivery services and retail banking—both sets of studies emphasise the critical importance that convenience and service quality play in influencing customer satisfaction and loyalty.

Because retail banking products are homogeneous, customer service quality becomes a key consideration when analyzing competition strategies. Avkiran (1994) created BANKSERV, a multifaceted, functional instrument that may be used to gauge how bank clients feel about the quality of their customer service. The dimensions of banking service quality, according to BANKSERV, are teller service accessibility, communication, staff conduct, and credibility. Empirical tests of the instrument's validity, dimensionality, and reliability have produced positive findings both on their own and in comparison to other research.

Customers of banks are always worried about the employees who interact with them; in particular, they are interested in appearance, courteousness, skill, and knowledge. The bank employees should be well-informed, conduct themselves professionally, and welcome customers with courtesy, as revealed by Clemes et al. (2010). According to research by

Colgate and Hedge (2001) and Gerrard and Cunningham (2004), customers primary reason for switching banks is an unpleasant experience with the service staff.

Ultimately, theories regarding banking service quality are varied, illustrating the dynamic character of the industry and the shifting demands of clients. Models like SERVQUAL offer a thorough framework for evaluating conventional service dimensions. However, more recent theories like TAM, SDL, and CRM integrate digital trends and customer relationship dynamics, leading to a comprehensive comprehension of banking service quality.

Considering all the definitions and service quality parameters, the present research has adopted BANKSERV framework given by Avkiran (1994) to study its influence on customer patronage. The parameters covered under BANKSERV framework were: staff conduct, credibility, communication and access to teller services.

### **2.3 CUSTOMER PATRONAGE**

In the context of retail banking, the term “customer patronage” refers to the loyalty and continued support that customers make to a certain bank for the purpose of meeting their financial needs and obtaining services. When it comes to maintaining and expanding a bank’s customer base, patronage becomes an essential component in the highly competitive retail banking sector, where various financial institutions compete for customers (Okeke and Okoye, 2021). Customer patronage, often used interchangeably with customer loyalty or retention, refers to the tendency of customers to repeatedly engage with a particular bank. Banks rely on customer patronage for long-term success, as acquiring new customers is generally more expensive than retaining existing ones.

As per Felix (2017) in order to increase customer patronage, it is necessary to provide customers with a banking experience that is both good and satisfying. In this context, “offering a wide range of financial products and services that cater to diverse needs” refers to the provision of standard financial services and products, such as checking and savings accounts, as well as more complex products and services, such as loans, mortgages, and investment opportunities. When it comes to encouraging patronage, delivering outstanding customer service is of the utmost importance. Customers are more likely to remain loyal to a bank that resolves their problems in a timely and efficient manner. When it comes to retail banking, trust is an essential component with regard to consumer patronage. Customers need to have the assurance that their financial institution is trustworthy, safe, and open about how it does its business. Banks that place a high priority on transparency in terms of their rules, interest rates, and fees are more likely to earn and keep the trust of their customers.

Furthermore, the deployment of stringent security measures to secure client data and financial transactions is a vital contributor to the development of trust and the promotion of patronage (Raghavendra, 2023).

Technology that is both cutting-edge and simple to use is another factor that plays a significant part in client patronage. Because technology is continuing to have an impact on the banking business, clients are increasingly anticipating digital services that are both seamless and convenient. Those financial institutions that make investments in and adapt to the most recent technological trends, such as mobile banking applications, online account management, and services driven by artificial intelligence, have a greater chance of attracting and retaining consumers who are knowledgeable about technology (Blackburn, 2011).

The patronage of customers is not static; rather, it demands ongoing work and adaptation to the ever-changing tastes of customers and developments in the banking business. Banks that actively seek input from consumers, interact with clients through a variety of channels, and remain alert to the shifting dynamics of the market are in a better position to preserve and enhance customer patronage in the ever-changing landscape of retail banking. A bank's ability to successfully cultivate consumer patronage is ultimately reflected in the establishment of long-term relationships, the loyalty of customers, and the maintenance of sustainable company growth (Hawkins and Hoon, 2019).

In the sphere of retail banking, the patronage of customers is of the utmost importance, as it serves as the industry's lifeblood, which contributes to its continued existence and onward movement. Keeping customers loyal is one of the most important factors that determine a company's level of performance in a highly competitive environment where financial institutions compete for market share. A retail bank's operations are impacted in a variety of ways by the patronage of its customers, which highlights the significance of consumer patronage among these activities (Auka et al., 2013).

First and foremost, the patronage of customers is an essential component in the development of a consistent and long-lasting revenue stream. Those clients who are content and loyal to their selected bank are more likely to engage in a wider variety of financial transactions with that bank. These transactions can range from straightforward savings accounts to intricate investment products. This broad usage not only contributes to the bank's fee-based income, but it also strengthens the bank's reputation as a trusted financial partner in the eyes of the client for whom the bank is providing services (Storbacka et al., 1994).

Furthermore, in this day and age, when word-of-mouth and internet reviews carry a significant amount of weight, the patronage of customers is an extremely important factor in

determining the reputation of a bank. A powerful testimonial that resonates among communities, drawing new customers and serving as a monument to the institution's commitment to customer satisfaction, positive customer experiences are powerful testimonies that come from satisfied consumers. Neglecting the significance of client patronage, on the other hand, can result in damage to one's reputation, which can impede the acquisition of new consumers and possibly lead to the loss of existing customers (David, 2008, Ng et al., 2011).

In addition, the loyalty of consumers in retail banking goes beyond the simple act of doing financial transactions. Through the establishment of a foundation for cross-selling opportunities, it enables financial institutions to launch a range of products and services that are complimentary to one another. This cross-selling not only improves the customer's financial well-being by giving solutions that are personalized to their specific needs, but it also strengthens the relationship that the bank has with the consumer, making it less susceptible to opportunities presented by competitors (Magids et al., 2015).

Because the banking industry becomes so competitive, the ability of banks to attract and retain customers is an important consideration in determining their competitiveness (Narteh, 2018; Yilmaz et al., 2018). Conversely, it has been demonstrated that long-term financial success of commercial organizations is significantly influenced by customer patronage (Jones and Sasser, 1995); similar results have been made with regard to banks as a specific context (McDougall and Levesque, 2000; Belás and Gabcová, 2016).

The retail banking industry is held together by the patronage of customers, which is the cornerstone that holds the industry together. It is not only felt in terms of financial terms, but also in the area of reputation and trust, which are intangible aspects of success. In the rapidly changing and intensely competitive retail banking sector, financial institutions that place a high priority on customer happiness, provide individualized services, and cultivate long-lasting relationships are well positioned to flourish. The ever-present significance of customer patronage continues to be a constant, hence determining the path that retail banks will take to achieve success as the industry continues to undergo growth and change (Andrew, 1990).

Customers' patronage in retail banking has seen major changes over the years, driven by technology improvements, increasing consumer expectations, and dynamic market pressures. These factors have all contributed to the evolution of client patronage. Brick-and-mortar branches were the primary location where clients went to satisfy their financial requirements in the early days of retail banking. The relationship between customers and banks was frequently transactional, and face-to-face meetings played an essential role in establishing

confidence and gaining an understanding of the specific financial requirements of each individual customer (Howcroft et al., 2003).

Customer patronage has transformed with the introduction of technology, especially the internet and mobile devices. Online banking systems allow the customers to conduct transactions as well as access financial information remotely without the need to step out of their own homes. This was the beginning of an era where digital channels became a part of the engagement of the bank with customers. Expectations changed because of the ease of having access to banking services at any time and the possibility of handling accounts remotely, thereby prompting financial institutions to make significant investments in digital infrastructure (Jameaba, 2020).

At the same time the customers were getting accustomed to the digital bank, financial technology companies appeared in this sector. Those agile and visionary companies provided easy interfaces, customized services, and often faster responses than traditional banking organizations. On the other hand, as competition increased, conventional banks had to evolve and continually improve their digital products to remain relevant. Therefore, the seamless integration of technology into services has increasingly become a crucial determinant of consumer patronage (Ozuem et al. 2016).

The past two years have witnessed the development of client patronage in retail banking evolve into the field of data-driven customization. Today, with consumer data integrated with the banks, they can provide services and products personalized particularly towards a customer group, hence giving the customer a more customized and interactive experience. The potential usage of artificial intelligence and machine learning algorithms enables banks to analyze client behavior, preference, and financial trends, which can then predict future customer demands for proactive solutions (Aziz and Andriansyah, 2023).

Now, for instance, open banking-the idea where a customer can safely share with third parties his or her financial data is also very common in the present scenario. This creates a collaborative space where the customers enjoy a much greater scope of services beyond what the traditional banking institutions are offering. Thus, the customer patronage development lies on the way to more of an integrated and customer-oriented financial environment (Grewal et al., 2009).

Customer patronage in retail banking has an evolutionary process through the transition from a face-to-face in a physical branches encounter to a digital-first, which is technology, competition, and data analytics-driven. To summarize, this progression is indicative of the development of the client patronage. The continuous transition also highlights the role of

adaptation for financial institutions, which are interested in protection and further growth of their customer base within a constantly moving financial landscape (Gomber et al., 2018).

A number of ideas shed some light on the elements that drive client loyalty and engagement with financial institutions. Such theories affect the patronage of customers in retail banking environments. The other theory is Relationship Marketing Theory. One of the most important theories is the Relationship Marketing Theory, which places an emphasis on the significance of establishing and sustaining long-term connections with clients. Ideally, the underlying concepts that help support retail banking theory are lots of aspects, including one-to-one contact, communication efficiency, and trust indicators, in making the client satisfied and thereby the customers loyal. The likelihood of loyalty to a bank increases if the bank truly tries to understand the needs and preferences of its clients as this will make clients feel valued and understood by the bank (Gonring, 2008).

Another important theory, the Service Quality Theory postulates that, indeed, the services quality perceived do play a lot in determining the number of customers who support a given business. Customers, most of the time appraises the quality of services offered by retail banks according to several dimensions and these include: the speed at which the transactions are processed, the responsiveness of the staff and the reliability of the digital systems. The quality and consistency with which service delivery takes place raise the possibility of attracting and retaining customers whose value propositions include a seamless and reliable banking experience for financial institutions. On the other hand, service experiences that are positive will contribute to a positive word-of-mouth effect that further increases patronage (Babin et al., 2005).

Apart from the above factors, the Social Exchange Theory provides insight that is independent of the relations between the clients and financial institutions. According to the theory, it postulates that an individual establishes mutually beneficial relationships with other people. For instance, in retail banking, customers are likely to stay committed with a bank if they feel that, that particular bank provides good-quality products and interest rates besides rewarding them for their loyalty. Financial institutions that provide customers with incentives and individualized benefits cultivate a favourable transaction environment, which in turn increases consumer happiness and loyalty (Srinivasan et al., 2002).

Additionally, the Technology Adoption Theory thus applies to the understanding of the patronage of customers in contemporary retail banking. Customers are attracted to financial institutions embracing technological improvements and providing easily accessible and user-friendly online and mobile banking channels. This is because customers are increasingly

dependent on digital channels. Customers who are tech-savvy and who place a high priority on efficiency and accessibility in their banking interactions are more likely to be attracted to and retained by financial institutions that make investments in cutting-edge technology and provide them with innovative digital solutions (Lottu et al., 2023).

Consumer patronage in retail banking is a complex phenomenon precipitated by a variety of theories. There are also a variety of ideas that can help determine which variables are being led by customers to loyal behaviors. Among the most important theories are relationship marketing, service excellence, social interaction, and technology adoption. Successful retail banks understand and put these theories into their approach in doing business. This means enabling them to create long-term relations with their customers and stay ahead in the rapidly changing banking industry (Al Karim and Habiba, 2020).

Kim et al. (2009) argued that patronage by customers is an integral part of a successful business enterprise because it impacts both short-term profitability as well as long-term viability. Customer Satisfaction and their likelihood to patronize a business, customer satisfaction is one of the key drivers that determine customer visits. Numerous studies have demonstrated that there is a positive association between satisfied customers and those who return for more purchases. Customers are more likely to become loyal consumers of a business where they have had pleasant experiences with the product or service they have purchased. Businesses that place a high priority on customer satisfaction by providing high-quality products, outstanding service, and meeting or exceeding customer expectations are more likely to cultivate a sense of trust and commitment among their clientele (Hart and Johnson, 1999).

The quality of service is a significant factor in determining the number of customers that patronize a business. According to the findings of research, buyers are concerned not only with the product itself but also with the complete experience of receiving products and services. It is common for businesses to have higher levels of client loyalty when they regularly deliver exceptional service, individualized interactions, and rapid problem resolution. In oversaturated marketplaces, where customers are increasingly discerning and choosy, the quality of the service provided can become a crucial indicator of differentiation (Holland and Baker, 2001).

A very powerful and favorable image of the brand is a key determinant that leads to an increase in the number of clients patronizing. The more a consumer trusts a brand, the more they are liable to patronize the brand. Proportionally, the belief of a consumer regarding the reliability and credibility of a brand is directly proportional to their likelihood of patronizing

it. For instance, firms that actually try to build a brand image with features of trustworthiness and authenticity often discover the fact that such customers are more loyal over time. For customer's decision-making process, trust develops as one of the vital factors, which subsequently will influence their intent toward repeated transactions (Kim et al., 2008).

It has been determined that one of the most important factors impacting consumer patronage is the successful implementation of Customer Relationship Management (CRM) strategies. With the use of technology and data analytics, businesses are able to gain a deeper understanding of the preferences of their customers, modify their products and services, and give more personalized experiences. Customers are likely to return to a firm using CRM since it not only leads to customer happiness but also boosts attachment and engagement feelings (Alshurideh et al., 2023).

Apart from the internal factors that explain the patronage of customers, there is also a role played by the outside factors. Customer behavior changes with many factors comprising economic situation, societal trends, and competitive landscape. For example, in a period when the economy has downturn, customers become more sensitive to the prices that they pay. Thus, loyalty programs and value-added services are very crucial in an attempt to retain the patronage (Mimouni and Volle, 2010).

Thus, client patronage is a multi-dimensional phenomenon influenced by a wide variety of circumstances. Be it internal viewpoints such as customer happiness and service quality or be it the eventual outcome from external forces such as economic situations. Businesses that place more priority on establishing superb relations with their customers, provide great service, and preserve their agility in responding to dynamic market conditions are better positioned to capture consumer loyalty, which needs to be safeguarded to build long-term success in this competitive business environment currently (Wang and Lo, 2003).

#### **2.4 IMPACT OF BANKING SERVICE QUALITY ON CUSTOMERS' PATRONAGE**

Many studies have identified the links between service quality and customer satisfaction. Companies and organizations strive hard to achieve high levels of customer satisfaction, especially those companies that believe in enjoying a long-term relationship with customers (Fida et al., 2020). However, the specific aspects of service quality remain a subject of discussion and argument and its relationship with customers' patronage is still yet to be covered. The banking sector has been exposed to significant developments over the last few of years, which have primarily been indicated by the implementation of cutting-edge technologies as well as a shift towards customer-centricity. Under these transformations, the

quality of financial services has become a vital dimension that has gained greater emphasis. The influence that the quality of banking services has on the patronage of customers has emerged as a central topic of investigation in both academic study and industry analysis. It is, therefore, essential that financial institutions looking to excel in an ever-changing market are aware of the way customers perceive and experience quality in what they receive from banking services (Mohsan et al., 2011).

Some of the elements that fall under the multi-dimensional concept of service quality include reliability, responsiveness, assurance, empathy, and tangibles, according to Bungatang and Reynel, (2021). In the context of banking, these aspects play a significant part in forming the impressions of customers and influencing their choices regarding whether or not to maintain their patronage of the institution. The results of numerous studies have repeatedly demonstrated that consumers who have a perception of higher levels of service quality are more likely to form favourable attitudes toward a bank and to demonstrate more loyalty, which eventually results in increasing patronage.

Because it is one of the most important aspects of service quality, reliability is of utmost importance in the banking industry. The reliability and precision with which banking services are provided is of utmost importance for the customers. Customers are more likely to have a sense of trust and reliability when they are provided with a banking service that is established and reputable. For this reason, financial institutions that are able to regularly meet or surpass the expectations of their clients in terms of the reliability of their services are more likely to keep their present customers and attract new ones, which ultimately has a good impact on their overall patronage percentage (Jun and Cai, 2001).

Whether or not a bank is sensitive to the interests and concerns of its customers is another important factor that plays a role in the decisions that customers make. In this day and age, where speed and efficiency are highly prized, clients are more inclined to retain their patronage with a bank that immediately responds to their inquiries, resolves difficulties, and delivers services that are efficient. According to research, a responsive approach not only improves customer happiness but also makes a substantial contribution to the perceived quality of service, which in turn influences consumers' judgments regarding whether or not they will remain loyal to a certain bank (Ali and Raza, 2017).

Dahlia and Hanwin (2014) endorse that attitudinal loyalty and behavioral presence are the most effective factors patronage intention in the banking industry of Indonesia. Moreover, perceived service quality and corporate social responsibilities are showing fewer influence towards building patronage intention in the industry.

An attempt has been made by Adiele et al., (2015) in understanding factors related to customer patronage intention towards the Nigerian banking sector. The finding of the study revealed that physical evidence, including ambient conditions, physical architecture, and signs are the most crucial factors that determine patronage to the banks, and it has also shown a strong positive relationship amongst them.

Pakurár et al., (2019) further added that assurance, empathy, and tangibles together contribute toward total service quality in the banking context apart from being supported by reliability and responsiveness of service. Assurance can be described as the capacity of a bank to develop confidence and trust in its customers through using employees who are informative and friendly. Empathy, on the other hand, is the capacity of the institution to be able to understand and nurture the specific needs of every individual customer.

Tangibles, on the other hand, refer to the elements of the delivery of services that are always physical yet interactive. These range from such things as modern infrastructures to friendly technology, among others. These aspects, when combined, produce an all-encompassing service quality environment that has a significant influence on the decisions that consumers make regarding whether or not to continue their patronage (Dahan et al., 2022).

This makes the relationship between the quality of banking service and patronage of customers more complex and multifaceted. Customers are likely to stay loyal to such financial institutions that focus and enhance different aspects of service quality. This is because such institutions are likely to receive continued patronage (Auka, 2012). The banking industry is dynamic, hence making it mandatory for such financial institutions that are barely surviving in the increasingly competitive market to learn about and adapt to shifting expectations of the clients concerning the kind of service quality. The future of study in this field should be able to influence the course of service quality and client patronage in the banking industry through the consideration of emerging trends and technologies that further shape these dynamics (Oladapo et al., 2022).

In today's highly competitive financial environment, the relationship of the quality of banking services and patronage of customers is considered a very critical component that significantly affects the longevity and success of financial institutions. It is the quality of the service that plays a very essential role in determining the perceptions, levels of happiness, and levels of loyalty of customers, which in turn influence their decision regarding whether or not to continue their association with a certain bank (Ladhari et al., 2011).

The first and most important thing that customers anticipate from banking services is a high level of dependability. That is, with regard to processing requests promptly, the accuracy and

reliability of transactions, and consistency in the distribution of services. By constantly meeting or even surpassing these expectations, a bank is able to instill trust and confidence among its customers, and that is what eventually leads to increased patronage with the bank. Reliability has an association with customers' happiness as well as the chances that customers would continue to be loyal to a certain bank (Wah et al., 2012).

In the second place, convenience of access and comfort to financial services can directly affect the number of customers that have to be served by bank services. Ease of access to their accounts and speed and effectiveness of online transactions; user-friendliness of interfaces are also valued in their days of banking when the banking goes digital. Because ease is such a significant component in determining patronage in the contemporary banking environment, financial institutions that make investments in technology to improve the convenience of their services have a greater chance of attracting and retaining clients to their services (Kim et al., 2008).

In addition, the degree to which a bank is sensitive to the requirements and concerns of its customers has a substantial impact on the overall quality of the service. A strategy that is centered on the client, clarity in communication, and prompt and effective resolution of difficulties are all factors that lead to a great experience for the customer. The demonstration of a commitment to customer satisfaction by financial institutions that place a high priority on client input and modify their services accordingly results in increased consumer patronage and stronger long-term partnerships (Petruzzellis et al. 2009).

Service quality is a fundamental assessment, or attitude, about how excellent a service is, as defined by Rathee et al. (2014). In the current highly competitive landscape, offering high-quality services is crucial for all service industries, especially in the banking sector. Following the privatisation of some commercial banks, there was little competition; but, with the entry of new, tech-savvy private institutions, the banking industry is now highly competitive. In a private bank, customer satisfaction and patronage are mostly determined by the qualities of the service; however, the dimensions of reliability and empathy exhibit the largest inconsistencies. It is observed that in the context of globalisation, privatisation, and liberalisation, the Indian banking industry has grown incredibly competitive. In order to maintain an edge over their competitors, banks must concentrate on delivering an extensive range of products as well as services, especially when it comes to sustaining service quality. The three primary areas where banks fall short in terms of service quality are empathy, assurance, and responsiveness. As a result, in order to keep customers satisfied, banks should concentrate more on these attributes.

Furthermore, the human contacts that take place between bank employees and customers are a factor that contributes to the quality of service that is perceived. An impression that is favorable is created by personnel that is not only polite and competent but also able to respond to questions and concerns raised by customers and offer assistance. In banking service quality, the human element contributes to an overall improvement in the customer experience and helps to cultivate a sense of connection, which in turn influences the decisions that customers make regarding whether or not to continue their patronage (Pakurár et al., 2019).

Shankar and Jebarajakirthy (2019) aim to empirically investigate a comprehensive moderated mediated mechanism for improving customer loyalty towards e-banking platforms using e-banking service quality (EBSQ) practices. The providers of online banking services should continue to focus that trust and loyalty are influenced distinctively by each of the multiple dimensions that contribute to the quality of service. The results indicate that e-banking trust and loyalty are primarily influenced by privacy and security. Customers use e-banking because they care about the security of their financial transactions and the privacy of their personal information.

Yilmaz et al. (2018) examined the connection between their overall level of satisfaction with their banks and how they perceived the services they provided using SERVQUAL service dimensions. The results of the study suggest that a bank's ability to inspire belief in its customers, the reliability of its offerings, and the physical location and accessibility of the bank all contribute to increased customer satisfaction.

Paul et al. (2016) evaluated India's public and private sector banks and investigated how different SERVQUAL variables influenced overall customer satisfaction. Product knowledge, responsiveness to needs, responding to questions, prompt service, quick access to the appropriate person, and attempts to shorten waiting periods were discovered to be the elements that were positively correlated with overall satisfaction in the context of private sector banks. Customer satisfaction was negatively associated with follow-up, appearance, and assistance to the customer. Regarding public sector banks, the only element that had a negative correlation was appearance. The only positively correlated factors were product knowledge and prompt assistance.

The impact of the perceived SERVQUAL characteristics on customer satisfaction was investigated by Kant and Jaiswal (2017). The dimensions that have been identified are image, tangibility, responsiveness, assurance, and empathy. The results of the investigation indicate that the most significant predictor of customer satisfaction was responsiveness.

On the other hand, while image was proven to have a favourable influence, customer satisfaction is not significantly influenced by it. It was observed that there was no association between customer satisfaction and reliability.

A survey conducted by Garga et al. (2016) involved consumers who visited the bank at least once a month. Based on the analysis, the research conclusions indicated that, in relation to the quality of services provided, customer happiness and switching costs positively and significantly mediate the customer patronage. The investigation additionally shows that the only social and economic foundation for an organization's survival is its ability to satisfy its customers, which is achieved through consumer patronage.

Ayinaddis et al. (2023) conducted a study in Ethiopian banking industry and the results claimed that the variables security and privacy, speed, convenience, responsiveness, and reliability all had a significant effect on customer satisfaction. Similar to this, customer loyalty is greatly impacted by their level of satisfaction with the quality of the electronic banking service. On the other side, there is no noticeable impact of system availability, ease of use, or service cost on customer satisfaction. In order to maximize customer satisfaction and loyalty, banks are encouraged to focus on variables linked to responsiveness, reliability, system availability, and speed based on the findings. Adoption of electronic banking services that provide an adequate assurance, rapidly resolve issues, deliver services exactly as promised, are always available, and deliver quickly makes consumers more satisfied, which consequently builds loyal and dedicated customers.

According to Misteran (2023), customer loyalty based on voluntary participation is supported by elements like the bank's competitive pricing for its goods and services, excellent customer service, staff qualifications and demeanour, flexibility and range of services, including remote service, and the sense of confidence that customers have in the bank's employees. This suggests that the elements that have a significant impact on how customers perceive about the bank can also result in positive attitudes, enduring impressions, and partnerships.

According to research findings by Supriyanto et al., (2021), there is a positive correlation between service quality and customer loyalty. This implies that improving service quality can lead to higher levels of customer satisfaction and loyalty. In general, building employee or internal loyalty comes first when attempting to enhance service quality. Increasing customer satisfaction can be accomplished by providing better services, and as customer satisfaction rises, so does customer loyalty. Conversely, customers who are happy with the service may not be always loyal. Nevertheless, loyal customers will certainly be happy with the services.

According to Abror et al (2020), there is no evident about direct relationship between customer loyalty and service quality. This result contradicts the findings of earlier research (Meesala and Paul, 2018; Murali et al., 2016) which suggest that customer loyalty is an outcome of service quality. However, using customer satisfaction as the mediating variable, service quality has an indirect effect on customer loyalty. The most probable explanation for this is that loyalty is mainly affected by customer satisfaction (Han and Hyun, 2018); however, Miranda et al. (2017) argue that one of the key elements influencing consumer satisfaction is service quality.

Using the SERVQUAL Model, the attributes of service quality and how they influence customer satisfaction were investigated in Omani Islamic banks. The correlation analysis revealed a robust positive association between the three variables, service quality, customer satisfaction, and customer loyalty. Regression analysis indicates that responsiveness and empathy dimensions positively impact customer satisfaction. Because empathy and responsiveness have a significant impact on customer satisfaction, banks should emphasize these attributes (Fida et al., 2020).

The relationship between banking services quality and the patronage of customers is complex and dynamic. The entire experience that customers are exposed to is, in fact, a resultant of reliability, accessibility, responsiveness, and human interactions. The strong loyalty of clients probably develops under financial institutions, focusing and consistently delivering high-quality service across the several dimensions. This will positively impact the patronage of the institutions as well as their general performance in the highly competitive banking market (Arokiasamy, 2013).

According to Muthoni and Otieno (2014), customer satisfaction is dependent on a number of variables, such as loyalty, retention, and post-purchase satisfaction. One of these factors is service quality. The differences in satisfaction among the Commercial banks are caused by the five Service Quality parameters. In the banking industry, it has been observed that discrepancies in service quality affect customer satisfaction. The SERVQUAL Model and Service Gap Model can be used to examine how the Service Quality gaps effect long term client retention, loyalty and post purchase.

The quality of banking service and customers' patronage in other words is an aspect that relies heavily on the continued performance and sustainability of the financial institutions (Arokiasamy, 2013). Customers' impressions, levels of pleasure, and ultimately their loyalty are all significantly influenced by the quality of the services that customers receive from financial institutions. In light of the fact that customers are increasingly looking for banking

experiences that are convenient, efficient, and personalized, the significance of providing high-quality service cannot be stressed (Ladhari et al., 2011).

A wide range of elements affect customer patronage in banking, but service quality is one of the most important ones. Customer satisfaction, which in turn mediates the relationship between service quality and patronage, has been found to be impacted by service quality (Caruana, 2002). In addition to that technical and substantial components, the human aspects of service quality are crucial for promoting customer satisfaction and patronage (Lenka et al., 2009). To encourage repeat customers and build patronage, banks use tactics like customer appreciation services, which include dedicating certain days to present presents to clients (Wali and Opara, 2013). Customer patronage can be additionally affected by bank branch locations, particularly on higher education institutions, however more research is needed to determine the long-term effects of such strategies (Fry et al., 1973).

In an increasingly competitive banking environment, where products and services are often standardized, customer satisfaction and retention hinge on factors beyond pricing or features. One such factor is staff conduct, which can directly influence customer perceptions, experiences, and loyalty. Staff behavior, both in terms of professionalism and interpersonal interaction, is increasingly recognized as a key determinant of customer satisfaction and continued patronage in the banking industry. This literature review explores the relationship between staff conduct and customer patronage in banks by examining empirical studies, theoretical frameworks, and key dimensions of staff conduct that affect customer behavior. Customers are drawn to banks not only because of their products but also because of the overall customer experience, which is significantly influenced by staff behavior. For banks, higher levels of customer patronage are associated with increased revenues, more cross-sell opportunities, and positive word-of-mouth recommendations (Nguyen and Leclerc, 2011).

Mahamad and Ramayah (2010) investigated on how customer loyalty and satisfaction in the banking industry were impacted by service quality. According to the survey, employee behavior directly affects customer loyalty and has a major impact on customer satisfaction. The study also found that positive behavior and empathy towards customers by helpful and courteous workers increased customer satisfaction and increased the likelihood of repeat patronage.

It was shown that there is a positive association between great service quality and higher patronage. This was one of the most important findings. Banks that place a high priority on providing exceptional customer service, which includes transactions that are completed in a timely seamless manner and with accuracy, technology that is easily accessible and user-

friendly, and support that is responsive, are more likely to secure new clients and keep existing ones. In addition to being advantageous for the retention of existing consumers, this strong relationship also helps in the acquisition of new customers by way of positive word-of-mouth recommendations. In addition, the influence of service quality on the patronage of customers extends beyond the level of transactions that are performed. It involves the entire customer experience, which includes the dependability of financial systems, the transparency of communication, and the capability to handle and resolve customer complaints in a timely manner. A solid foundation for trust and loyalty is established by financial institutions when they continuously fulfil or exceed the expectations of their customers in the aforementioned areas (Leninkumar, 2017). However, it is essential to bring to attention the fact that the absence of high-quality service can have severe consequences, such as the discontent of customers, the loss of customers, and negative reviews. The quality of services becomes a distinguishing aspect that influences the decisions that customers make in today's competitive banking scene, where clients have a variety of options to choose from (Ganesh et al., 2000).

On the basis of aforementioned studies from the literature, it can be claimed that customer patronage is essential to an organization's success and continued existence in the competitive business environment of these days, particularly for services-based sectors. A great deal of attention has been paid to the factors that affect customer patronage and repeat business, with a focus on the importance of employee behaviour, organisational credibility, communication quality, and service accessibility. In order to comprehend the relationships and effects that each component has on the customer patronage, this study examine these components in the context of customer engagement. Additionally, this study offers a number of hypotheses to investigate the potential direct correlations and influences of staff behaviour, credibility, communication, and teller service accessibility on customer patronage. The study posits the following hypotheses:

### **Hypotheses of the study**

H1: Staff conduct has a significant relationship with customer patronage

H2: Credibility has a significant relationship with customer patronage

H3: Communication has a significant relationship with customer patronage

H4: Access to teller services has a significant relationship with customer patronage

H5: Staff conduct has a significant impact on customer patronage

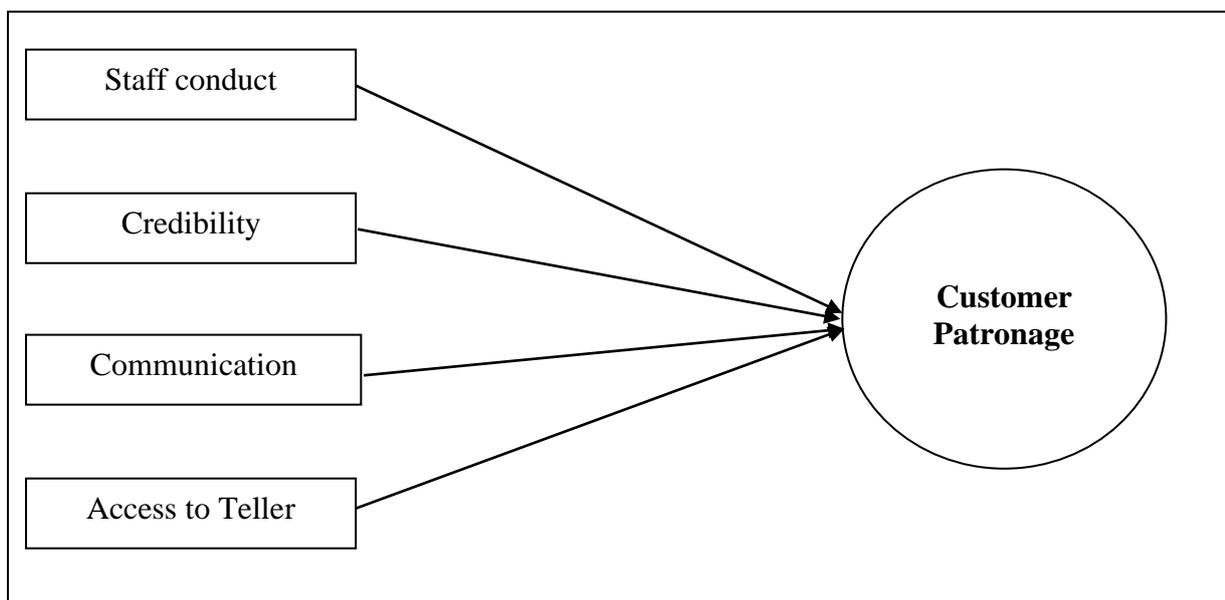
H6: Credibility has a significant impact on customer patronage

H7: Communication has a significant impact on customer patronage

H8: Access to teller services has a significant impact on customer patronage

## 2.5 CONCEPTUAL FRAMEWORK

The present research study has employed the following conceptual framework for achieving research objectives in an effective manner (Kindly refer Figure 2.2). According to this framework, the study proposes a relationship between and an impact on customer patronage for each of the four independent variables of service quality: staff conduct, credibility, communication, and access to teller services.



**Figure 2.2** Showing Schema of Research (Developed by the Researcher)

Each element works independently to increase customer loyalty and satisfaction, which in turn promotes repeat business and enduring connections with customers. Good employee behaviour tends to increase customer satisfaction and encourage repeat business. In the same manner, customers are more inclined to continue dealing with a company they believe to be reliable and trustworthy. In addition to proposing relationships, this framework believes that enhancing any one of these elements will directly and favourably affect customer patronage.

Businesses may recognise particular areas that affect retention of customers by examining these factors. This allows them to meticulously deploy resources to enhance the customer-important areas of service. For instance, attempts can be taken to enhance access to teller services if feedback indicates that lengthy wait times are a problem. Businesses may try to

improve transparency and fulfil promises if credibility is an issue in order to gain confidence from customers.

Additionally, the framework offers measurable components that businesses may track over time to determine how well their customer service strategies are operating. Perceptions of employee behaviour, credibility, communication quality, and accessibility can be identified through surveys and customer feedback. By monitoring these indicators, businesses can directly link developments in these areas to increase patronage and customer loyalty. This approach highlights areas that require improvement or provides conclusive evidence of effective strategies.

Businesses can strengthen customer patronage, achieve a competitive edge, and enhance the customer experience by constantly enhancing these elements of service. For instance, a bank that prioritizes courteous staff relationships, transparent communication, reliable service, and easy access to teller service is more likely to keep its current customer base and lower the likelihood that they will choose to do business with competitors. Overall, this framework offers businesses insightful guidance on developing and sustaining an enduring, loyal customer base.

## **2.6 SUMMARY**

The conclusion is that the relationship between the quality of banking service and the patronage of clients is a mutually beneficial one. It is likely that financial institutions that make investments in improving the quality of their services will see an increase in client loyalty, a positive perception of their brand, and sustained development (Kheng et al., 2010). On the other side, in a market that is becoming increasingly customer-focused and dynamic, individuals that disregard the quality of their service may find themselves at a disadvantage. Because of this, it is essential for financial institutions that want to prosper in the constantly shifting environment of consumer preferences and expectations to acknowledge the significance of service quality and to place a high priority on it (Bell et al., 2005).

## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 INTRODUCTION

The research methodology is an extensively utilised standard system that includes explicit sections such as phases, processes, methodologies, and tools for addressing a particular issue. When discussing the strategy selected for the investigation methodologies, due consideration is also given to the rationale behind the strategies we employ with respect to the present research; consider and highlight the reasons behind the use of a particular method or system and the avoidance of others so that the results of the investigation are suitable for evaluation by the researcher or by other individuals or organizations. This section exhibits how the complete study has been addressed in a practical manner. This part oversees the approaches used for attempting and achieving the objectives of the investigation.

According to Kothari (2004), “research methodology is a method for solving the research problem systematically.” It may be understood as the study of how scientific investigation is conducted. The research technique used for effectively achieving the objectives and respond to the research questions of this study on the factors influencing service quality and their effect on customer patronage in Indian retail banking is described in this section of the research. It details the comprehensive approach taken, encompassing both data collection and analysis techniques. Additionally, this section explains the rationale behind the choice of methods, ensuring that they are well-suited to address the specific nuances and complexities of the study topic. This careful selection of methodology aims to ensure the reliability and validity of the study's findings, providing a robust foundation for conclusions and recommendations. Starting from the initial phase, it explains the research design, study population, sampling procedure and techniques, data collection method, analysis, and respondent response rate. The design of the questionnaire, the pilot test, and the analytic methods are all addressed in this chapter. A summary of the chapter is included at the end of the chapter.

Commonly, the pursuit of knowledge is known as inquiry. According to Krishnaswamy et al. (2006), “research can be defined as a self-critical, systematic inquiry.” In simple words, Research can be understood as a systematic and structured process of investigating and exploring phenomena, theories, or issues to acquire a deeper understanding, confirm facts, and reach new conclusions. It involves collecting, organizing, and analyzing data to enhance

knowledge in a specific field. This process is critical for developing logical results based on empirical evidence. Research can also be defined as the scholarly and systematic search for pertinent knowledge on a given topic. Research is indeed a form of scientific inquiry.

The purpose of the present research is to expand our understanding of some important constructs, including customer patronage and service quality. While these concepts have been presented in various ways, they have been connected in their justification of their relevance to the discipline of management. Initially, providing higher customer values could possibly be assisted by having a good understanding of the targeted consumer. Quality incorporates more than just meeting stated criteria; it also has a relationship to probably projected standards. Patronage is simply a desire to remain associated with a brand and an inclination to keep purchasing the same product. The proposed research study aims to investigate the critical determinants of service quality in Indian retail banking and assess their impact on customer patronage.

### **Objectives of the study**

1. To identify and evaluate the key determinants of service quality perceived by customers in Indian retail banking.
2. To investigate the relationship between service quality and customer patronage in Indian retail banking.
3. To identify the most important as well as least important determinants of service quality perceived by customers in Indian retail banking.
4. To analyze the impact of service quality determinants on customer patronage in Indian retail banking.

### **3.2 RESEARCH DESIGN**

Research design anticipates how the study will be carried out with the goal of assessing the formulated hypotheses, questions, and critical research objectives for enhanced assumptions and conclusions. Based on an extensive examination of the literature, the researcher developed a comprehensive conceptual framework for assessing and measuring the quality of service provided from the perspective of the customer experience or determining the views and thoughts of the customer regarding service expectations and perceptions, in an attempt to address the research questions and objectives.

A research design serves as a road map that assists a study reach its goal. A research design is a plan or structure for conducting market research. It describes the procedures required to

obtain the necessary information. The research project entailed an in-depth review of both primary source data and the body of existing knowledge. As a result, the study employed an empirical investigation with descriptive research design. The population for the study is defined as residents of Maharashtra, a metropolitan state, in order to portray an Indian scenario. 5 largest districts of Maharashtra state were covered for gathering the data (Mumbai, Nashik, Thane, Pune and Nagpur). These regions were covered due to their dense population (Census 2011). The objective is to construct a study design that will either test hypotheses of interest or determine plausible solutions to research questions, resulting in decision-useable data (Malhotra et al., 2017).

The research design in this study is descriptive since it was carried out using some prior knowledge about the research topic. Research that is descriptive or statistical describes the facts and traits of the population and phenomena being studied (Sekaran and Bougie, 2016). Descriptive research was used to systematically describe and quantify the relationships and characteristics of service quality and customer patronage. It seeks to present a clear picture of the influences and dynamics of service quality determinants on customer patronage in retail banking in India. The development of assumptions, principles, or ideas with universal applicability, as well as the testing of hypotheses, are all further explained by descriptive research.

In many service sector settings, the SERVQUAL model developed by Parasuraman et al. (1985) has been the most extensively used and popular approach for assessing service quality. However, the present study has used the updated framework of service quality BANKSERV by Avkiran (1994) in this investigation. In light of this, it has been suggested to be a beneficial and effective technique for assessing, evaluating, and analysing service quality gaps (between expected and perceived levels of service) from the perspective of the customer.

### **3.3 SAMPLING TECHNIQUE**

In research, the population refers to the entire set of individuals or items relevant to a particular question or phenomenon of interest. It represents the total group about which researchers want to draw conclusions. A sample, on the other hand, is a subset of the population selected for the actual study. It is a smaller group drawn from the population, intended to represent it as accurately as possible.

The primary reason to study a sample instead of the entire population is practicality. Sampling allows researchers to gather data quickly and at a lower cost, reducing the

resources needed. By carefully selecting a representative sample, researchers can infer about the entire population with reasonable accuracy, making it a fundamental technique in statistical studies to generalize findings without the need for exhaustive data collection from every population member.

The two primary types of sampling techniques are Probability and Non-Probability sampling. Non-Probability Sampling aids in choosing a sample that is representative of the population in such situations. For the purpose of the study, the non-probability sampling technique is adopted. The present research study has used convenience sampling for identifying the appropriate sample. Convenience sampling is chosen for its practicality, cost-effectiveness, and efficiency. It allows researchers to quickly gather data from readily accessible participants, making it ideal for studies when resources and time are limited. Even though the decision to select the population was determined considering reach, time, and resource constraints in mind, the chosen geographical region serves the purpose of providing an adequate representation of the universe.

A sample is defined as "a set of respondents selected from a larger population for survey purposes" (Salant et al., 1994). Sampling is employed to save the valuable time and resources of the researcher. According to Ary et al. (1996), "it is not necessary to study all the available cases to understand the phenomenon under consideration." It is crucial to have a representative sample from the population under study, from which the researcher can make inferences or generalizations (Maleske, 1995). A sample should be capable of obtaining relevant data from a reasonably small number of respondents (Chuan and Penyelidkan, 2006). The sample size is the part of population chosen for a survey or experiment. The absolute size of the sample depends upon the complexity of the population, purpose of research, and statistical operations used in data analysis. The sample size was calculated using Cochran's formula of sample size determination.

$n = Z^2 pq / e^2$  (Cochran's Formula, 1963), where n is the sample size

Z value is 1.96 at 95 percent confidence level

p is the estimated proportion of the population which has the attribute in question

e is the margin of error

q is 1-p

Therefore, the sample size at 95 percent confidence level was calculated as,

$$n = 1.96 * 1.96 * 0.5 * 0.5 / 0.05 * 0.05$$

$$n = 385$$

To collect the anticipated responses, 600 questionnaires were distributed, 447 responses received. After the careful investigation of the responses received, 22 questionnaires are found to be incomplete. Therefore, the sample for the present study was 425, which is more than 385, and is considered as an adequate sample. The response rate was 70.8 %. Babbie (2003), states that a 50% response rate as acceptable and a 70% response rate as very good.

### **3.4 DATA COLLECTION AND INSTRUMENTATION**

Typically, the effectiveness of a study is determined by the quality of the data collected and analyzed during the research process (Gaurav, 2016). Data are discrete facts, statistics, or pieces of information, which are frequently numerical. In a more technical sense, data is a collection of qualitative or quantitative variable values pertaining to one or more individuals or objects. During the duration of the current research project, both primary and secondary data were collected.

Primary and secondary sources of data were considered as important sources of data for the current investigation as gathering data is essential for statistical analysis, formulation, and interpretation of data that could be beneficial for organizational and managerial planning and decision-making. Several methods and strategies have been used to collect the necessary and relevant information and data. All of these can be broken down into two distinct categories: primary and secondary data (Ajayi, 2017).

Primary data refers to original information collected first-hand by a researcher for a specific purpose. This type of data is gathered directly from the source through methods such as surveys, interviews, experiments, and observations, providing fresh insights specific to the researcher's objectives and questions. To capture the primary data from the respondents, a structured questionnaire was developed and administered.

Secondary data consists of information that has already been collected and published by others. Researchers use secondary data to gain insights or support for their own studies without the need for direct data collection. For the proposed research study, secondary data would be sourced from existing resources such as books, articles, reports, journals, and databases.

### **3.5 ETHICAL CONSIDERATIONS**

The research study complies with the respondents' expectations of confidentiality and anonymity. Through an affirmation on the questionnaire, the participants were given the assurance that their personal information would not be shared with anyone in violation of their right to privacy. The declaration additionally explained the rationale behind the data collection. Provided that their feedback would only be utilised for research project while ensuring no one else would be able to view them. There have been no interventions or actions performed by the researcher; this is purely empirical study. It was believed by the researcher that the respondent gave his agreement willingly, freely, intelligently, logically, and clearly, and that he had full authority to withdraw his consent from the research.

#### **Development of Instrument**

A broad range of tools and techniques used to gather information from research participants are referred to as "measurement instruments." Using the existing and validated scales, a structured questionnaire was created for the planned study on the factors influencing service quality and how they affect customer patronage in Indian retail banking. This questionnaire will incorporate variables identified from the literature relevant to banking service quality and customer patronage. To ensure the precise collection of participant responses, a five-point Likert scale was used. In order to allow for a more nuanced analysis of customer perceptions and experiences, respondents were asked to rate their agreement with each statement of customer patronage on a scale from 1 (strongly disagree) to 5 (strongly agree). Additionally, respondents were asked to rate the service quality of banks on a scale from 1 (much worse than I expected) to 5 (much better than I expected). This research study would collect data from 425 banking customers in the state of Maharashtra. The due consideration will be taken to ensure that the selected sample closely represent the target population.

#### **Dependent variable**

**Customer patronage:** 5 statements developed by Zeithaml et al. (1996) were adapted to measure customer patronage towards banking services.

#### **Independent variable**

**Service quality:** 17 statements, including 4 factors, developed by Avkiran (1999) were adapted to measure the dimensions of service quality.

### **3.6 PROCEDURE**

This section covers the overview of steps followed to conduct data analysis, starting from the selection of appropriate research design, questionnaire development and testing, data collection and lastly the data analysis.

#### **3.6.1 RESEARCH APPROACH**

Research can be categorized into two main types: quantitative and qualitative (Hair et al., 2007). The quantitative approach involves statistical analysis that utilizes numerical data to characterize the variables under study. In this method, respondents provide numerical input based on their perceptions, offering objectivity and minimizing the impact of the researcher's opinions on hypothesis testing. In contrast, the qualitative approach involves data collection through observation or unstructured interviews. In the context of examining service quality and its impact on customer patronage among banking customers in Maharashtra, the study opts for a quantitative approach. This decision is grounded in the aim of measuring the correlation between variables and their impact on dependent variables. Quantitative data is collected for this purpose, and statistical methods such as Confirmatory Factor Analysis (CFA) and Structural Equation Modeling are employed to analyze the data and interpret the results. This approach allows for a rigorous examination of the research questions in a systematic and numerical manner.

#### **3.6.2 PILOT STUDY**

Before proceeding with the main study, it is important to examine the reliability of the research instrument by conducting a pilot survey. Baker (1994) suggested that “the number of people participating in a pilot study should amount to 10-20% of the final sample size”. A pilot test was conducted to ensure the results of the questionnaire and valid to meet the objectives of this study. It is a crucial step before heading with the data collection on a large scale in order to bring more accuracy to the questionnaire derive meaningful results. Prior to pre-testing, the questionnaire was reviewed by three marketing experts and academicians who gave their opinion about the content validity. Some overlapping questions were detected and hence removed from the questionnaire.

It is important to note that pilot research was conducted to confirm the validity of the BANKSERV instrument as the underlying service quality model using Cronbach's Alpha before undertaking the actual investigation. A pilot test was carried out in the Pune area with

54 respondents in order to assess and examine the influence of bank service quality on customer patronage among the respondents using the banking services in Maharashtra. However, the structured questionnaire has been shown to be valid, consistent, reliable, and acceptable based on the survey's results, as determined by the use of Cronbach alpha. The results of pilot study revealed that the Cronbach alpha value for service quality was 0.89 and for customer patronage the value was 0.84. These values indicate that that the reliability score for both the constructs was above the threshold 0.70 (Nunnally, 1978). Therefore, the questionnaire items can be used for actual investigation on a larger sample size.

To evaluate the effectiveness of the questionnaire, a pilot study was conducted on 65 respondents. Based on issues highlighted during the pilot survey, few questions were restructured.

The reasons for conducting the pilot study are:

1. To check whether the questionnaire is appropriate and reliable.
2. To verify whether the respondents were comfortable with the language used in the questionnaire.
3. To identify the problem and revise the items to ensure that all questions were understandable to the respondents.
4. To know the estimated time required to complete the questionnaire.
5. To finalize the scale to be used in the research.

### **3.6.3 RELIABILITY**

The consistency or stability of a scale's evaluation is referred to as its reliability (Parasuraman et al., 1991). The scales' reliability was evaluated using internal consistency reliability. Cronbach alpha is the technique to this procedure that is most frequently employed (Cronbach, 1951). Cronbach's alpha should be at least 0.7 in order to assess the instrument's overall validity, according to Nunnally and Bernstein (1994). Park et al. (2006) and Malhotra et al. (2008) state that Cronbach's alpha is the average of all split-half coefficients that can be obtained from different methods of splitting the scale components. If the scale items are significantly associated, Cronbach alpha is likely to be high (Hair et al. 2017; 2020).

### **3.6.4 VALIDITY**

Validity is defined as the “extent to which research is accurate and discussion centered on validating summated scales. The construct validity means the degree to which the collection of measured variables represents the theoretical latent construct. It deals with the accuracy of measurement”. “Construct validity is the extent to which the measurements used, often questionnaires, actually test the hypothesis or theory they are measuring” (Ginty, 2013). In the current study, both convergent and discriminant validity were employed to scrutinize and confirm the construct validity.

**Convergent Validity:** Strong correlations between every measurement item and its associated theoretical construct indicate convergent validity. The degree to which measurement variables of a given construct are connected or interrelated is examined by "convergent validity" (Shuck, 2012). Stated differently, convergent validity assesses how closely two measurements of the same concept correlate. The value ranges between zero and one (0-1). Convergent validity can be attained if Composite Reliability (CR) is greater than 0.7, Average Variance Explained (AVE) is greater than 0.5 (Hair et al., 2017).

### **3.6.5 DISCRIMINANT VALIDITY**

The discriminant validity test determines if the constructs being assessed by the various sets of indicators are different from one another. According to Lee (2019) “discriminant validity measures the extent of conceptually similar sub-dimensions are distinct”. Later, confirmatory factor analysis was conducted to check correlation between the statements of each variable under study. It makes sure that the indicators measuring one construct stand out visibly from those that are measuring another construct.

### **3.7 DATA ANALYSIS**

Following the collection of data, the researcher proceeds to its analysis. Data analysis requires several interrelated processes, including the creation of categories, the application of these categories to raw data through classification, tabulation, and statistical inferences (Malhotra et al., 2017). In accordance with Gaurav (2016), the present research study has used a two-step data analysis strategy.

The final step of this process was to select the appropriate statistical tools for the data analysis. It involves the necessary steps including cleaning, screening the data and choosing the most suitable data analysis method (Malhotra et al., 2008). Understanding the study topic,

objectives, data characteristics, and underlying aspects of statistical techniques is necessary for a systematic approach (Malhotra et al., 2008).

### **Limitations related to data analysis**

PLS-SEM is a widely used method for examining complex relationships between latent variables. However, it has certain limitations:

**Sample Size Sensitivity:** While PLS-SEM performs best with small sample sizes, insufficient sample numbers can lower the results' stability and statistical power.

**Assumption of linearity:** PLS-SEM makes the assumption that variables have linear correlations with one another, which may not necessarily be the case in real-world data where non-linear interactions are present.

**Complexity of the Measurement Model:** PLS-SEM may have trouble with reflective models that are complicated or include a lot of indicators, which could result in weights or loadings that are distorted.

**Absence of Global Fit Indices:** PLS-SEM lacks overall goodness-of-fit metrics, which makes it challenging to evaluate the model's global validity in contrast to covariance-based SEM.

**Focus on prediction:** Prediction is the main focus of PLS-SEM, which makes it less appropriate for testing theories, particularly when validating established models.

### **3.7.1 DESCRIPTIVE ANALYSIS**

Descriptive analysis refers to the transformation of raw data into a form to provide information that clarifies a group of components in a situation that will make them simple to comprehend and analyze. The frequency distribution, mean, and standard deviation used in this study provide significance to the data and may be employed to identify group differences.

### **3.7.2 STRUCTURAL EQUATION MODELLING (SEM)**

Structural equation modelling is a multi-variable approach that combines multi-variable regression and factor analysis in order to describe the link between several variables (Hair et al., 2012). In multi-variable data analysis, the behavioral and social sciences (McDonald and Ho, 2002), dependence (logical "casual") connections are represented using structural equation modelling, commonly known as path analysis. When examining structural theory,

one uses a confirmatory (also known as hypothesis testing) technique. In the social sciences, structural equation modelling (SEM) is regarded as one of the most significant statistical advancements (Hair et al., 2011). It is used to simultaneously test a number of regression equations. SEM is a flexible method that may be used to evaluate numerous causal relationships consecutively in theoretical model made up of manifest (observed) or latent (unobserved) variables (Chin et al., 2008). The overall model fit is provided by path analysis using the SEM approach, which highlights the relationships between variables that are observed and unobserved.

### **3.7.3 CONFIRMATORY FACTOR ANALYSIS**

“Confirmatory factor analysis (CFA) is the part of structural equation modeling (SEM), which is used to assess the goodness of fit” (Joreskog and Sorbom, 1993). CFA was used for the single model, which explains the null model, where the entire items are loaded on separate factors. Consequently, it is also used as a multi-model in which the factors are equal to the number of constructs in the new measure. The following manifested (observed) variables compose each of the latent variables in the model, according to the hypotheses tested using CFA (Nargundkar and Shrikhande, 2012). According to Harvey et al. (1985), the item variance and covariance matrix could be employed to perform CFA.

### **3.8 SUMMARY**

In order to address significant research problems, this section aims to present a detailed and tangible design for the organizational structure that covers data collection, measurement, and analysis. It is important to emphasise that the research was conducted with banks that operate in Maharashtra. To appropriately measure the opinions and viewpoints of Customers regarding their experiences, the study has used BANKSERV model propounded by Avkiran (1994) which has not been efficiently used by the existing literature. This model is suitable and reliable to evaluate and measure customer perceptions regarding the service quality of banks. Convenient sampling was taken into consideration while deciding this sample size. Structured questionnaires were developed and distributed to respondents, paying attention to their experiences with the products and services that they had received. The questionnaire composed of three sections—part one covering demographic information, part two covering service quality, and part three covering consumer patronage.

## **CHAPTER 4**

### **DATA ANALYSIS**

The objective of the study, the conceptual framework, and its research technique were covered in the previous section. The current chapter explains how several statistical approaches were used to examine data gathered through structured questionnaires, as well as how these methods were utilised for explaining the results. To make data appropriate for study, the gathered answers were systematically collected and recorded. Descriptive and inferential data analysis were carried out using the statistical package for social sciences SPSS 26.0 and SmartPLS 3.0 respectively, in order to test the research hypotheses.

#### **4.1 INTRODUCTION**

There are four main steps in the data analysis process. Data coding, manual data cleaning, analysis of missing values and outlier identification are all components of the initial step of data screening and preliminary analysis. The examination of the demographic profiles of the data obtained from customer surveys was carried out in the second step. The respondents were characterised using descriptive statistics. The third step involves evaluating the quality of the data collection tools. The content validity was evaluated through expert evaluation. Fornell-Larcker's criterion for discriminant validity, the HITMT Ratio, and Cronbach's alpha were used to assess the reliability of empirical data collected by surveys. In the fourth step, data analysis was done to identify the study's main findings. Using structural equation modelling, hypothesis testing was utilised for survey-based data in the first section.

#### **4.2 ORGANIZATION OF DATA ANALYSIS**

##### **Descriptive analysis**

Frequency tables and bar graphs were used to indicate the demographic profile of the respondents considered in the sample.

##### **1. Gender**

The data set represents the gender distribution of a sample of 425 respondents. Out of this total, 248 respondents were male, accounting for 58.4% of the sample population. On the other hand, 177 respondents were female, making up 41.6% of the total. This breakdown

shows that males were the majority in this group, with a noticeable higher representation compared to females.

Table 4.1 Demographic profile on gender basis

Gender	Frequency	Percentage
Male	248	58.4
Female	177	41.6
Total	425	100

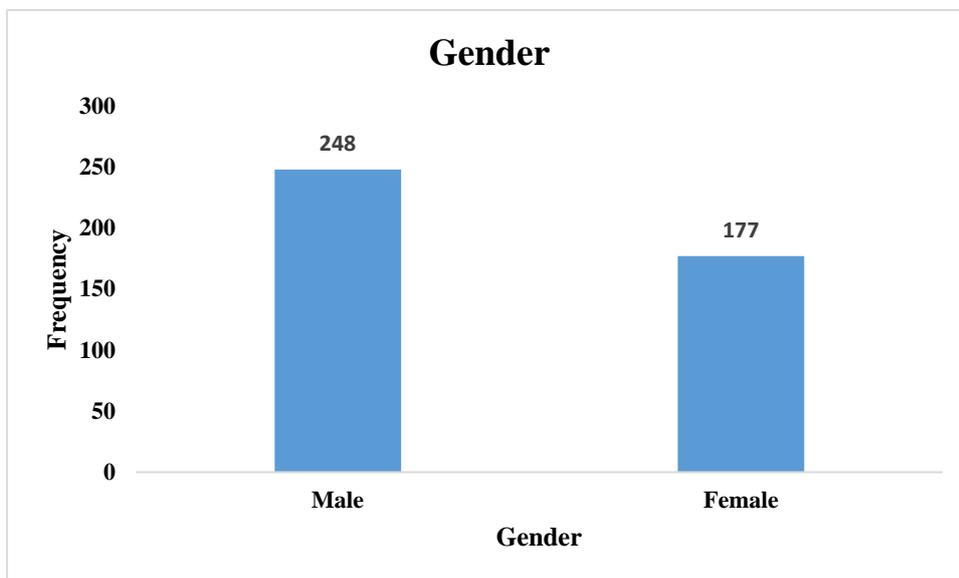


Figure 4.1 Bar graph distribution of respondents on gender basis

## 2. Marital status

The data presents the marital status distribution of a sample of 425 respondents. Among them, 281 respondents were married, representing 66.1% of the total sample. In contrast, 144 respondents were unmarried, making up 33.9% of the population. This shows that married respondents form the majority, with a significant 32.2% higher representation than unmarried respondents.

Table 4.2 Demographic profile on marital status basis

Marital status	Frequency	Percentage
Married	281	66.1

Unmarried	144	33.9
Total	425	100

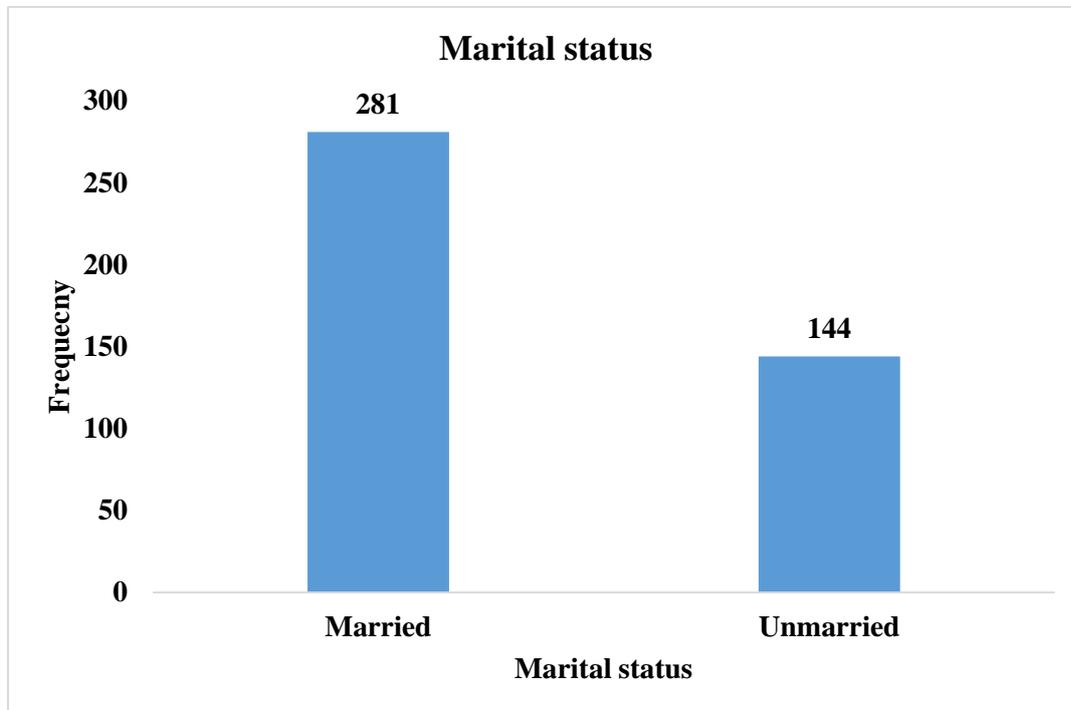


Figure 4.2 Bar graph distribution of respondents on marital status basis

### 3. Age of respondents

The data outlines the age distribution of a sample of 425 respondents across four age groups. The largest group, comprising 183 respondents (43.1%), was under 30 years old age category. The second-largest group includes 148 respondents, or 34.8%, who were between 30 and 40 years old. A smaller group, representing 15.5% (66 respondents), falls between the ages of 41 and 50. Finally, 28 respondents, making up 6.6% of the sample, were of the age group 51 years and above. This distribution shows that younger respondents dominate the sample, with fewer people represented in the older age brackets.

Table 4.3 Demographic profile on age basis

Age	Frequency	Percentage
Less than 30 years	183	43.1
30-40 years	148	34.8

41-50 years	66	15.5
51 and above	28	6.6
Total	425	100

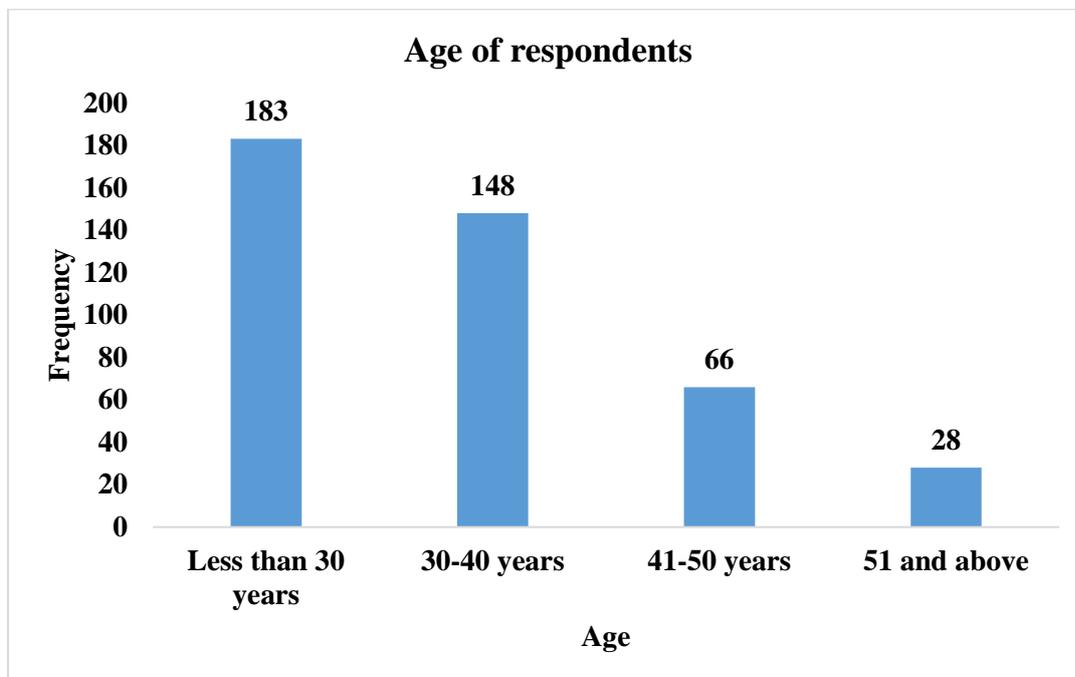


Figure 4.3 Bar graph distribution of respondents on age basis

#### 4. Educational qualification of respondents

The data displays the educational qualifications of a sample of 425 respondents, categorized into four groups. The largest group, consisting of 176 respondents (41.4%), holds a graduate degree. The next significant group includes 144 respondents, or 33.9%, who have completed postgraduate studies. Those with undergraduate degree account for 19.8% of the sample, with 84 respondents. Finally, 21 respondents, representing 4.9% of the population, hold a PhD degree. This breakdown shows that the majority of respondents in the sample have at least a graduate-level education.

Table 4.4 Demographic profile on education basis

Education	Frequency	Percentage
Undergraduate	84	19.8
Graduate	176	41.4

Post graduate	144	33.9
PhD	21	4.9
Total	425	100

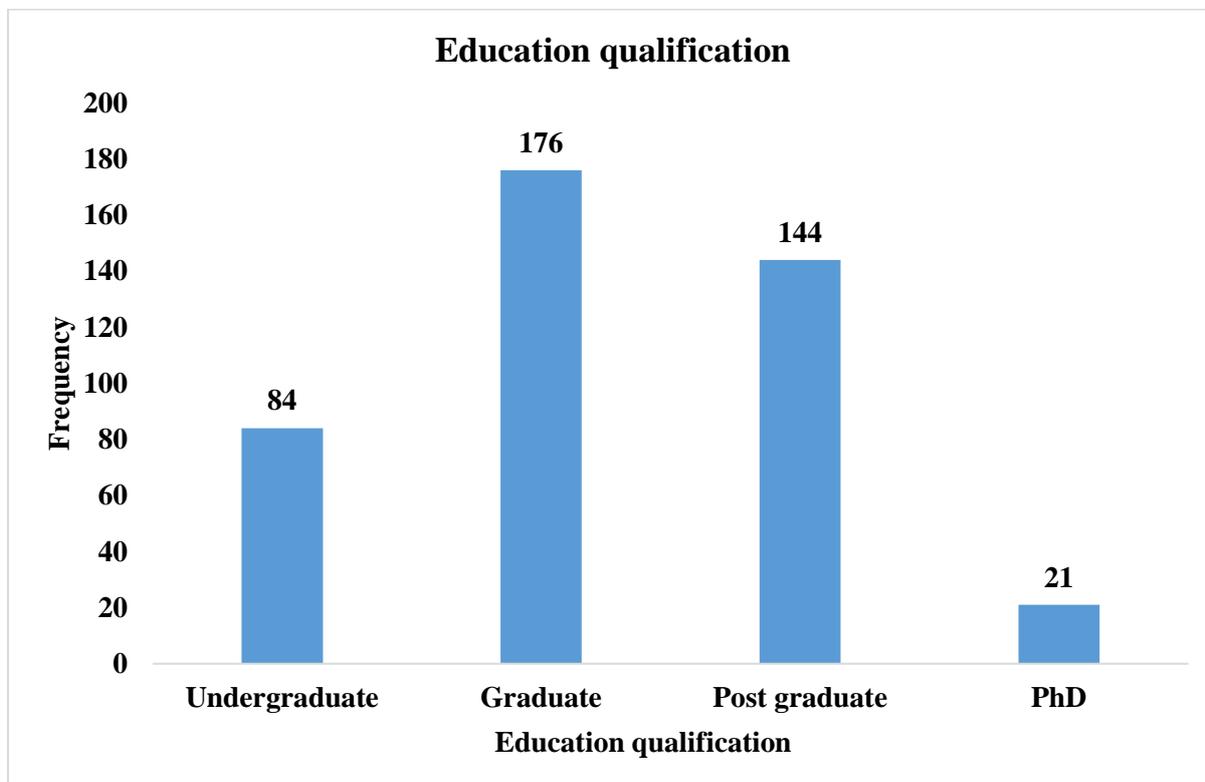


Figure 4.4 Bar graph distribution of respondents on qualification basis

### 5. Occupation of respondents

The data represents the occupational distribution of a sample of 425 respondents, divided into six categories. The largest group consists of 130 respondents (30.6%) who were employed in private sector jobs. Following that, 108 respondents, or 25.4%, were self-employed. The business category comprises 76 respondents, accounting for 17.9% of the sample, while 52 respondents, or 12.2%, work in government service. Students make up 8.9% of the population, with 38 respondents. Lastly, 21 respondents, or 4.9%, fall into the "Others" category. Altogether, private jobs and self-employment being the most common occupations.

Table 4.5 Demographic profile on occupation basis

Occupation	Frequency	Percentage
Student	38	8.9

Self-employed	108	25.4
Private job	130	30.6
Business	76	17.9
Government service	52	12.2
Others	21	4.9
Total	425	100

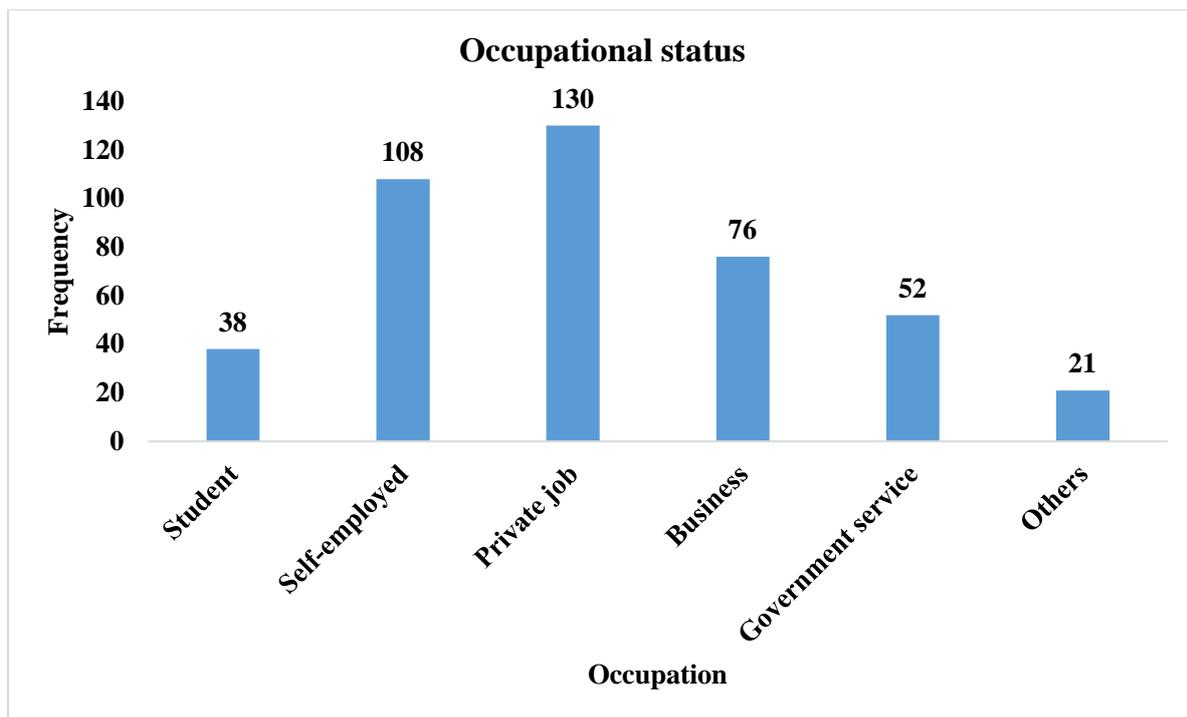


Figure 4.5 Bar graph distribution of respondents on occupation basis

## 6. District of respondents

The data outlines the bifurcation of the district from where the respondent belongs. The largest group, comprising 113 respondents (26.6%), were from Pune district. The second-largest group includes 108 respondents, or 25.4%, belongs to Thane district. A third largest group, representing 18.3% (78 respondents), belongs to Mumbai, whereas, 67 respondents, making up 15.8% of the sample, belongs to Nashik. The smallest group of 59 respondents comprising of 13.9 % of sample belongs to Nagpur region. This distribution shows that respondents from Pune and Thane dominate the sample.

Table 4.6 Demographic profile on district basis

District of respondent	Frequency	Percentage
Thane	108	25.4
Nashik	67	15.8
Pune	113	26.6
Mumbai	78	18.3
Nagpur	59	13.9
Total	425	100

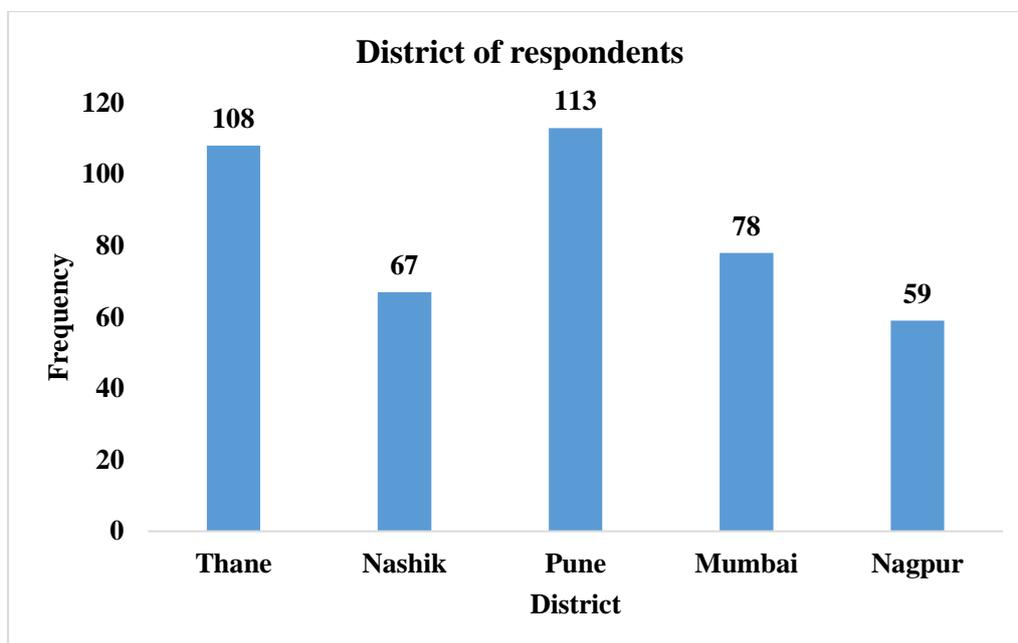


Figure 4.6 Bar graph distribution of respondents on district basis

### 7. Monthly income of respondents

The data represents the monthly income of respondents. The largest group consists of 182 respondents (42.8) having monthly income of 50,000-1,00,000. Following that, 124 respondents, or 29.2%, having monthly income 1,00,000-1,50,000. The respondents having income less than 50,000 comprises of 71 respondents, accounting for 16.7% of the sample, while 48 respondents, or 11.3%, have monthly income of more than 1,50,000.

Table 4.7 Demographic profile on income basis

Monthly Income of respondents	Frequency	Percentage
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Less than 50,000	71	16.7
50,000-1,00,000	182	42.8
1,00,000-1,50,000	124	29.2
More than 1,50,000	48	11.3
Total	425	100

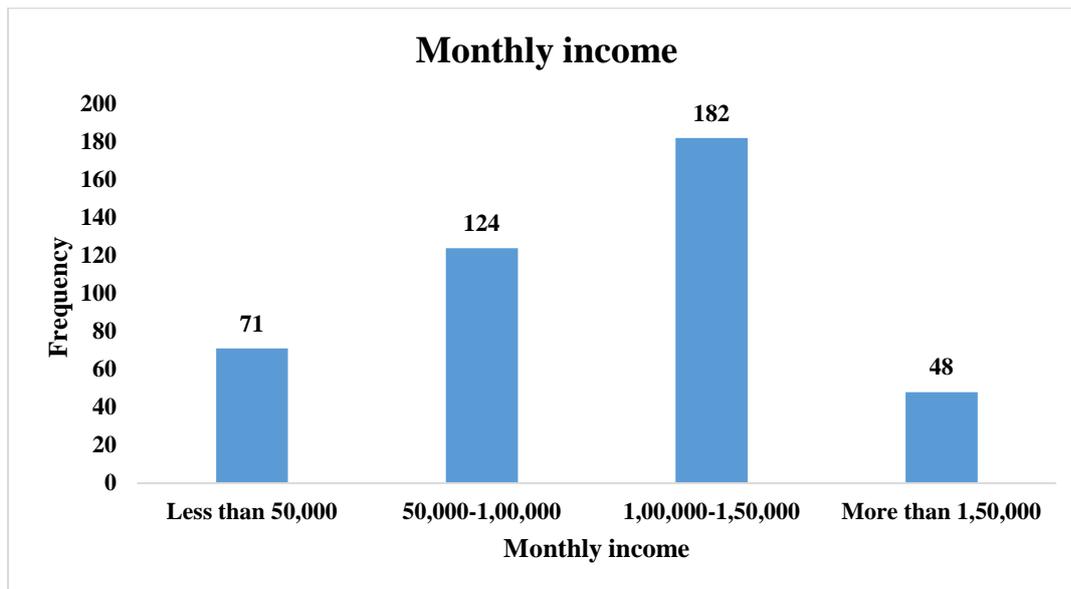


Figure 4.7 Bar graph distribution of respondents on income basis

## 8. Type of bank

The data outlines the preference for the type of bank among a sample of 425 respondents. A majority of 244 respondents (57.4%) use private banks, while 181 respondents (42.6%) prefer public banks. This shows that private banks are more popular within this group, with a 14.8% higher representation compared to public banks.

Table 4.8 Demographic profile on type of bank basis

Type of bank	Frequency	Percentage
Private	244	57.4
Public	181	42.6
Total	425	100

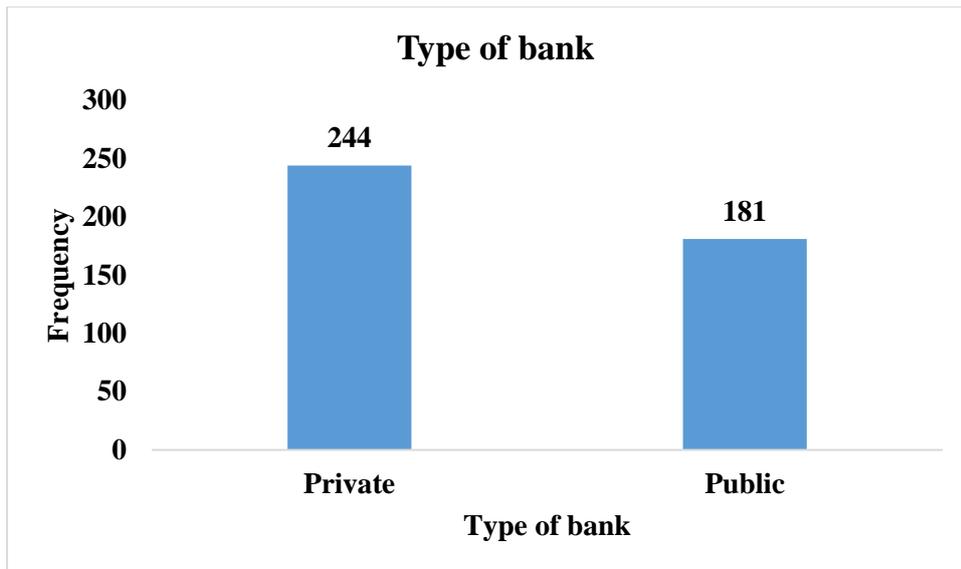


Figure 4.8 Bar graph distribution of respondents on type of bank basis

### 9. Frequency of transactions with the bank

The data illustrates the frequency of bank transactions. The majority, 204 respondents (48%), conduct transactions on a weekly basis. Monthly transactions were the second most common, with 171 respondents (40.2%) performing them at that frequency. A smaller group of 37 respondents (8.7%) conducts transactions quarterly, while only 13 respondents (3.1%) carry out bank transactions annually. This shows that most of the respondents engage with their banks frequently, either weekly or monthly, with less frequent quarterly and annual transactions being relatively uncommon.

Table 4.9 Frequency of transactions with the bank basis

Transactions with bank	Frequency	Percentage
Weekly	204	48
Monthly	171	40.2
Quarterly	37	8.7
Annually	13	3.1
Total	425	100

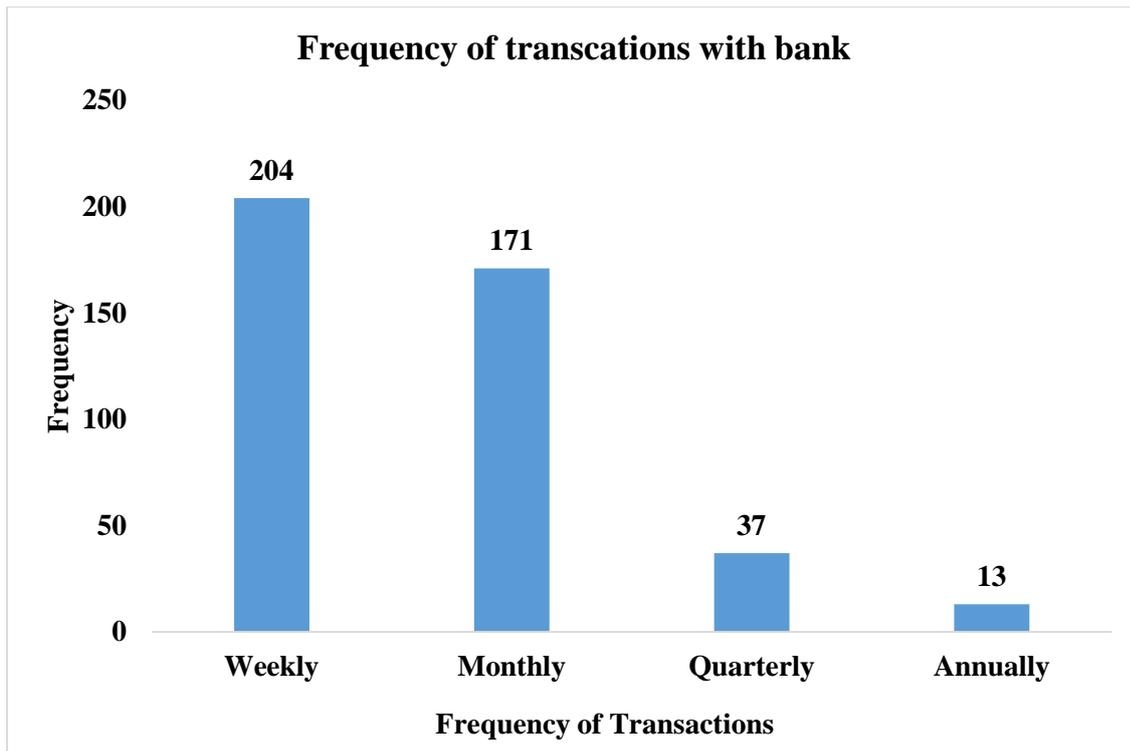


Figure 4.9 Bar graph distribution of respondents on frequency of transactions basis

#### 10. Frequency of using bank branch in a month

The data highlights how often respondents visit a bank branch in a month. The majority, 264 respondents (62.2%), visit the bank branch 1-2 times per month. Another 131 individuals (30.8%) make 3-4 visits monthly. A smaller group of 21 respondents (4.9%) visits the branch 5-6 times, while only 9 respondents (2.1%) report visiting more than 6 times per month. This distribution indicates that most of the respondents limit their branch visits to a few times per month, with very few visiting frequently.

Table 4.10 Frequency of using bank branch in a month basis

Frequency of using bank branch in a month	Frequency	Percentage
1-2 times	264	62.2
3-4 times	131	30.8
5-6 times	21	4.9
More than 6 times	9	2.1
Total	425	100

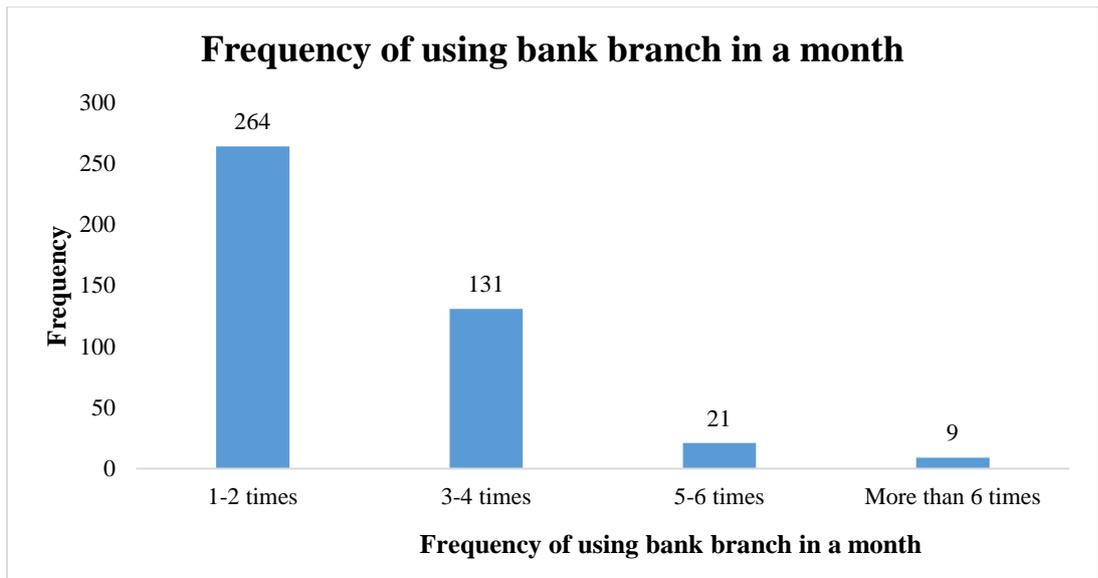


Figure 4.10 Bar graph distribution of respondents on frequency of using bank branch in a month basis

## FREQUENCY DISTRIBUTION OF INDIVIDUAL STATEMENTS IN THE QUESTIONNAIRE

### Staff Conduct

SC1- "Politeness of the branch staff"

Table 4.11 Frequency distribution of "Situation during busy hours"

Politeness of branch staff	Frequency	Percent	Cumulative Percent
Much worse than I expected	5	1.2	1.2
Worse than I expected	52	12.2	13.4
Neutral	71	16.7	30.1
Better than I expected	113	26.6	56.7
Much better than I expected	184	43.3	100
Total	425	100	

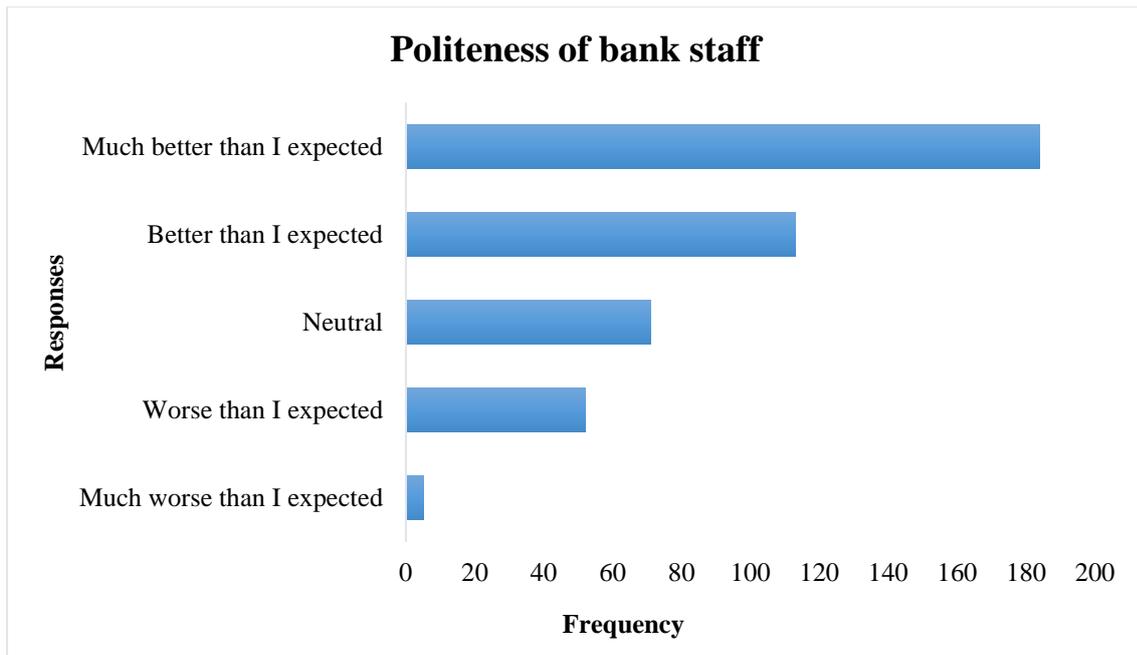


Figure 4.11 Bar graph titled "Situation during busy hours"

Among the 425 respondents, 1.2% indicated the branch staff's politeness was "much worse than expected," while 12.2% thought it was "worse than expected." 16.7% of participants gave a neutral response, suggesting they did not possess strong feelings about either side. Most people reported positive experiences, with 26.6% claiming the staff was "better than expected" and 43.3% reporting that the politeness was "much better than expected." Overall, 70% of respondents expressed high levels of satisfaction with the branch staff's politeness, saying their experience was better than they expected.

SC2- "Promptness of service from the branch staff"

Table 4.12 Frequency distribution of "Promptness of service from the branch staff"

Promptness	Frequency	Percent	Cumulative Percent
Much worse than I expected	32	7.5	7.5
Worse than I expected	37	8.7	16.2
Neutral	87	20.5	36.7
Better than I expected	103	24.2	60.9
Much better than I expected	166	39.1	100.0
Total	425	100	

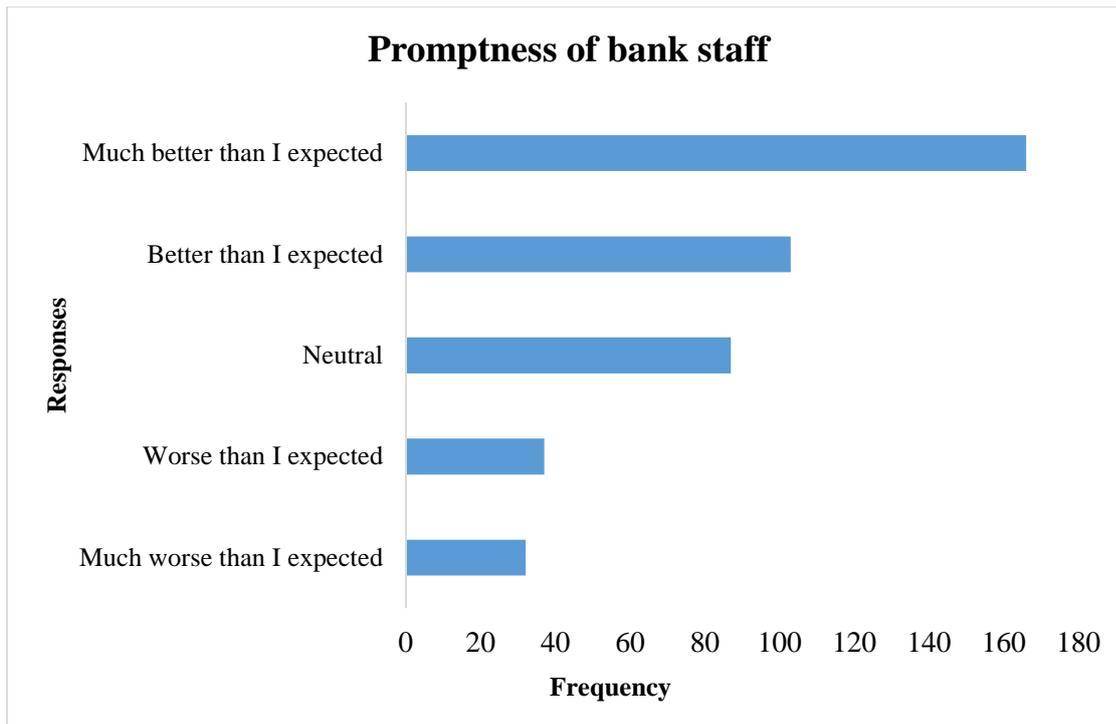


Figure 4.12 Bar graph titled "Promptness of service from the branch staff"

8.7% of the respondents claimed the service was "worse than expected," while 7.5% said the promptness was "much worse than expected." 25% of respondents maintained a neutral position, suggesting they had no strong opinions. Fortunately, 24.2% of respondents said the promptness was "better than expected," and a notable 39.1% said it was "much better than expected." A generally positive opinion of the branch's promptness in providing services is indicated by the fact that 63.3% of respondents felt that the amount of promptness they received exceeded their expectations.

SC3- "Willingness of the branch staff to help me"

Table 4.13 Frequency distribution of "Willingness of the branch staff to help me"

Willingness of staff to help	Frequency	Percent	Cumulative Percent
Much worse than I expected	9	2.1	2.1
Worse than I expected	39	9.2	11.3
Neutral	89	20.9	32.2
Better than I expected	95	22.4	54.6
Much better than I expected	193	45.4	100.0
Total	425	100	

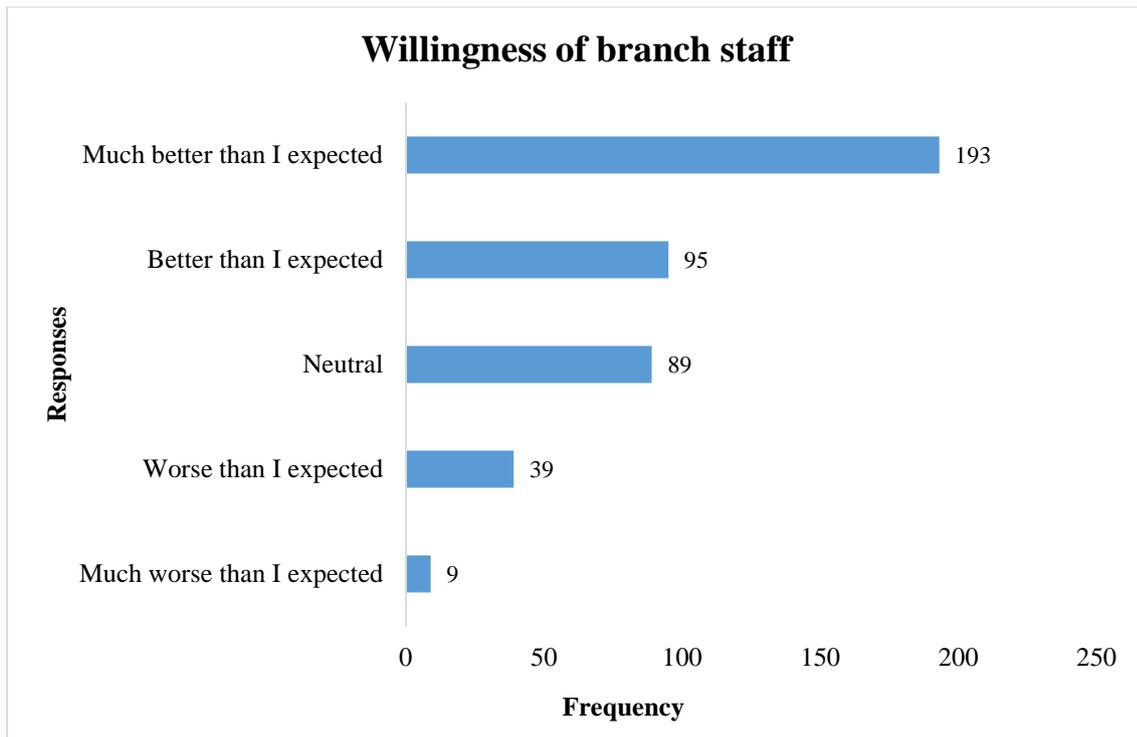


Figure 4.13 Bar graph titled “Willingness of the branch staff to help me”

2.1% of the 425 respondents said that the staff's willingness to help was "much worse than expected," while 9.2% said that it was "worse than expected." 29 percent of respondents indicated a neutral attitude. Positively, a substantial 45.4% of respondents assessed the staff's eagerness to help as "much better than expected," while 22.4% said it was "better than expected." Overall, 67.8% of respondents reported that their experience with the staff's desire to assist was better than they had anticipated, indicating a high degree of customer satisfaction in this regard.

SC4- “Branch staff greets, when it is my turn to be served”

Table 4.14 Frequency distribution of “Branch staff greets, when it is my turn to be served”

<b>Greetings by branch staff</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Much worse than I expected	19	4.5	4.5
Worse than I expected	41	9.6	14.1
Neutral	47	11.1	25.2
Better than I expected	140	32.9	58.1
Much better than I expected	178	41.9	100.0
Total	425	100	

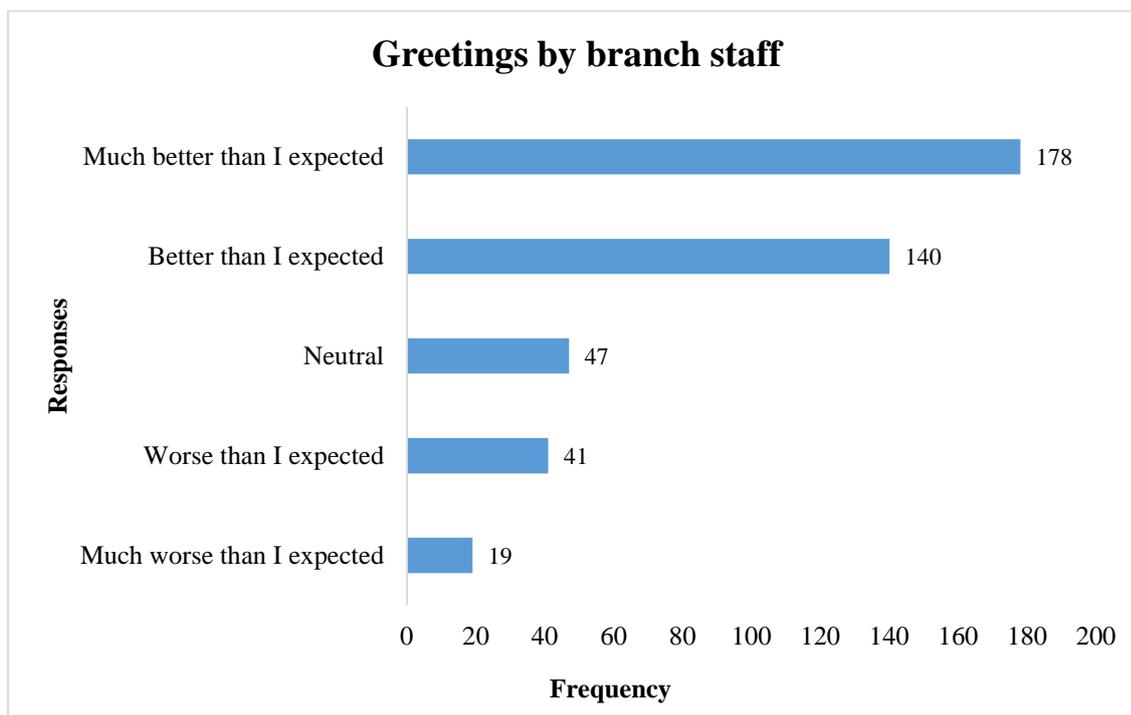


Figure 4.14 Bar graph titled “Branch staff greets, when it is my turn to be served”

4.5% of the respondents said that the branch staff's greets were "much worse than expected," and 9.6% said that they were "worse than expected." 11.1% of participants gave a neutral reaction. Despite this, 32.9% of respondents thought the greetings were "better than expected," while an impressive 41.9% respondents claimed they were "much better than expected." In terms of first encounters, 74.8% of respondents said that their experience with the staff's greetings was better than they had anticipated, demonstrating a high degree of satisfaction with the branch's customer service.

SC5- “Neat appearance of branch staff”

Table 4.15 Frequency distribution of “Neat appearance of branch staff”

Neat appearance	Frequency	Percent	Cumulative Percent
Much worse than I expected	1	0.2	0.2
Worse than I expected	49	11.5	11.8
Neutral	68	16	27.8
Better than I expected	110	25.9	53.6
Much better than I expected	197	46.4	100

Total	425	100	
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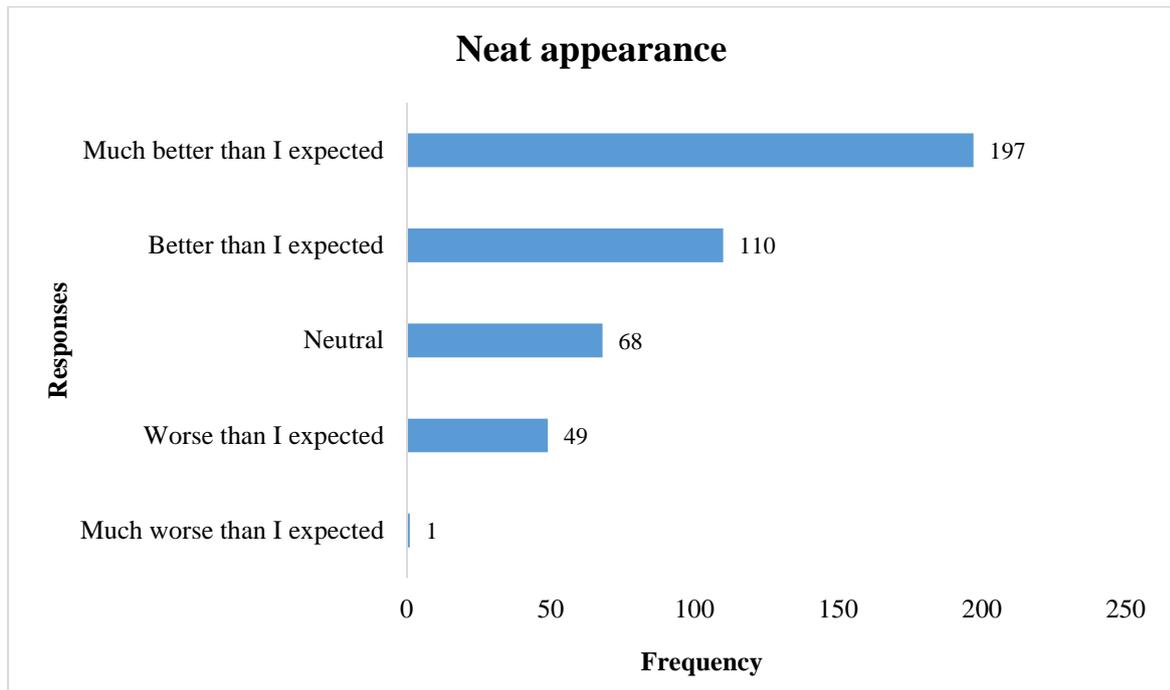


Figure 4.15 Bar graph titled “Neat appearance of branch staff”

Out of 425 respondents, only 0.2% found the neat appearance of bank staff to be "much worse than expected," and 11.5% rated it as "worse than expected." A neutral stance was taken by 16% of participants. On the positive side, 25.9% of respondents felt the staff's appearance was "better than expected," and a notable 46.4% rated it as "much better than expected." Overall, 72.3% of respondents had a better-than-expected experience regarding the staff's appearance, indicating that the majority were highly satisfied with the professionalism in the staff's presentation.

SC6- “Ability of branch staff to apologise for a mistake”

Table 4.16 Frequency distribution of “Ability of branch staff to apologise for a mistake”

Ability to apologise	Frequency	Percent	Cumulative Percent
Much worse than I expected	12	2.8	2.8
Worse than I expected	35	8.2	11.1
Neutral	78	18.4	29.4
Better than I expected	102	24.0	53.4

Much better than I expected	198	46.6	100.0
Total	425	100	100

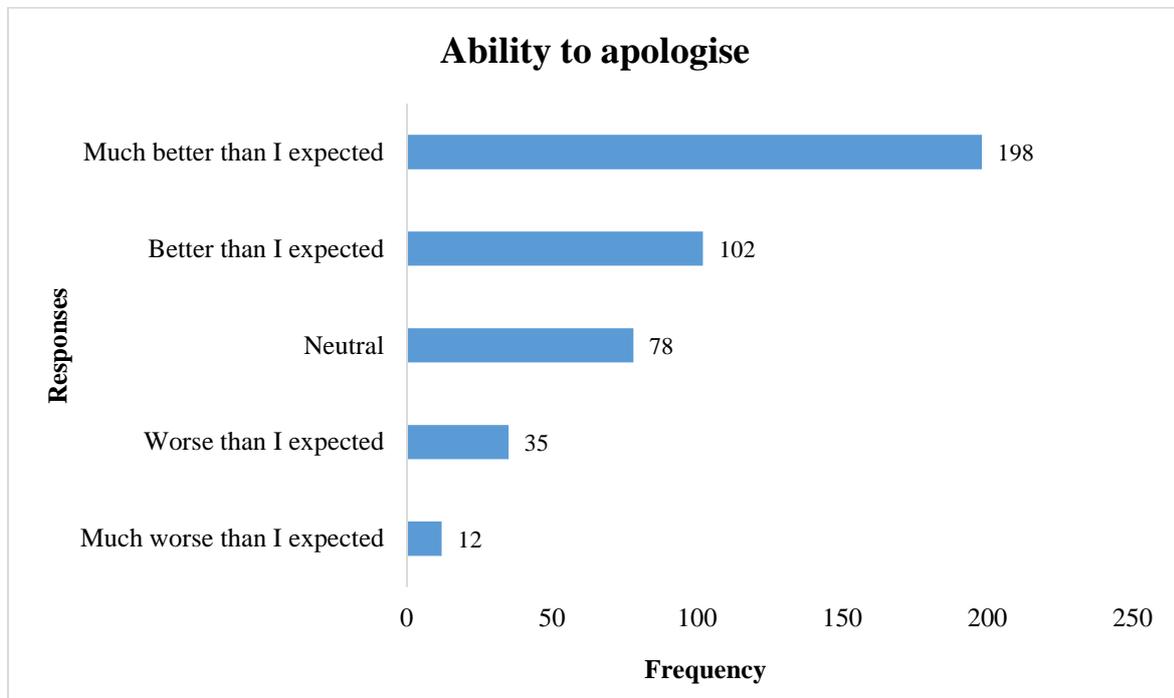


Figure 4.16 Bar graph titled “Ability of branch staff to apologise for a mistake”

2.8% of the 425 respondents responded that the staff's ability for apology in case of any mistake was "much worse than expected," while 8.2% claimed that it was "worse than expected." 18.4% of participants gave a neutral response. Regarding the staff's ability to apologise, 24.0% thought it was "better than expected," while a worth mentioning 46.6% thought it was "much better than expected." Overall, 70.6% of respondents indicated they were more polite than they had anticipated when it came to apologising, which shows that customers are highly satisfied in this area.

SC7- “Expression of a genuine concern if there is a mistake in my account”

Table 4.17 Frequency distribution of “Expression of a genuine concern if there is a mistake in my account”

Genuine concern	Frequency	Percent	Cumulative Percent
Much worse than I expected	18	4.2	4.2
Worse than I expected	40	9.4	13.6

Neutral	67	15.8	29.4
Better than I expected	88	20.7	50.1
Much better than I expected	212	49.9	100.0
Total	425	100	

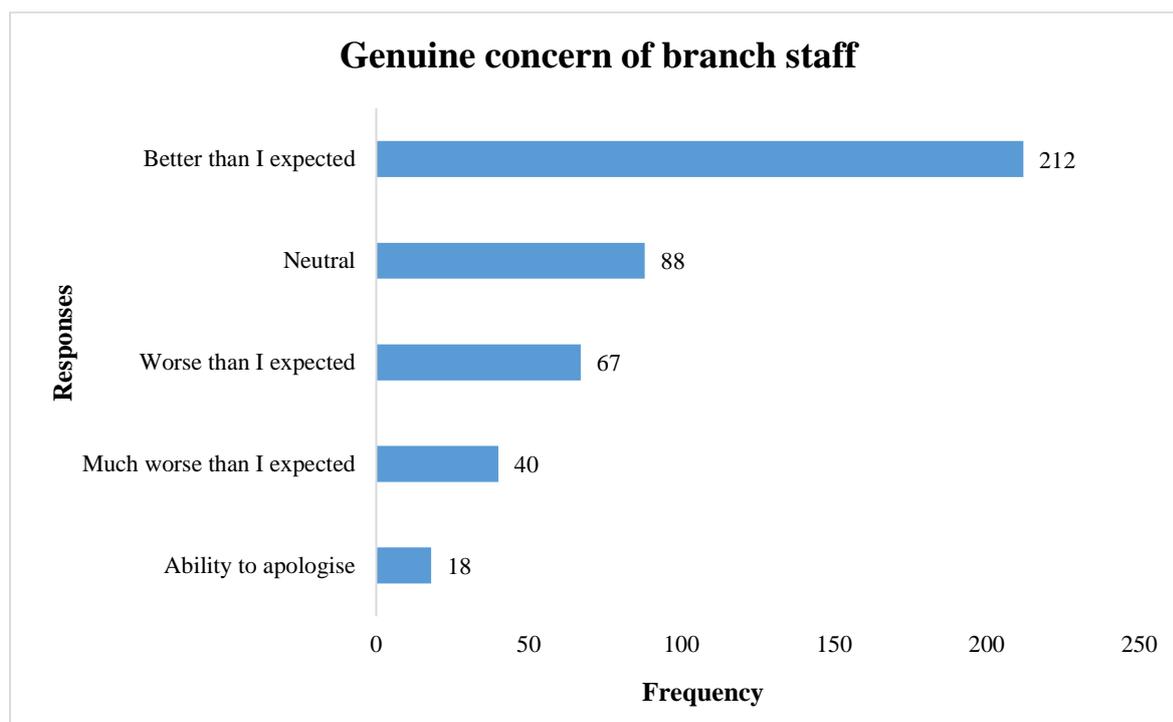


Figure 4.17 Bar graph titled “Expression of a genuine concern if there is a mistake in my account”

There is a clear trend of favourable feedback regarding the bank's "genuine concern" when there is any mistake in the account of customers. 9.4% of respondents regarded the bank's response as "worse than expected," and 4.2% said it was "much worse than expected," indicating a relatively low level of dissatisfaction. Indeed, 20.7% of respondents said the bank's concern was "better than expected," while a noteworthy 49.9% indicated it was "much better than expected." Overall, 70.6% of respondents were satisfied, believing that the bank went well beyond their expectations in addressing account issues. This suggests that the vast majority of customers have faith in the bank's promptness and consideration when addressing account-related concerns, which helps to explain the high level of satisfaction and patronage with the bank's service quality in these circumstances.

## Credibility

CR1- "Ability of branch staff to put a mistake right"

Table 4.18 Frequency distribution of "Ability of branch staff to put a mistake right"

Services if mistake committed	Frequency	Percent	Cumulative Percent
Much worse than I expected	14	3.3	3.3
Worse than I expected	71	16.7	20.0
Neutral	64	15.1	35.1
Better than I expected	93	21.9	56.9
Much better than I expected	183	43.1	100.0
Total	425	100	

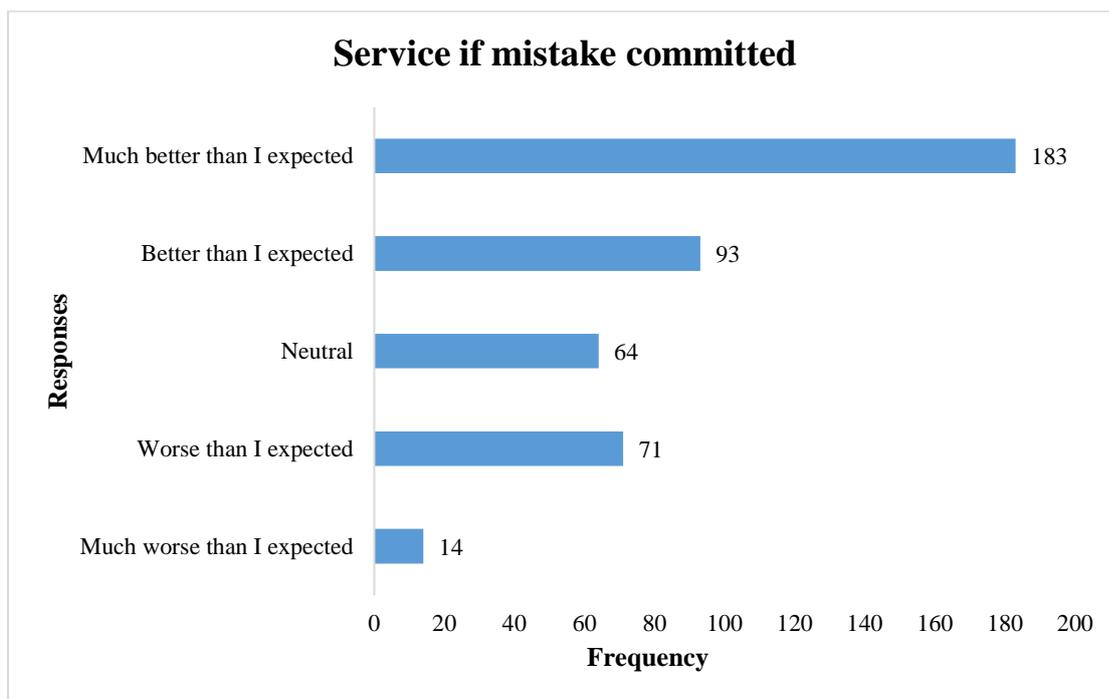


Figure 4.18 Bar graph titled "Ability of branch staff to put a mistake right"

The views of customers of branch staff's ability to fix errors are displayed in the frequency table. This ability was regarded favourably by most respondents (65%), with 21.9% stating that it was "Better than I expected" and 43.1% stating that it was "Much better than I expected." However, 20% of those surveyed were unhappy, with 3.3% saying it was "Much worse than I expected" and 16.7% saying it was "Worse than I expected." Overall, the data indicates that although the majority of customers are happy with the staff's capacity to correct

errors, a substantial amount of respondents felt that their expectations were not entirely fulfilled.

CR2- “Feelings of security in my dealings with the branch staff”

Table 4.19 Frequency distribution of “Feelings of security in my dealings with the branch staff”

<b>Feeling of security</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Much worse than I expected	18	4.2	4.2
Worse than I expected	40	9.4	13.6
Neutral	104	24.5	38.1
Better than I expected	98	23.1	61.2
Much better than I expected	165	38.8	100.0
Total	425	100	

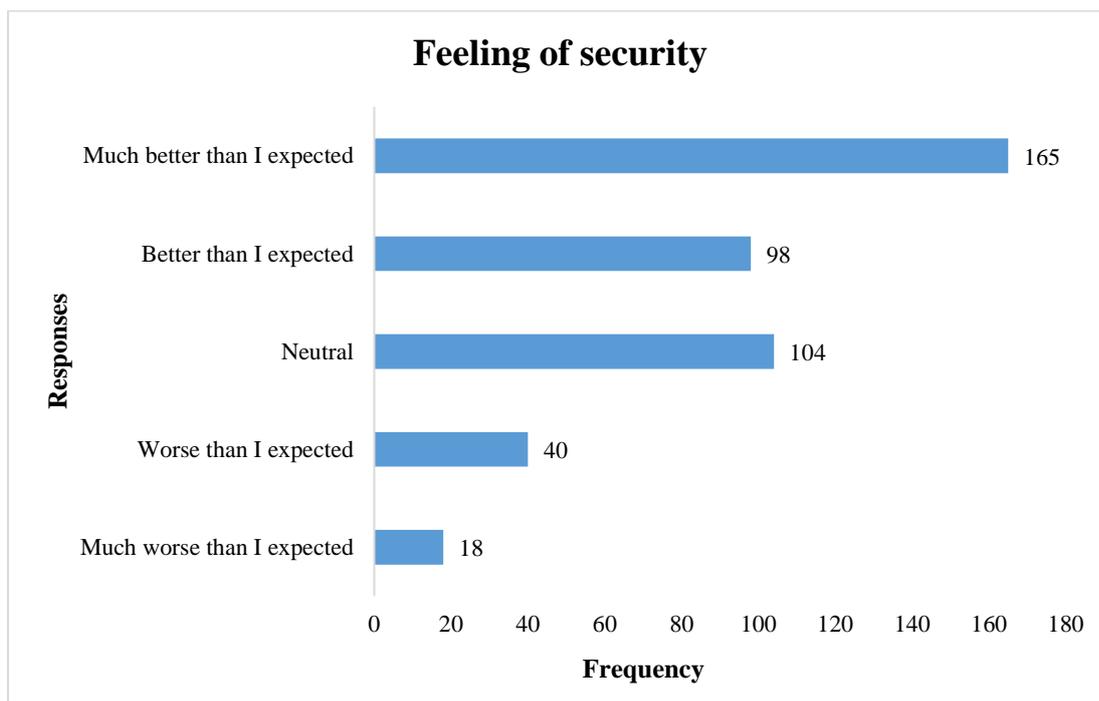


Figure 4.19 Bar graph titled “Feelings of security in my dealings with the branch staff”

Customers' perceptions of their sense of security when interacting with branch employees are displayed in the frequency table. Feelings of security were considered favourably by most respondents (61.9%), with 38.8% claiming they were "Much better than I expected" and 23.1% stating they were "Better than I expected." 13.6%, however, were dissatisfied with

4.2% indicating it was "Much worse than I expected" and 9.4% saying it was "Worse than I expected." Whereas 24.5% remained neutral. Overall, the data indicates that although the majority of customers felt comfortable interacting with branch employees, a few of respondents have experienced less than satisfactory results.

CR3- "Branch staff keeping me informed about matters of concern to me"

Table 4.20 Frequency distribution of "Branch staff keeping me informed about matters of concern to me"

<b>Services about concerned matters</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Much worse than I expected	21	4.9	4.9
Worse than I expected	54	12.7	17.6
Neutral	83	19.5	37.2
Better than I expected	85	20.0	57.2
Much better than I expected	182	42.8	100.0
Total	425	100	

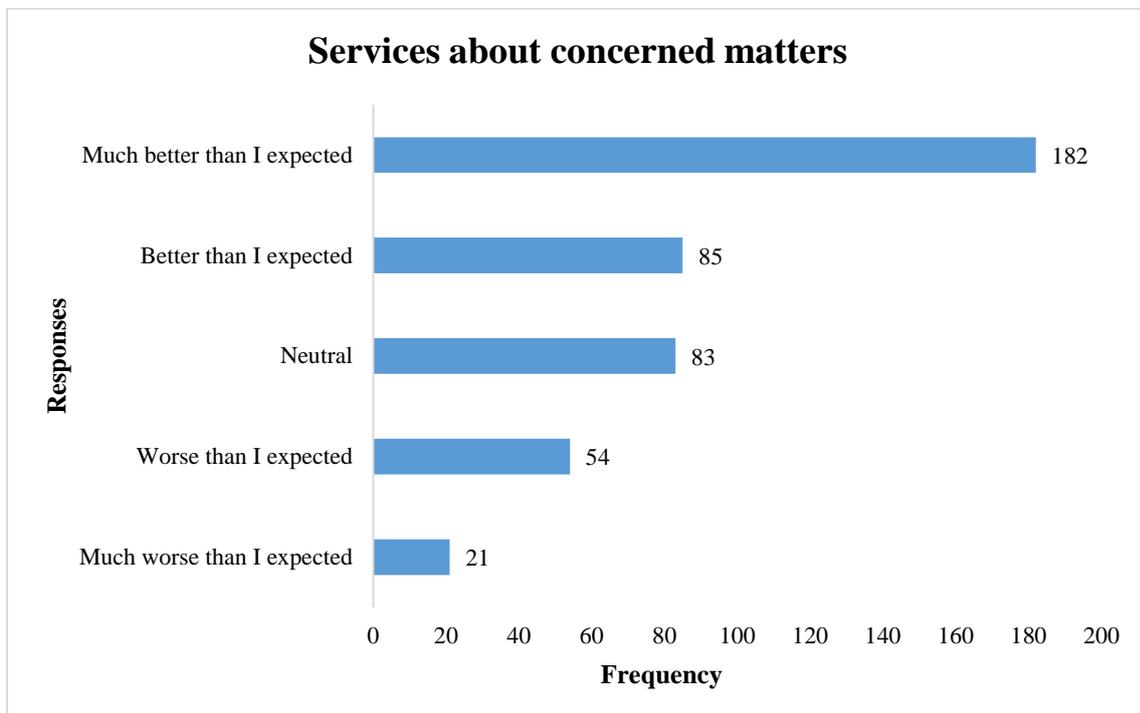


Figure 4.20 Bar graph titled "Branch staff keeping me informed about matters of concern to me"

Customer comments on how effectively branch staff inform customers of issues of concern has been included in the frequency table. This service received positive ratings from most respondents (62.8%), with 20.0% expressing it was "Better than I expected" and 42.8% stating it was "Much better than I expected." 17.6% of those surveyed, however, were unhappy, with 4.9% saying the service was "Much worse than I expected" and 12.7% saying it was "Worse than I expected." 19.5% expressed no opinion, suggesting that the service fulfilled their requirements. Overall, the data indicates that a significant minority of customers felt the service failed to meet their expectations, even while the majority are happy with how well branch employees tell them about issues of concern.

### **Communication**

CM1- "Branch staff telling me about different types of accounts and investments available"

Table 4.21 Frequency distribution of "Branch staff telling me about different types of accounts and investments available"

<b>Types of accounts and investments</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Much worse than I expected	28	6.6	6.6
Worse than I expected	54	12.7	19.3
Neutral	70	16.5	35.8
Better than I expected	80	18.8	54.6
Much better than I expected	193	45.4	100.0
Total	425	100	

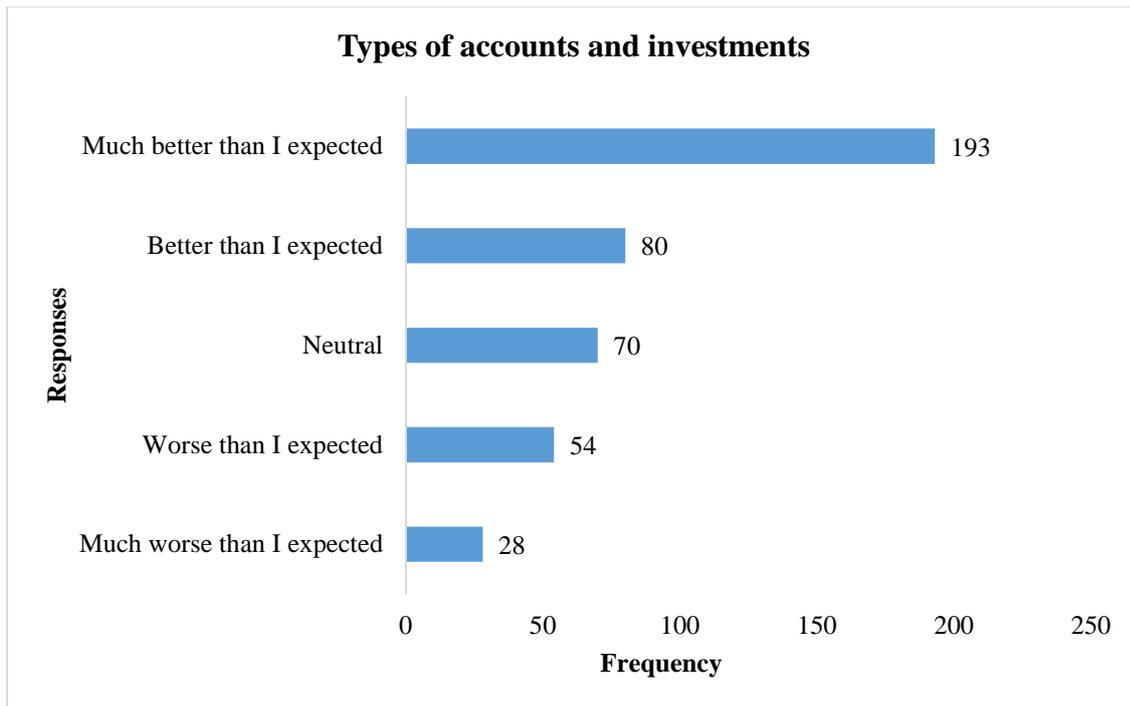


Figure 4.21 Bar graph titled “Branch staff telling me about different types of accounts and investments available”

Customer feedback on the quality of branch staff communication regarding various account and investment types has been displayed in the frequency table. Most respondents (64.2%) shared the information a positive rating, with 45.4% stating it was "Much better than I expected" and 18.8% stating it was "Better than I expected." In contrast, 19.3% of respondents were dissatisfied, with 6.6% claiming it was "Much worse" and 12.7% saying it was "Worse than I expected." Of those, 16.5% were neutral. These results indicate that while most customers are satisfied with the information provided by branch staff regarding accounts and investments, a significant minority found it to be below their expectations.

CM2- “Quality of advice given about managing my finances”

Table 4.22 Frequency distribution of “Branch staff telling me about different types of accounts and investments available”

Services about managing finance	Frequency	Percent	Cumulative Percent
Much worse than I expected	18	4.2	4.2
Worse than I expected	26	6.1	10.4
Neutral	72	16.9	27.3
Better than I expected	80	18.8	46.1

Much better than I expected	229	53.9	100.0
Total	425	100	

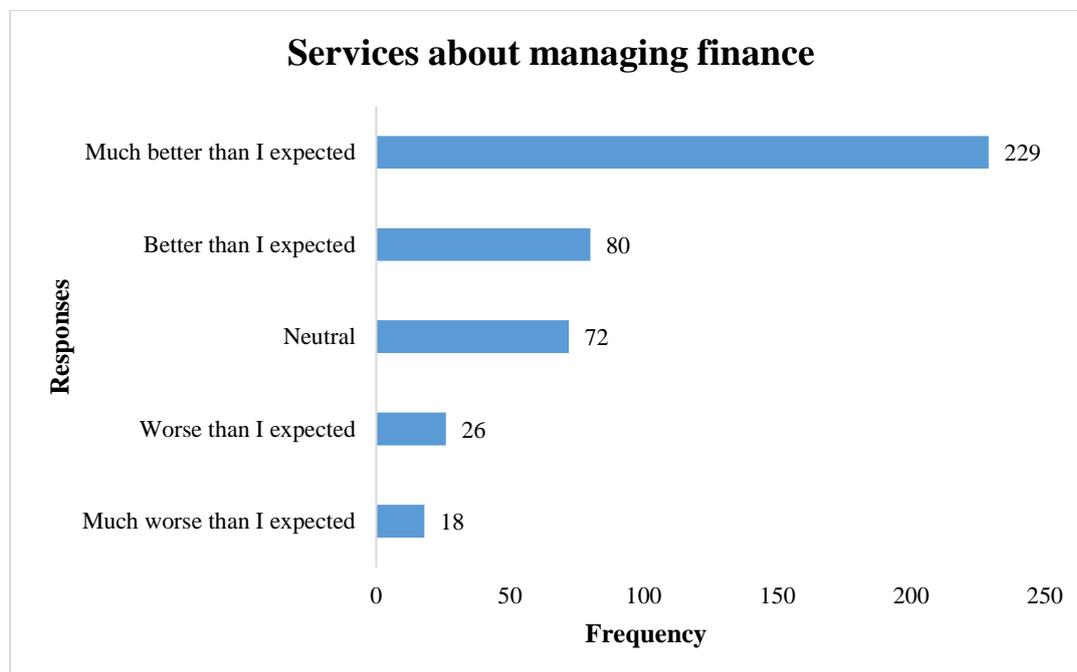


Figure 4.22 Bar graph titled “Quality of advice given about managing my finances”

Customers' opinions of the quality of financial management assistance given by branch employees can be seen in the frequency table. The recommendation was assessed favourably by most respondents (72.7%), with 53.9% indicating it was "Much better than I expected" and 18.8% indicating it was "Better than I expected." However, 10.3% of those surveyed were dissatisfied with 4.2% saying the advice was "Much worse" and 6.1% claiming it was "Worse than I expected." 16.9% of respondents were neutral, meaning they were satisfied with the guidance. Although a small percentage of respondents felt that the recommendations fell short of their expectations, the data generally indicates that customers generally are pleased with the financial advice given by branch staff.

CM3- “Branch staff helping me learn how to keep down my banking costs”

Table 4.23 Frequency distribution of “Branch staff helping me learn how to keep down my banking costs”

Helping in reduce costs	Frequency	Percent	Cumulative Percent
Much worse than I expected	29	6.8	6.8

Worse than I expected	42	9.9	16.7
Neutral	60	14.1	30.8
Better than I expected	88	20.7	51.5
Much better than I expected	206	48.5	100.0
Total	425	100	

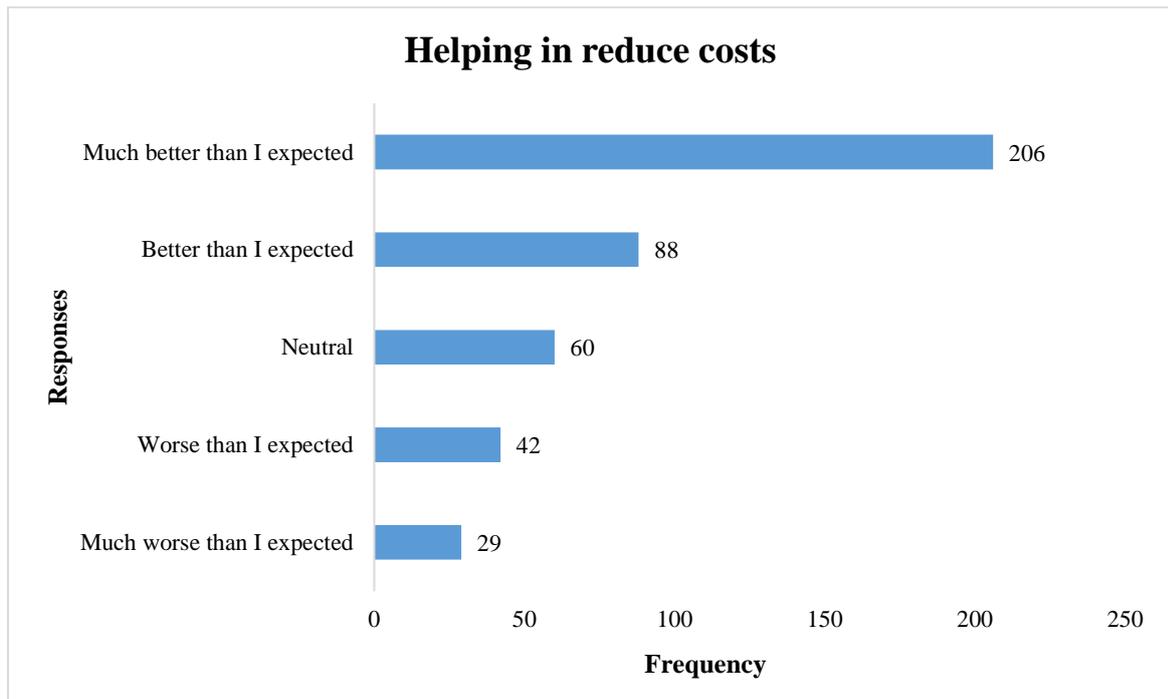


Figure 4.23 Bar graph titled “Branch staff helping me learn how to keep down my banking costs”

The views of customers on how well branch employees assist them in reducing their banking expenses are displayed in the frequency table. This service received positive ratings from most respondents (69.2%), with 20.7% saying it was "Better than I expected" and 48.5% saying it was "Much better than I expected." However, 16.7% of respondents were dissatisfied with 6.8% calling the service "Much worse" and 9.9% calling it "Worse than expected." The service fulfilled their expectations, as demonstrated by 14.1% of respondents who had no opinion. Although a smaller percentage of customers were still unhappy, the data generally indicates that most customers believe the branch employees are helpful in reducing their banking expenses.

CM4- “Branch staff’s knowledge of bank services and products”

Table 4.24 Frequency distribution of “Branch staff’s knowledge of bank services and products”

<b>Knowledge about bank services</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Much worse than I expected	21	4.9	4.9
Worse than I expected	26	6.1	11.1
Neutral	54	12.7	23.8
Better than I expected	96	22.6	46.4
Much better than I expected	228	53.6	100.0
Total	425	100	

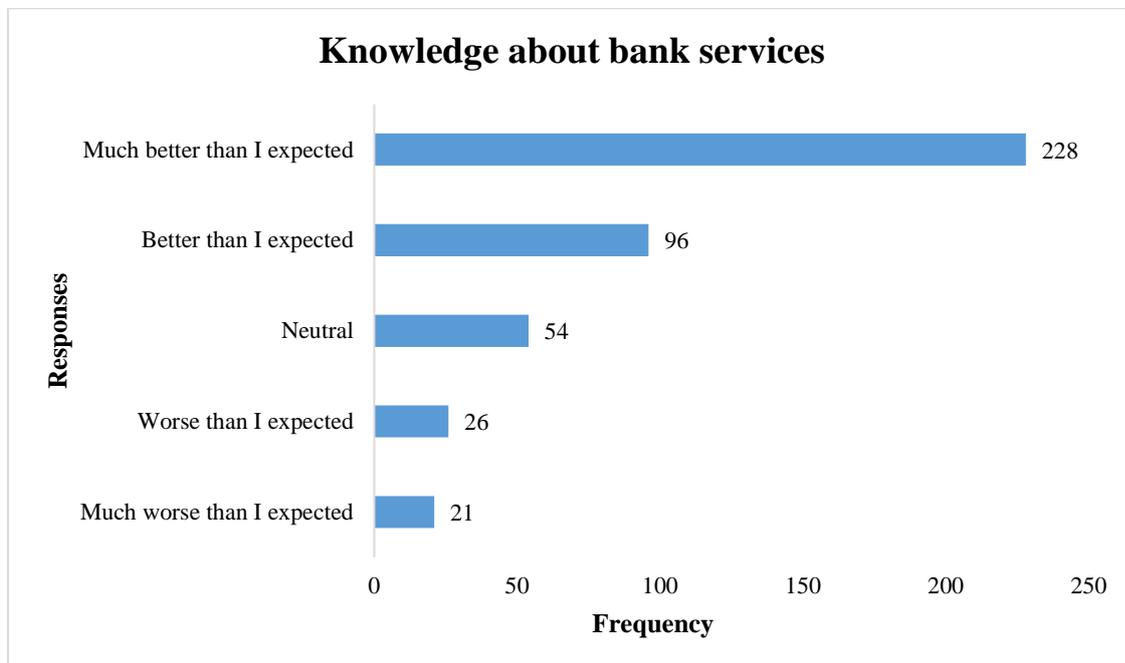


Figure 4.24 Bar graph titled “Branch staff’s knowledge of bank services and products”

The frequency table 4.24 displays how customers view the employees' familiarity with bank products and services. This knowledge was scored favourably by a significant number of respondents (76.2%), with 53.6% saying it was "Much better than I expected" and 22.6% saying it was "Better than I expected." A lower percentage of respondents were discontented, with 4.9% saying it was "Much worse" and 6.1% saying it was "Worse than expected," for a total of 11.0%. In contrast, 12.7% of respondents had no opinion, indicating that the staff knowledge satisfied their needs. According to the data, the majority of customers believe that employees have been fairly knowledgeable about the bank's offerings.

CM5- “Branch staff telling me when services will be performed”

Table 4.25 Frequency distribution of “Branch staff telling me when services will be performed”

Communication about services	Frequency	Percent	Cumulative Percent
Much worse than I expected	15	3.5	3.5
Worse than I expected	60	14.1	17.6
Neutral	74	17.4	35.1
Better than I expected	83	19.5	54.6
Much better than I expected	193	45.4	100.0
Total	425	100	

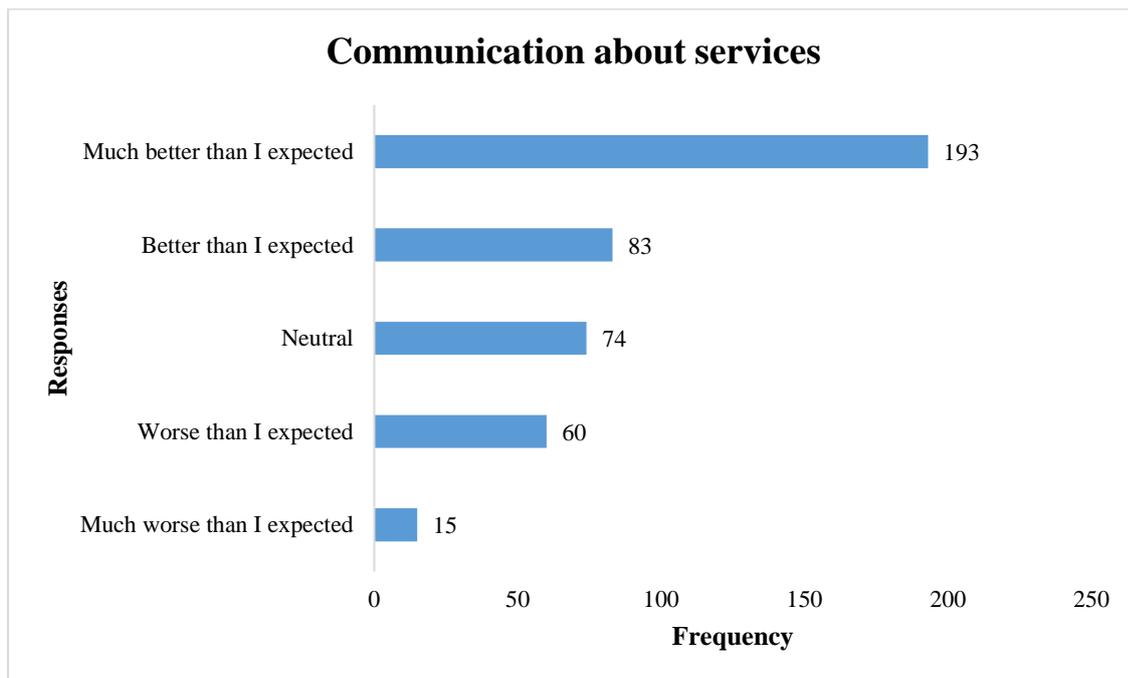


Figure 4.25 Bar graph titled “Branch staff telling me when services will be performed”

Customer feedback on branch employees' communication about when services would be delivered can be observed in the frequency table. This communication received a satisfactory rating from most respondents (64.9%), with 45.4% saying it was "Much better than I expected" and 19.5% saying it was "Better than I expected." 17.6%, however, were dissatisfied with 3.5% calling it "Much worse" and 14.1% calling it "Worse than expected." 17.4%, a significant proportion, expressed no opinion, suggesting that the communication

fulfilled their needs. According to the research, a significant minority of customers thought that the communication went short of their expectations, even if a majority expressed great satisfaction with it.

**Access to teller services**

AS1- “Number of open tellers during the busy hours of the day”

Table 4.26 Frequency distribution of “Number of open tellers during the busy hours of the day”

Situation during busy hours	Frequency	Percent	Cumulative Percent
Much worse than I expected	16	3.8	3.8
Worse than I expected	19	4.5	8.2
Neutral	78	18.4	26.6
Better than I expected	139	32.7	59.3
Much better than I expected	173	40.7	100.0
Total	425	100	

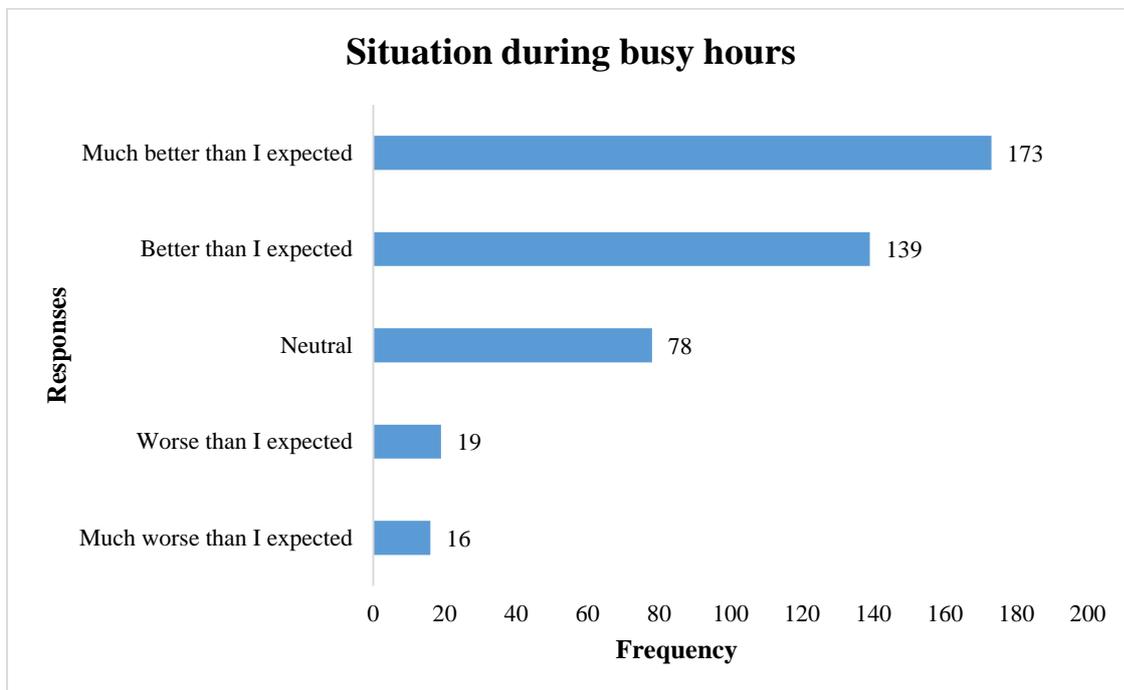


Figure 4.26 Bar graph titled “Number of open tellers during the busy hours of the day”

The customer perceptions of the service situation during peak hours are shown in the frequency table. In spite of large number of customer at the bank, the service quality was

mostly above expectations, as indicated by the majority of respondents (73.4%) rating it as either "Better" (32.7%) or "Much better than I expected" (40.7%). Only 8.3% of respondents expressed a negative opinion, with 3.8% describing it as "Much worse" and 4.5% as "Worse than expected." In contrast, 18.4% of respondents had no opinion, indicating that the service fulfilled their needs. Overall, the data indicates that the majority of customers were satisfied with the service they received, especially during the busy hours.

AS2- “Number of staff behind the counter serving customers”

Table 4.27 Frequency distribution of “Number of staff behind the counter serving customers”

<b>Staff serving behind counters</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Much worse than I expected	28	6.6	6.6
Worse than I expected	13	3.1	9.6
Neutral	67	15.8	25.4
Better than I expected	131	30.8	56.2
Much better than I expected	186	43.8	100.0
Total	425	100	

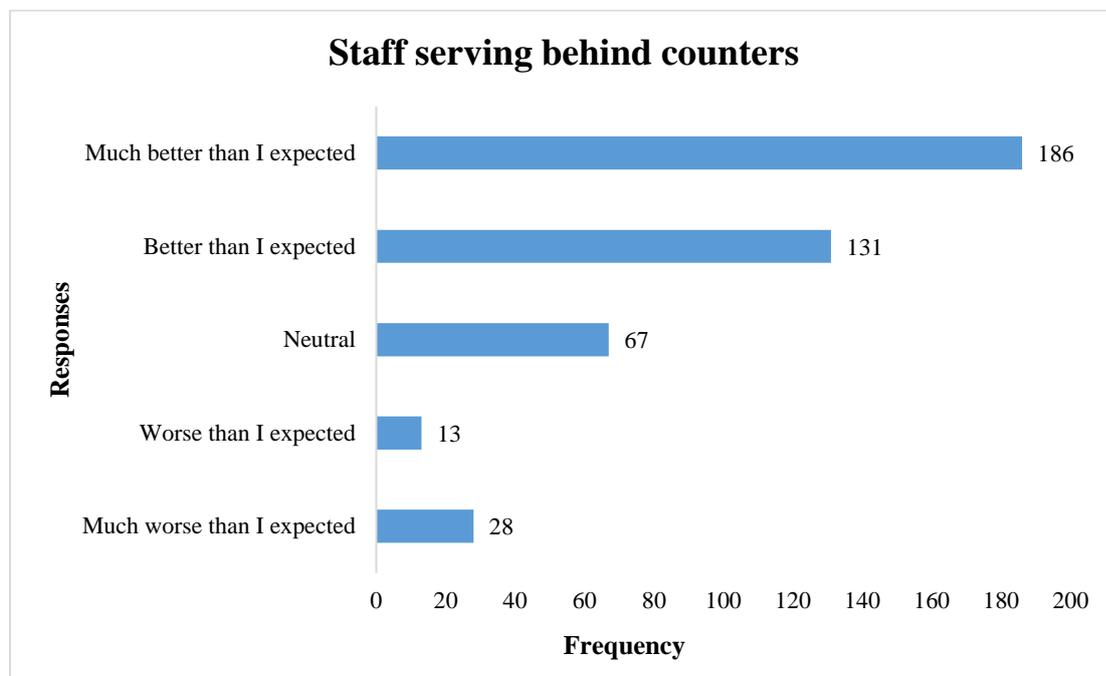


Figure 4.27 Bar graph titled “Number of staff behind the counter serving customers”

According to the frequency table, which displays how customers perceive about the employees behind counters, a significant proportion of respondents (74.6%) believed the service was better or significantly better than they thought it would be, suggesting that they had a generally positive experience. Just 9.6% of respondents indicated they were dissatisfied with 3.1% saying the service was worse than they had anticipated and 6.6% saying it was much worse than they had anticipated. 15.8% of respondents selected an impartial viewpoint, indicating that the service fulfilled their needs. In general, the data indicates that employees are generally exceeding the demands of customers.

### Customer patronage

CPI- “I say positive things about this bank to other people”

Table 4.28 Frequency distribution of “I say positive things about this bank to other people”

Positive feedback about bank	Frequency	Percent	Cumulative Percent
Strongly Disagree	12	2.8	2.8
Disagree	61	14.4	17.2
Neither Agree nor Disagree	63	14.8	32.0
Strongly Agree	110	25.9	57.9
Agree	179	42.1	100.0
Total	425	100	

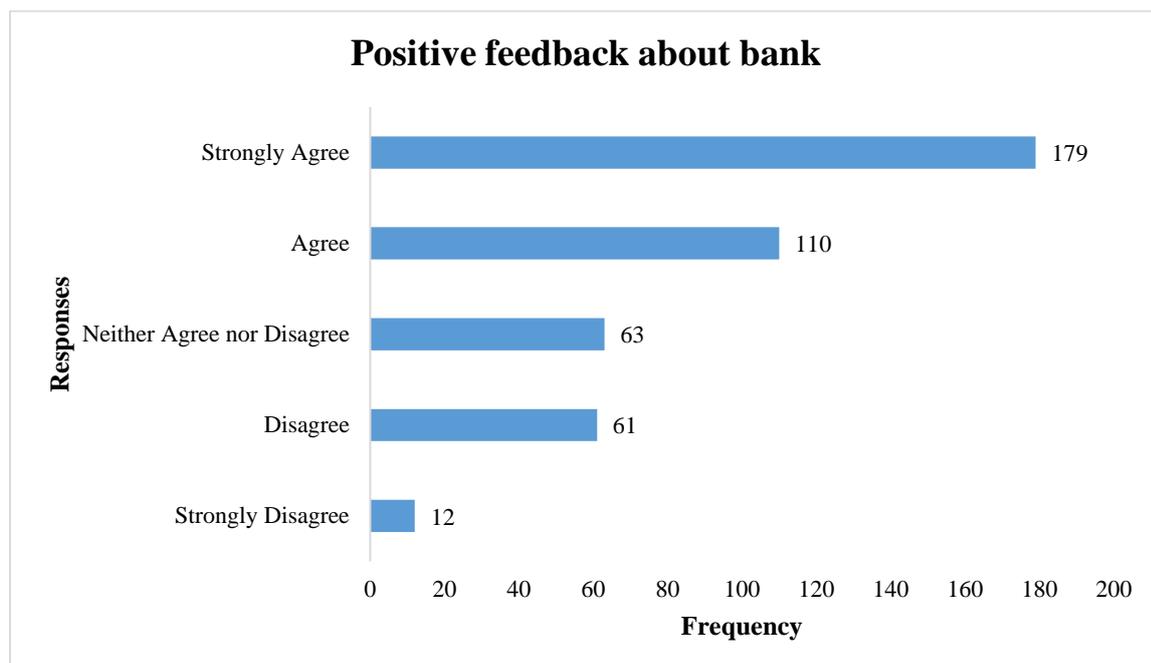


Figure 4.28 Bar graph titled “I say positive things about this bank to other people”

Regarding giving good feedback on the bank, 2.8% of respondents "strongly disagree," while 14.4% "disagree," according to the statistical analysis. Indicating neither agreement nor disagreement, a moderate 14.8% were neutral. On the contrary, a noteworthy 42.1% "agree" and 25.9% "strongly agree" that they would be providing positive feedback on the bank. Overall, 68% of respondents are inclined to give the bank positive reviews, indicating high levels of customer satisfaction and patronage. Almost fifty percent "strongly agree" indicates a high degree of confidence and acceptance, indicating that many customers are not only happy with the bank's services but are also inclined to actively recommend them. This indicates that most of the bank's customers have a positive impression of it.

CP2- “I recommend this bank to others”

Table 4. 29 Frequency distribution of “I recommend this bank to others”

<b>Recommend bank to others</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Strongly Disagree	9	2.1	2.1
Disagree	33	7.8	9.9
Neither Agree nor Disagree	94	22.1	32.0
Agree	97	22.8	54.8
Strongly Agree	192	45.2	100.0
Total	425	100	

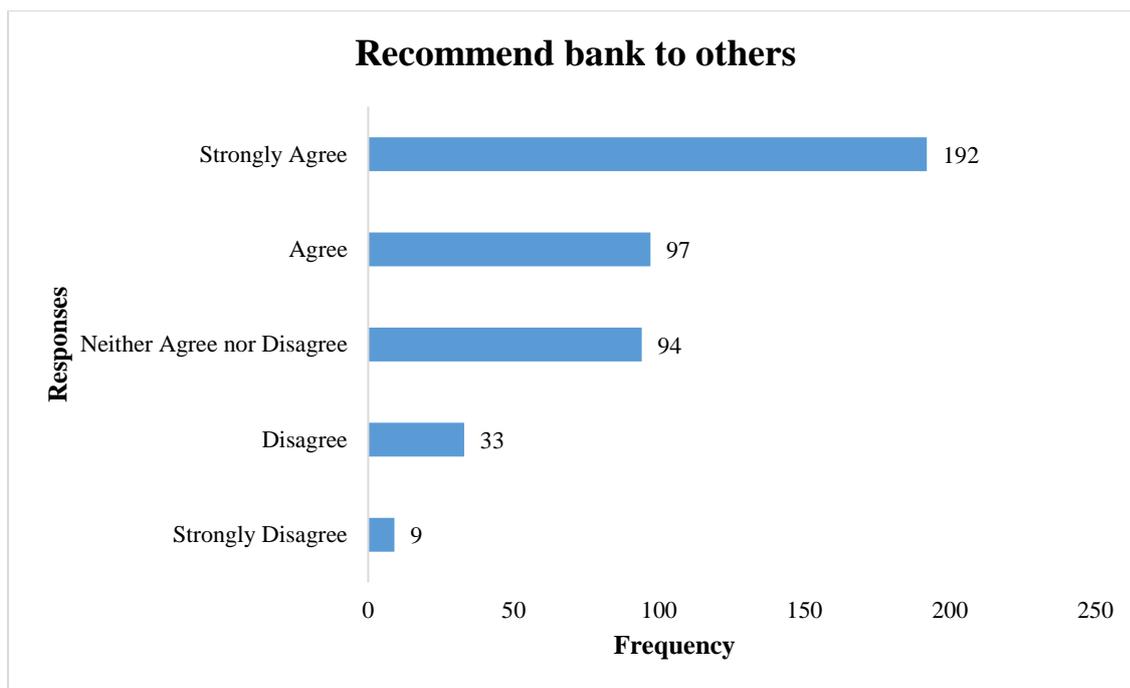


Figure 4.29 Bar graph titled “I recommend this bank to others”

2.1% of the respondents "strongly disagree" with the statement that they would not vigorously recommend the bank to others, while 7.8% "disagree," yielding an aggregate of 9.9% of the respondents. 22.1% have no opinion, indicating they are neither in favour of nor against promoting the bank's services to others. Positively, a significant 45.2% "strongly agree" and 22.8% "agree" that they would recommend the bank. This indicates that a significant proportion of the bank's customers is highly satisfied with its services and is willing to recommend it to others, as indicated by the 68% of respondents who are inclined to do so mainly. The high proportion of respondents who "strongly agree" shows a strong sense of confidence and a favourable opinion of the bank's overall performance and quality of service.

CP3- “I consider this bank my first choice to avail banking services”

Table 4.30 Frequency distribution of “I consider this bank my first choice to avail banking services”

Consider bank as first choice	Frequency	Percent	Cumulative Percent
Strongly Disagree	38	8.9	8.9
Disagree	24	5.6	14.6
Neither Agree nor Disagree	87	20.5	35.1

Agree	71	16.7	51.8
Strongly Agree	205	48.2	100.0
Total	425	100	

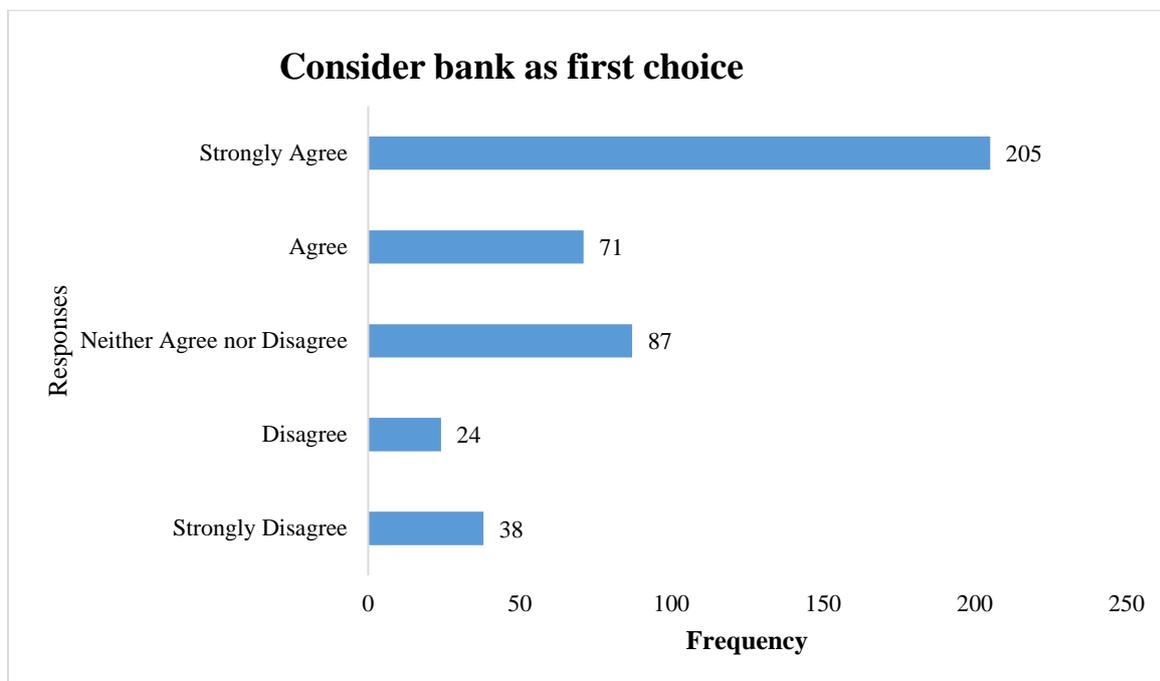


Figure 4.30 Bar graph titled “I consider this bank my first choice to avail banking services”

8.9% of the 425 respondents "strongly disagree" with the statement that the bank should be their first choice, whereas 5.6% "disagree." Additionally, 20.5% had no opinion, meaning they were neither in agreement nor disagreement. Positively, 48.2% "strongly agree" and 16.7% "agree" that they would think of the bank as their first option. The bank is the primary choice for many customers, as indicated by the 64.9% of respondents who responded they believed they preferred. This indicates that there is a high degree of customer patronage and confidence in the bank's services.

CP4- “I encourage friends and relatives to do business with this bank”

Table 4.31 Frequency distribution of “I encourage friends and relatives to do business with this bank”

Encourage others to use bank services	Frequency	Percent	Cumulative Percent
Strongly Disagree	9	2.1	2.1
Disagree	48	11.3	13.4

Neither Agree nor Disagree	80	18.8	32.2
Agree	111	26.1	58.4
Strongly Agree	177	41.6	100.0
Total	425	100	

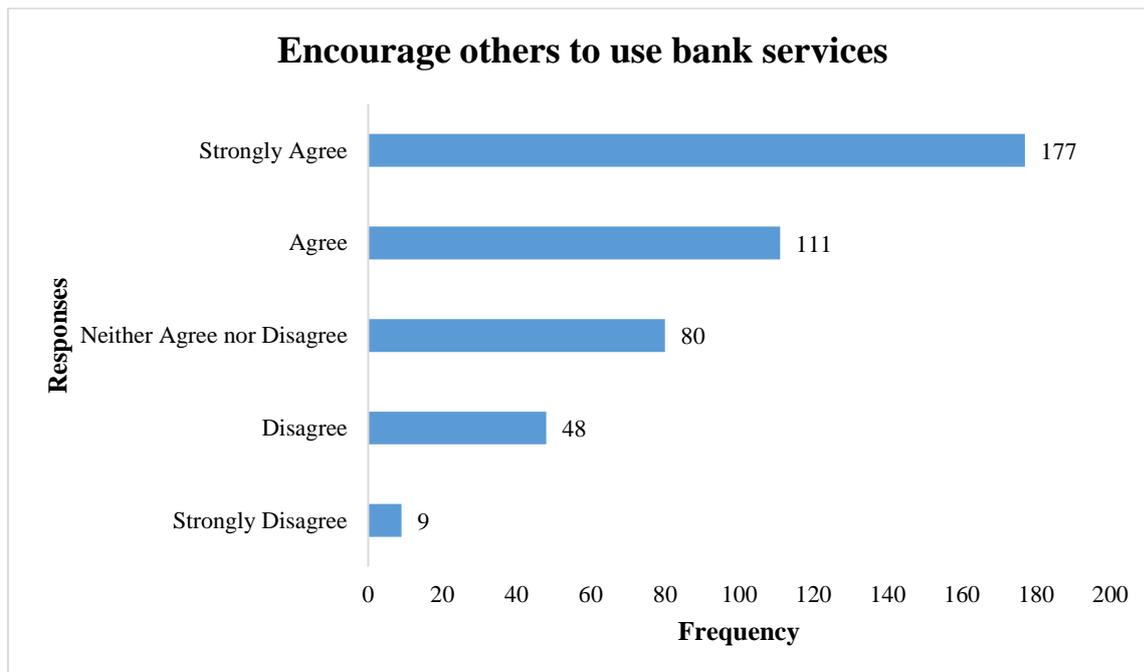


Figure 4.31 Bar graph titled “I encourage friends and relatives to do business with this bank”

2.1% respondents "strongly disagree" with encouraging others to use the bank's services, while 11.3% "disagree." A neutral stance was taken by 18.8%, neither agreeing nor disagreeing. On the positive side, 26.1% "agree" that they would recommend the bank to others, and a notable 41.6% "strongly agree." Overall, 67.7% of respondents indicated a willingness to encourage others to use the bank’s services, reflecting a strong level of customer patronage and advocacy for the bank's offerings.

CP5- “I will do more business with this bank in future also”

Table 4.32 Frequency distribution of “I will do more business with this bank in future also”

Future association with the bank	Frequency	Percent	Cumulative Percent
Strongly Disagree	19	4.5	4.5
Disagree	30	7.1	11.5
Neither Agree nor Disagree	93	21.9	33.4

Agree	104	24.5	57.9
Strongly Agree	179	42.1	100.0
Total	425	100	

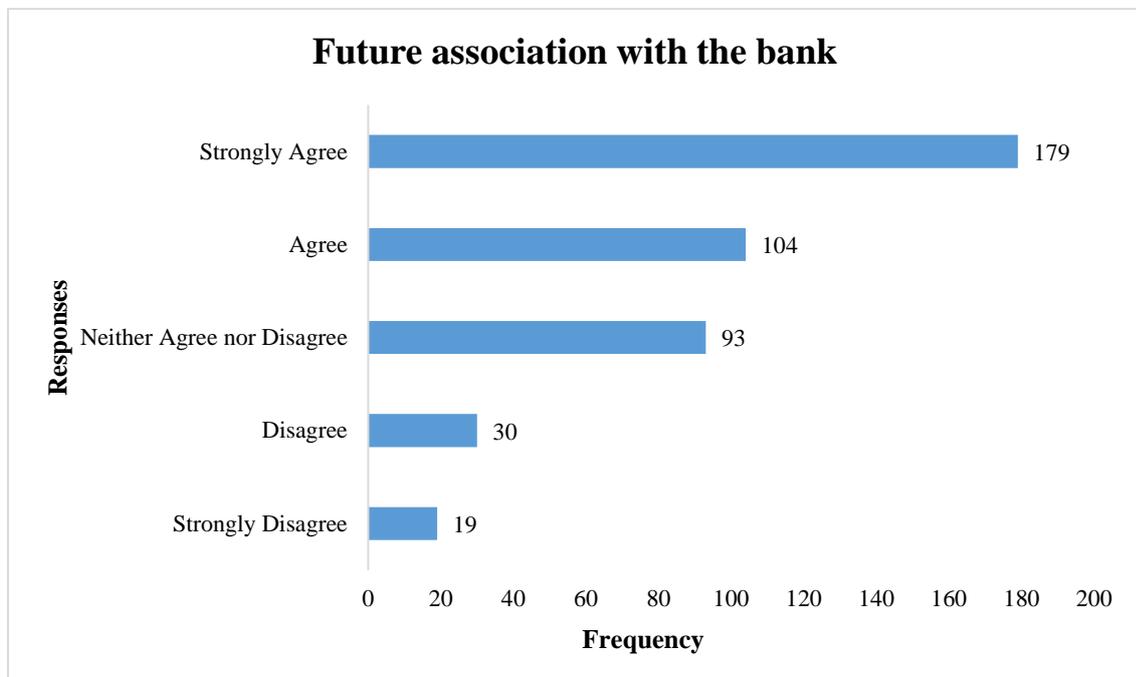


Figure 4.32 Bar graph titled “I will do more business with this bank in future also”

4.5% of the 425 respondents "strongly disagree" with the idea of retaining an association with the bank, while 7.1% "disagree." Regarding their future affiliation with the bank, a notable 21.9% expressed no opinion, neither agreeing nor disagreeing. Positively, 42.1% "strongly agree" and 24.5% "agree" that they would maintain their association with the bank. Overall, 66.6% of respondents were optimistic about their future interactions with the bank, indicating that the majority of customers are very loyal and have high patronage towards their bank.

### Analysis related to objective 2 and 3

Table 4.33 Correlation Table

		Staff Conduct	Credibility	Communication	Access to teller services	Customer Patronage
Customer Patronage	Pearson Correlation	.726**	.500**	.568**	.618**	1

	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	425	425	425	425	425

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

\* . Correlation is significant at the 0.05 level (2-tailed).

Customer patronage and four important aspects of bank service quality—staff conduct, credibility, communication, and access to teller services—have Pearson correlation coefficients, as shown in table 4.33. The values show how strongly and in which direction these variables have a linear relationship.

- Staff conduct has the strongest positive correlation with Customer patronage, ( $r = 0.726$ ,  $p < 0.001$ ), suggesting a very strong relationship. This implies that better staff conduct is strongly associated with higher customer patronage, supporting Hypothesis H1. This suggests that the quality of staff conduct, including professionalism and customer service behavior, is a significant predictor of customer patronage. As staff conduct improves, customers are more likely to remain loyal and continue to patronize the bank.
- Credibility shows a positive correlation ( $r = 0.500$ ,  $p < 0.001$ ), indicating that trustworthiness or perceived reliability of the bank also has a meaningful, though relatively weaker, impact on customer patronage (Supporting H2). A credible bank that is perceived as trustworthy and dependable encourages customers to continue using its services.
- Communication has a significant positive correlation ( $r = 0.568$ ,  $p < 0.001$ ), which shows that effective communication also plays an important role in influencing customer patronage, though it's slightly weaker than the influence of staff conduct, supporting Hypothesis H3. Effective communication between the bank and its customers is critical in establishing positive customer experiences, leading to increased customer patronage.
- Access to teller services has a second highest correlation ( $r = 0.618$ ,  $p < 0.001$ ), highlighting that convenient access to banking teller services is another important factor that positively impacts customer patronage (H4 supported). As customers seek more convenient banking experiences, factors such as online services, branch availability, and teller accessibility become increasingly important.

All correlation values were statistically significant, with p-values of greater than 0.000 for all, indicating strong evidence that these relationships are not due to random chance. This analysis strengthens the belief that customer patronage got influenced by a service quality factors, with staff conduct being the most critical among them followed by access to teller services. The results support the hypotheses H1-H4, that improved staff conduct, effective communication, better access to teller services and credibility all contribute positively to customer patronage.

#### **Analysis related to objective 4**

#### **Confirmatory Factor Analysis using Smart PLS**

##### **PLS SEM**

For an extended period, the most common method for analysing complicated relationships between latent and observable variables was covariance-based structural equation modelling, or CB-SEM. In reality, most studies that used CB SEM rather than partial least squares structural equation modelling (PLS-SEM) were published in social science journals until about 2010. In recent years, PLS-SEM has been utilised in a substantially higher number of published research articles than CB-SEM (Hair et al., 2017). PLS-SEM at the moment is widely used in an extensive selection of disciplines in social science, such as management accounting (Nitzl, 2016), organizational management (Sosik et al., 2009), international management (Richter et al., 2015), human resource management (Ringle et al., 2019), operations management (Peng and Lai, 2012), marketing management (Hair et al., 2012), and so forth.

PLS-SEM offers solutions with small sample sizes when models have a large number of items and numerous constructs (Fornell and Bookstein, 1982; Willaby et al., 2015; Hair et al., 2017).

In the realm of technology, this is made possible by the PLS-SEM algorithm, which calculates the links between the structural model and the measurement independently rather than simultaneously. In a nutshell, the method builds partial regression links in the measurement and structural models using independent ordinary least squares regressions. Reinartz et al. (2009), Henseler et al. (2014), and Sarstedt et al. (2016; 2014) offer an overview of how PLS-SEM provides solutions when techniques such as CB-SEM yield results that are ineffective or do not converge with complex models and small sample sizes, regardless of whether the data comes from a common or composite model population.

Researchers can benefit from the higher statistical power of PLS-SEM compared to CB-SEM (Reinartz et al., 2009; Hair et al., 2017). This characteristic holds true even when data is estimated using a common factor model, as predicted by CB-SEM (Sarstedt et al., 2016). With higher statistical power, PLS-SEM is more likely to identify relationships as significant when they are actually prevalent in the population (Sarstedt and Mooi, 2019).

### **PLS-SEM results**

Analysing the measurement model is the first step in assessing PLS-SEM results. The structural model must subsequent be evaluated by researchers if the measurement models satisfy all necessary requirements (Hair et al., 2017). PLS-SEM includes broad recommendations for assessing effectiveness of models, just as the majority of statistical techniques. Rules of thumb are broad recommendations on how to interpret the data; they usually vary according on the contexts (Chin, 2010; Götz et al., 2010; Chin, 1998; Tenenhaus et al., 2005; Roldán and Sánchez Franco, 2012) For instance, a minimum of 0.60 should be the reliability of exploratory research, whereas at least 0.70 should be the reliability of research that uses established measurements (Cheung et al., 2024).

### **Measurement model assessment**

In the reflective measurement model assessment process, investigating the outer loadings is the first step. It is recommended to use loadings greater than 0.708 since they show that the construct accounts for more than 50% of the variance in the indicator and so has adequate item reliability (Hair et al., 2017).

### **Outer loading values**

Next criteria were assessing the outer loading values as recommended by Hair et al. (2017). The researcher checked outer loading for all the statements for every dimension. According to the literature, numbers above 0.8 are considered very good, 0.7 are good, and 0.6 are acceptable; values below 0.5 need to be eliminated from the model. The outer loading values provide the estimated association between the latent variables and its indicator.

### **Staff conduct**

Table 4.34 shows the outer loadings of staff conduct dimension. The staff conduct dimension has seven statements. The outer loading value of individual statement S2 “Promptness of service from the branch staff” was (0.893) having the highest relationship with staff conduct.

The second highest value was of the statement SI “Politeness of the branch staff”. All the statements of staff conduct have strong relationship and contribution to their reflective construct (Hair et al., 2017).

Table 4.34 Outer loading values of staff conduct

<b>S. No</b>	<b>Statement</b>	<b>Indicator</b>	<b>Outer loading</b>
1	“Politeness of the branch staff”	<b>SC1</b>	<b>0.867</b>
2	“Promptness of service from the branch staff”	<b>SC2</b>	<b>0.893</b>
3	“Willingness of the branch staff to help me”	<b>SC3</b>	<b>0.808</b>
4	“Branch staff greets, when it is my turn to be served”	<b>SC4</b>	<b>0.859</b>
5	“Neat appearance of branch staff”	<b>SC5</b>	<b>0.857</b>
6	“Ability of branch staff to apologise for a mistake”	<b>SC6</b>	<b>0.842</b>
7	“Expression of a genuine concern if there is a mistake in my account”	<b>SC7</b>	<b>0.844</b>

### **Credibility**

Table 4.35 shows the outer loadings of credibility dimension. The credibility dimension has three statements. The outer loading value of individual statement CR3 “Branch staff keeping me informed about matters of concern to me” was (0.902) having the highest relationship with credibility. The second highest value was of the statement CR1 “Ability of branch staff to put a mistake right”. CR2 “Feelings of security in my dealings with the branch staff” also strongly contributes to credibility with outer loading 0.834 and it is evident from the Table 4.35 that all values are more than 0.70. (Hair et al., 2017).

Table 4.35 Outer loading values of credibility

<b>S. No</b>	<b>Statement</b>	<b>Indicator</b>	<b>Outer loading</b>
1	“Ability of branch staff to put a mistake right”	<b>CR1</b>	<b>0.836</b>
2	“Feelings of security in my dealings with the branch staff”	<b>CR2</b>	<b>0.834</b>
3	“Branch staff keeping me informed about	<b>CR3</b>	<b>0.902</b>

	matters of concern to me”		
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### Communication

The communication construct has five statements contributing to service quality of banks. The statement CM3 “Branch staff helping me learn how to keep down my banking costs” strongly contributes to communication with highest outer loading value 0.835. The second highest outer loading was of statement CM2 “Quality of advice given about managing my finances” ie. 0.790. As we can clearly interpret from the table 4.36 that CM1, CM4 and CM5 also have outer loading values above the threshold ie. 0.70.

Table 4.36 Outer loading values of Communication

S. No	Statement	Indicator	Outer loading
1	“Branch staff telling me about different types of accounts and investments available”	CM1	0.760
2	“Quality of advice given about managing my finances”	CM2	0.790
3	“Branch staff helping me learn how to keep down my banking costs”	CM3	0.835
4	“Branch staff’s knowledge of bank services and products”	CM4	0.727
5	“Branch staff telling me when services will be performed”	CM5	0.774

### Access to teller services

The access to teller services dimension of banking service quality has 2 statements. The statement AS1 “Number of open tellers during the busy hours of the day” having outer loading 0.919 has strong contribution to the construct. The second statement AS2 “Number of staff behind the counter serving customers” have outer loading value 0.892 also contributes to the assess to teller services dimension.

Table 4.37 Outer loading values of access to teller services

S. No	Statement	Indicator	Outer loading
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1	“Number of open tellers during the busy hours of the day”	<b>AS1</b>	<b>0.919</b>
2	“Number of staff behind the counter serving customers”	<b>AS2</b>	<b>0.892</b>

### **Customer patronage**

Customer patronage construct was measured by 5 statements. The statement CP3 “I consider this bank my first choice to avail banking services” indicates the highest outer loading (0.908) followed by CP1 “I say positive things about this bank to other people” having 0.858 as outer loading. CP2, CP4 and CP5 also have outer loadings above 0.70 indicating that all the statements significantly contribute to the customer patronage construct.

Table 4.38 Outer loading values of customer patronage

<b>S. No</b>	<b>Statement</b>	<b>Indicator</b>	<b>Outer loading</b>
1	“I say positive things about this bank to other people”	<b>CP1</b>	<b>0.858</b>
2	“I recommend this bank to others”	<b>CP2</b>	<b>0.808</b>
3	“I consider this bank my first choice to avail banking services”	<b>CP3</b>	<b>0.908</b>
4	“I encourage friends and relatives to do business with this bank”	<b>CP4</b>	<b>0.770</b>
5	“I will do more business with this bank in future also”	<b>CP5</b>	<b>0.802</b>

### **Construct Reliability**

The validity and construct reliability of the dimensions were evaluated for the study after the evaluation of outer loadings. In the second step, internal consistency reliability was assessed, using Jöreskog's (1971) composite reliability. Higher reliability levels are generally associated with higher values. For example, reliability values are "satisfactory to good" (between 0.70 and 0.90) and "acceptable in exploratory research" (between 0.60 and 0.70). Because they indicate item redundancy, values higher than 0.95 provide a problem because they reduce construct validity (Diamantopoulos et al., 2012; Drolet and Morrison, 2001). In

order to evaluate reliability, the researcher considered Cronbach's alpha for internal consistency reliability and composite reliability. Cronbach's alpha and composite reliability scores should be above the crucial threshold levels of 0.70. It is advised that the composite reliability not exceed 0.90. According to Heseler et al. (2018), the value of average variance extracted should be more than 0.50.

All of the dimensions' construct reliability values are displayed in Table. Cronbach's alpha value ranges between 0.781 to 0.918. The dimension of service quality assess to teller services has the lowest Cronbach's value (0.704). The staff conduct dimension of service quality has the highest Cronbach's alpha value (0.918). The internal consistency of all the measures taken into consideration for the study was confirmed by the Cronbach's values. In an attempt to confirm the data's internal consistency, the study additionally considered composite reliability into account as well. As Cronbach's is recognised as a common and traditional approach to verify the internal consistency of the data, the study investigated composite reliability likewise. Similar to Cronbach's alpha, the values of composite reliability should also be greater than 0.70. The composite reliability values range from (0.792) to (0.921), as the above table illustrates. The service quality dimensions' factor access to teller services had the lowest composite reliability value. The service quality dimensions' staff conduct factor has the greatest composite reliability score. For every dimension taken under consideration for the investigation, the Cronbach's and composite reliability values results are above the recommended threshold of 0.70. Therefore, we can claim that the internal consistency and reliability of the model was well established.

### **Reliability and Validity**

Table 4.39 Reliability and Validity

	<b>Cronbach's alpha</b>	<b>Composite reliability</b>	<b>Average variance extracted</b>
<b>Access to teller services</b>	0.782	0.792	0.725
<b>Communication</b>	0.838	0.860	0.606
<b>Credibility</b>	0.820	0.828	0.736
<b>Customer patronage</b>	0.887	0.891	0.690
<b>Staff Conduct</b>	0.918	0.921	0.729

The convergent validity of each construct measure was evaluated in the third step of the reflective measurement model assessment. Convergent validity is the extent to which the construct converges to explain the variance of its elements. Convergent validity is evaluated using the average variance extracted (AVE) for each item on each concept. The AVE is obtained by squaring the loading of each indicator on a construct and calculating the mean value. In order to achieve convergent validity, the extracted average variance must be greater than 0.50 and the composite reliability must be greater than 0.70. When the AVE is 0.50 or above, it means that the construct accounts for at least 50% of the variation in the items (Hair et al., 2017). Additionally, the average variance extracted values cannot exceed the composite reliability values. Access to teller services has an average variance extracted value that accounts for 72.5% of the construct; communication accounts for 60.6%; credibility accounts for 73.6%; customer patronage accounts for 69%; and staff conduct accounts for 72.9%. As suggested in the literature, more than 50% of the average variance extracted is explained by all the dimensions taken into consideration for the investigation. The strength of the correlation within and between the dimensions is explained by the values. The results of AVE made sure that the study attained sufficient convergent validity to move to the next stage of data analysis.

### **Discriminant Validity**

The fourth step is to assess discriminant validity, it is the degree to which one construct is empirically different from other constructs in the structural model.

### **Cross Loadings Values**

Assessing discriminant validity in partial least squares structural equation modelling (PLS-SEM) helps ensure that the model's latent constructs remain distinct from one another and avoid overlapping. Using cross-loading analysis is one of the most commonly employed methods to assess discriminant validity. Each indicator's loading on its associated latent construct is compared to its loadings on other constructs in a cross-loadings table. Each indicator must load more strongly on its own latent construct than on any other in order for discriminant validity to be considered acceptable. This ensures that the constructs are not examining the same underlying concept. According to Hair et al. (2017), this method is consistent with the general rule that an indicator's loading on the construct to which it is assigned should be greater than its cross-loadings on other constructs.

If an indicator's cross-loading on an unrelated concept were greater than its loading on the intended construct, this would suggest a lack of discriminant validity. Henseler et al. (2015) has recommended to employ additional complementary tests, such as the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT), to obtain a more robust evaluation, even though cross-loadings are helpful for identifying potential discriminant validity issues. Researchers can more effectively guarantee that their constructs exhibit the discriminant validity required to get trustworthy and significant SEM results by combining these techniques.

Table 4.40 Cross loadings table

	<b>Access to teller services</b>	<b>Communication</b>	<b>Customer patronage</b>	<b>Credibility</b>	<b>Staff Conduct</b>
<b>AS1</b>	<b>0.892</b>	0.421	0.590	0.327	0.497
<b>AS2</b>	<b>0.919</b>	0.523	0.677	0.284	0.615
<b>CM1</b>	0.307	<b>0.760</b>	0.428	0.284	0.242
<b>CM2</b>	0.406	<b>0.790</b>	0.555	0.348	0.481
<b>CM3</b>	0.544	<b>0.835</b>	0.617	0.398	0.574
<b>CM4</b>	0.318	<b>0.727</b>	0.491	0.243	0.298
<b>CM5</b>	0.404	<b>0.774</b>	0.496	0.290	0.409
<b>CP1</b>	0.657	0.567	<b>0.858</b>	0.440	0.689
<b>CP2</b>	0.549	0.564	<b>0.808</b>	0.454	0.619
<b>CP3</b>	0.628	0.653	<b>0.908</b>	0.523	0.745
<b>CP4</b>	0.516	0.646	<b>0.770</b>	0.518	0.621
<b>CP5</b>	0.561	0.508	<b>0.802</b>	0.502	0.632
<b>CR1</b>	0.273	0.286	0.476	<b>0.836</b>	0.529
<b>CR2</b>	0.307	0.353	0.480	<b>0.834</b>	0.393
<b>CR3</b>	0.285	0.410	0.551	<b>0.902</b>	0.485

<b>SC1</b>	0.484	0.394	0.611	0.463	<b>0.844</b>
<b>SC2</b>	0.498	0.459	0.675	0.448	<b>0.893</b>
<b>SC3</b>	0.453	0.373	0.600	0.488	<b>0.808</b>
<b>SC4</b>	0.479	0.445	0.714	0.495	<b>0.859</b>
<b>SC5</b>	0.622	0.454	0.666	0.379	<b>0.859</b>
<b>SC6</b>	0.536	0.555	0.725	0.575	<b>0.844</b>
<b>SC7</b>	0.603	0.510	0.754	0.418	<b>0.867</b>

**Access to Teller Services** (AS1, AS2) has the highest loadings on the "Access to Teller Services" construct (0.892 and 0.919). This shows that AS1 and AS2 are strong indicators of this latent construct. Their loadings on other constructs are significantly lower, which indicates good discriminant validity.

**Communication** (CM1 to CM5) has indicators that load highest on the "Communication" construct, such as CM3, which loads 0.835 on Communication but much lower on others (e.g., 0.544 on Access to Teller Services, 0.617 on Customer Patronage). This supports the idea that these indicators measure "Communication" well and not other constructs.

**Customer Patronage** (CP1 to CP5) shows high loadings on "Customer Patronage." For instance, CP3 has a loading of 0.908 on "Customer Patronage," but its loadings on other constructs are much lower, like 0.628 on "Access to Teller Services" and 0.523 on "Credibility." This indicates that CP1 to CP5 are primarily measuring "Customer Patronage."

**Credibility** (CR1 to CR3) indicators are best measured by the "Credibility" construct. For example, CR3 has a loading of 0.902 on "Credibility" and lower values on other constructs, such as 0.551 on "Customer Patronage" and 0.485 on "Staff Conduct."

**Staff Conduct** (SC1 to SC7) shows its indicators are best associated with "Staff Conduct." For example, S4 has a high loading of 0.859 on "Staff Conduct" and lower cross-loadings on other constructs (e.g., 0.479 on Access to Teller Services, 0.495 on Credibility). This indicates that these indicators reflect "Staff Conduct" well.

The indicators (AS, CM, CP, CR, and SC) often load most strongly on their associated constructs, according to the cross-loadings table. Discriminant validity is supported by the reduced cross-loadings on other constructs, which confirm to the constructs' uniqueness and the fact that each indicator precisely measures the latent variable to which it is assigned.

**Fornell and Larcker criterion**

The convergent validity of each construct measure was evaluated using the Fornell and Larcker (1981) criterion created the standard measurement, suggesting that as a measure of shared variance, the AVE of each construct be compared to the squared inter-construct correlation of that same construct and all other reflectively rated constructs in the structural model. The shared variance of any model construct shouldn't exceed its AVE. Recent research, however, indicates that this metric might not be suitable for assessing discriminant validity. In this regard, Henseler et al. (2015) argue that the Fornell-Larcker criterion is ineffective, particularly when the indicator loadings on a concept change only minimal.

The findings demonstrated that each of the study's dimensions had a greater correlation with each of its individual statements rather than with any other dimension. The square root of the explained average values was highlighted in the table. The values are then compared with the other values in the same column. The values that are highlighted in the respective column are greater than the remaining values. Simultaneously along with the average variance extracted, the square root of the average values extracted is also verified.

Table 4.41 Fornell and Larcker Criterion

	<b>Access to teller services</b>	<b>Communication</b>	<b>Credibility</b>	<b>Customer patronage</b>	<b>Staff Conduct</b>
<b>Access to teller services</b>	0.851				
<b>Communication</b>	0.525	0.778			
<b>Credibility</b>	0.335	0.41	0.858		
<b>Customer patronage</b>	0.702	0.709	0.587	0.831	

<b>Staff Conduct</b>	0.618	0.538	0.547	0.798	0.854
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**Access to Teller Services:**

Its diagonal value (0.851) is higher than its correlation with other constructs, such as Communication (0.525), Credibility (0.335), Customer Patronage (0.702), and Staff Conduct (0.618). This indicates that "Access to Teller Services" has stronger relationships with its own indicators than with other constructs, confirming discriminant validity.

**Communication:**

The square root of the AVE for Communication is 0.778, which is greater than its correlations with other constructs: 0.525 with Access to Teller Services, 0.41 with Credibility, 0.709 with Customer Patronage, and 0.538 with Staff Conduct. This demonstrates that "Communication" is distinct from other constructs.

**Credibility:**

The square root of the AVE for Credibility is 0.858, which is higher than its correlations with Access to Teller Services (0.335), Communication (0.41), Customer Patronage (0.587), and Staff Conduct (0.547). This suggests that "Credibility" has good discriminant validity.

**Customer Patronage:**

The AVE for Customer Patronage has a square root of 0.831, which exceeds its correlations with Access to Teller Services (0.702), Communication (0.709), Credibility (0.587), and Staff Conduct (0.798). Although the correlations are relatively high, the square root of the AVE is still larger, indicating that "Customer Patronage" is sufficiently distinct from other constructs.

**Staff Conduct:**

The square root of the AVE for Staff Conduct is 0.854, which is higher than its correlations with Access to Teller Services (0.618), Communication (0.538), Credibility (0.547), and Customer Patronage (0.798). This indicates that "Staff Conduct" also has good discriminant validity.

In this table, each construct has a higher AVE square root than its correlations with other constructs, confirming discriminant validity for all constructs. This means that each construct is distinct and captures unique aspects of the model, providing evidence that the measurement model has good discriminant validity.

### **HTMT**

The heterotrait-monotrait (HTMT) ratio of the correlations was proposed by Henseler et al. (2015) as a replacement (Voorhees et al., 2016). The convergent validity of each construct measure was also evaluated using the HTMT Ratio method, calculated by dividing the mean value of item correlations across constructs by the (geometric) mean of the average correlations for the items measuring the same construct. When HTMT scores are high, discriminant validity problems arise (Duarte and Amaro, 2018). Henseler et al. (2015) recommend a threshold value of 0.90 for structural models that include theoretically related disciplines like loyalty, affective satisfaction, and cognitive satisfaction. In this case, the lack of discriminant validity is shown by an HTMT value greater than 0.90 (Roemer et al., 2021). However, when conceptions are conceptually more diverse, a lower, more conservative threshold value, like 0.85, is recommended (Henseler et al., 2015).

Therefore, in addition to Fornell and Larcker criterion of discriminant validity, the present study has also examined Heterotrait-Monotrait Ration (HTMT) ratio method of discriminant validity which evaluates each statement independently across all dimensions and "measures the average correlation relative to the average correlation of the same dimension being measure." Values below 0.85 are regarded as within an acceptable range for the HTMT, indicating that the requirement has been attained (Henseler et al., 2015). It was considered that HTMT was more effective than Fornell and Larcker method of assessing discriminant validity.

Table 4.42 HTMT Ratio

	<b>Access to teller services</b>	<b>Communication</b>	<b>Credibility</b>	<b>Customer patronage</b>	<b>Staff Conduct</b>
<b>Access to teller services</b>					
<b>Communication</b>	0.623				

<b>Credibility</b>	0.422	0.480			
<b>Customer patronage</b>	0.820	0.769	0.688		
<b>Staff Conduct</b>	0.714	0.575	0.624	0.771	

In summary, the HTMT analysis shows that each construct is sufficiently distinct from the others, providing further evidence of discriminant validity in the model. This means that the constructs are measuring different concepts, which is essential for the validity of the PLS-SEM model.

In accordance with the recommendations by Hair et al. (2017), the present research has taken into consideration the model criteria assessments of Cronbach's alpha > 0.7, Outer loading > 0.7, Composite reliability > 0.7, Average variance extracted > 0.5, and Discriminant validity: The dimension coefficient needs to be greater than the correlation coefficient in the specific column and for HTMT Ratio, the values should be less than 0.85.

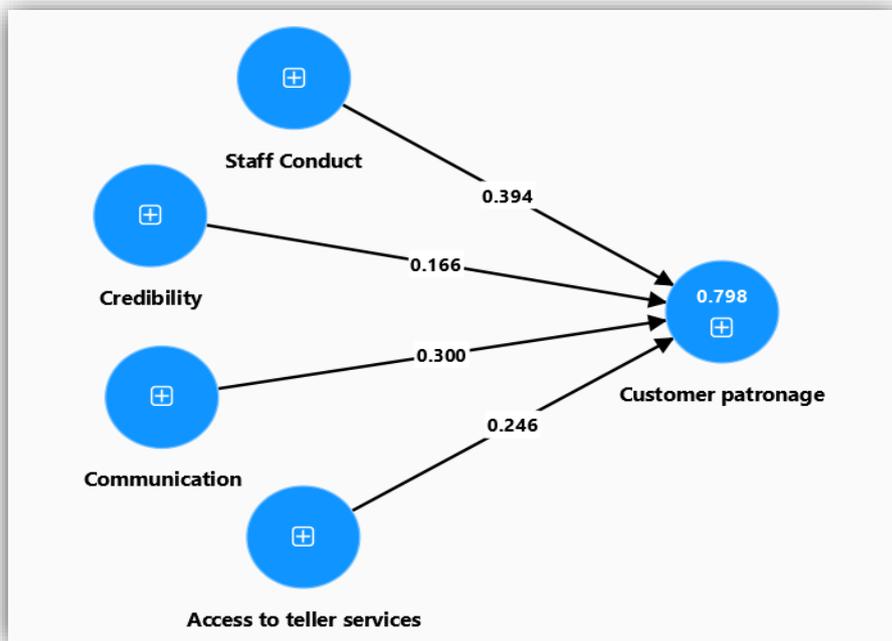


Figure 4.33 Measurement model

Source: Developed by Researcher

### Structural Model Assessment

In this section, various hypotheses have been tested using partial least squares and structural equation modelling (Shmueli et al., 2019; Ali et al., 2018). Customer satisfaction, financial success, customer loyalty, and word-of-mouth are examples of dependent variables. PLS-SEM is used to analyze the relationship between independent variables (staff conduct, access to service teller, credibility and communication) and dependent variables (customer patronage). Evaluating the path coefficients of structural model relationships, as well as the t values and p values displayed in Table 4.44, contributed to the completion of hypothesis testing.

### **Common Method Bias**

The convergent validity of each construct measure was also evaluated using the structural model coefficients for the relationships between the constructs are obtained by estimating several regression equations. Before assessing the structural relationships, collinearity needs to be examined to make sure it does not distort the regression results. The collinearity assessment approach can be obtained by the Common Method Bias. To meet the required cut-off prerequisites, the collinearity measurement cut-off criterion, also known as VIF statistics, must be less than 3.3 (Kock, 2015). According to Hair et al. (2012), the statistical model developed for the study was "free of common method bias" as indicated by values in the Common method bias that were less than 3.3. Although collinearity issues can also emerge at lower VIF values of 3-5, VIF values above 5 are suggestive of potential collinearity issues among the predictor constructs (Mason and Perreault, 1991; Becker et al., 2015). The VIF values are supposed to be around 3 or less. Making higher-order models that are theoretically justified is an often employed solution when collinearity is an issue (Hair et al., 2017).

Table 4.43 VIF Values

<b>Construct</b>	<b>Indicators</b>	<b>VIF</b>
<b>Access to teller services</b>	AS1	1.700
	AS2	1.710
<b>Communication</b>	CM1	1.748
	CM2	1.796
	CM3	1.957
	CM4	1.634

	CM5	1.777
<b>Customer patronage</b>	CP1	2.680
	CP2	2.179
	CP3	3.063
	CP4	1.738
	CP5	2.130
<b>Credibility</b>	CR1	1.787
	CR2	1.750
	CR3	2.223
<b>Staff conduct</b>	SC1	3.069
	SC2	3.107
	SC3	2.386
	SC4	2.951
	SC5	2.925
	SC6	2.913
	SC7	2.821

The convergent validity of each construct measure was also evaluated using the R<sup>2</sup> value, if there is no issue about collinearity. The variation that each endogenous construct can account for is quantified by the R<sup>2</sup>, which is a measure of the model's explanatory power (Shmueli and Koppius, 2011). In-sample predictive power is another name for the R<sup>2</sup> value (Rigdon, 2012). Higher values of the R<sup>2</sup> indicate a larger explanatory power. The R<sup>2</sup> ranges from 0 to 1. According to Henseler et al. (2009) and Hair et al. (2011), R<sup>2</sup> values of 0.75, 0.50, and 0.25 are generally regarded as significant, moderate, and weak values. As it is clearly evident from the figure 4.34, R<sup>2</sup> value for customer patronage was 79.8, which indicates that service quality dimensions (staff conduct, credibility, communication, access to teller services) explains 79.8 percent of customer patronage in Indian banking sector. As per the recommendations of Hair et al. (2017), the R<sup>2</sup> value needs to be greater than 0.15. For the present study, the effect size f<sup>2</sup> value was highest for staff conduct (0.357), followed by communication (0.281). Access to teller services (0.168) and credibility (0.092) has moderate and weak f<sup>2</sup> value. As a rule of thumb, values higher than 0.02, 0.15 and 0.35 depict small, medium and large f<sup>2</sup> effect sizes (Cohen, 1988).

In order to determine the sampling distribution of a statistic, like a mean or a regression coefficient, from a single sample of data, a statistical approach known as bootstrapping is utilised in research. To create multiple bootstrap samples, the procedure involves repeatedly resampling the original dataset using replacement. To establish a new dataset of the same size as the original, observations are randomly selected from the original sample in each bootstrap sample. Each bootstrap sample is then used to compute an interesting statistic, like a mean or a regression coefficient. This technique can be repeated numerous times to build a distribution of the statistic, which can then be used to estimate the sampling distribution of statistic.

Comparing bootstrapping to more traditional statistical techniques like the t-test or the F-test uncovers a number of advantages. For instance, bootstrapping is not reliant on presumptions about the underlying distribution of the data or the shape of the sampling distribution. It can also be applied to non-normal data and small sample size. In many fields of study, including psychology, economics, and biology, bootstrapping is frequently used to estimate p-values, confidence intervals, and standard errors for various statistical measures. It is also frequently combined with other statistical methods like structural equation modelling and regression analysis.

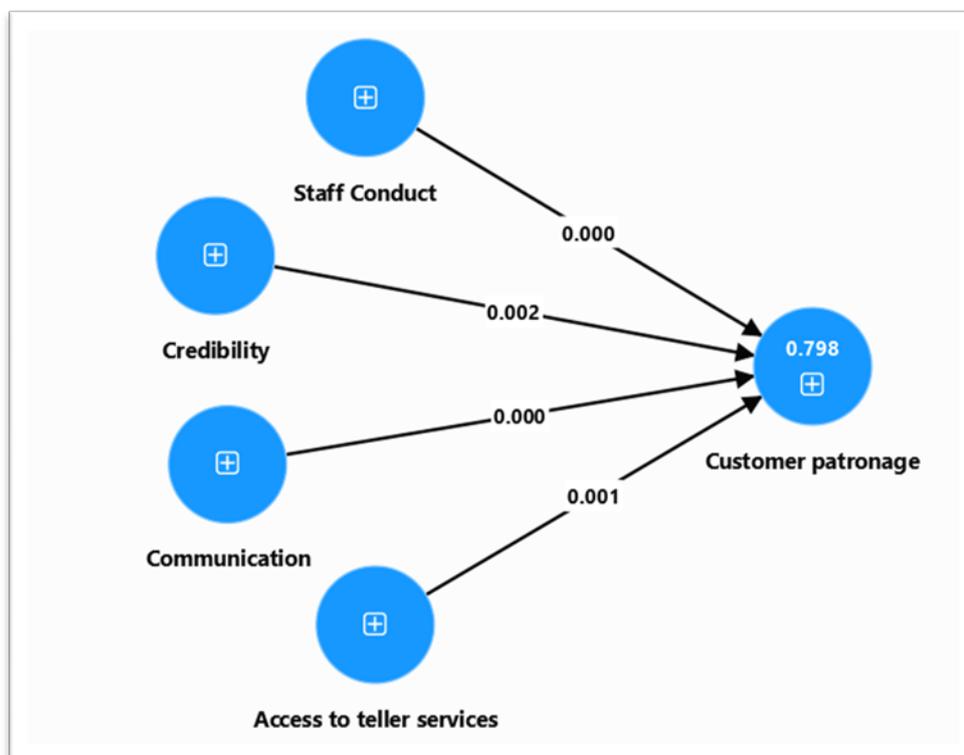


Figure 4.34 Structural model

Source: Developed by Researcher

### Assessing the significance and relevance of the structural model relationships

The calculated coefficients that show the direction and strength of the links between the latent variables and the related manifest indicators in a structural equation model (SEM) are known as path coefficients in smart partial least squares (PLS). The path coefficients represent the amount of variation in the dependent variable that results from a one-unit change in the independent variable, with all other variables kept constant. They are utilised to test the significance of the correlations between the latent variables and to establish their direction and strength. The path coefficients, t-values, and p-values of each structural model relationship construct can be used to evaluate the significant relationships. The path coefficient value ranges from -1 to +1, and a value larger than 1.96 indicates that it should be significant at the 0.05 significance level (Hair et al., 2014).

**Table 4.44 Path coefficient table**

Hypotheses	Relationships	Path Coefficient	T statistics	P values	Results
<b>H5</b>	Staff Conduct -> Customer patronage	0.394	6.014	0	Supported
<b>H6</b>	Credibility -> Customer patronage	0.166	3.107	0.002	Supported
<b>H7</b>	Communication -> Customer patronage	0.3	5.574	0	Supported
<b>H8</b>	Access to teller services -> Customer patronage	0.246	3.224	0.001	Supported

The study examines the impact of various factors on customer patronage in a banking context, revealing significant relationships between access to teller services, communication, credibility, staff conduct, and customer patronage. Access to teller services has a positive path coefficient of 0.246, with a t-value of 3.224 and a p-value of 0.001, suggesting that improved access to teller services strongly influences customer patronage (H8 was supported). Credibility also contributes positively, with a path coefficient of 0.166 and a t-

value of 3.107 ( $p = 0.002$ ), showing that customers are more likely to patronize a bank they perceive as credible and trustworthy (supporting H6). Communication is even more influential, with a path coefficient of 0.300, a t-value of 5.574, and a p-value of 0.000, indicating that effective communication between the bank and customers plays a crucial role in encouraging patronage (H7 was supported). Finally, staff conduct emerges as the strongest predictor of customer patronage, with a path coefficient of 0.394, a t-value of 6.014, and a p value of 0.000, indicating that professional and courteous staff behavior is highly significant in fostering customer patronage (H5 was supported). Overall, all the relationships were statistically supported, as the p values were well below the 0.05 threshold, underscoring the importance of these factors in enhancing customer retention and satisfaction in the banking sector.

### **4.3 FINDINGS OF EACH HYPOTHESIS/OBJECTIVE**

#### **Findings related to Objective 1 “To identify and evaluate the key determinants of service quality perceived by customers in Indian retail banking”**

Four key determinants of bank service quality impacting the customer patronage have been identified from the literature review.

**Staff conduct:** Staff Conduct refers to the behavior, professionalism, and attitude of bank employees when interacting with customers. It encompasses aspects like courteousness, helpfulness, responsiveness, and the ability to effectively address customer concerns. High-quality staff conduct is critical in shaping positive customer experiences, fostering trust, and building long-term customer loyalty.

**Credibility:** Credibility reflects the trustworthiness and reliability of the bank. It includes the bank's reputation, transparency, and its ability to deliver services consistently and competently. A credible bank is one that customers believe will protect their interests, handle their financial transactions securely, and uphold its promises.

**Communication:** Communication involves how effectively the bank interacts with its customers, providing clear, timely, and accurate information. This includes communication through various channels such as phone, email, online platforms, and in-branch interactions. Strong communication enhances customer satisfaction by ensuring customers are well-informed and confident in the bank's services.

**Access to teller services:** Access to Teller Services refers to the convenience and availability of in-branch banking services, such as teller assistance for deposits, withdrawals, and other financial transactions. The ease of accessing these services is an essential parameter of service quality, as it directly impacts customer satisfaction and patronage, particularly for those who prefer face-to-face interactions. Efficient access to teller services ensures a smooth and hassle-free customer experience.

**Findings related to Objective 2 “To investigate the relationship between service quality and customer patronage in Indian retail banking”**

Table 4.45 Summary of Hypotheses testing H1-H4

<b>Hypotheses</b>	<b>Statement</b>	<b>Results</b>	<b>Decision</b>
<b>H1</b>	Staff conduct has a significant relationship with customer patronage	r = 0.726, p < 0.001	Supported
<b>H2</b>	Credibility has a significant relationship with customer patronage	r = 0.500, p < 0.001	Supported
<b>H3</b>	Communication has a significant relationship with customer patronage	r = 0.568, p < 0.001	Supported
<b>H4</b>	Access to teller services has a significant relationship with customer patronage	r = 0.618, p < 0.001	Supported

**Findings related to Objective 3 “To identify the most important as well as least important determinants of service quality perceived by customers in Indian retail banking”**

From the results, Staff Conduct is the most important factor influencing Customer Patronage, as it has the strongest positive correlation (r = 0.726, p < 0.001) with customer loyalty. This indicates that staff behavior, including professionalism, helpfulness, and responsiveness, has the greatest impact on whether customers choose to continue patronizing the bank. A well-trained, friendly, and efficient staff can create a positive customer experience, leading to increased customer patronage. This finding emphasizes the critical role that personal interactions and service quality, as reflected in staff conduct, play in shaping customer patronage intentions.

The least important factor, based on the results, was Credibility ( $r = 0.500$ ,  $p < 0.001$ ). While still statistically significant, it has the weakest positive correlation with Customer Patronage compared to the other service quality parameters. This suggests that although trust and reliability are important for customer patronage, they have a slightly weaker influence than factors like Staff Conduct, Communication, and Access to Teller Services. Nonetheless, credibility remains an important factor, but its impact on customer patronage is less pronounced than the other variables in this dataset.

**Findings related to Objective 4 “To analyze the impact of service quality determinants on customer patronage in Indian retail banking”**

Stable 4.46 Summary of Hypotheses testing H5-H8

<b>Hypotheses</b>	<b>Statement</b>	<b>Results</b>	<b>Decision</b>
<b>H5</b>	Staff conduct has a significant impact on customer patronage	Path coefficient = 0.394, $p < 0.000$	Supported
<b>H6</b>	Credibility has a significant impact on customer patronage	Path coefficient = 0.166, $p < 0.002$	Supported
<b>H7</b>	Communication has a significant impact on customer patronage	Path coefficient = 0.300, $p < 0.001$	Supported
<b>H8</b>	Access to teller services has a significant impact on customer patronage	Path coefficient = 0.246, $p < 0.000$	Supported

**4.4 SUMMARY**

The study aimed to identify and evaluate the key determinants of service quality in Indian retail banking, investigate their relationship with customer patronage, and analyze their impact. The analysis revealed four main factors influencing customer satisfaction: Staff Conduct, Credibility, Communication, and Access to Teller Services. Among these, Staff Conduct was found to be the most critical determinant, with the strongest correlation to customer patronage ( $r = 0.726$ ,  $p < 0.001$ ), suggesting that professionalism, helpfulness, and responsiveness of bank employees play a pivotal role in fostering customer loyalty.

Communication ( $r = 0.568, p < 0.001$ ) and Access to Teller Services ( $r = 0.618, p < 0.001$ ) also had significant positive relationships with customer patronage, indicating that clear communication and convenient access to services contribute substantially to customer satisfaction. In contrast, Credibility showed the weakest correlation with customer patronage ( $r = 0.500, p < 0.001$ ), suggesting that while trust is important, it is less influential than the other factors. The study further confirmed the significant impact of these service quality determinants on customer patronage, with path coefficients indicating that Staff Conduct (0.394,  $p < 0.000$ ) and Communication (0.300,  $p < 0.001$ ) had the most substantial impact, while Credibility (0.166,  $p < 0.002$ ) had a lesser, though still significant, effect. Overall, the findings underscore the critical importance of staff behavior and effective communication in driving customer loyalty in the Indian retail banking sector, with access to services and credibility also playing significant roles.

## **CHAPTER 5**

### **DISCUSSION, CONCLUSIONS AND IMPLICATIONS**

#### **5.1 INTRODUCTION**

In an increasingly competitive environment, banks face many challenges from other financial organizations, and only those who provide higher-quality services to their customers will be able to sustain. By offering outstanding services to its customers, banks attract new business in addition to satisfying their existing customers. Customers have higher expectations in today's highly competitive marketplace since they are more aware due to quick access to information. The customer now reviews the services offered by many banks and selects the one that offers good services at affordable prices. Thus, it can be concluded that providing exceptional customer service is seen as a key component of customer patronage. Therefore, present study was conducted to examine the relationship between bank service quality parameters and customer patronage among public and private sector banks in Maharashtra.

This chapter is primarily divided into three categories. First section covers the summary of findings of the objectives as well as the demographic profile of the respondents. The second part covers the managerial and theoretical implications of the results and third part concludes the research by highlighting future scope of the study.

#### **5.2 SUMMARY OF FINDINGS**

This section summarises the demographic profile of the respondents covered as a sample for the present study.

##### **Gender Distribution**

The sample consists of 425 respondents, with 58.4% (248 respondents) being male and 41.6% (177 respondents) female. This indicates a higher representation of males, who form the majority of the group.

##### **Marital Status**

Among the respondents, 66.1% (281 individuals) are married, while 33.9% (144 individuals) are unmarried. This shows a significant majority of married individuals in the sample.

### **Age Distribution**

The largest age group is under 30 years, comprising 43.1% (183 respondents). Those aged 30-40 make up 34.8% (148 respondents), while smaller portions fall into the 41-50 age group (15.5%, 66 respondents) and 51 years and above (6.6%, 28 respondents). This suggests a younger demographic dominates the sample.

### **Educational Qualification**

The majority of respondents (41.4%, 176 individuals) hold a graduate degree, followed by 33.9% (144 respondents) with postgraduate qualifications. Those with undergraduate degrees account for 19.8% (84 respondents), and 4.9% (21 respondents) hold PhDs. This highlights a well-educated sample population, with most having at least graduate-level education.

### **Occupation**

The most common occupation among respondents is working in private sector jobs (30.6%, 130 respondents), followed by self-employment (25.4%, 108 respondents). Business owners make up 17.9% (76 respondents), while government employees represent 12.2% (52 respondents). A smaller portion includes students (8.9%, 38 respondents) and others (4.9%, 21 respondents). Private jobs and self-employment dominate the occupation profile.

### **District Distribution**

The highest number of respondents comes from Pune (26.6%, 113 individuals), followed by Thane (25.4%, 108 individuals), Mumbai (18.3%, 78 individuals), Nashik (15.8%, 67 individuals), and Nagpur (13.9%, 59 individuals). This shows that Pune and Thane are the most represented districts in the sample.

### **Monthly Income**

Most respondents (42.8%, 182 individuals) earn between ₹50,000 and ₹1,00,000 per month, followed by 29.2% (124 individuals) earning ₹1,00,000 to ₹1,50,000. A smaller group (16.7%, 71 respondents) earns less than ₹50,000, while 11.3% (48 respondents) earn more than ₹1,50,000. The majority falls within the middle-income range.

### **Type of Bank**

The majority of respondents (57.4%, 244 individuals) prefer private banks, while 42.6% (181 individuals) use public banks. This shows that private banks are more popular within the group.

### **Frequency of Transactions**

Nearly half of the respondents (48%, 204 individuals) conduct bank transactions weekly, while 40.2% (171 individuals) transact monthly. Quarterly transactions are less common (8.7%, 37 respondents), and annual transactions are rare (3.1%, 13 respondents), indicating frequent engagement with banking services.

### **Bank Branch Visits**

Most respondents (62.2%, 264 individuals) visit a bank branch 1-2 times per month, while 30.8% (131 respondents) visit 3-4 times. Only a small number (4.9%, 21 respondents) visit 5-6 times, and very few (2.1%, 9 respondents) visit more than 6 times a month, suggesting limited physical bank visits for most respondents.

### **Conclusion**

Banks are facing major challenges in this highly competitive marketplace to satisfy the ever-evolving and demanding needs and expectations of its quality-conscious and sensitive customers. Therefore, the ability of banks to provide premium and superior quality services that comply with or exceed the expectations and preferences of the customer is the primary topic for discussion in this study. However, if customers are the primary driver behind the establishment of service organizations, then suppliers must give the best possible quality of products and services in order to satisfy or surpass the demands of customers. The purpose of this study is to analyze consumer thoughts and opinions from the perspective of service expectations and perceptions of goods and services.

The primary objective of this thesis was to support Public and Private Sector Banks in creating and improving a customer-focused service environment and culture, thus ensuring improved service performance and effectiveness. After taking into account the situation where the customer actually utilised each of the four bank service quality dimensions—staff conduct, credibility, communication and access to teller services. Therefore, the purpose of this study was to assess the impact of bank service quality on customer patronage in private and public sector banks of Maharashtra. Four service quality dimensions—staff conduct,

credibility, communication and access to teller services that will affect customer patronage, were developed as part of a well-structured questionnaire designed to conduct this study in the context of the banking industry. In order to accomplish that goal, 425 respondents/customers in the five major districts of Maharashtra (Thane, Pune, Mumbai, Nagpur and Nashik) provided the necessary and pertinent data/information. This data/information was then statistically analyzed to compare the respondents' experiences and perceptions with their expectations regarding the banking services and products that were provided to them by the banks. It is important to highlight that this survey research, which gathered first-hand customer information on the connection between customer patronage and service quality, would offer an original and emerging viewpoint on the necessity of focussing on and creating a closer bond between customer patronage and service quality dimensions.

### **5.3 THEORETICAL AND MANAGERIAL IMPLICATIONS**

Since the 1990s, the Indian banking industry has seen immense development, continuous improvements, transformation, intense competition, and advancements in technology. This is an apparent illustration of how the banking sector has transformed over time and how important it is to the nation's continued economic growth. Similarly, a significant amount of reforms in the banking industry have made it easier for banks to enhance their consumer services, which is considered as the fundamental and reliable basis for securing customer patronage. In the service industry, given the state of the market, service quality and customer patronage have been recognised as essential components of any service business's success.

The theoretical implications of the present study highlight the important function that aspects of service quality—like employee behavior, credibility, communication, and availability of teller services—play in increasing consumer patronage in the banking industry. These results strengthen and broaden existing models of customer patronage and service quality, such as SERVQUAL (Parasuraman, Zeithaml, and Berry, 1988), which identifies the material and immaterial components of service delivery that affect patronage, loyalty and perceptions.

#### **1. The importance of frontline staff behavior**

The assumption that service employees are crucial checkpoints in providing high-quality service is further supported by the strong positive link between staff conduct and customer patronage (Bitner, 1990). This provides acceptance to the idea that the actions of frontline employees, such as politeness, helpfulness, and competence, improve customer patronage and

develop favourable perceptions (Grönroos, 1984). This study validates the significance of positive emotional displays by service personnel in shaping customer views in the banking sector, according to the argument made by the emotional labour theory (Hochschild, 1983).

## **2. Trust as a key factor in improving Customer Patronage**

Credibility and customer patronage have a moderately favourable association, which indicates that being trustworthy and reliable is crucial for building lasting relationships with customers. This is in line with relationship marketing's commitment-trust theory, which holds that credibility is essential to developing commitment and trust between service providers and customers (Morgan and Hunt, 1994). Awaji-Ima and Carr (2022) also supported the results as their research also claimed positive association between reliability and customer loyalty. Credibility becomes a crucial factor in determining customer patronage in the banking industry, where reliability and financial security are crucial.

## **3. Enhancing patronage through effective communication**

Customer patronage has been demonstrated to be significantly impacted by effective communication, supporting the paradigm that emphasises the significance of communication in the creation of value between businesses and consumers (Vargo and Lusch, 2004). Employees at banks can increase customer patronage of customers by providing clear, open, and timely communication that clarifies services, addresses problems, and develops closer relationships with customers (Ndubisi, 2007).

## **4. Convenience and customer satisfaction in the banking sector**

Customer patronage is strongly influenced by the availability of teller services, highlighting the significance of service accessibility as a factor in the perception of service quality (Parasuraman et al., 1988). This is consistent with theories of convenience in services, which argue that enhanced customer satisfaction and patronage result from simple access to essential services like teller support (Berry et al., 2002). In the banking sector, offering efficient and effective teller services is essential to keeping customers in the face of growing options for digital banking.

## **5. Employee interactions directly influence customer patronage**

According to theories of service quality, employee behavior directly affects consumers' satisfaction and patronage, as demonstrated by the significant impact of staff behavior on

client patronage. Disconfirmation theory states that satisfactory experiences with employees can go above and beyond what customers expect, increasing their satisfaction and, eventually, their patronage (Oliver, 1980). This accentuates even further how important it is for frontline employees to get appropriate training and development in order to achieve and surpass customer service standards.

## **6. Trustworthiness as a driver of long-term patronage**

The expectancy-disconfirmation theory (Oliver, 1980) suggests that perceived trust is important in consumer decision-making processes, and credibility has a significant, if lesser, impact on these processes. Credibility promotes security and continuous business in high-stakes settings like banking, where customers entrust their financial assets.

## **7. Role of clear communication in customer retention**

The importance of open and honest communication in relationship-based marketing is demonstrated by the significance of communication as an important driver of consumer patronage (Grönroos, 1997). Effective communication improves customer satisfaction and patronage by resolving possible problems and making service offerings apparent (Dwyer et al. 1987). In the banking industry, keeping consumers happy requires prompt communication regarding new services, policy modifications, and problem solutions.

## **8. The continued relevance of personal banking interactions**

The substantial effect that access to teller services availability has on customer patronage suggests that, despite the introduction of digital banking, in-person communication is still important. This result is consistent with the service convenience framework (Berry et al., 2002), which argues that enhanced customer satisfaction might result from simpler access to essential banking services like teller assistance. Thus, having access to teller services continues to be a crucial part of providing high-quality banking services and maintaining overall customer patronage.

These results expand upon the SERVQUAL model by showing that aspects of service quality such as staff behavior and communication influence client patronage directly in addition to being perceived as such. The findings corroborate the commitment-trust theory, which highlights the importance of trust—established through credibility—as an essential component of Customer patronage. The study also supports the convenience theory in

services by highlighting the significance of service accessibility in preserving relationships with customers (Seiders et al., 2007).

In the highly competitive retail banking sector in India, understanding and improving the determinants of service quality is critical for increasing customer patronage. The following managerial implications stem from the key determinants of service quality:

### **1. Making excellence in customer service a top priority**

The importance of customer service in the banking industry is demonstrated by the substantial positive correlation between staff conduct and customer patronage. To increase customer patronage and retention, managers should regularly undertake training sessions that emphasise empathy, professional conduct, and interpersonal skills. The belief that excellent customer service is a major factor in developing customer patronage is supported by a large number of studies. Furthermore, Parasuraman et al. (1988) stress that aspects of service quality like empathy and reliability are essential to generating satisfying client experiences, which have a direct impact on repeat business.

Heskett et al. (1997) emphasise how crucial it is to connect staff performance to customer satisfaction because outstanding service providers can greatly increase a customer's loyalty. Furthermore, Kotler and Keller (2016) contend that rewarding employees based on their performance in meeting customer demands can encourage them to put the needs of their clients first, which would eventually improve customer retention. Senior management must instill a customer-first attitude across the organization by training employees, rewarding customer-centric behavior, and encouraging a mindset that prioritizes customer satisfaction. Empowering frontline employees to make quick decisions that benefit the customer can also enhance service levels.

### **2. Increasing Transparency to Strengthen Bank Credibility**

Although credibility has a lesser effect, it is still very important for attracting new customers. Banks need to concentrate on establishing trust by communicating openly and honestly, for example, by giving customers precise details about their goods, costs, and interest rates. Trust is a fundamental component of relationship marketing, according to Morgan and Hunt (1994), and consumers are more inclined to remain loyal to businesses that they consider to be trustworthy. Furthermore, trust is particularly critical in the service sector, according to Reichheld and Scheffer (2000), as customers there are more susceptible to perceived threats

and uncertainties. Consequently, retaining reputation can assist banks in developing long lasting relationships with their customers.

To earn customers' trust, banks should prioritise providing the services they have promised, acting promptly to address problems, and upholding transparency. Delgado-Ballester and Munuera-Alemán's (2001) research highlights the importance of credibility in preserving strong customer connections, since it raises customer loyalty towards a business. Managers should ensure that a well-structured and responsive complaint resolution mechanism is in place. Timely and effective resolution of issues can convert dissatisfied customers into loyal advocates.

### **3. Making Use of Efficient Channels for Communication**

Banks should emphasize on having prompt, transparent, and consistent communication with their customers with a focus on creating transparent and easily understandable communication regarding fees, interest rates, offers, and changes in services. Implementing feedback loops and acting on customer input can help identify areas for improvement and increase customer trust in the bank. Clear communication may decrease miscommunications and improve the customer's overall experience in general. Zeithaml et al.'s (1996) research demonstrates that effective communication is a critical factor in determining the quality of services and can have significant consequences on customer patronage and satisfaction. Furthermore, De Ruyter et al. (1997) discovered that effective communication could minimise the possibility of dissatisfaction and manage customer expectations. Through the utilisation of various communication channels, such as digital platforms and in-person contacts, banks may guarantee that their customer base feels appreciated and informed.

Verhoef et al. (2010) carried out investigations that emphasise how crucial it is to incorporate digital channels into the consumer journey in order to provide an effortless experience. Furthermore, Lee and Turban (2001) discovered that clients who interact with banks via a variety of communication channels typically express greater levels satisfaction and are more likely to remain patronized. Through personalized communication, different customer segments' individual desires and preferences are taken into consideration, resulting in better relationships. According to research by Peppers and Rogers (2016), customer engagement and patronage are increased by personalised communication, which includes personalised promotions and communications that are customised for the individual. Additionally, segmentation-based communication techniques, according to Kumar and Shah (2004), assist

banks in more efficiently allocating resources by ensuring that the appropriate consumers receive the most pertinent data.

#### **4. Enhancing Teller Accessibility to Improve Customer Satisfaction**

Access to teller services is another important component that has an important effect on consumer patronage. Customers value efficiency and convenience, particularly when it comes to financial services where accessibility and wait times can negatively affect the entire experience. According to research, convenience has a significant role in determining how satisfied customers are in the banking sector (Berry et al., 2002). Furthermore, Collier and Bienstock (2006) claimed that customers are more inclined to remain loyal with a bank if they believe its services are easily accessible. By optimizing personnel levels, reducing wait times, and providing internet options like self-service kiosks and mobile banking, banks can enhance their teller services. Customers who believe a service is convenient are more likely to exhibit repeat patronage, according to research by Dabholkar et al. (2003).

#### **5. Creating a Customer-Centric Culture**

Overall, the results indicate the importance of a customer-centric strategy for increasing customers. From employee development to service delivery, banks need to establish a culture that prioritises the needs and desires of customers first in every aspect of their business operations. Lemon and Verhoef's (2016) research highlights how customer-centric businesses routinely surpass competitors in terms of profitability and customer loyalty. Banks may increase customer satisfaction and encourage repeat business by prioritising the needs of their customers first and striving to meet or beyond their expectations.

To ensure long-term customer patronage in India's competitive retail banking sector, managers must prioritize enhancing the core determinants of service quality—reliability, responsiveness, assurance, empathy, and tangibility. This involves embracing digital transformation, personalizing customer interactions, and fostering a culture of continuous improvement. By focusing on these areas, retail banks can improve customer satisfaction, enhance loyalty, and strengthen their market position.

#### **5.4 SUGGESTIONS FOR FUTURE RESEARCH**

Modern customers, especially in India, are increasingly tech-savvy and prioritize online banking experiences. Studies have shown that adding factors like trust and compliance into traditional models enhances understanding of what drives customer satisfaction and loyalty in

digital banking contexts. Future studies can investigate the integration of digital and physical banking experiences referred to as "phygital" which enhances customer engagement and loyalty by offering convenience, personalization, and trust. Kumar et al. (2024) concluded that banks adopting this hybrid model can strengthen customer relationships and better meet the demand for seamless, omnichannel banking experiences. Studies can also cover the impact of AI technologies on customer satisfaction and loyalty in the banking industry (Sharma et al., 2024). Further studies can also include the moderating and mediating variables to better comprehend the existing relationships, for instance emotional engagement of customers or personalization service from banks. These future research directions can offer valuable insights into how service quality continues to drive customer loyalty in evolving business environments. Demographic profile of respondents can also be taken as moderating variables for instance gender (Teeroovengadum, 2022), age to gain deeper insights. Trust and web design are key moderators that influence the relationship between service quality and customer loyalty (Venkatakrishnan et al., 2023). High trust levels can make customers more forgiving of service lapses, positively affecting their loyalty. In e-service contexts, effective web design—such as intuitive navigation and appealing visuals—enhances perceived service quality and customer satisfaction. Future research could explore these factors within the existing conceptual framework to reveal how trust and web design strengthen or weaken the connection between service quality and loyalty in both traditional and digital settings.

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## **APPENDIX A**

### **SURVEY COVER LETTER**

Dear Participant,

My name is Prashant Kumar and I am a Doctor of Business Administration student at Swiss School of Business and Management. I am conducting a study on the impact of banking service quality parameters on customer patronage as part of my thesis requirements. I am reaching out to invite you to participate in this research by completing a survey designed to gather insights on this topic.

The purpose of this study is to investigate the relationship between different parameters of service quality and its impact on customer patronage. Your responses will be valuable in identifying trends and patterns that can contribute to advancements in this field of study.

The survey will take approximately 10-15 minutes to complete. It consists of questions related to your experiences and perceptions of banking service quality and customer patronage.

Please be assured that your responses will remain confidential and anonymous. All data collected will be used solely for academic purposes and will be reported in an aggregated form, ensuring that no personally identifiable information is included. Participation is entirely voluntary, and you may choose to skip any question or stop participating at any time without any consequence.

While there are no direct benefits for participating, your insights will contribute to a broader understanding of banking service quality and customer patronage which may support future improvements and research in this field.

Thank you very much for considering this request. Your participation is greatly appreciated and will be instrumental in the successful completion of this study.

Sincerely,

Prashant Kumar

Doctor of Business Administration

Swiss School of Business and Management Geneva

## **APPENDIX B**

### **Questionnaire**

Dear Respondent, this is a study to understand the relationship between bank service quality and customer patronage of retail banking industry in Maharashtra. This survey deals with your opinions of banks. I earnestly request you to kindly spare few minutes of your time to provide your valuable inputs by answering the survey questions. Please be assured that your responses will be treated with extreme confidentiality. Only general statistical analysis will be performed and results will be used only for academic purposes. Participation in this survey is purely voluntary and I would like to thank you for agreeing to participate in the study and sharing your opinions and ideas. Please read the statements patiently and comprehend the instructions given at the beginning of each section before marking your response.

### **PART 1**

#### **I. DEMOGRAPHIC PROFILE:**

This section addresses demographic and background information of the customers for statistical analysis. Fill up the blank or please tick ( ) whichever is the appropriate response. Your answers will be combined with other respondent's responses and will be kept confidential and strictly will be used for research purpose only.

1. What is your gender?
  - Male
  - Female
  
2. What is your current marital status?
  - Single
  - Married
  - Prefer not to say
  
3. What is your age group?

- Less than 30 years
  - 30-40 years
  - 41-50 years
  - 50 years and above
4. What is your highest level of education?
- Undergraduate degree
  - Graduate degree
  - Postgraduate degree
  - Doctorate (PhD)
5. What is your current occupation?
- Student
  - Self-employed
  - Private job
  - Government service
  - Business owner
  - Others (Please specify) \_\_\_\_\_
6. Which district do you reside in?
- Thane
  - Pune
  - Mumbai
  - Nashik
  - Nagpur
7. What is your monthly income range?
- Less than ₹50,000
  - ₹50,000 - ₹1,00,000
  - ₹1,00,001 - ₹1,50,000
  - More than ₹1,50,000

8. Which type of bank do you primarily use?
- Private Bank
  - Public Bank
9. How often do you conduct transactions with your bank?
- Weekly
  - Monthly
  - Quarterly
  - Annually
10. How many times do you visit your bank branch in a month?
- 1-2 times
  - 3-4 times
  - 5-6 times
  - More than 6 times

## PART 2

**SEVICE QUALITY:** This section covers your overall opinion about your principal bank when you have service encounters with them. To assess your experience and satisfaction with the service quality provided by your bank, please indicate your level of agreement with the following statements using the scale provided.

The feelings indicated by various numbers are: 1= Much worse than I expected, 2= Worse than I expected, 3= Neutral, 4= Better than I expected, 5= Much better than I expected

S. No	Statement	Much worse than I expected	Worse than I expected	Neutral	Better than I expected	Much better than I expected
1	Politeness of the branch staff	1	2	3	4	5

2	Promptness of service from the branch staff	1	2	3	4	5
3	Willingness of the branch staff to help me	1	2	3	4	5
4	Branch staff greets, when it is my turn to be served	1	2	3	4	5
5	Neat appearance of branch staff	1	2	3	4	5
6	Ability of branch staff to apologise for a mistake	1	2	3	4	5
7	Expression of a genuine concern if there is a mistake in my account	1	2	3	4	5
8	Ability of branch staff to put a mistake right	1	2	3	4	5
9	Feelings of security in my dealings with the branch staff	1	2	3	4	5
10	Branch staff keeping me informed about matters of concern to me	1	2	3	4	5
11	Branch staff telling me about different types of accounts	1	2	3	4	5

	and investments available					
12	Quality of advice given about managing my finances	1	2	3	4	5
13	Branch staff helping me learn how to keep down my banking costs	1	2	3	4	5
14	Branch staff's knowledge of bank services and products	1	2	3	4	5
15	Branch staff telling me when services will be performed	1	2	3	4	5
16	Number of open tellers during the busy hours of the day	1	2	3	4	5
17	Number of staff behind the counter serving customers	1	2	3	4	5

### **PART 3**

To assess your opinions on various aspects of customer patronage, please indicate the extent to which you agree or disagree with the following statements by selecting the appropriate option on a scale from 1="Strongly Disagree" to 5="Strongly Agree."

<b>S. No</b>	<b>Statement</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neither Agree nor Disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	I say positive things about this bank to other people	1	2	3	4	5
2	I recommend this bank to others”	1	2	3	4	5
3	I consider this bank my first choice to avail banking services	1	2	3	4	5
4	I encourage friends and relatives to do business with this bank	1	2	3	4	5
5	I will do more business with this bank in future also	1	2	3	4	5

Any Suggestions \_\_\_\_\_