The Drivers of Customer Loyalty to Retail Banks: An Empirical Study in Bangladesh

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Abstract

The main aim of this study is to identify the most important drivers of customer loyalty in the retail banking settings in Bangladesh. The study also sought to identify the interrelationships between service quality, customer satisfaction, corporate image, customer value and customer loyalty in the retail banking sector in Bangladesh. In Bangladesh, no study has yet investigated the above mentioned interrelationship. The purpose of this study is to fill this gap. A review of literature was conducted to find out the relationship between service quality, customer satisfaction, corporate image, and customer value and customer loyalty. The literature review confirms the positive relationship between each of the study constructs. A survey was conducted to collect data. The sample size of 100 retail banking customers was drawn from two public and four private banks in Bangladesh. A set of developed questionnaire distributed to retail bank customers in Bangladesh. Five post graduate students (interviewers) administered the survey. They administered the survey in Dhaka and Comilla during four weeks period in November and December, 2010, between 5th November to 3th December, 2010. The result shows that all the study constructs are positively correlated with each other in the retail banking settings in Bangladesh. The researcher has removed the customer satisfaction item from the scale due to its cronbach alpha value. The result confirms that customer value is the most important drivers of customer loyalty in the retail banking sector in Bangladesh.

Key Words: Retail banking, service quality, customer satisfaction, customer value, corporate image, customer loyalty.

1. Introduction

The main aim of this study is to identify the most important drivers of customer loyalty in the retail banking settings in Bangladesh.

The banking industry in Bangladesh is highly competitive. According to International Finance Corporation - IFC (2009), the financial sector in Bangladesh consists of a central bank (Bangladesh Bank), 4 state-owned banks, 5 Government-owned specialised banks, 30 Domestic Private Commercial Banks, 9 Foreign-Commercial Banks, and 29 Non-Bank Financial Institutions. 6562 branches of 49 banks operate in the country (Bangladesh Bank, 2006). According to IMF (2007), Private Commercial Banks command the greatest market share in terms of both industry assets and deposits. In late 2006, the contribution of financial sector assets to GDP was roughly 69%; out of them, the banking sector accounted for 58%. Data shows that retail banking is one of the most important sectors in the Bangladesh economy. The interrelationships between service quality, customer satisfaction, corporate image, customer value and customer loyalty may provide creative ideas for improving services in order to gain a competitive advantage in the retail banking sector in Bangladesh.

Service quality is one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector (Avkiran, 1994; Stafford, 1996; Johnston, 1997; Angur *et al*, 1999; Lasser *et al*, 2000;

Industrial Engineering Letters   www.iiste.org
ISSN 2224-6096 (print) ISSN 2225-0581 (online)
Vol 1, No.1, 2011

Bahia and Nantel, 2000; Sureshchandar *et al*, 2002; Gounaris *et al*, 2003; Choudhury, 2008). However, this study will again investigate the factors that enable banks to attract and maintain their customers. In Bangladesh, customers in the banking sector are in a strong bargaining position due to the significant growth of banks. Therefore, banks have to provide service carefully because of the availability of banks. Banks have to improve the service level continuously. There is no guarantee that what is excellent service today is also applicable for tomorrow. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers. That is why service marketing and bank marketing are important areas in the marketing literature.

Customer satisfaction is one of the important outcomes of marketing activity (Oliver, 1980; Surprenant and Churchill, 1982; Spreng et al, 1996; Mick and Fournier, 1999). In the competitive banking industry, customer satisfaction is considered as the essence of success. According to Hofstede (2001), most of the Asian cultures (like India, Pakistan) are collectivist [People in the collective cultures discriminate in-groups (relatives, institutions and organizations) and out-groups]. In this case, word of mouth (WOM) advertisements are important for the banks. File and Prince (1992) argued that the customers who are satisfied tell others about their experiences and this increases WOM advertising. In this way, banks can increase customers.

Perceived value equates to the result of the customer's trade-off between perceived benefits and perceived sacrifices (Zeithaml, 1988) and has a distinctive part to play in relation to loyalty development (Zeithaml and Bitner, 1996).

Corporate image refers to customers' affective perceptions towards the service provider, created by continuous service experiences (Lewis and Soureli, 2006). The image of a bank can play an important role in retaining customers (Lewis and Soureli, 2006).

Prabhakaran (2003) mentioned that the customer is the king. Heskett *et al* (1997) argued that profit and growth are stimulated primarily by customer loyalty, therefore to find out the main driver of customer loyalty in the retail banking sector in Bangladesh is important. To find out the relationship between service quality, customer satisfaction, corporate image, customer value and customer loyalty is also important. In Bangladesh, however, no study has yet investigated these relationships. The purpose of this study is to fill this gap. A review of literature has been conducted to explore these relationships and then a research methodology has been proposed. A positive correlation between each of the constructs has been confirmed by the review of literature and the primary analysis.

1.1 Objectives of the study

The objectives of the study are as follows:

- To identify the interrelationships between service quality, customer satisfaction, corporate image, customer value and customer loyalty in the retail banking sector in Bangladesh.
- To identify the most important drivers of customer loyalty in the retail banking settings in Bangladesh.

1.2 Theoretical framework

This study uses SERVQUAL model to discuss the service quality. This model was developed by Parasuraman *et al* in 1988.

2. Literature Review

2.1 Service Quality Concept

Industrial Engineering Letters   www.iiste.org
ISSN 2224-6096 (print) ISSN 2225-0581 (online)
Vol 1, No.1, 2011

Gronroos (2000, p.46) defined service as, "A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems". Fogli (2006, p.4) define service quality as "a global judgement or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services. Service quality is a cognitive judgement".

In the competitive business world, service quality is considered as a competitive factor of the Organizations. Moreover, it is also considered as an essential determinant that allows an Organization to differentiate from other Organization. It helps an Organization to gain sustainable competitive advantage.

2.1.1 Service Quality Model

Parasuraman *et al* (1985) undertook a Qualitative Research to investigate the concept of Service Quality. Parasuraman *et al* (1985) identified ten key determinants of Service Quality. They are: Reliability, Responsiveness, Competence, Access, Courtesy, Communication, Credibility, Security, Understanding, Tangibles. In 1988, Parasuraman *et al* arranged a quantitative Research. They revealed an instrument for measuring consumers' perception of Service Quality, after that it became known as SERVQUAL. They collapsed their dimensions from ten to five. The dimensions were:

- Tangibles – physical facilities, appearance of personnel and equipment
- Reliability – ability to perform the promised service dependably and accurately
- Responsiveness – willingness to help customers and provide prompt service
- Assurance - Assūrance (combination of items designed originally to assess Competence, Courtesy, Credibility, and Security) – ability of the organization's employees to inspire trust and confidence in the organization through their knowledge and courtesy.
- Empathy - Empathy (combination of items designed originally to assess Access, Communication, and Understanding the customer) – personalized attention given to customer.

Organizations can use SERVQUAL in various ways. Parasuraman *et al* (1988) mentioned that SERVQUAL can help the Service and Retailing Organizations in assessing the expectations of customers and Service Quality perceptions. It can focus on the core areas where managers need to take attention and action to improve Service Quality.

2.1.2 Criticism of SERVQUAL

Much criticism emerged against the SERVQUAL. Gilmore (2003) summarised the criticism of SERVQUAL is as follows:

- The gaps model – some researchers mention that there is a little evidence that customers assess service quality in terms of performance and expectation gaps.
- Dimensionality – SERVQUAL's five dimensions are not universal. The number of dimensions comprising SERVQUAL is contextualized and there is a high degree of intercorrelation between the five dimensions.
- Expectations – some researchers argue that measuring expectations is unnecessary. If they are to be measured, expectations and perceptions should be measured on a single scale.
- Item Composition – four or five items cannot capture the variability within each SERVQUAL dimension.
- Scale Points – the seven-point likert scale is flawed. The mid-range numbers can only be vaguely related to varying degrees of opinions and many respondents may rate these differently.

Industrial Engineering Letters
www.iiste.org
ISSN 2224-6096 (print) ISSN 2225-0581 (online)
Vol 1, No.1, 2011

- ▪ Polarity – the reversed polarity of items on the scale causes respondent error. In the SERVQUAL instrument some items are reversed to ensure that respondents do not fall into the habit of marking the same scale point for each question; however this can cause confusion.

2.1.3 Service Quality in Retail Banking

Angur *et al* (1999) examined the applicability of alternative service quality measure in the Retail Banking industry in India. They conducted their research on the consumers of two major banks in India. They use SERVQUAL model to measure the overall service quality. They found that all the dimensions are not equally important in explaining variance in overall service quality. The result indicated that responsiveness and reliability seem to be the most important dimensions followed by the empathy and tangible dimensions; whereas, assurance appears to be the least important dimension. Finally, they concluded that SERVQUAL is the best measure of service quality in banking industry, whether it is based on difference score, gap score or performance only.

2.2 Customer Satisfaction in Retail Banking

In the competitive business market, many firms are focusing on their efforts on maintaining a loyal customer base. Most of the retail banks set their strategies towards increasing satisfaction and loyalty of customers through the quality of service. Zaim *et al* (2010) find out that tangibility, reliability and empathy are important factor for customer satisfaction, whereas responsiveness and assurance are important factor, found by Mengi (2009). Kumar *et al*. (2010) and Lai (2004) found that assurance, empathy and tangibles are the important factor, and on the other hand, Baumann *et al*. (2007) found that tangibles are not related to customer satisfaction and Ahmed *et al*. (2010) find out that empathy is negatively related to customer satisfaction. Researchers have identified various determinants of customer satisfaction in the retail banking sector. Arasli *et al* (2005) pointed out that reliability dimension of SERVQUAL has the highest impact on customer satisfaction in Greek Cypriot banking industry, whereas reliability is not related to customer satisfaction, found by Chaniotakis and Lymperopoulos (2009) . According to Levesque and McDougall (1996), competitive interest rate is one of the important determinants of customer satisfaction in retail banking sector. They found that a good "employee-customer" relationship can increase the satisfaction level. They pointed out that problem-recovery is important to maintain the customer satisfaction. However, the results did not confirm that satisfactory problem-recovery can increase satisfaction. At least, it can maintain the satisfaction level. Finally, they concluded that competitiveness and convenience of the banks are the two important determinants of customer satisfaction. On the other hand, Jamal and Naser (2003) found that convenience and competitiveness are not the critical factors for all gender, age and income groups.

2.3 Customer Value

Designing and delivering superior customer value is the key to successful business strategy in the 21st century. Value reigns supreme in today's marketplace and marketspace; customers will not pay more than a goods or service is worth (Johnson and Weinstein, 2004). Customers are increasingly searching for and demanding value in products and services. Bhattacharya and Singh (2008) mentioned that managing organization from the perspective of customer value would increase the likelihood of success. Companies that provide superior value to their customers obtain a competitive advantage (Raich, 2008). Cohen *et al*. (2007) argued that customer value is more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays.

According to Day (1994), "Perceived Customer Value = Perceived benefits – Perceived cost". The core concept of the definition is benefits versus sacrifice. Roig *et al*. (2006) pointed out that the benefits component would include the perceived quality of the service and a series of psychological benefits. The sacrifice component, what the customer must contribute, would be formed by the monetary and non-monetary prices, i.e. money and other resources such as time, energy, effort etc. Value is best

defined by Zeithaml (1988). Based on her exploratory study, she found the patterns of consumers' responses that can be grouped into four definitions: (1) value is low price, (2) value is whatever I want in a product, (3) value is the quality I get for the price I pay, (4) value is what I get for the price what I give. Zeithaml (1988) further captures the essence of the four expressions into a general definition: "Perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given".. Chu (2009) pointed out that customer value is an important determinant of customer loyalty.

2.4 Corporate Image

John and Snorre (1997) stated that corporate image refers to the impressions held of an organization by an individual or a group. In the marketing literature it normally refers to the experiences, impressions, beliefs, feelings and knowledge that people have about a company.

Harwood (2002) argued that branding, as a tool to build image, is critical in the banking industry where all firms offer about the same kind of products. Bharadwaj *et al.* (1993) mentioned that services are highly intangible and are, therefore, high in experience and credence qualities. As a consequence, brand reputation is important as a potential competitive advantage. According to Tariq and Moussaoui (2009), Corporate image can differentiate a corporation from its competitors. Gronroos (1984) proposed that image as an alternative to product differentiation.

2.5 Customer Loyalty

Singh and Sirdeshmukh (2000) suggested the customer loyalty as "the market place currency of the twenty-first century". Ndubisi and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer. This statement shows the importance of customer loyalty. Walsh *et al.* (2005) mentioned that it is better to look after the existing customer before acquiring new customers. Gee *et al.* (2008) stated the advantages of customer loyalty are as:

- The service cost of a loyal customer is less than new customers
- They will pay higher costs for a set of products; and
- For a company, a loyal customer will act as a word-of-mouth marketing agent

Levesque and McDougall (1996) pointed out that by increasing loyalty, a retail bank:

- Decreases its servicing cost (i.e. customers do not open or close their accounts)
- Fulfils customers need and gains knowledge of financial affairs
- Has an opportunity to cross-sell existing and new products and services.

3. Conceptual Framework and Hypotheses Development

3.1 Service Quality Attributes – Customer Satisfaction

As mentioned earlier in the literature review that in marketing literature, service quality and customer satisfaction have been conceptualized as a distinct, but closely related constructs. There is a positive relationship between the two constructs (Suh and Pedersen, 2010; Saha, and Theingi, 2009; Rod *et al.*, 2009; Al-hawari, 2008; Hsu and Hsu, 2008; Eakuru and Mat, 2008; Beerli *et al.*, 2004). The development of hypothesis can be as follows:

H1: Service quality has a positive effect on customer satisfaction in the retail banking sector in Bangladesh.

3.2 Customer Satisfaction – Customer Loyalty

There is a strong positive correlation between customer satisfaction and customer loyalty (Donio *et al*., 2006; Story and Hess, 2006; Cheng *et al*., 2008). Most of the researchers found that customer satisfaction is the predictor of customer loyalty (Faullant *et al*., 2008; Leverin and Liljander, 2006; Terblanche, 2006). Pont and McQuilken (2005) found that Customer satisfaction and customer loyalty are related to each other, furthermore, they pointed out that Satisfied customers are not always loyal customers. Al-Wugayan and Pleshko (2010) and Pleshko (2009) pointed out that there is no relationship between customer satisfaction and loyalty. Al-Wugayan and Pleshko (2010) mentions that their findings contrast with most of the researchers. They mention that their findings is only applicable for banks as related to Mutual funds. Based on most of the researchers finding,

The development of hypothesis (Customer satisfaction – customer loyalty) can be as follows:

H2: Customer satisfaction has a positive effect on customer loyalty in the retail banking sector in Bangladesh.

3.3 Perceived Customer Value – Customer Loyalty

The relationship between perceived customer value and customer loyalty has aroused service practitioners' interest. Marketing professionals have recognized perceived customer value as one of the key drivers improving customer loyalty. Several researchers have proposed that perceived value positively influences customer loyalty (Cronin *et al*., 2000; Kuo *et al*., 2009; Lai *et al*., 2009; Lin and Wang, 2006; Wang *et al*., 2004). Cronin *et al*. (2000) revealed that there is a positive relationship between perceived value and customer loyalty. Wang *et al*. (2004) and Lin and Wang (2006) also pointed out that perceived value has a positive effect on customer loyalty. Recently, Kuo *et al*. (2009) and Lai *et al*. (2009) found that perceived value is positively related to customer loyalty. Therefore, Hypothesis is proposed as follows:

H3: Perceived customer value has a positive effect on customer loyalty in the retail banking sector in Bangladesh.
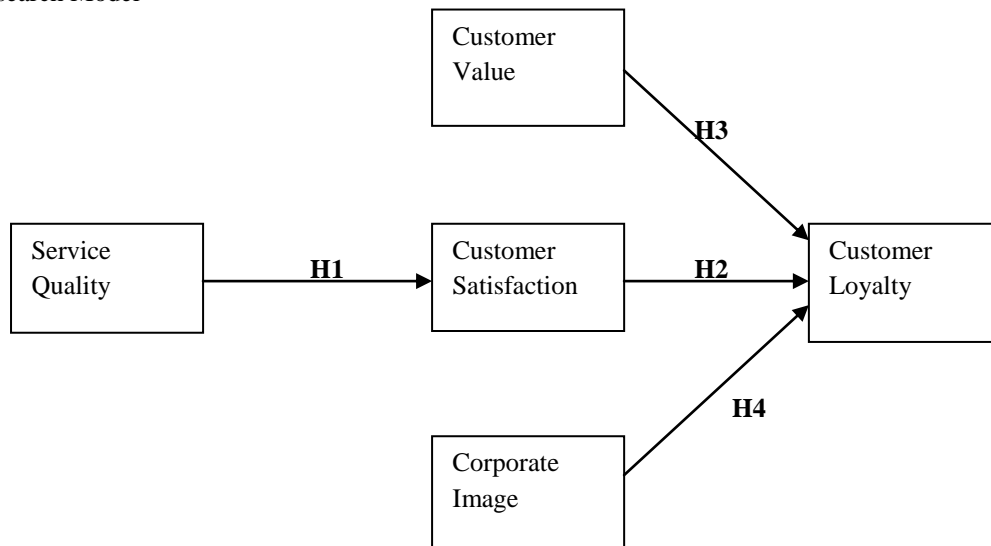
3.4 Customer Image – Customer Loyalty

Andreassen and Lindestand (1998) mentioned that a positive image helps to set up a higher degree of customer loyalty. Sirgy and Samli (1989) found a positive relationship between Image and customer loyalty. Therefore, Hypothesis is proposed as follows:

H4: Corporate Image has a positive effect on customer loyalty in the retail banking sector in Bangladesh.

From the above discussion it can be concluded that there is a positive relationships between each of the study constructs. This study attempts to test this relationship in the retail banking sector in Bangladesh. The aim of this study is also to identify the most important drivers of customer loyalty in the retail banking settings in Bangladesh.

Industrial Engineering Letters www.iiste.org
ISSN 2224-6096 (print) ISSN 2225-0581 (online)
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3.5 Research Model

Note: All the paths are hypothesized to be positive (Figure: 1)

3.6 Selecting Samples

The main objective of this research is to identify the key driver of customer loyalty in the retail banking sector in Bangladesh. Therefore, the sample for this study was selected from the retail bank customers in Bangladesh. Anderson *et al* (1998) suggested that the sample size of 100-200 is adequate for the structural equation modelling.

3.7 Data collection procedures

Data were gathered from the retail banking customers in Bangladesh. A set of questionnaire distributed to retail bank customers in Bangladesh. Five post graduate students (interviewers) administered the survey. They administered the survey in Dhaka and Comilla during four weeks period in November and December, 2010, between 5th November to 3th December, 2010. The first part of the questionnaire consists of the general information of the respondent. Service quality were used in the second part, which is the independent variable of this research. The third part of the questionnaire explains the customer satisfaction and this is the independent/dependent variable of this research. Fourth and fifth part consist of corporate image and customer value which are the independent variable for customer loyalty. The final part consists of customer loyalty and this is the dependent variable of this research. The interviewers explained each part of the questionnaire to the respondents. Finally, all the questionnaires were posted to the UK.

3.8 Validity and Reliability issues

3.8.1 Validity

Hair *et al*. (2007, p.8) defined the validity as "the degree to which a measure accurately represents what it is supposed to". Validity is concerned with how well the concept is defined by the measure(s).

Fujun *et al*. (2007) mentioned about three types of validity: content validity, Predictive validity, and Construct validity. Duggirala *et al*. (2008) defined the content validity as the assessment of the correspondence between the individual items and concept. Malhotra (2010) defines the content validity

Industrial Engineering Letters   www.iiste.org
ISSN 2224-6096 (print) ISSN 2225-0581 (online)
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as face validity. This study addresses content validity through the review of literature and adapting instruments used in previous research.

3.8.2 Reliability

Extents to which a variable or set of variables is consistent in what it is intended to measure (Hair *et al.*, 2007). It differs from validity in that it relates not to what should be measured, but instead to how it is measured. Several measures have been used to establish the reliability of the instrument, for example, split-halves, test-retest, equivalent forms and internal consistency method. The current study uses multiple items in all constructs except customer satisfaction. So the internal consistency method should be applied in the current study. Hair *et al.* (2007) mentioned that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly intercorrelated. Fujun *et al.* (2007) pointed out that the Cronbach alpha with acceptable cut off point 0.70 demonstrates that all attributes are internally consistent.

The validity and reliability test of the current study is as follows:

Reliability Statistics

Cronbach's Alpha	N of Items
.953	5

Table: 1a

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Service Quality	13.968000	10.568	.898	.938
Customer Satisfaction	13.697436	11.130	.803	.954
Corporate Image	14.152436	10.229	.889	.939
Customer Value	13.842436	10.689	.880	.941
Customer Loyalty	13.849436	10.523	.885	.940

Table: 1b

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
17.377436	16.414	4.0514782	5

Table: 1c

Pallant (2001) pointed out that in terms of reliability the most important figure is the Alpha value. This is Cronbach's Alpha, which, in this case is 0.953 in table 1a. Pallant (2001) also stated that if any of the values in the Cronbach's Alpha If Item Deleted column (table 1b) are higher than the final alpha value then the researcher may want to consider removing this item from the scale. In this study, the cronbach alpha value of customer satisfaction is higher than the main alpha value. So, the researcher has removed the item from the scale. Finally, it can be concluded that all the study constructs are internally consistent because all the values exceeded Nunnally and Bernstein (1994) recommended criterion of 0.70 for scale reliability.

All the study constructs are measured on five-point Likert scale. The construct of service quality is measured by the instrument of Parasuraman *et al.* (1991). The customer satisfaction measurement scale

is adapted from Cronin and Taylor (1992). Corporate image is measured based upon the conceptual ideas of Lee (2004). Customer value is measured based upon the approach as suggested by Cronin, Brady, and Hult (2000).The measurement scale for the customer loyalty is adapted from Caruana (2002).

4. Analysis and presentation of findings

Based on the 100 sample bank customers, the percentage of male and female respondents are 75 and 25 respectively, which shows the male dominancy of bank customers. In the whole sample, 41% of respondents fell in the age range of 21-30, and 33% fell in the range of 31-40. In terms of qualification, Undergraduate (41%), Graduate (22%), and Post Graduate (35%). 51% of respondents are service holder and 51% of respondents earn more than 20000 Taka per month.

4.1. Descriptive Statistics for each study construct

Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Service Quality	100	1.67	4.83	3.41	.87
Corporate Image	100	1.50	5.00	3.23	.93
Customer Value	100	2.0	5.00	3.54	.87
Customer Loyalty	100	1.40	5.00	3.53	.89
Valid N (listwise)	100				

Table: 2 [**Note:** Statistical Package for the Social Sciences- SPSS (version. 18) has been used to calculate the Mean, Standard Deviation, Minimum and Maximum value of each of the constructs]

Based on the 100 samples, service quality ranges from 1.67 to 4.83 with the Mean of 3.41 and the Standard Deviation of 0.87. For corporate image, Mean and Standard Deviation is 3.23 and 0.93 respectively with the minimum and maximum value ranges from 1.50 to 5. Customer value ranges from 2 to 5 and the Mean is 3.54 and the Standard Deviation is 0.87. The minimum and maximum value for customer loyalty is 1.40 to 5 and the Mean and Standard Deviation is 3.53 and 0.89 respectively. It has been observed in the table 2 that almost all the Mean are similar. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion.
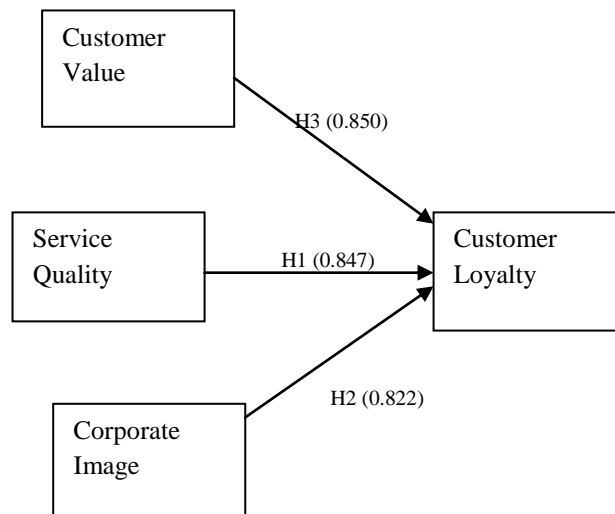
4.2. Hypothesis test

In the current study, the researcher has removed the customer satisfaction construct from the study [see section *3.8.2*]. So the reviewed hypotheses are:

H1: Service quality has a positive effect on customer loyalty in the retail banking sector in Bangladesh

H2: Corporate image has a positive effect on customer loyalty in the retail banking sector in Bangladesh

H3: Customer value has a positive effect on customer loyalty in the retail banking sector in Bangladesh

and the reviewed research model is as follows:

Industrial Engineering Letters   www.iiste.org
ISSN 2224-6096 (print) ISSN 2225-0581 (online)
Vol 1, No.1, 2011

Note: All the paths are hypothesized to be positive (Figure 2)

4.2.1. Pearson Correlation

A correlation coefficient is a very useful way to summarise the relationship between two variables with a single number that falls between -1 and +1 (Welkowitz *et al*., 2006). Morgan *et al*. (2004) stated that:

- -1.0 (a perfect negative correlation), 0.0 (no correlation) and +1.0 (a perfect positive correlation)

Pallant (2001) suggested the following interpretation of r-value. This value will indicate the strength of the relationship between two variables.

- r = .10 to .29 or r = -.10 to -.29 (Small), r = .30 to .49 or r = -.30 to -.49 (Medium) and
- r = .50 to 1.0 or r = -.50 to -1.0 (Large)

The Pearson correlation analysis obtained for the three intervals scaled variables in the table above. The sample size (N) is 100 and the significant level is 0.01 (p<0.01).

Correlations

		Service Quality	Corporate Image	Customer Value	Customer Loyalty
Service Quality	Pearson Correlation	1	.879**	.821**	.847**
	Sig. (1-tailed)		.000	.000	.000
	N	100	100	100	100
Corporate Image	Pearson Correlation	.879**	1	.810**	.822**
	Sig. (1-tailed)	.000		.000	.000
	N	100	100	100	100
Customer Value	Pearson Correlation	.821**	.810**	1	.850**
	Sig. (1-tailed)	.000	.000		.000
	N	100	100	100	100
Customer Loyalty	Pearson Correlation	.847**	.822**	.850**	1
	Sig. (1-tailed)	.000	.000	.000	
	N	100	100	100	100

**. Correlation is significant at the 0.01 level (1-tailed). Table: 3

Hypothesis 1 (Service Quality)

H1: Service quality has a positive effect on customer loyalty in the retail banking sector in Bangladesh

The table (3) shows that the correlation (r) is 0.847 for service quality and the p-value is 0.000, which is less than the significant level (0.01). Therefore, it can be concluded that service quality and customer loyalty is positively (large) related in the retail banking sector in Bangladesh.

Hypothesis 2 (Corporate Image)

H2: Corporate image has a positive effect on customer loyalty in the retail banking sector in Bangladesh

It can be observed in the table (3) that the correlation (r) of corporate image is 0.822 and the p-value is 0.000, which is less than 0.01. Therefore, it can be concluded that there is a large positive correlation between corporate image and customer loyalty in the retail banking settings in Bangladesh.

Hypothesis 3 (Customer Value)

H3: Customer value has a positive effect on customer loyalty in the retail banking sector in Bangladesh

The table (3) shows that there is a large positive correlation between customer value and customer loyalty in the retail banking sector in Bangladesh where p<0.01 (p=0.000) and r=0.850.

5. Conclusion

The main objective of the current study is to identify the most important drivers of customer loyalty in the retail banking settings in Bangladesh. The study sought to identify the interrelationships between service quality, customer satisfaction, corporate image, customer value and customer loyalty in the retail banking sector in Bangladesh.

Based on the hypothesis H1, a large positive correlation was found between service quality and customer loyalty. It means that as banks' service quality increase, customer loyalty also increases. Hypothesis H2 shows the large positive correlation between corporate image and customer loyalty. This means that as the banks' corporate image increases, customer loyalty also increases. According to hypothesis H3, customer value and customer loyalty demonstrates a large positive correlation in the retail banking sector in Bangladesh. It means that as the customer value increase, customer satisfaction also increases.

5.1 Discussions of findings

5.1.1 Service quality

Service quality is the gap between what the customers want and what they actually get or perceive they are getting (Berry *et al.*, 1988). Consequently, many companies would attempt to offer a high service quality in order to retain their customers. It has been empirically proved that high service quality motivates positive customer behavioural intention to repurchase, and in turn, promotes customer retention. This implies that service quality is linked positively to customer loyalty.

5.1.2 Corporate Image

Tariq and Moussaoui (2009) pointed out that corporate image is the connection of customer's memory to the corporation in general. Once the image is recorded in his memory, the customer can communicate his personal feeling about the corporation indirectly. Hence, corporate image is an important tool that differentiates a corporation from its competitors. Such image is mainly related to the aggregate experience of purchasing and consuming products and services over time. If a good image is perceived by the customer, he is encouraged to repeat purchasing in the future. Tariq and Moussaoui (2009) concluded that a positive image helps to set up a higher degree of customer loyalty.

5.1.2 Customer value

Mass and Graf (2008) pointed out that delivery of customer value is considered the fundamental basis of marketing activities and an effective source of competitive advantage in promoting profit, growth and ensuring long-term success. Customer value shows the highest positive correlation with customer loyalty in the current study. The possible explanation of this finding is that the overall ability of the bank to satisfy customer's wants and needs is high by considering the time, effort and money they spent. Therefore, Bangladeshi bank manager should pay attention on delivering more on value in the retail banking sector in Bangladesh.

5.2 Managerial Implications

The current study identifies the key determinant of customer loyalty in the retail banking sector in Bangladesh. This study also confirms the positive relationship between each of the study constructs. This study also suggests that the current research model is a suitable instrument for measuring the bank loyalty in the Bangladeshi context. Therefore, bank managers can use this instrument to assess the bank loyalty in Bangladesh.

Service quality shows the positive correlation with customer loyalty in the current study. Therefore, Bangladeshi bank managers would be well advised to emphasise the employee training programmes so that they can offer personalized service. The main aim should be to develop a long-term relationship with the customers. The current study demonstrates that there is a large positive correlation between corporate image and customer loyalty. Therefore bank managers would be well advised to tell about the positive image to their customers. Customer value shows the highest positive correlation with

customer loyalty in the current study. Therefore, Bangladeshi bank manager should pay attention on delivering more on value in the retail banking sector in Bangladesh.

5.3 Limitations

The current study presented exhibit limitations that should be considered. The limitations are as follows:

- The sample size of the current study is 100. This sample size meets the minimum requirement. The researcher may use a bigger sample size to find out more about service quality, customer satisfaction and customer loyalty in the retail banking settings in Bangladesh.
- Other variables may influence customer decision making process in the retail banking industry, such as price, convenience, interest rates etc.
- This study covers the customers of Government and Private banks in Bangladesh. The Foreign banks that have a role in the retail banking industry in Bangladesh were excluded from this study.

5.4 Recommendations for Future Research

Several issues, associated with the limitations inherent in this study, require further research considerations.

Future research should concentrate on a bigger sample size and all types of retail banks [including foreign banks] in Bangladesh. In addition, more decision making variables should also be considered in the research model.

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