



Service Quality and Its Effect on Customer Loyalty of Banking Industry in Jaffna District Sri Lanka: A Comparative Study Between State Banks and Private Banks

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Abstract:

Purpose: To examine how service quality effect on customer loyalty of banking industry in Jaffna district Sri Lanka. **Design/methodology/approach:** A questionnaire derived from previous studies and the relevant Literature was completed by 420 customers of both private and state banks in Jaffna district, Sri Lanka. Linear regression analysis assessed the effect on customer loyalty of three key constructs of service quality such as station quality, interaction quality and outcome quality. Correlation analysis was carried out to examine the interrelationship between service quality and customer loyalty. And also, independent sample T-test and independent sample one way ANOVA were utilized to find out the significant mean different in customer loyalty among personal demographic variables. Further regression analysis was used to find out impact between two variables. **Findings:** service quality contributes significantly to customer loyalty and predicts 79.6 percent of the variation found. Interaction quality and outcome quality in service quality contribute significantly to customer loyalty. But customer loyalty is not contributed significantly by station quality in the service quality. And also, there is a significant mean different in-service quality and customer loyalty among the private banks and state banks. State bank customers are more loyal to their bank rather than private banks due to the safety and security features and private banks are offering high service quality rather than state banks. Overall association between service quality and customer loyalty is positively correlated. **Research limitations/implications:** This research focuses on banking services in one particular district of the country. Therefore, further research in other sectors may be necessary before generalization can be made on. **Practical implications:** Based on the finding of the study, there are a few key points that can be used to conclude this research paper. It is very important that the service quality in the banking service industry in Jaffna peninsula contributed to the customer loyalty. Mainly interaction and outcome quality dimensions in the service quality contribute to the customer loyalty for becoming effective one. **Originality/value:** reinforces and refines the body of knowledge relating to customer loyalty in service industries.

Keywords: service quality, customer loyalty and banking service providers.

INTRODUCTION

The current business environment is becoming more competitive and challenging than ever before. With multidimensional challenges and demand of globalization, the organizations are forced to re-engineer their products, services and systems to improve the service quality and remain competitive. Service quality is a measure of how an organization delivers its services compared to the expectations of its customers to create loyalty. Loyalty describes an ongoing emotional relationship between organization and customer manifesting itself by how willing a customer is to engage with and repeatedly purchase from particular firm versus their competitors.

Concept of service quality and customer loyalty are powerful tool to determine organizational performance and long-term sustainability of the firm. Banks also need to be more focus on delivering high level of service quality to their target audience to sustain them for a long period of time.

The banking sector in Sri Lanka remains heavily fragmented. Regulatory measures and market forces could lead to consolidation within the banking sector, resulting in more efficient banking operators and economies of scale. Smaller banks, in particular, are more vulnerable given the pressure on their capital buffers as well as profitability. Further both state and private banks are compelled to invest in and improve their digital systems and platforms for a smoother customer experience, which, to an extent, to be driven by customer demand as well as the competitive pressure to offer the best digital solutions. As a result, from the digital technology side, majority of customers using internet banking, mobile banking, wallet products even during Covid crisis situations as well.

Development of financial sector in a country plays a significant role in economic development. because it promotes through capital accumulation and technological advancement by boosting savings rate, optimizing the allocation of capital, mobilizing and pooling savings, and facilitating and encouraging foreign capital inflows. The banking sector, as the main aspect of the financial sector, provides very important and productive strategy to manipulate stable of that sector achieving financial inclusion, maintaining favorable asset and balancing capital and liquidity level of the economy. Commercial banks are key players in financial markets operations and act an significant role in keeping a country's economy operation smoothly through facilitating the depositing money, to taking loans, exchange currencies and supporting other finance intermediately activities.

Banks also engaged in providing payment services, thereby facilitating all entities to carry out their financial transactions. On the other hand, banks can create vulnerabilities of systemic nature, partly due to a mismatch in maturity of assets and liabilities and their inter connectedness. Therefore, the soundness of banks is important as it contributes towards maintaining confidence in the financial system and any failure may have the potential to impact on activities of all other financial and non-financial entities and finally the economy. In terms of the asset base and the magnitude of services provided, the Licensed Commercial Banks (LCB) are single most important category of financial institutions with in the banking sector.

Customers also having huge number alternative choices to fulfill their financial needs other than these LCB, there are a number of LSB and other financial institutions which are targeting the same customers. Consequently, the banks have now started to realize the prominence of customer loyalty and its contribution to the financial performance and growth of the banks.

RESEARCH PROBLEM

Providing the service that the customers are looking for is very important to retain customers. Quality of the service offered to the customer might be accepted differently by the customer. Some customer give attention for the waiting time to get the service, getting access to the center is another consideration while resource used by the organization to serve the customer is also another critical consideration for other customer about service given by the organization. This makes hard on service provider on which part to focus in order to retain and have a loyal customer. Giving due attention to what customers are looking for today, forecasting and preparing for the

future need of the customer is crucial in order to be competent in the market and retain a loyal customer. Presently banks are ever more concerned about and realizing that the service acquiring decisions of customers is not only influenced by the value alone, but also by the service support available after the delivery of the service (Agnihotri et al., 2017). The effective delivery of high-quality service can help to build and sustain long-term relationships with customers.

Every Banks tries to provide superior services to keep their customers satisfied. With this introduction of the trade liberalization and economic reformation, more significant changes have taken place in the banking and financial sector in Sri Lanka. However, the context has not been properly studied in terms of performance, consumer behavioral responded and competitiveness. Customers of public sector banks experienced a higher service gap compared to the private sector banks. Dissanayake, Wasantha & Jinadasa (2016). Based on the comments provided by the respondents during the pilot study remaining 68.33% of the customers still perceived that bank which are operating in Jaffna district delivering their services at lower level after the implementation of digitalized products. Most of the employees are reluctant to interact with customers and failed to give better financial solutions in accordance with their requirements immediately which is basically depends on employee's attitude of the particular bank.

- RQ: What extent the service quality influences on customer loyalty in banking service providers in Jaffna district, Sri Lanka.

SIGNIFICANCE OF THE STUDY

The perceived significance of this study is based on two items: the relationship between service quality and customer loyalty in a banking sector. Several previous studies track the relationships between service quality and customer loyalty cognitions. This study attempted to combine these facets to understand the full relationship of the enablers of service quality on customer loyalty.

OBJECTIVES OF THE STUDY

The main objective of the study is examined how service quality effect on customer loyalty of banking industry in Jaffna District Sri Lanka and secondary objectives are:

- To find out the relationship between service quality and customer loyalty of banking industry in Jaffna District Sri Lanka.
- To identify which sector bank provides more service quality to sustain their customers as loyal one.
- To identify which sector banking customers are loyal to the bank Jaffna district Sri Lanka.
- To examine significance, mean difference of customer loyalty exist across five levels of age group.

REVIEW OF LITERATURE

Service Quality (SQ)

Service quality (SQ) is defined as the customer's subjective judgment about a service's 'overall excellence'. It is believed that service quality improves the overall quality of a service and assists in achieving business excellence (Ganguli & Roy, 2013; Huang, 2009). Service quality is a measure of how an organization delivers its services compared to the expectations of its customers. Customers purchase services as a response to specific needs.

Nowadays many organizations have started to maintain good customer relationship and hence they use all sorts of technologically advanced services and facilitate their customers to avail of the benefits. Right from the seventies there was a need for improvement in customer services in

banks. With the emergence of new generation banks, introduction of technology, competition, deregulation, etc., new dimensions to customers' service have been added. In the present scenario, "customers' delight", has been the buzzword in banking. The external and internal service quality in banks is a compulsory requirement for the survival of banks in the industry for both enhancement of profits and acquiring new prospects and keeping existing as well.

Present study carried out by the way of using hierarchical service quality model whereas SERVQUAL exist as a predominant model which was formulated by Parasuraman. Because This model is the most used by marketing researchers and scientists, although it is an exploratory study and does not offer a clear measurement method for measuring gaps at different levels. Further SERVQUAL factors are inconsistent and it is not comprehensive for different applications (Dabholkar, et al., 1996; Shahin & Samea, 2010).

Hierarchical service quality model that able firms to recognize problems in primary stage of their delivered services - Interaction Quality, Physical Environment Quality, and Outcome Quality - (Pollack, 2009). It can help managers find customer needs and service weaknesses simultaneously in order to enhance service quality perception and service experiences of customer via high quality of service. This model shows better understanding about customer perception of service quality until today. These three primary dimensions are modelled in this study and the following sections discuss the sub-dimensions of each primary dimensions in detail.

- i. Station quality – the quality of a retail bank mainly from where the services are offered ambient conditions, corporate image and Accessibility. (Mohammad Alamgir Hossain & Yogesh Kumar Dwivedi 2014 and Huang, 2009)
- ii. Interaction quality – quality of the service delivery systems in terms of Attitude and behavior, expertise & problem-solving skill (Xin Shu 2018 & Caro & Garcia, 2008; Clemes et al., 2009; Dabholkar et al., 1996).
- iii. Outcome quality – signifies the functional and tactical benefits (Mohammad Alamgir Hossain & Yogesh Kumar Dwivedi 2014, Miguel-Da'vila et al., 2010 and Bloemer, De Ruyter, & Peeters, 1998).

Customer Loyalty

Customer loyalty is a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, thereby causing repetitive same brand or the same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. Nowadays, research on customer loyalty has received considerable attention in the literature even though, defining and measuring loyalty has proved to be extremely difficult. Some scholars considered customer loyalty as a uni-dimensioned construct which measured only the behavior of customers i.e., repeat purchase. Yi and Jeon (2003) defined loyalty as repeated purchases of a particular product or service during a certain period of time. A similar definition was given by Ladhari et al. (2011) for customer loyalty in the banking sector as a customer's repeated patronage of a certain bank over a long period of time. In this research the researcher identified by basing on the literature put forward these are the major dimensions of the customer loyalty as it is commitment, trust and switching cost.

Commitment:

According to academic definition, commitment to the sales consultant is a desire to maintain a valued relationship and it is an affective commitment and a psychological attachment (Morgan and Hunt, 1994), behavioral intention, that is, the intention to continue the relationship in the

future will be derived from this kind of attachment to the sales consultant (Gundlach et al., 1995). Commitment and loyalty are inter-connected concepts since commitment differs from loyalty as commitment refers to economic, emotional and or psychological attachments which a customer has with a particular store or brand or service and then because of this commitment the customer decides to be loyal or disloyal with the brand (Thomson et. al., 2005).

Trust:

Trust is the most important determinant of customer loyalty. Ganesan (1994) proposed that trust is the key for the determination of long-term orientation between buyer and seller. Further, a key component of trust is the extent to which the customer believes that the vendor has intentions and motives beneficial to the customer and is concerned with creating positive customer outcomes. It is therefore considered that confidence is an essential factor that leads to long-term customer retention. Lost trust means a lost customer. Characteristics of trust-based relationships are: cooperation between buyer and seller, first-class, long-term relationships and quality of cooperation. Cooperation is based on the fact that trust reduces uncertainty and risk, which increases the cooperation between the supplier and buyer. From relationships based on trust and cooperation, the seller and buyer learn that mutual activities give better effects than reliance on individual ones.

Switching Cost:

Switching cost refers to the cost that is incurred by a customer while changing a service, product, supplier and is not limited to just the financial cost, but can also be psychological cost, time cost, etc. Every shift that a customer makes comes with a cost, so it should be evaluated properly before making the switch. Switching costs are a main reason why buyers stay with or switch a seller. In mobile phone services, switching costs play an important role on making customer loyal. Further As in Fornell's (2016) typology switching costs include both economic and psychological values. Switching costs are often recognized as a means for keeping customers in relationships, regardless of their satisfaction with the service provider. Customers may remain loyal when high switching barriers make it costly to switch to another supplier.

Relationship Between Service Quality and Customer Loyalty

Perceived service quality is recognized as a significant antecedent factor of customer loyalty (Kandampully et al., 2011; Suhartanto et al., 2013). Several studies have reported both the direct and indirect impact of service quality on customer loyalty. Dubé and Renaghan (2015) investigated the effect of several functional areas of banks on customer loyalty and found the quality of the various banking services was the most important factor impacting loyalty levels, followed by the quality of bank staffs. Tepeci (2016) stated that consistently providing high quality services, with added value features, leads to an increase in the number of brand-loyal customers in the banking business. Boulding, Kalra, Staelin, and Zeithaml (1993) also reported a positive correlation between service quality and repurchase intentions and willingness to recommend.

Most research in the area of service quality has been based upon the model developed by (Parasuraman et al 1985, 1988), which incorporates a comparison of customer expectations and perceptions of service performance. It is relevant to refer briefly in the related areas of the subject to find out and to fill up the research gaps. Literature on Service Quality dimensions like Tangible, Reliable, Responsiveness, Assurance and Empathy and few studies which are undertaken on the customer perception in banking sector.

Due to increasing competition the bank needs to consider the weak areas in order to meet customer perception about service quality. Emari et al., (2011) assessed to determine the dimensions of service quality in the banking industry in Iran. The study empirically examined Gronor's model suggesting that service quality dimensions like modified SERVQUAL scale like tangible, assurance, responsiveness, reliability and empathy were used to measure functional quality, technical quality service items were developed by image, customer satisfaction and overall service quality. The results reveals that the overall service quality is influenced more by a study consumer's perception of technical quality than functional quality.

Vithya Leninkumar (2016) in her study to examine association between service quality, customer satisfaction and customer loyalty in banking sector in Northern region Sri Lanka. Service quality five dimensions were tangibles, reliability, responsiveness, assurance, empathy, Customer satisfaction and customer loyalty. 300 sample were taken from banks which is located in Northern province Sri Lanka. Based on her findings it was concluded that higher levels of service quality of banks lead to higher levels of customer satisfaction, and customer loyalty. A strong relationship between customer loyalty and service quality has been confirms by many researchers (Anderson & Mittal, 2000; Bloemer & De Ruyter, 1999; and Oliva et al., 1992). Evidences of strong and direct relationship between customer loyalty and service quality have also been given by Heskett et al. (1997). whereas if level of customers' is also tending to be relatively high, it may also act as a vital promoter of customer loyalty However in today highly dynamic and competitive environment attaining higher levels of customer satisfaction and customer loyalty, especially in the services sector, may be a tough task for many organizations. Also, notably many researchers have proved willingness to recommend and repurchase intention as dimensions of the customer loyalty. Further they found that service quality has a strong positive impact on these dimensions of customer loyalty (Ehigie, 2006; Wong & Sohal, 2003; Bloemer et al., 1998; and Bitner, 1990).

Summary of Conclusions from the Literature Review

Through the analysis of the literature, distinct relationships have been found when relating to service quality and customer loyalty, Various service quality dimensions include Tangible, Reliability, Responsiveness, Assurance and Empathy was made for the study. 122 sample respondents were used in Judgement sampling. Tools like Mean, Standard deviation, student t-test have been used to find the credit facilities and insurance services in private sector banks need to concentrate. Public sector banks need to improve their service quality by improving their physical facility, infrastructure and giving proper training to their employees. A strong relationship between customer loyalty and service quality has been confirms by many researchers (Anderson & Mittal, 2000; Bloemer & De Ruyter, 1999; and Oliva et al., 1992). Evidences of strong and direct relationship between customer loyalty and service quality have also been given by Heskett et al. (1997). While Bloemer and De Ruyter (1999) have stated that service quality results in customer loyalty, Ganguli and Roy. 2011, Mohammad Alamgir Hossain & Yogesh Kumar Dwivedi 2014, Vithya Leninkumar (2016), Dissanayake, Wasantha&Jinadasa (2016), Xin Shu 2018, Caro & Garcia, 2008; Clemes et al., 2009; Dabholkar et al., 1996 and Huang, 2009.

CONCEPTUALIZATION

Based on the research question, the following conceptual model has been constructed. This model of service quality in banking service organization introduces new constructs and uniquely combines them in specifying that the customer loyalty is a function of station quality, interaction quality and outcome quality in the service quality. In which, personal demographical factors are used as a moderating variable.

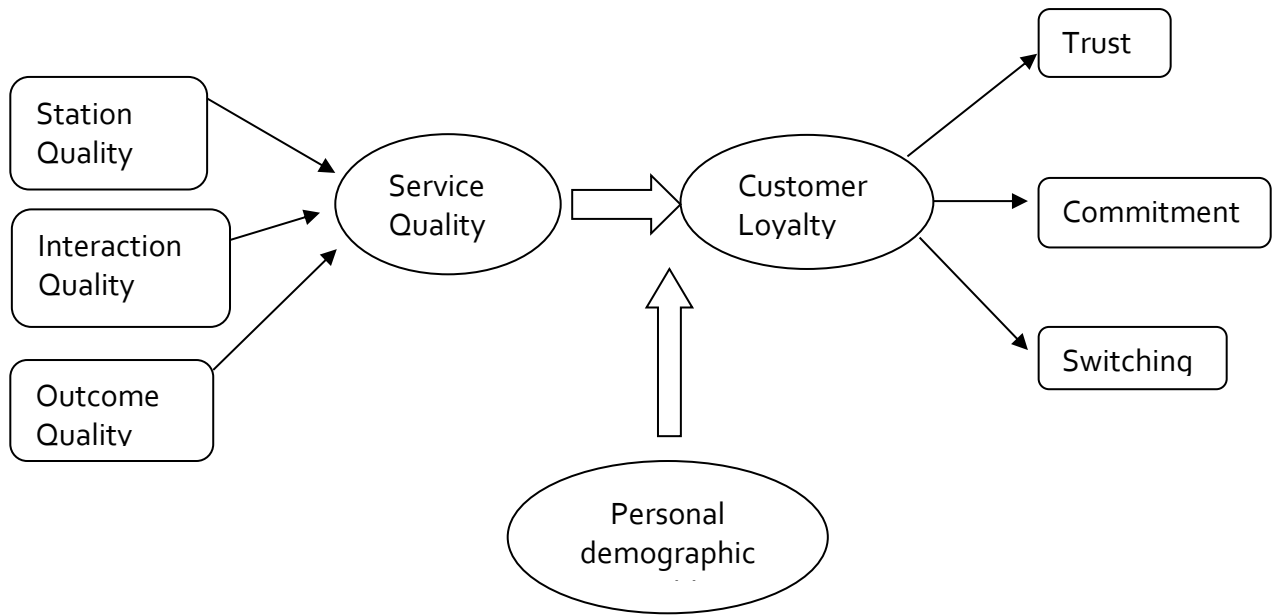


Figure no 01: Conceptualization model

HYPOTHESES OF THE STUDY

The following hypotheses are formulated for the study.

- H1: Service quality highly influenced on customer loyalty of banking industry in Jaffna district Sri Lanka.
- H2: There is a positive association between service quality and customer loyalty of banking industry in Jaffna district Sri Lanka.
- H3: Private sector banks provide more service quality rather than state banks in Jaffna District Sri Lanka.
- H4: Customers are more loyal to state banks compared with private banks in Jaffna District Sri Lanka.

METHODOLOGY

Data Collection

Primary and secondary data are used for this study. Primary data are collected through the questionnaire, and secondary data are collected from texts, journals and magazines.

Sample

A survey instrument in the form of close-ended questionnaire was developed for the purpose of collecting the main data for the study. This study was conducted in banking service providers in Jaffna peninsula. Factors such as precision, confidence, time and cost constraints were taken into consideration in selecting sample size.

Table No 01: Number of Population and Sampling frame work

Jaffna District	BOC		Peoples		NSB		Commercial Bank		HNB		Sampath Bank	
	P	S	P	S	P	S	P	S	P	S	P	S
Jaffna Main Branch	0.258 Mn	31	0.205 Mn	27	0.186 Mn	29	0.165 Mn	27	0.156Mn	27	0.145 Mn	27
Nelliady	0.080 Mn	9	0.117 Mn	15	0.060 Mn	10	0.095Mn	16	0.075 Mn	13	0.060 Mn	11
Chunnakam	0.119Mn	14	0.100	13	0.065	10	0.045	7	0.080	14	0.082	15

			Mn		Mn		Mn		Mn		Mn	
Chavakachcheri	0.072Mn	9	0.036Mn	5	0.051 Mn	8	0.075 Mn	12	0.049 Mn	9	0.030Mn	5
Manipay	0.029 Mn	3	0.030 Mn	4	0.060 Mn	9	0.030 Mn	5	0.021 Mn	4	0.020Mn	4
Chankanai	0.032Mn	4	0.042 Mn	6	0.028 Mn	4	0.020 Mn	3	0.019 Mn	3	0.043 Mn	8
Total	0.59Mn	70	0.53 Mn	70	0.45 Mn	70	0.43 Mn	70	0.40 Mn	70	0.38 Mn	70

The study is limited to customers of banking service providers in Jaffna peninsula. Stratified random sampling method has been adopted to select respondents. Researchers issued four hundred and twenty (420) questionnaires to the selected customers and all the respondents returned with their responses. The above table gives details about the distribution of questionnaires.

Instrument Development

The instrument used in this study is composed of 2 parts. The part 1 includes a number of demographic questions such as age, gender, educational qualification and type of bank. The second part deals with service quality and customer loyalty in the banking service sector. This is measured by three sub dimensions including station quality, interaction quality and outcome quality for service quality and also trust, commitment and switching cost for customer loyalty.

Data Analysis Method

Various statistical methods have been employed to compare the data collected from 420 respondents. These methods include (1) descriptive statistics which involves in collecting, summarizing and presenting data. This analysis is given information for the data through the frequency distribution, central tendency, and the dispersion. (2) Inferential statistics which involves in drawing conclusions about a population based only on sample data. It includes linear regression analysis, independent sample one-way ANOVAs (f-test), independent sample t-test (t-test). Linear regression analysis is used to find out the significant impact of service quality and customer loyalty. And t-test and f-test are used to identify the significant mean different between the levels of customer loyalty across the personal demographic factors.

RESULTS AND ANALYSIS

Reliability

The internal consistency of the research instrument should be tested by reliability analysis (Ndubisi, 2006). Nunnally (as cited in Ahsan et al., 2009) suggested that the minimum alpha of 0.6 sufficed for early stage of research. The Cronbach's alpha in this study were all much higher than 0.8, the constructs were therefore deemed to have adequate reliability. The descriptive statistics of the variables and reliability estimates are shown in below table.

Table 02

Variables	No of Items	Cronbach's alpha value
Customer Loyalty	15	0.92
Station Quality	10	0.94
Interaction Quality	11	0.89
Outcome Quality	06	0.88

Correlation Analysis

From this analysis we can summarize that, the service quality of private and state banks has significant influence on customer loyalty regarding their banking services. Because the coefficient of correlation is 0.892 at 0.00 significant level which is almost the strong relationship.

Regression Analysis

The purpose of regression analysis is to find out the significant impact or influence of independent variable on dependent variable (ndubisi, 2006). In this study, service quality is considered as independent variable or predictor variable, and the customer loyalty is considered as dependent variable. Table No 03 presents the results of the regression analysis.

Table no 03: Single linear regression analysis.

Multiple R	R Square	Adjusted R Square	Standard Error	Beta(β)	T	Sig.F
0.892	0.796	0.796	0.21540	0.892	40.422	0.000

NOTE: Significant at 0.05 levels: The results of the regression analysis summarized in table no 03 show that service quality contributes significantly to customer loyalty predicts 79.6 percent of the variation found. Therefore, every service organization more concentrate on delivering high quality service standards to create customer loyalty.

Independent Samples t-Test.

It is carried out to find out whether there was any significant mean difference of customer loyalty across private banks and state bank. Additionally, it was carried out to find out whether there was any significant mean difference of service quality and customer loyalty across private banks and state banks.

Customer Loyalty Based on The Banks

Table no 04: Results of T-test

Customer Loyalty	Levene's Test for Equality of Variances		T-test for Equality of Means						
	F	Sig	t	Df	Sig. (2-tail)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal Variances Assumed	2.165	0.001	20.699	418	0	-0.67746	0.03273	-0.7418	-0.61313
Equal variances Not assumed			20.699	409.957	0	-0.67745	0.03273	-0.7418	-0.61313

Table 05: Group Statistics

Customer Loyalty				
Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
Private	210	3.2825	.35809	.02471
State	210	3.9600	.31100	.02146

According to the above group statistics the mean customer loyalty score was 3.2825 (SD = 0.35809) for private banks and 3.9600 (SD = 0.31100) for state banks. The customer loyalty scores of private banks and state banks were compared using an independent sample T – test. The results shows that there was a significant different between the customer loyalty of private banks

and state banks. Because the significance value is less than 0.05 (Sig = 0.001). Therefore, we can conclude that state bank customers are more loyal to their bank rather than private banks.

Service Quality Level Based on Banks

Table no 06: Results of T-test

Service Quality	Levene's Test for Equality of Variances		T-test for Equality of Means						
	F	Sig.	t	Df	Sig. (2-tail)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Equal variances Assumed	13.168	0	-17.26	418	0	-0.59753	0.3462	-0.66558	-0.52948
Equal variances Not assumed			-17.26	409.32	0	-0.59753	0.3462	-0.66558	-0.52948

Table 07: Group Statistics

Service Quality				
Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
Private	210	3.9519	.32789	.02263
State	210	3.3544	.37969	.02620

According to the above group statistics the mean service quality score was 3.9519 (SD = 0.32789) for private banks and 3.3544 (SD = 0.37969) for state banks. The service quality scores of private banks and state banks were compared using an independent sample T – test. The results shows that there was a significant different between the service quality of private banks and state banks. Because the significance value is less than 0.05 (Sig = 0.001). Therefore, we can conclude that private banks are offering high value of quality service to their target audience compared with state banks.

Independent Sample One-way ANOVA test

Generally, it is used when a researcher has one independent and one continues dependent variable and the independent variable specifies three or more groups for an example age group at (18-27, 28-37, 38-47, 48-57 and above 57. It was used to find out whether there is any significant mean difference of customer loyalty across 05 levels of age group.

Table No 08: Results of ANOVA

Descriptive

	N	Mean	Std. Deviation	Std. Error	95%Confidence Interval f Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
					18-27	40		
28-37	145	3.6294	0.48092	0.03994	3.5505	3.7084	2.53	4.67
38-47	109	3.6122	0.43083	0.04127	3.5304	3.6940	2.67	4.47
48-57	66	3.6626	0.49086	0.06042	3.5420	3.7833	2.93	4.73
Above 57	60	3.5656	0.51734	0.06679	3.4319	3.6992	2.73	4.53
Total	420	3.6213	0.47668	0.02326	3.5756	3.6670	2.53	4.73

Test of Homogeneity of Variances

Customer Loyalty

Levene Statistic	df1	df2	Sig.
1.070	4	415	0.371

ANOVA

Customer Loyalty

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.322	4	0.080	0.352	0.843
Within Groups	94.884	415	0.229		
Total	95.206	419			

The above descriptive statistics represent that the mean customer loyalty score was 3.6317 (SD = .50839 for 18-27 age group, 3.6294 (SD = .48092) for 28-37 age group, 3.6122 (SD = .43083) for 38-47 age group, 3.6626 (SD = .49086) for 48-57 age group and 3.5656 (SD = .51734) for above 57 age group. The customer loyalty scores of five level of age group were compared using an independent sample one way ANOVA.

Hypotheses Testing (Summary)

Analysis	Independent Variable	Dependent Variable	Correlation r	Adjusted r ²	Sig	Mean Value
Regression	Station Quality	Customer Loyalty		0.554	0.000	N/A
	Interaction Quality	Customer Loyalty		0.888	0.000	N/A
	Outcome Quality	Customer Loyalty		0.785	0.000	N/A
Correlation	Service Quality	Customer Loyalty	0.892**		0.000	N/A
Independent sample T - test	State bank	Customer Loyalty			0.001	3.9600
	Private bank	Customer Loyalty			0.001	3.2825
	State bank	Service Quality			0.000	3.3544
	Private bank	Service Quality			0.000	3.9519
Independent sample one way ANOVA	Age group 18-27	Customer Loyalty			0.371	3.6317
	28-37		3.6294			
	38-47		3.6122			
	48-57		3.6626			
	Over 57		3.5656			

CONCLUSION AND RECOMMENDATION

Customers' perception of the level of excellence of the service quality of the state banks is found to be below their expectation compared with private banks. As per the research findings station quality, interaction quality and outcome quality highly positively correlated with customer loyalty. Therefore, overall service quality highly positively associated with customer loyalty. Further in accordance with regression analysis 79.6% of the customer loyalty determined by overall service quality whereas remaining 20.4% of customer loyalty depends on other factors. In addition to that as per the independent sample T test analysis that results shows that there was a

significant different between the customer loyalty of private banks and state banks. Because the significance value is less than 0.05 (Sig = 0.001).

Therefore, based on the results state bank customers are more loyal to their bank rather than private banks due to the safety and security features. In contrast there was a significant difference exist between the service quality of private banks and state banks. Because the significance value is less than 0.05. Therefore, researcher could able to find that private banks are offering high value of quality service to their valuable customers rather than state banks. Since independent sample one way ANOVA used to find out whether is there any significant mean difference of customer loyalty across 05 levels of age group. Based on the analysis researcher could be able to conclude that five levels of age group people are equally loyal regards to their banking services from state banks and private banks.

In the context of customer loyalty there was a significant mean differences exist between state banks and private banks thus revealed that state banks customers are more loyal to their banks rather than private banks. Anyhow there were no significant difference exist between the customer loyalty and five levels of age group. Ultimately according to this research study researcher able to conclude that 88% of the customer loyalty depends on service quality which is the combination of station quality, interaction quality and outcome quality whereas remaining 12% of the customer loyalty determined by other factors.

All service quality determinants significantly effect on customer loyalty. One of the major aims of the study was to make relevant recommendations on service quality of banking industry in Jaffna district Sri Lanka. Considering the findings of the study and conclusions, the following recommendations are made. It is concluded from the findings that; overall service quality is a construct of three dimensions. Management of both state and private banks should recognize this vital information and strategies their service quality improvement policies around this model. It is important that management of both state banks and private banks to recognize that the quality of their services in terms of interaction quality.

Thus, much effort should be made to maintain or even enhance their current performance in terms of interactivity between staff and customers. As much as it is important to maintain the strengths of the service quality of both state and private banks, it is even more important to work on the weaknesses. Generally, it is concluded from the study that the overall service quality of the state banks falls short of customers expectation. Out of the three dimensions of the service quality of banks identified, all of them are perceived to be below customers' expectations resulting in the less than expected overall service quality specifically in state banks. Thus, management of both state and private banks should be aware of this information and take concrete steps to improve on the overall service quality of the banks.

To achieve this, employees must be motivated and trained to improve their customer relations in terms of being responsive to customers, showing empathy to customers as well as instilling confidence in customers of the service of the banks. Notwithstanding the fact that improvement in the service quality of both state banks and private banks in all the dimensions is desirable, greater emphasis should be placed on interaction quality since it is found to be the most influential factor of overall service quality perception of customers in banking sector compared with other dimensions including station quality and outcome quality. Moreover, it is concluded from the study that, equal stance needs to be maintained regards demographic variables such as gender,

age, income level of customers and educational level of customers while formulating policies on improving service quality.

LIMITATION AND FUTURE RESEARCH

Even though the current study carries important implications and new insights to commercial banks, to academics and especially to managers in the banking industry, there were a few inherent limitations identified in this study. Mainly service quality was considered as important determinants of the study. Apart from these construct other constructs which influence customer loyalty namely; beliefs, value and corporate image also could be studied to predict customer loyalty in present. The current study explored the relationships between three constructs only in the commercial banks of the Jaffna district Sri Lanka.

Only six banks were selected including three state banks and three private banks and therefore care should be taken in generalizing the findings. The sample was selected using the convenience random sampling method among the selected banks and the sample size was limited to four hundred and twenty. The reliability of data depended on the respondents' understanding and perceptions as given in the self-reported data.

Even though the current study narrowed the empirical gap, it still provides a pathway for future research. First, the objective of the current study was to explore the influence of service quality on customer loyalty in commercial banks of Jaffna district Sri Lanka, therefore it did not include banks other than commercial banks in the banking industry.

It also focused on the Jaffna district of Sri Lanka. Thus, the scope of generalizing the results to other contexts and to the whole of Sri Lanka may be limited. Therefore, covering the whole banking industry in all of Sri Lanka may provide new findings. Further, replications in other service contexts are highly desirable. Comparison of models of government and private banks will give more understanding on the difference between them. Further, developing a richer model that incorporates other constructs such as beliefs, value, and corporate image will also give further insights. This research has taken only 420 customers as sample, since future researchers can take more customers as sample to increase effective results.

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