Effect of Service Quality on Customers' Loyalty in Banks: Case Study of Some Selected Banks in Jigawa State

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Abstract

This study explores the effect of service quality on customer loyalty. The study explicitly focuses on four banks: Access Bank, UBA, First Bank Nigeria Plc, and Unity Bank. The study used the Behavior Modification Perspective (BMP) as the theory that underpins this study. The survey research design was adopted for this study. The quantitative data was gathered from a sample of 384 customers of the four selected banks. Ninety-six respondents were sampled from each of the four banks. The study used frequency count, simple percentages to describe the data and linear regression for the hypothesis testing. The findings revealed a significant relationship between service quality and customer loyalty in some selected banks in Jigawa State and that service quality significantly affects customer loyalty. Based on these insights, it is recommended that banks in Jigawa State improve the quality of their services provided to enhance customer satisfaction and retain their trust. They should allocate more of their resources and attention towards bolstering service quality.

Keywords: Service Quality, Customer Loyalty, Financial Institutions.

JEL Classification: G21, G24

1. Introduction

Over the years, the seemingly revered concept of customer loyalty has become a focal point in marketing and consumer behaviour, subjected to extensive research and discourse. Oliver's (1999) definition, portray loyalty as an unwavering commitment to revisit and persist in patronizing a favoured product or service despite external influences,. It is crucial to understand that customer loyalty surpasses mere satisfaction,

challenging the notion that satisfaction alone can propel a business to the coveted summits of success.

Pursuing customer loyalty within the Nigerian banking sector has recently become an increasingly elusive endeavour, primarily attributable to the industry's cutthroat competition. The proliferation of banks in the country intensifies the struggle for customer loyalty, offering many alternatives and rendering securing and maintaining loyalty arduous. Moreover, Nigerian customers, much like their global counterparts, harbour evolving expectations shaped by technological advancements and globalization (Sani, 2022). The relentless pressure on banks to innovate is exacerbated by their inadequacies in keeping pace with these dynamic expectations, resulting in customers seeking alternative financial services. The endemic issue of inconsistent or subpar service quality further complicates the issue of the banking sector in Nigeria (Ahiauzu, 2022). Customers expecting seamless and efficient services are met with dissatisfaction in the face of service shortcomings such as poor service, unauthorized deductions and fostering a reluctance to sustain loyalty.

Quality is the lifeblood of service delivery firms, bringing increased customer patronage, competitive advantage and long-term profitability (Alzoubi et al., 2022). According to Grönroos (1982), services are non-stoppable interactions involving customers and service providers. These services may be considered superior, non-touchable services but require tangible resources and valuable instruments that will facilitate the process of solving customer problems. According to Zeithaml (1988), service quality is when customers compare the services provided. While Sureshchandar, Rajendran and Anantharaman (2002) stated that service delivery organizations can gain a competitive edge over competitors through good service quality. Naidoo (2011) affirmed that a good administration focusing on well-trained staff, valuable program offerings, and its influence on customers are also quality dimensions. Top management must invest time, energy, required training and resources to keep their staff sensitive and customer-centric (Khan & Fash, 2014; Naidoo, 2011; Schneider et al., 2005). This will help to gain loyal customers in the long run.

In today's dynamic market, characterized by technological breakthroughs and widespread internet usage, the challenges of creating and maintaining customer loyalty have become more intricate (Oliver, 1999). Griffin (2002) accentuates the importance of companies focusing on the value of their products and services, demonstrating a genuine interest in fulfilling customer desires and building lasting relationships. Thomas and Tobe (2013) emphasize the profitability of loyalty, asserting that the costs incurred to acquire a new customer outweigh those required to retain an existing one. Loyal customers contribute to positive financial outcomes and act as brand advocates,

influencing others to make purchasing decisions. The multifaceted nature of customer loyalty is delineated by Gremler and Brown (1999), who categorize it into behaviour, intentional, and emotional loyalty. Behavioural intention loyalty involves repeated purchasing actions. Intentional loyalty pertains to the intention to buy, while emotional loyalty is established when customers perceive a brand as aligning with their values and passions.

Several studies have explored the intricate relationship between service quality and customer loyalty across diverse industries. Myo, Khalifa, and Aye (2019) investigated the hospitality industry in Myanmar, finding positive relationships between service quality, customer satisfaction, and customer loyalty. Zebrga and Zaveri (2020) conducted a study in Ethiopia, revealing that hotel customers become loyal when their expectations were met and individualized attention is given. Furthermore, Oman, Fida et al. (2020) utilized the SERVQUAL model, showcasing the significant impact of service quality dimensions on customer satisfaction and loyalty. Tangibility, responsiveness, reliability, assurance, and empathy influenced customer loyalty. Obananya (2020) focused on commercial banks in South East Nigeria, employing the SERVQUAL model to demonstrate the significant influence of tangibility, reliability, responsiveness, and assurance on customer loyalty. The study emphasized the need for banks to address these dimensions to enhance customer loyalty. Dam and Dam (2021) explored the relationships between service quality, brand image, customer satisfaction, and customer loyalty in Vietnam. Their findings indicated that service quality positively influences brand image, customer satisfaction, and loyalty.

Gontur, Gadi, and Bagobiri (2022) delved into the hotel industry in Plateau State, Nigeria, highlighting the mediating role of customer product identification in the link between service quality and customer loyalty. The study emphasized service quality, brand identification, and customer loyalty. Yum and Yoo (2023) extended the exploration to mobile social media in South Korea, revealing that service quality dimensions significantly and positively affect customer satisfaction, which, in turn, mediates the relationship between service quality and customer loyalty. In synthesis, these studies collectively underscore the intricate interplay between service quality, customer satisfaction, and loyalty, emphasizing the need for businesses to adopt customer-centred approaches and recognize the multifaceted nature of loyalty in the contemporary and ever-evolving market landscape. Against this background, this study is designed to examine the effect of service quality on customer loyalty among selected banks in Jigawa. The study tests only one hypothesis, that service quality does not significantly affect customer loyalty in selected banks in Jigawa State.

2. Literature

The Behavioral Perspective Model (BPM) of consumer choice was developed due to Foxall's (1990) theoretical research on the philosophy of economic psychology, precisely the explanation of consumer choice (Borgardt, 2019). BMP sets out to determine the nature and status of the account it offers while investigating the viability of a behavioural analytical approach to consumer behaviour (Wambua, 2023). The study examines the applicability of behavioural learning to marketing. The behaviour Modification Perspective encourages a systematic analysis of purchase and purchase-related behaviours. It indicates specific techniques for modifying and controlling these behaviours base on manipulating external factors. A marketer can enhance the utility of a product through appropriate manipulation of price, distribution, and promotional variables (Qazi et al., 2021).

Behavioural learning can be used as a behaviour modification technique whereby if the product is pleasing, the probability of repeat behaviour will increase (McEachern et al., 2020). The concept is that positively reinforced behaviours are more likely to recur than nonreinforced behaviour. "Since the key to successful marketing is closely tied to repeat purchase behaviour, providing positive reinforcement for desired behaviour is crucial. Therefore, positive reinforcement must be the ultimate goal of the marketer (Rothschild & Gaidis, 1981). However, BMP retains the fundamental assumptions of operant behaviourism: (a) that the frequency with which behaviour is performed is a function of the consequences of such behaviour in the past, and (b) that determinants of behaviour must be sought in the environment. BPM modifies radical behaviourism by incorporating logical critiques based on empirical investigation of human operant performance (Foxall, 2023).

The first criticism is made by Foxall (2023), who contends that behaviour analysis guiding principles are best able to explain, regulate, and forecast behaviour in constrained environments. The BMP suggests a continuum of closed-open behavioural settings, with which behaviour can be objectively and empirically attributed to environmental control with varying degrees of certainty. Secondly, the model argues that reinforcement has an informational and a hedonic impact on response rate, based on recent experimental investigations of human operant behaviour (Foxall, 2023). Thirdly, the BMP acknowledges the value of rule-governed and contingency-based behaviour, which means that verbal explanations of the situations at play and physical exposure to the contingencies impact the pace at which conduct is emitted (Foxall, 2023). As a modern paradigm for behaviour analysis of consumer psychology, BPM is presented as the conclusion. It describes behaviorally antecedent stimulus, similar to Skinner's operant conditioning, but elaborates on the more basic ideas of discriminative stimuli (Foxall, 2023).

3. Methodology

This quantitative study used a survey research design. The study population consist of all the customers of Access Bank, UBA, First Bank Nigeria Plc and Unity Bank in Jigawa State, whose population is 3,892. Since the study population needs to be defined to ascertain the sample size, an undefined sampling method was used to determine the sample size for the study. The sample size of this study was determined using the Taro Yamane Formula from population of 3,892. The sample size of 363 respondents was selected for this study using a proportionate sample to ensure that the four banks are well-represented, after which the convenience sampling method, also known as grab sampling, accidental sampling, or opportunity sampling, is a type of non-probability sampling that involves the sample being drawn from that part of the population that is close to hand. This method was used to sample these respondents. This study used a structured questionnaire that was adopted from related studies. The instrument contains four sections. The first section is, the demographic section, with five items that elicited responses on the demographic characteristics of the respondents, who were the customers. The second section contained eight items that elicited answers on service promotion; the third section had eight items that elicited responses on service quality; and the last section also contained eight items that elicited responses on customer loyalty. The internal consistency (Cronbach's alpha) was above 0.70, the benchmark. The analysis was done using the Statistical Package for Social Sciences (SPSS) version 20, which is the software that contains all the analytical tools that were used for this research. Frequency and percentage were used to present the results in the questionnaire, while the null hypothesis was tested using regression analysis.

4. Results

Table 1: Summary of regression analysis showing the effect of service quality on customer loyalty

Variable	B	β	SE
Constant	2.10**		0.23
Service Quality	0.15**	0.14	0.06
R^2	0.02		

*Note: N is 297; **P<0.05. Source: Authors Computation*

The research aimed to examine the effect of service quality on customer loyalty in some selected banks of Jigawa State. A closer look at the data in Table 1 offers significant insight. With every unit increase in service quality, there is a corresponding rise of 0.146 in customer loyalty, assuming all else remains constant. This emphasizes a positive relationship between the bank's quality of services and its customer's fidelity. The standard error 0.060 for Service Quality highlights the expected variation or

distance from a predicted value. The beta coefficient, standing at 0.139, delineates the magnitude and trajectory of this relationship. A positive number implies a direct correlation: an enhancement in service quality is potentially followed by a surge in customer loyalty.

The t-value, marked at 2.411 for Service Quality, showcases how distant our coefficient is from zero regarding standard deviations. A notable t-value suggests that the likelihood of the observed data emerging merely by chance is low. On the significance level, a value of 0.017, under the commonly recognized 0.05 benchmark, is essential in the hypothesis validation. The correlation coefficient, R, recorded at 0.139, indicates a positive yet weak relationship between service quality initiatives and customer loyalty. Furthermore, the Adjusted R^2 value of 0.016 (or 1.6%) reveals that only a minimal 1.6% fluctuation in customer loyalty can be attributed to service quality. This insinuates that this model might not capture other potent determinants influencing customer loyalty. The F-statistic, coming in at 5.812, gauges the predictive prowess of the model compared to a basic model lacking independent variables. Its substantial value attests to the enhanced predictive capability of our model over a null model. Considering these insights and noting the p-value's position below the 0.05 mark, the study is inclined to reject the null hypothesis. In summation, Service quality significantly affects customer loyalty in selected banks in Jigawa State., as the regression assessment corroborates.

The discussion here focus on the relationship between service quality and customer loyalty, particularly within the banking sector of Jigawa State, it is imperative to consider the intricacies of the Behavior Modification Perspective (BMP). BMP is an integrative approach that aligns with more modern behavioural economic theories, suggesting that customer loyalty is not merely a result of customer satisfaction but also systemic reinforcement and reward structures within the service environment which is consistent with the position of Hohenberg & Taylor, (2021). This perspective posits that banks must strategically design their service environment and interactions to reinforce customer behaviours that lead to loyalty and discourage behaviours that lead to loss of customer which corroborates Darmawan (2022). For instance, banks might implement customer relationship management (CRM) systems that reward regular interactions and transactions, thereby subtly encouraging the repetition of these loyalty-inducing behaviours. Additionally, personalized services that cater to individual customer preferences can act as positive reinforcements, further ingraining loyalty.

Furthermore, the effectiveness of BMP in fostering loyalty could be enhanced by incorporating digital tools and analytics, which enable banks to track customer behaviours and preferences more accurately, allowing for more tailored and effective reinforcement strategies. For example, Boissay, *et al.*, (2021) noted that banks could

use data analytics to identify the most valued aspects of their service delivery and focus on reinforcing those areas, such as reducing waiting times, improving the user experience of online banking platforms, or providing more responsive customer service. Studies suggests that service quality dimensions—tangibility, reliability, responsiveness, assurance, and empathy—directly correlate with customer satisfaction, which is a precursor to loyalty. The study of Pakurár, *et al.* (2019) found that these dimensions are critical to creating the perception of quality service. More recent studies, such as Akbar *et al.* (2020), reinforce this notion, indicating that these traditional dimensions play a significant role in the context of Jigawa State banks.

However, it is crucial to recognize that more service quality is needed for customer loyalty. The modern banking customer is influenced by many factors, such as technological convenience, pricing, brand image, and even corporate social responsibility. Kamath, *et al.* (2020) suggest that these factors interplay with service quality to create a holistic customer experience that can inspire loyalty. Moreover, the challenge for banks in Jigawa State would be to balance human-delivered service qualities and the growing desire for digital banking conveniences. As digital banking becomes more prevalent, the service quality parameters also evolve. A study by Li *et al.* (2012) indicates that service quality is manifested in online banking through website functionality, ease of use, and online security, which can influence customer loyalty. It is also essential to address potential barriers to loyalty, such as perceived risk and trust, particularly in digital banking. Research by Aslam, *et al.*, (2020) highlights that trust in online systems is a significant factor in customer loyalty. Banks must ensure their digital offerings are efficient, user-friendly, secure, and trustworthy. While service quality remains a critical factor that significantly affect customer loyalty in the banking sector of Jigawa State, banks must adopt a multifaceted strategy that includes reinforcement of positive customer behaviours, leveraging digital tools for personalized service, and ensuring a seamless integration of digital and traditional banking services. Finding in this study is in consistent with the findings of Myo, Khalifa, and Aye (2019), Zebrga and Zaveri (2020), Oman, Fida *et al.* (2020), Dam and Dam (2021) and Gontur, Gadi, and Bagobiri (2022) which were conducted in other sectors that service quality and its dimensions a\ect customer loyalty.

5. Conclusion and Recommendations
When analyzing service quality, it is evident that it plays a pivotal role in shaping customer perceptions and loyalty trajectories. From confidentiality and security to the demeanour of bank personnel and the state of physical amenities – each dimension of service quality moulds the customer's experience. There is a clear indication that while many are content with the services, there is room for improvement. The fact that a significant portion of respondents frequently consider other banks or remain neutral on

various dimensions signals that they need to intensify their efforts to deliver unparalleled service and value.

Banks should pay attention to the role of service quality. They should allocate more of their resources and attention towards bolstering service quality. Given its more significant impact on customer loyalty, by considering initiatives such as quality assurance programs, periodic service audits, and customer-centric service design to ensure they are consistently meeting and exceeding customer expectations.

Implications
The implications of this study will be presented from a practical and theoretical standpoint. The practical implication of this study is that banks in Jigawa State need to prioritize and invest in enhancing service quality, as it has been shown to have a positive and significant impact on customer loyalty. More so, recognizing the direct correlation between service quality and customer loyalty, banks should invest in training programs for their staff to improve customer service skills, ensuring a positive customer experience. In addition, implementing quality assurance programs and periodic service audits will help banks evaluate and maintain their service standards, ensuring consistency and customer satisfaction. Another implication of this study is that banks must adopt a customer-centric approach in designing their services, considering customer preferences and expectations. This may involve tailoring promotions, offers, and service delivery to meet customer needs effectively. On the other hand, the theoretical implication of the study is that the study introduces the Behavior Modification Perspective as a theoretical lens to understand the relationship between service quality and customer loyalty. This perspective combines principles from previous theories, providing a comprehensive framework for banks to influence customer behaviours positively. The research acknowledges that while service quality is crucial, other determinants influence customer loyalty. This highlights the need for a holistic approach to understanding and managing customer loyalty, considering various factors beyond service quality.

Limitations and Suggestion for further study
One of the limitations of this study is that it is solely a quantitative study, and only the customers served as the unit of analysis. This limited the study to some extent because if the study had used mixed methods, it would have given the study access to more robust data. Moreover, if the study had also taken into cognizance the account of the bank staff and management, the study would have had a more balanced perspective on the subject under study. Building on this study, further study can be conducted contrasting Jigawa State banks with those in other regions. This comparison could unveil unique regional nuances or broader, more universal banking trends.

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