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**The Impact of Banking Quality Dimensions on Customer
Loyalty: Customer Satisfaction as a Mediator**

"An applied study on the clients of the Republic Bank
in the Libyan city of Al-Khoms"

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The Impact of Banking Quality Dimensions on Customer Loyalty: Customer Satisfaction as a Mediator

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Abstract

The study aimed to verify the impact of quality dimensions on customer loyalty and the role of customer satisfaction as a mediator in the causal relationship. To achieve this goal, a random sample of 300 customers of Jumhuriya Bank in the Al-Khums municipality, Libya, was targeted. A questionnaire was distributed to them, with a total of 200 questionnaires valid for analysis. The ServQual model was used to measure the quality of banking services. Structural equation modeling using the AMOS technique was employed to test the study's hypotheses. The study reached a number of significant results, confirming that the Assurance dimension directly affects Jumhuriya Bank customer loyalty. However, the analysis did not provide empirical evidence that the remaining quality dimensions directly affect customer loyalty. The study also presented important findings. In addition, the results revealed that customer satisfaction partially influences the relationship between the Assurance and Reliability dimensions on the one hand and customer loyalty on the other. The study reached a set of directions for future research that will be presented in its own section.

KeyWords: Banking Quality Dimensions, Customer Loyalty, Customer Satisfaction

أثر أبعاد جودة الخدمات المصرفية على ولاء العملاء: رضا العملاء كوسيط

"دراسة تطبيقية على عملاء مصرف الجمهورية بمدينة الخمس الليبية"

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الملخص:

هدفت الدراسة إلى التحقق من تأثير أبعاد الجودة على ولاء العملاء، ودور رضا العملاء كوسيط في العلاقة السببية. ولتحقيق هذا الهدف، استهدفت عينة عشوائية من 300 عميل من عملاء مصرف الجمهورية في بلدية الخمس، ليبيا. ووُزِعَ عليهم استبيان، بإجمالي 200 استبيان صالحة للتحليل. واستُخدم نموذج ServQual لقياس جودة الخدمات المصرفية، كما وُظِّفَت نمذجة المعادلات الهيكلية باستخدام تقنية AMOS لاختبار فرضيات الدراسة. توصلت الدراسة إلى عدد من النتائج المهمة، مؤكدةً أن بُعد الضمان يؤثر بشكل مباشر على ولاء عملاء مصرف الجمهورية. إلا أن التحليل لم يُقدِّم دليلاً عملياً على أن أبعاد الجودة المتبقية تؤثر بشكل مباشر على ولاء العملاء. كما قدمت الدراسة نتائج مهمة. بالإضافة إلى ذلك، كشفت النتائج أن رضا العملاء يؤثر جزئياً على العلاقة بين بُعدي الضمان والموثوقية من جهة، وولاء العملاء من جهة أخرى. وتوصلت الدراسة إلى مجموعة من التوجهات للبحوث المستقبلية، والتي سيتم عرضها في قسم خاص بها.

الكلمات المفتاحية: أبعاد جودة الخدمات المصرفية، ولاء العملاء، رضا العملاء.

1. Introduction

The banking industry's success hinges on enhancing customer loyalty. Understanding the drivers of loyalty is crucial for banks seeking to succeed in a competitive market. Numerous studies have confirmed the relationship between dimensions of service quality and customer loyalty, frequently highlighting customer satisfaction as a key mediating variable. This analysis summarizes the results of various studies to shed light on the complex interaction between banking service quality, customer satisfaction, and ultimately, customer loyalty. This study aims to evaluate the direct impact of service quality dimensions on customer loyalty, and the indirect effect through customer satisfaction. Therefore, the current research seeks to answer the following main question: Do dimensions of banking service quality impact on customer loyalty directly, or indirectly through customer satisfaction? Accordingly, the analysis will systematically evaluate the evidence, compare findings across studies, and identify research gap. More, Alhemoud (2010) and Saueressig, Larentis, and Giacomello (2021) mentioned that, the importance of research into the relationship among banking service quality, customer satisfaction, and loyalty lies in its ability to provide insights into the key drivers of customer satisfaction and loyalty, which are essential for banks' long-term survival and success. High service quality is a key driver of customer satisfaction, which leads to enhanced customer loyalty (Sleimi, Musleh, & Qubbaj, 2020).

The structure of the relationship among service quality, customer satisfaction, and loyalty is extremely complex, and therefore customer loyalty management needs to be approached as a process involving multiple interacting factors (Minh & Huu, 2016). Bilika, Safari, and Mansori, (2016) and noted that Although studies on this topic have been extensively conducted to identify causal relationships, there are still research gaps that need to be addressed. For example, Palamidovska-Sterjadovska, Levkov, and Ciunova-Shuleska (2021) emphasized the need for a more expansive understanding of customer loyalty, including both bank loyalty and employee loyalty, while Ooi (2013) and Sleimi et al's (2020) work focused on exploring the causal relationship between service quality, customer satisfaction, and loyalty in various cultural and geographical contexts, such as the Arab banking sector.

To bridge these gaps, Anika, Islam, and Ahmed (2023) and Palamidovska-Sterjadovska et al. (2021) suggested enhancing responsiveness and investing in customer service training, fostering a customer-centric culture and providing personalized service, taking customer complaints and feedback into account, streamlining processes, and investing in technology. Furthermore, customer loyalty management should be treated as a process involving multiple interacting factors, and a balance should be struck between bank loyalty and employee loyalty.

1.3.Literaeturereview

The "service quality-customer satisfaction-customer loyalty" model is a theoretical construct that links service quality, customer satisfaction, and loyalty in a causal, sequential relationship. The model presumes that service quality positively influences customer satisfaction (Li, Liu, & Zhang, 2008; Ramezani, 2022), and that customer satisfaction positively influences customer loyalty (Arora & Banerjee, 2024; Joshi, 2023). Furthermore, customer loyalty is more closely linked to satisfaction of customer than to service quality (Bhadra, 2015). Moreover, customer satisfaction may mediate the causal relationship between service quality and customer loyalty (Banahin, 2018; Lee et al., 2008).

2.1 The Impact of Service Quality Dimensions on Customer Satisfaction

Numerous works have identified specific dimensions of service quality as important indicators of customer satisfaction in the banking sector. These dimensions often align with the SERVQUAL model (Ganguli, 2011; Karim, 2020; Ramzani, 2022), which emphasizes aspects such as reliability, responsiveness, assurance, empathy, and tangibility. However, the relative importance of these dimensions can vary depending on the specific context, such as the type of banking service (e.g., digital banking) (Arora, 2024; Gautam, 2023; Lakchan, 2023), retail banking (Kaura, 2015; Redda & Deventer, 2023), or Islamic banking (Anjelisa, Fatmawati, & Nuryakin, 2023; Afifah & Kurniawati, 2021) and the geographical location (Bisimwa, 2019; Joshi, 2023; Joshi, 2023).

For instance, in the context of digital banking in Indian public sector banks, Arora and Banerji (2024) found that all dimensions of service quality (using the RATER model) significantly

influenced customer experience, which in turn predicted customer satisfaction. In the same context, Joshi's study (2023), conducted in Nepal, demonstrated that a significant positive relationship between service quality (including tangibility, responsiveness, and assurance) and customer satisfaction. In contrast, research in the Ghanaian banking sector (Karim, 2020) revealed that only reliability, ambiance, and social factors significantly impacted customer satisfaction, while assurance and responsiveness showed no significant relationship. Accordingly, a context-specific analysis is needed when studying the relationship between service quality dimensions and customer satisfaction. For example, the study by (Joshi, 2023) employed a convenience sampling method, which could potentially introduce bias, while Karim (2020) used structural equation modeling, which provides a robust approach to data analysis. Future research could therefore examine the effects of cultural factors on the relative importance of service quality dimensions.

Furthermore, the role of technology in service delivery is increasingly important. Studies on technology-based self-service banking (Sindwani & Goel, 2016) and e-banking (Khatoun & Hussain, 2020; Lotko, 2022; Tran, & Nguyen, 2023) have shown that factors like convenience, reliability, security, responsiveness, and personalization significantly influence customer satisfaction. In the case of technology-based self-service banking, convenience and personalization emerged as particularly significant predictors of satisfaction (Sindwani & Goel, 2016).

The study by (Sindwani & Goel, 2016) utilized exploratory and confirmatory factor analyses to identify and confirm the service quality dimensions, adding rigor to their findings. However, Lotko's (2022) study surprisingly omitted system availability as a significant factor, suggesting that this may represent a baseline requirement rather than a driver of customer satisfaction. The impact of specific technological features on satisfaction needs further exploration.

Beyond the SERVQUAL model, other factors also influence customer satisfaction. Corporate social responsibility (CSR) initiatives (Gezahegn, Durie, & Kibret, 2024; Hawamdeh et al., 2022; Senthikumar, Ananth, & Arulraj, 2011) and customer relationship management (CRM) strategies (Anjelisa et al., 2023; Iriqat & Daqar, 2018a; Iriqat & Daqar, 2018b) have been linked to

increased customer satisfaction. Al Hawamdeh et al. (Hawamdeh, 2022) found that CSR significantly affected customer loyalty in Jordanian commercial banks, with customer satisfaction mediating this relationship. Similarly, Anjelisa et al. (2023) demonstrated that Sharia-compliant service quality and CRM positively influenced customer satisfaction and loyalty in Indonesian Islamic banks, with satisfaction playing a mediating role. However, Iriqat and Daqar's (2018a) and Iriqat and Daqar's (2018a) works, in the Palestinian banking sector found that customer satisfaction did not mediate the relationship between CRM and long-term customer loyalty, highlighting the need for further research into the contextual factors influencing these relationships. The methodological differences between these studies (e.g., different statistical techniques and sample sizes) warrant careful consideration when comparing their findings.

2.2 Customer Satisfaction and Customer Loyalty

Satisfied customers are more loyal to their banks, and therefore banks consider customer satisfaction a strong indicator of their loyalty (Anjelisa et al., 2023; Arora & Banerji, 2024; Banahene, 2018; Joshi, 2023). Banahini (2018) reinforced the hypothesis that customer satisfaction has a positive and direct effect on customer loyalty in the Ghanaian banking sector, on the one hand, and an indirect effect through trust as a partial mediator of this causal relationship. This is supported by the findings of a study conducted by Shah et al. (2024) in Pakistan, which indicated that customer satisfaction mediates the relationship between service quality and loyalty. Therefore, these studies urge the need to improve customer satisfaction to enhance loyalty.

2.3 Customer Satisfaction as a Mediator

Previous studies have reported that customer satisfaction varied in its mediating effect. For example, the results of Sasono et al.'s (2021) study revealed that e-satisfaction fully mediated the causal relationship between e-service quality and e-loyalty. In contrast, studies (Banahin, 2018; Joshi, 2023; Shah et al., 2024) revealed partial mediation by customer satisfaction. This discrepancy could be explained by differences in methodology or other contextual elements.

The role of other mediating variables requires further study and examination. Whilst customer satisfaction is often cited as a key mediator in the relationship between service quality and customer loyalty, Albarq (2023), Banahene (2018), Bisimwa, Nuwagaba, and Musigire (2019), and Redda and Deventer (2023) have also demonstrated that other factors, such as trust, play a pivotal role in the relationship. Likewise, Sefnedi (2019) reported that switching costs influence this relationship.

In addition, the findings in Banahene's (2018) study reinforce the importance of trust as a partial mediator, compared to Bisimwa and others's (2019) study, which found that customer satisfaction fully mediates the causal relationship between perceived service quality and customer loyalty, and partially influences the relationship between customer trust and loyalty. Sefnedi (2019) supported the role of customer satisfaction and switching costs as determinants of customer loyalty and as mediators of the relationship between service quality and customer loyalty. These findings suggest a complex interaction between the factors influencing customer loyalty, and further research should focus on the relative importance of these mediating factors in diverse contexts.

2.3. The Model and Hypotheses

The model of service quality, customer satisfaction, and loyalty was employed to construct the current study model that governs the relationships between these variables. In this regard, a chronological sequence was defined for the study elements, with quality dimensions used as predictor variables that directly affect customer loyalty as a criterion variable, or indirectly through customer satisfaction as a mediating variable. Figure 1 illustrates the proposed model for the study.

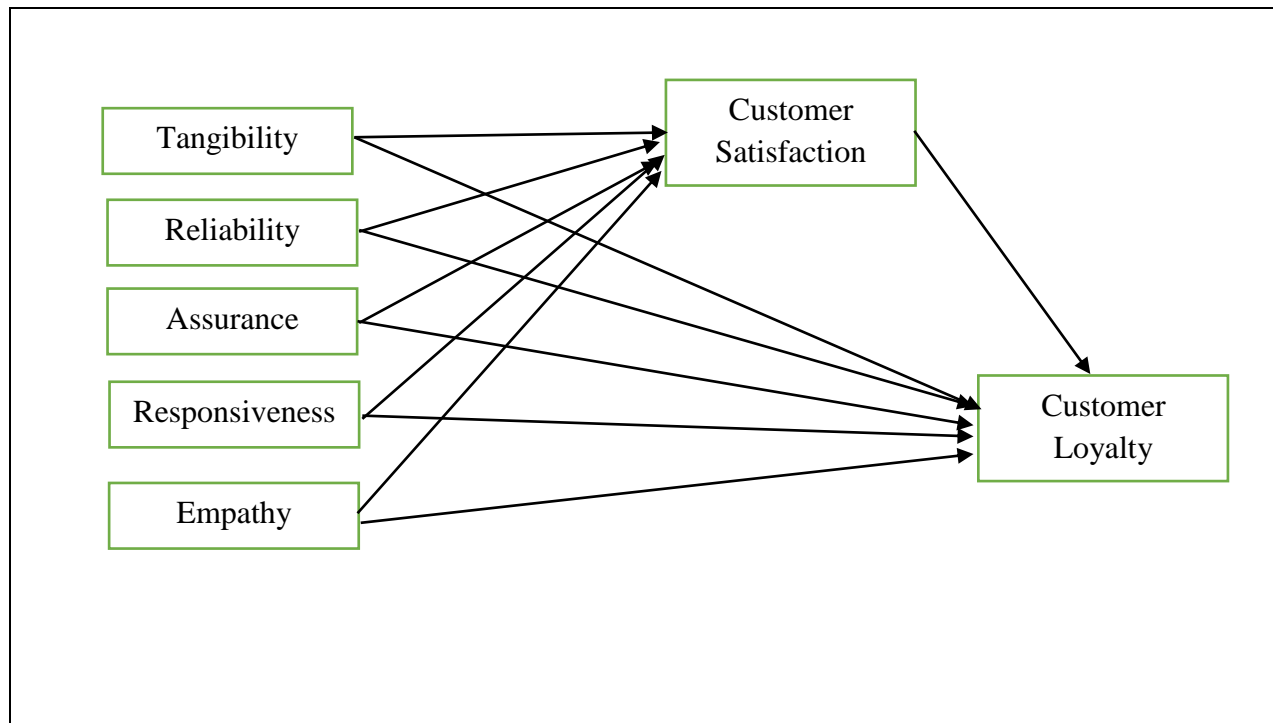


Figure 1: Framework of the study

Based on the proposed model, six hypotheses were established, as follows:

1. Tangibility does not positively affect consumer loyalty.
2. Reliability does not positively affect consumer loyalty.
3. Assurance does not positively affect consumer loyalty.
4. Responsiveness does not positively affect consumer loyalty.
5. Empathy does not positively affect consumer loyalty.
6. Job satisfaction does not mediate the causal relationship between the five quality dimensions and consumer loyalty.

3.3. Method and Tools

The SERVPERF model has been widely used to measure service quality in the banking sector, which includes dimensions such as tangibility, reliability, responsiveness, assurance, and empathy (Rupali Gupta & Kumar, 2020; Shaikh & Siddiqui, 2019). This study was conducted on the customers of Jumhuriya Bank in Al-Khums, Libya. A questionnaire was used to collect data

from 300 customers. The SERVPERF scale was used to measure service quality in the banking sector. The scale consists of 22 items distributed over five dimensions to measure service quality, namely tangibility (4 items), reliability (5 items), assurance (4 items), responsiveness (5 items), and empathy (4 items).

Rupali Gupta and Kumar (2020) and Shaikh and Siddiqui (2019) indicated that the SERVPERF model has been widely used in scientific research to measure service quality in the banking sector. It consists of five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. This study was applied to customers of Jumhuriya Bank in the Al-Khums municipality of Libya. A questionnaire was used as a data collection tool from 300 customers. The SERVPERF scale was employed to measure service quality at Jumhuriya Bank. The scale consists of 22 items distributed across five dimensions to measure service quality: tangibility (4 items), reliability (5 items), assurance (4 items), responsiveness (5 items), and empathy (4 items).

Customer loyalty and customer satisfaction scales were borrowed from previous studies, and some modifications were made to suit the current study. Customer loyalty was measured by five items (Skačkauskienė, Vilkaitė-Vaitonė, & Vojtovic, 2015). While customer satisfaction was measured by seven items (Chikazhe, Makanyeza, & Chigunhah, 2021; Hammoud, Bizri, & El Baba, 2018).

4.3. Results

5.1 Data screening

First, the data were screened and filtered and the missing values were processed using the serial average method in SPSS-version 26. As for the extreme values, they were detected using "Boxplot" and Figure 2 shows the extreme values in the study data. There are (18) extreme values distributed in the reliability variable (3 cases), the assurance variable (5 cases), the responsiveness (6 cases), and the empathy variable (4 cases), all of which are extreme values below the minimum. Given the importance of the existence of these cases, these cases will not be deleted unless they have an impact on the quality of the data or on the results of the analysis.

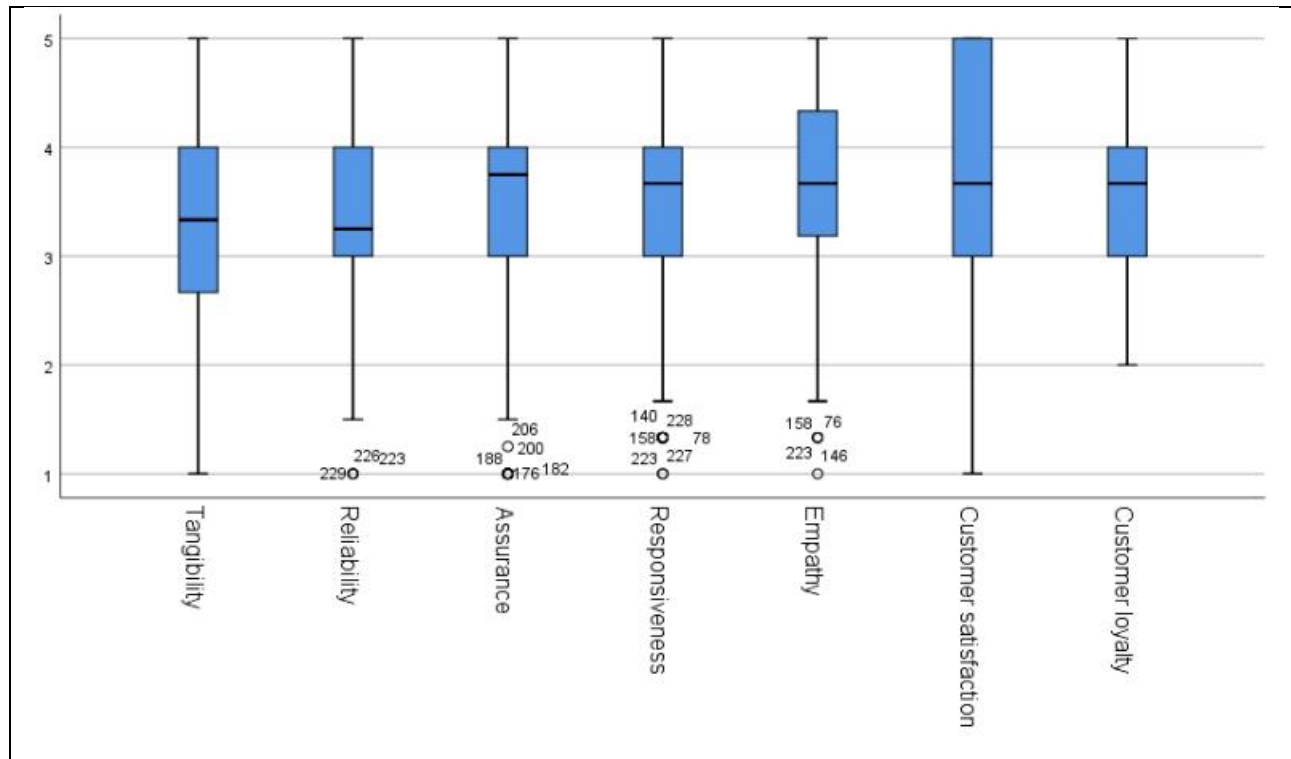


Figure (1): Outlier Values

5.2 Confirmatory Factor Analysis (CFA)

CFA was used to verify the factor structure and the items that follow it according to model of SERVPERF. The graphs can be followed as in the work of Alajili (2019) or the results of the structural modeling, which will be used in this study, can be judged.

In order to maintain the recommended levels of fit indices, three strategies were used: the deletion strategy, the merging strategy of subconstructs into a single subconstruct, and the correlation strategy of measurement errors. For the first strategy, five (5) items were deleted from the quality scale, two items from the consumer loyalty scale, and four (4) items from the consumer satisfaction scale. For the merging strategy, the responsiveness and empathy subcontracts were merged into a single subcontract.

The results in Table (1) show that the formative construct of quality included four subconstructs: tangibility, which includes three items; reliability and reassurance, which includes four items each; and responsiveness and empathy, which includes six items.

Table (1): Factor Score Weights

	y3	y2	y1	m1	m2	m3	x16	x17	x18	x22	x21	x20	x10	x13	x12	x11	x6	x9	x8	x7	x4	x2	x1
C.L	.30	.12	.19	.02	.03	.02	.03	.01	.01	.01	.00	.00	.02	.02	.03	.02	.00	.00	.00	.00	.01	.01	.00
C.S	.04	.02	.02	.21	.31	.31	.00	.01	.02	.01	.00	.00	.01	.01	.01	.01	.02	.01	.00	.02	.00	.00	.00
R&E	.01	.00	.00	.00	.01	.00	.10	.20	.14	.16	.08	.10	.00	.00	.01	.00	.01	.01	.00	.01	.01	.00	.00
As	.05	.02	.03	.01	.01	.00	.00	.01	.01	.01	.00	.00	.14	.17	.29	.16	.00	.00	.00	.00	.01	.01	.01
Re	.01	.00	.00	.01	.01	.00	.01	.01	.01	.01	.01	.01	.00	.00	.00	.00	.24	.13	.20	.27	.01	.01	.00
Ta	.01	.00	.00	.00	.00	.01	.00	.02	.01	.01	.00	.00	.00	.00	.01	.00	.01	.00	.00	.01	.28	.25	.20

C.L= Customer Loyalty, C.S= Customer Satisfaction, R&E= Responsiveness & Empathy, As= Assurance, Re= Reliability, Ta= Tangibility

5.3 Assumptions

5.3.1 Data Distribution

Skewing and kurtosis coefficients were employed to verify the distribution nature of univariate data. For multivariate data, the Mahalobius test was used. The results demonstrated that the univariate data met the normal distribution criteria, with skewness values ranging between ± 1 and kurtosis coefficients between ± 3 (Awang, 2015). Furthermore, the critical chi-square value (12.59) was lower than the analysis results findings, since the upper limit of the Mahalobius test (24.23), thus failing to meet the multivariate distribution criteria (Zaid, Al-Ajili, Musa, & Ramamoorthy, 2022).

5.3.2 Linearity

Scatterplot residuals and predictors using SPSS26 were employed to test the linearity of the relationship between the predictive constructs and the normative constructs. Figure 2 indicated a linear association between the independent constructs (tangibility, reliability, assurance, responsiveness, and empathy), the mediating construct (customer satisfaction), and the dependent construct (customer loyalty). Thus, there was no evidence to question the assumption of linearity, as shown in the figure.

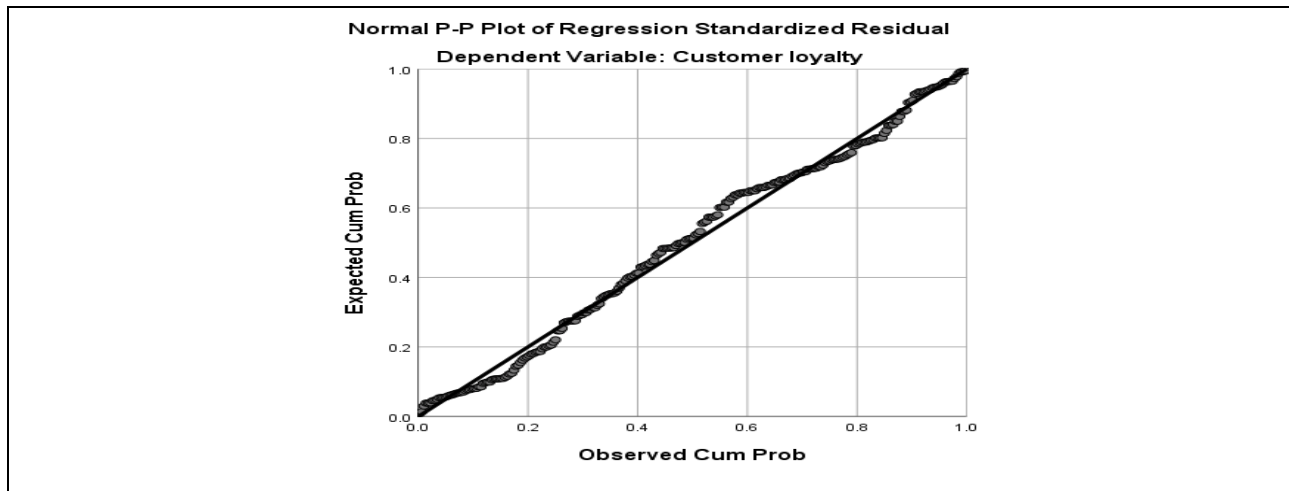


Figure (2): Linearity Assumption

5.3.3 homogeneity of variance

Furthermore, the results of the homogeneity of variance test of the residuals were analyzed using scatterplots of the standardized residuals. The results indicated homogeneity of variance across the independent constructs and the dependent construct variance as shown in Figure 3.

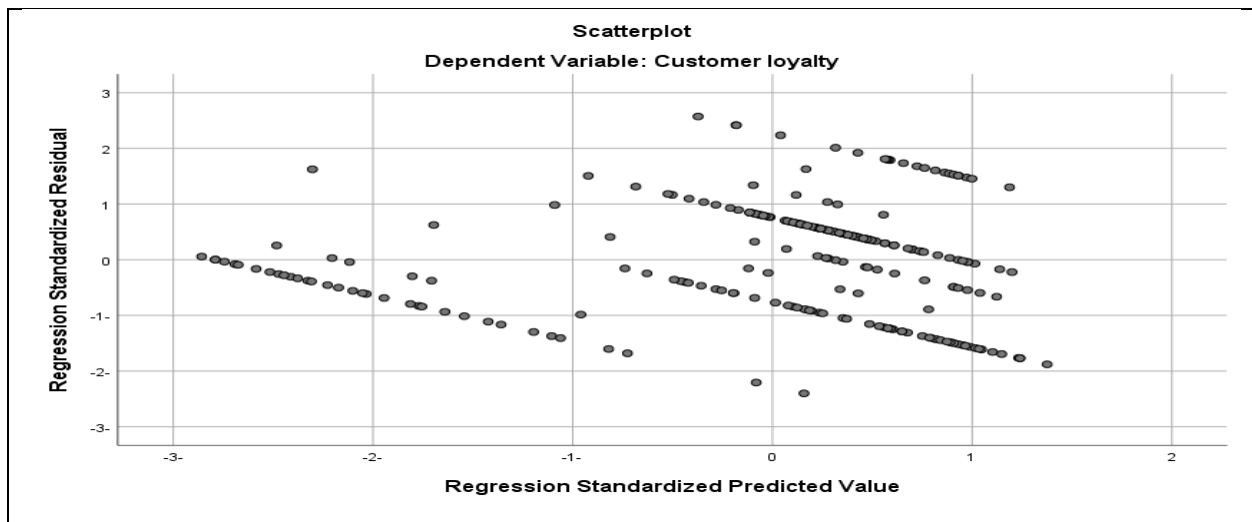


Figure 3: Homoscedasticity Assumption

5.3.3 Self-correlation Assumption

Self-correlation test was employed to verify the non-high correlation among the independent constructs, with recommended values not exceeding 5.00, and tolerance levels exceeding 0.20 (Hair et al., 2010). The analysis findings showed that all values of the variance inflation factor (VIF) were less than 5.00, indicating the absence of multicollinearity among all independent constructs, as shown in Table 3.

Table 3: Variance Inflation Factor (VIF)

Independents Constructs	Statistics	
	Tolerance > .20	VIF < 5
Tangibility	.930	1.076
Reliability	.726	1.378
Assurance	.804	1.243
Responsiveness & empathy	.706	1.416
Customer satisfaction	.706	1.416

5.4 Measurement Model

To evaluate the model fit and whether items belong to the constructs according to the quality and consumer loyalty model. More, to test tconstruct validity, including convergent and discriminant validity, the standard model of the latent constructs was conducted together. Table 4 shows the extracted factors and the items to which they belong. Regarding the dimensions of service quality, the results of the measurement model reduced the five quality dimensions to four dimensions, where the empathy dimension was combined with the responsiveness dimension.

5.6 Validity of the Latent Constructs

To validate the study's measures, assess the model's fit, and determine whether the items fit the construct according to the quality and consumer loyalty model, a measurement model was employed to verify construct validity. Initially, the construct's fitness indices were met since CFI, TLI, and IFI fit indices exceeded excellent levels (0.95), while the GFI and AGFI registered values that exceeded the recommended minimum (0.90). Conversely, the RMSEA value was

0.02, and the p-value for the model was 0.000. Accordingly, all fit indices met acceptable levels (Hair et al., 2010). Figure 4 explained convergent validity.

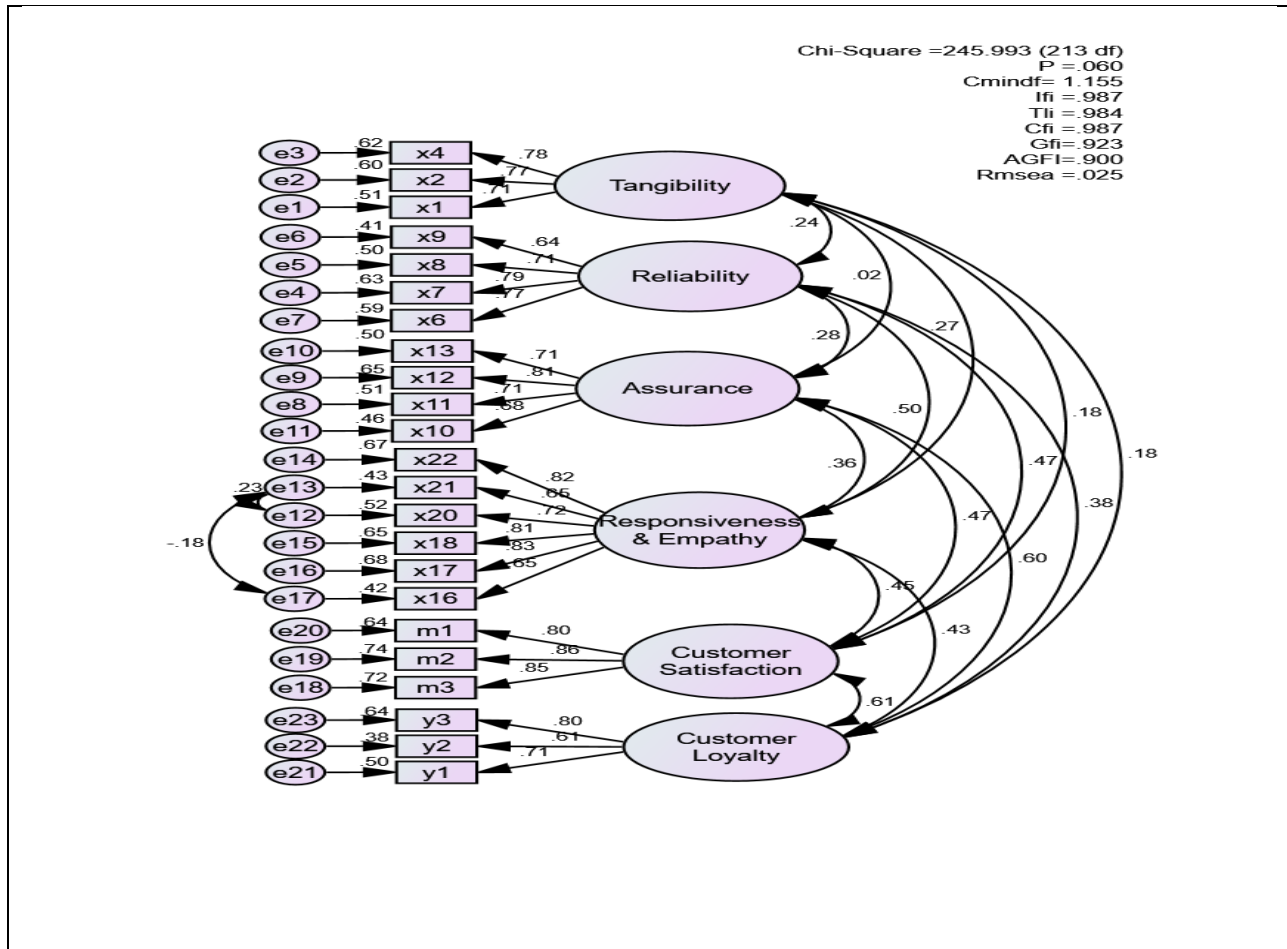


Figure 4: Measurement Model

Regarding convergent validity, according to Awang (2015), Alajili1 and Alshrksi (2022), and Zaid et al (2022), convergent validity is achieved when the composite reliability exceeds (CR = 0.60) and is greater than the average variance extracted (AVE), which should be at least 0.50 and more. Table 4 displays the factor loadings, CR, and AV). Table 4 summarises evidence of convergent validity, since AVE values greater than 0.50 for all latent constructs.

Table 4: Evidence of Convergent Validity for Latent Constructs

Latent Construct	Item	Loading	CR	Stan. error	AVE
Tangibility	<i>x1</i>	.71	.83	.51	.57
	<i>x2</i>	.77		.60	
	<i>x4</i>	.78		.62	
Reliability	<i>x6</i>	.77	.82	.59	.53
	<i>x7</i>	.79		.63	
	<i>x8</i>	.71		.50	
	<i>x9</i>	.64		.41	
Assurance	<i>x10</i>	.68	.82	.46	.53
	<i>x11</i>	.71		.51	
	<i>x12</i>	.81		.65	
	<i>x13</i>	.71		.50	
Responsiveness & Empathy	<i>x16</i>	.65	.88	.42	.56
	<i>x17</i>	.83		.68	
	<i>x18</i>	.81		.65	
	<i>x20</i>	.72		.52	
	<i>x21</i>	.65		.43	
	<i>x22</i>	.82		.67	
Customer Satisfaction	<i>m1</i>	.80	.87	.64	.70
	<i>m2</i>	.86		.74	
	<i>m3</i>	.85		.72	
Customer Loyalty	<i>y1</i>	.71	.75	.50	.51
	<i>y2</i>	.61		.38	
	<i>y3</i>	.80		.64	

To achieve discriminant validity, the researchers recommended that two assumptions should be met. First, the Forerunner and Larcker criterion must be more than the common variance (CV). Second, CR should be more than AVE (Awang, 2015). Table 5 summarizes

discriminant validity, and all conditions appear to be met, as the diagonal values (in bold) reflect that the square root of the average variance extracted for the constructs is greater than the correlations between the constructs.

Table 5: of Validity Discriminant

Latent Constructs	1	2	3	4	5	6
Tangibility (1)	.75					
Reliability (2)	.24	.73				
Assurance (3)	.02	.28	.73			
Responsiveness & Empathy (4)	.27	.50	.36	.75		
Customer Satisfaction (5)	.18	.47	.47	.45	.84	
Customer Loyalty (6)	.18	.38	.60	.43	.61	.71

5.7 Bootstrapping Test

According to the works of Akhmaaj & Sharif (2024), and the recommendations of Cheung & Lau (2008), 1,000 resampling samples were used. The bootstrapping results reffered that the model fit better in 789 samples and it fit worse in 211 bootstrap samples. Further, examining the null-hypothesis that the model is correct was accepted because Bollen-Stine bootstrap ($p = .212$) more than .05 (Han, 2021).

Mediation occurs in the bootstrap test when the indirect effect is significant. Partial mediation occurs when the direct effects are significant, while full mediation occurs when the direct effects are small and insignificant (Awang, 2015: 123). Figure 5 shows that the fitness indices indicated the model's appropriateness.

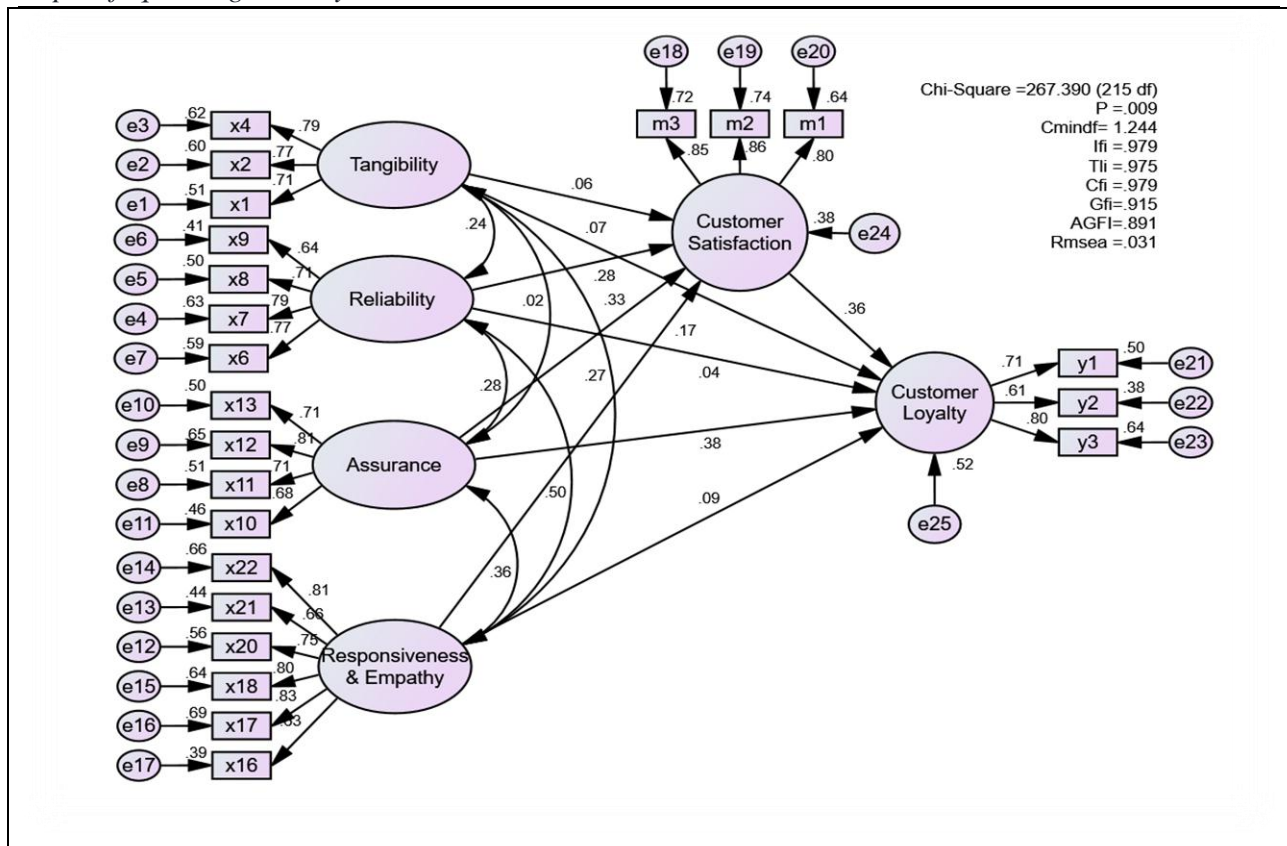


Figure 5: Structural Model- Bootstrapping Test

5.7.1 Direct Effect

The results of the analysis revealed that the effect size of tangibility, and responsiveness and empathy on customer satisfaction was weak, reaching (.06) and (.17), respectively, and that the relationship was not statistically significant ($p > .05$). In contrast, the experimental evidence supported the effect of reliability and assurance on customer satisfaction, as the effect sizes reached (.28) and (.33), respectively.

Similarly, the analysis results did not provide evidence of an effect of tangibility, reliability, and responsiveness and empathy on customer loyalty at Jumhuriya Bank, as they recorded weak effect sizes. Conversely, significant effects of assurance and customer satisfaction on customer loyalty were found, with effect sizes of (.38) and (.36) respectively.

Table 6: Standardized Direct Effects

Hypo.	Exog.	Path	Endo.	Estimate	Lower	Upper	P	Result
1	Ta	---→	C.S	.058	-.066	.186	.441	Unsupported
2	Re	---→	C.S	.281	.129	.447	.003	Supported
3	As	---→	C.S	.331	.218	.447	.002	Supported
4	R&E	---→	C.S	.169	.005	.312	.081	Unsupported
5	Ta	---→	C.L	.073	-.043	.181	.313	Unsupported
6	Re	---→	C.L	.036	-.089	.180	.591	Unsupported
7	As	---→	C.L	.384	.268	.489	.001	Supported
8	R&E	---→	C.L	.093	-.046	.205	.272	Unsupported
9	C.S	---→	C.L	.360	.210	.505	.001	Supported

5.7.2 Mediation Analysis

As for indirect effect “Job satisfaction does not mediate the causal relationship between the five quality dimensions and consumer loyalty“, the bootstrap test findings provided in table 6. The results revealed that customer satisfaction mediates the relationship in only two dimensions of service quality. The analysis results showed that customer satisfaction mediated the causal relationship between reliability and customer loyalty ($p \leq .05$). Since the direct effect is still significant, satisfaction partially mediates the relationship.

Likewise, customer satisfaction mediates the causal relationship between assurance and customer loyalty. Since the direct effect is still significant, satisfaction partially mediates the causal relationship.

In contrast, the experimental evidence did not provide any evidence that customer satisfaction mediates the causal relationship between tangibility and customer loyalty ($p > .05$), nor the relationship between responsiveness and empathy and customer loyalty.

Table 6: Standardized Indirect Effects

Hypo.	Direct effect		Indirect effect Via customer' satisfaction		Confidence interval (95%)		Result
					Lower	Upper	
Ta --→ C.L	.058	.441	.021	.439	-.029	.084	Unsupported
Re --→ C.L	.281	.003	.101	.002	.032	.183	Supported
As --→ C.L	.331	.002	.119	.001	.048	.202	Supported
R&E --→ C.L	.169	.081	.061	.081	-.004	.136	Supported

5.3. Research Gaps and Future Directions

Despite the substantial body of research on this topic, several research gaps remain. Further research is needed to:

Investigate the relative importance of different service quality dimensions across diverse banking contexts. While the SERVQUAL model provides a framework, the relative importance of its dimensions varies depending on factors such as the type of banking service, geographical location, and customer demographics. More research is needed to identify context-specific drivers of customer satisfaction and loyalty.

Explore the interplay of multiple mediating variables. While customer satisfaction is a key mediator, other factors such as trust, switching costs, and perceived value also play significant roles. Future research should investigate the combined effects of these mediators and their relative importance in different contexts.

Examine the moderating effects of a wider range of contextual factors. Studies have begun to explore the moderating effects of gender and financial technology, but more research is needed to investigate the influence of other factors such as age, income level, cultural background, and competitive landscape.

Develop more robust and comprehensive models. Existing models often focus on linear relationships, but the reality is likely more complex and involves non-linear interactions and

feedback loops. Developing more sophisticated models that capture these complexities is crucial for a deeper understanding of customer loyalty dynamics.

Conduct longitudinal studies. Most studies are cross-sectional, providing a snapshot in time. Longitudinal studies are needed to track changes in customer satisfaction and loyalty over time and to identify the long-term impacts of service quality improvements.

Utilize diverse methodological approaches. While quantitative methods are widely used, qualitative methods such as in-depth interviews and focus groups can provide valuable insights into the underlying reasons behind customer satisfaction and loyalty. Combining quantitative and qualitative approaches can offer a more comprehensive understanding of the phenomenon.

6.3. Conclusion

The reviewed studies consistently demonstrate a strong link between banking service quality, customer satisfaction, and customer loyalty. Customer satisfaction frequently acts as a mediator in this relationship, highlighting its crucial role in building and maintaining customer loyalty. However, the relative importance of different service quality dimensions and the strength of the mediating effect of customer satisfaction vary across studies, underscoring the need for context-specific analysis. Future research should address the identified research gaps to provide a more complete understanding of the complex dynamics influencing customer loyalty in the banking sector. By understanding these dynamics, banks can develop more effective strategies for improving service quality, enhancing customer satisfaction, and fostering long-term customer loyalty. This knowledge is essential for sustained growth and success in a competitive banking environment.

7.3. References

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