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RFC: ATI120618V12

Revista Dilemas Contemporáneos: Educación, Política y Valores.

<http://www.dilemascontemporaneoseduccionpoliticayvalores.com/>

Año: VI Número: Edición Especial Artículo no.:78 Período: Marzo, 2019.

TÍTULO: La mediación de la satisfacción del cliente en la relación entre el valor percibido por el cliente y la lealtad en el sector bancario de Pakistán, utilizando el enfoque de modelado de ecuaciones estructurales de 2 etapas.

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RESUMEN: El objetivo del documento es investigar el papel de la satisfacción del cliente, como mediador entre el valor percibido y la lealtad en los cuatro bancos principales de Punjab, Pakistán. El estudio en la naturaleza es descriptivo cuantitativo. Los datos recolectados pasaron por un exhaustivo proceso de análisis, donde las pruebas de confiabilidad fueron conducidas seguidas por un análisis factorial, y finalmente, un modelo de ecuación estructural de dos etapas. Los resultados revelan una confiabilidad razonablemente alta, una estructura de seis factores durante el análisis factorial exploratorio, y un ajuste aceptable durante el análisis factorial confirmatorio y el modelado estructural de pleno derecho.

PALABRAS CLAVES: valor percibido por el cliente, satisfacción del cliente, lealtad del cliente, modelado de ecuaciones estructurales, Pakistán.

TITLE: The mediation of customer satisfaction in the relationship between customer perceived value and loyalty in the banking sector of Pakistan using 2-Stage Structure Equation Modelling Approach.

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ABSTRACT: The aim of the paper is to investigate the role of customer satisfaction as a mediator among perceived value and loyalty in four leading banks of Punjab, Pakistan. The study in nature is descriptive quantitative. The collected data went through exhaustive process of analyses, where reliability tests were conducted followed by factor analysis and finally a two-stage structural equation modelling. The results reveal reasonably high reliability, six-factor structure during exploratory factor analysis, and acceptable fit during confirmatory factor analysis and full-fledge structural modelling.

KEY WORDS: perceived customer value, customer satisfaction, customer loyalty, structural equation modelling, Pakistan.

INTRODUCTION.

Revolutionary changing in banking industry has become trend in modern financial and technological world. Organizations are turning towards redesigning their strategies to achieve customer's confidence and attention to gain growth in competitive environment. Banking sector also works as a

service provider as well in industry, so it has to deal with customers to retain them with better service perception and also try to generate new ones (Taufiq et al., 2013; Baroughi & Zarei, 2013).

Value creation concept has taken much attentions of the marketing policy maker now days to deliver the value added service to their customers. Customized services have compelled the customers to rethink about their relationships with firms. The firms are working on some important factors, which affect customer value evaluating habits. Value added services in banking sector can play key role to keep long and productive relations with customers. (Ivanauskienė et al 2012; Kenzhegaliev et al., 2016; Soleymani et al, 2014).

The first objective of the research paper is to determine the effect of mediation between customers' perceived value and loyalty, second purpose is to study the customers' perception about customer loyalty in conventional banks and third aim of research study is to judge four leading conventional banks with each other with respect of customer perceived value. In the end to determine the relationship of customer perceived value, customer satisfaction and loyalty in conventional banks.

DEVELOPMENT.

Literature review.

This study (Woodruff, 1997) concluded that customer value is perception of customer or estimation of benefit of product characteristics and post purchase outcome, which attract the customer to attain the set targets. This model of benefit/costs ratio compare advantages received and cost incurred on intangible and tangible product/services.

The value components models are defined as esteem exchange, and utility value and esteem value appeals the customers to get the product or services for the aim of possession, while exchange value clarify the interest of customer about products (Anderson & Sullivan, 1993).

Means-ends model can be used to get desired aims during the utilization of product and services. According to study, which centred on the connection between product features, end result delivered during utilization, and personal values of customers (Huber & Weis, 2001).

This study concluded that customer satisfaction related with profitability of banks. So it is necessary for banks to satisfy every single customer of their banks, but due to large population of customers it is difficult to give equal services to everyone in same manners/style. The study suggested that banks should focus on their valued customers who refer their relatives, friends and other businessmen to work with you and purchased different services of the bank. These kinds of customers become the reason for increase in shareholders income and these should be treated specially (Hallowell, 1996). The result shows that satisfied customer leads towards loyalty and dissatisfied customer ultimately switched. It can be confirmed that loyalty is a behavioural intention (Heskett et al., 1994).

So literature confirmed that satisfaction and loyalty elements crucial drivers (Sondoh et al., 2007). Literature confirmed that customer switching can be minimize through proper care of customer (Hoq et al., 2010). The banks should follow this model to keep its customers loyal with the organization (Auka, 2012).

According to Kranias & Bourlessa, anywhere and anytime banking reality is prevailing everywhere in the world, so to stay alive in the competitive world of business, improves all concern areas of service in the banking industry. In the uncertain economic atmosphere, the most convenient service determents should be improved/develop for attracting the customers (Kranias & Bourlessa, 2013).

Sabir, Service quality is the only thing that differentiates from other competitive firms, which are delivering same services (Sabir, et al. 2011). it is always remaining difficult to measure the intangible expectations of the customers regarding particular product, but now, in technological environment, it is necessary to read and assess the changing attitude of the customer (Munusamy et al, 2010).

This study (Khalid et al, 2011) concludes, that satisfaction level of customers are varying as per the nature of customers, but all the banks should manage their services at a specific level, where all customers can meet their expectation.

This article, demonstrates that services marketing is different from goods marketing, due to intangibility, inseparability, heterogeneity and perish ability characterizes.

Zeithaml, (2003) this study finds that banks should educate their staff to perceive the customers changing behaviour towards their needs and wants. The service providers should customize their product according the demand of customers.

Dash & Patra, (2010) to avoid from losses and to generate the profitability, it is important to retain the existence and generating new customers through proper services (Mosahab et. al. 2010).

The following hypotheses derived after review of extensive literature review:

H1: Customer perceived value has a positive effect on customer satisfaction.

H2: Customer perceived value has a positive impact on customer loyalty.

H3: Customer satisfaction has a positive impact on customer loyalty.

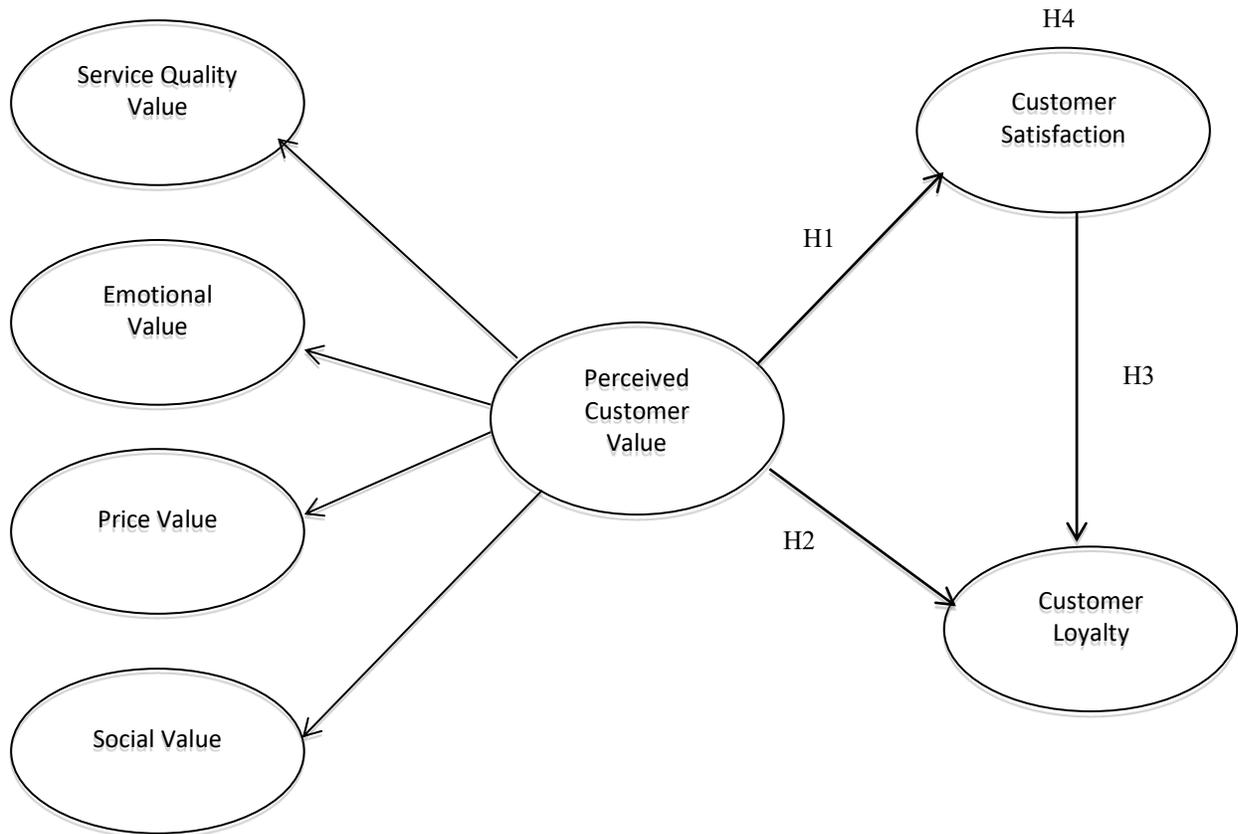
H4: Customer satisfaction mediates the relationship between perceive customer value and customer loyalty.

Research framewok.

Sweeney & Soutar (2001) developed a model of (Perval) to asses perception of customer about value through four dimensions. This model was consisted on 19 items of perceived value to obtain customer perception level about particular products or services.

The conceptual framework.

Figure 1. Proposed Framework.



The objectives of the paper are to know customer satisfaction role in mediating between perceived customer value and customer loyalty. However, we also intend to investigate the direct impacts, e.g., the impact of perceived customer value on customer satisfaction and customer loyalty, and also the impact of customer satisfaction on customer loyalty. For this purpose data was collected from four main banks of Pakistan, namely, (HBL), (MCB), (UBL) and (ABL) of Punjab province, Pakistan. For this purpose, 350 questionnaires were distributed among the sample participants of the study, and 318 questionnaires were returned.

Data analysis.***Demographic analysis.***

The demographic analyses are mostly done in order to check the diversity and variety of the sample. As our sample is well diversified where 16 % of our sample is women and remaining 84% are men. The questionnaire of the study was filled within the branches of different banks to ensure that the respondents are account holders of these banks.

The next question asked from them to differentiate and classify them with respect to their banks in which they had accounts. Each bank in our sample has an equal representation in our sample. Further in order to classify our respondents into their specific age groups we formulated 5 age categories. On the basis of demographic analysis revealed the age of respondents, which is between 26 to 35 years (n=134) followed by 36-45 (n=97), less than 26 (n=42), 46-55 (n=39) and above 55 years (n=6).

On the basis of income level we have classified our respondents into 5 categories. Most of the respondents of study have less than 20,000 income (42%) followed by 27.9% (20,001 to 40,000), 16.9% (40,001 to 50,000), 7.8% (60,001 to 80,000) and 5.3% (80,001 and above).

Factor Analysis.

Anderson & Gerbing (1988) established one construct. So, it is necessary to confirm the validity of instrument to go in process. research examined uni-dimensionality by (PCA) in the (EFA). In Factor analysis (PCA) used while Varimax rotation verified scale. The components were labelled “Service Quality Value” (component 1), “Price Value” (component 2), “Social Value” (component 3), “Emotional Value” (component 4), “Customer Satisfaction” (component 5) and “Customer Loyalty” (component 6).

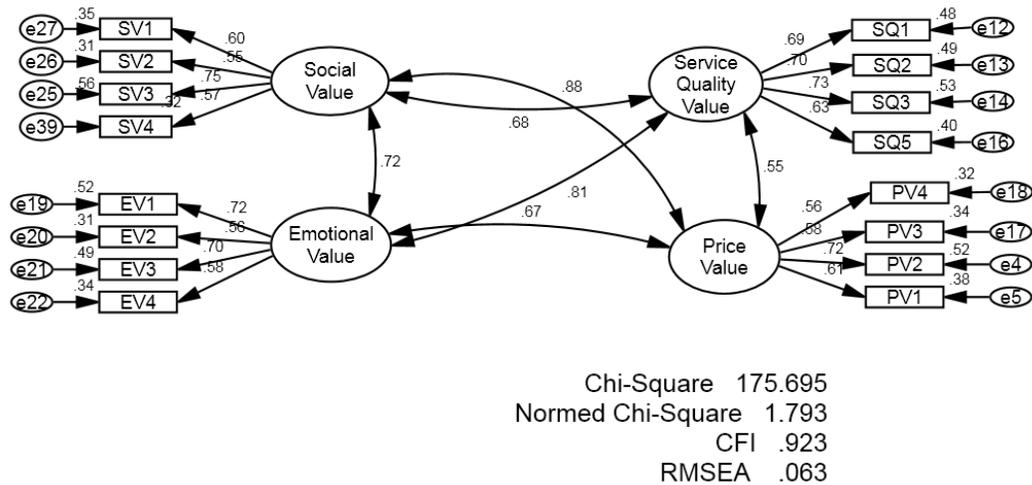
Table 1. Factor Analysis.

	Component					
	SQV	PV	SV	EV	CS	CL
Reliable Service quality	.841					
Appearance & physical facilities	.860					
Acceptable standard of quality	.822					
Workmanship	.799					
Standard service time	.637					
High quality of customer service	.792					
Bank that I would enjoy		.775				
Feel trust and confidence in this bank		.785				
In this bank I feel relaxed		.722				
This bank creates positive atmosphere		.797				
I am happy to keep my deposit in this bank			.816			
Bank service fee is reasonable			.796			
The bank offers the best service for the cost			.770			
Deposit interest rate in this bank is good			.667			
The product and services of this bank is economical				.827		
My acquaintances recommended me this bank				.792		
This bank makes every effort to improve my perception				.753		
When choosing this bank's services I follow my personal confidence					.731	
Some of bank employees recognize me.					.658	
Overall, I am satisfied with the bank Services					.702	
Remain customer of the bank for a long time						.406
Positive word of mouth towards friends and family						.547
I am a loyal customer of this bank						.707

Final exploratory factor analysis (EFA), this study deployed a two-stage structural equation modelling (hereafter, SEM) approach, where the extract factors of EFA are confirmed first followed by full-fledged structural modelling and hypotheses testing.

It is important to note that the (CFA) hereafter, CFA undertaken in paper was complex process, as one of constructs (perceived customer value) is envisaged with multiple dimensions. In this case second-order CFA is required for perceived customer value.

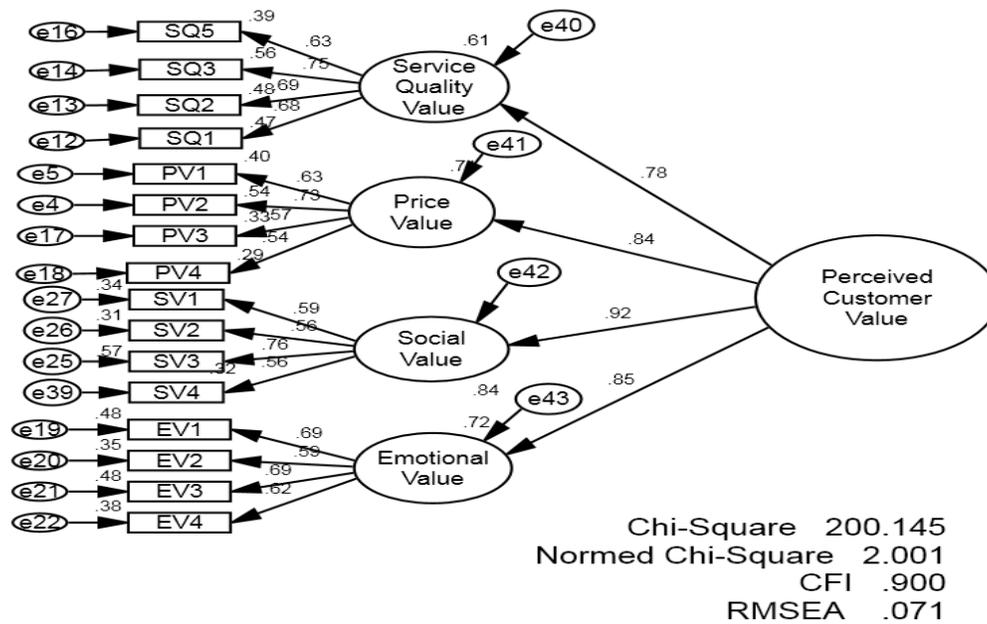
Figure 2. First order CFA for perceived customer value.



In CFA, all the envisaged elements of perceived customer value, namely: service quality value, emotional value, social value, and price value are tested for fitness. Figure 2 clearly indicates a good fit of the measurement model based on the fit indices of Normed chi-Square value above 5, confirmatory fit index (CFI) value of above 0.9, and root mean square error of approximation (RMSEA) value of below 0.8.

The next important step was to test the aforementioned variables, confirmed in CFA, as the dimensions of perceived customer value. For this purpose, a second-order CFA was conducted, as depicted in Figure 3.

Figure 3. Second order CFA for perceived customer value.



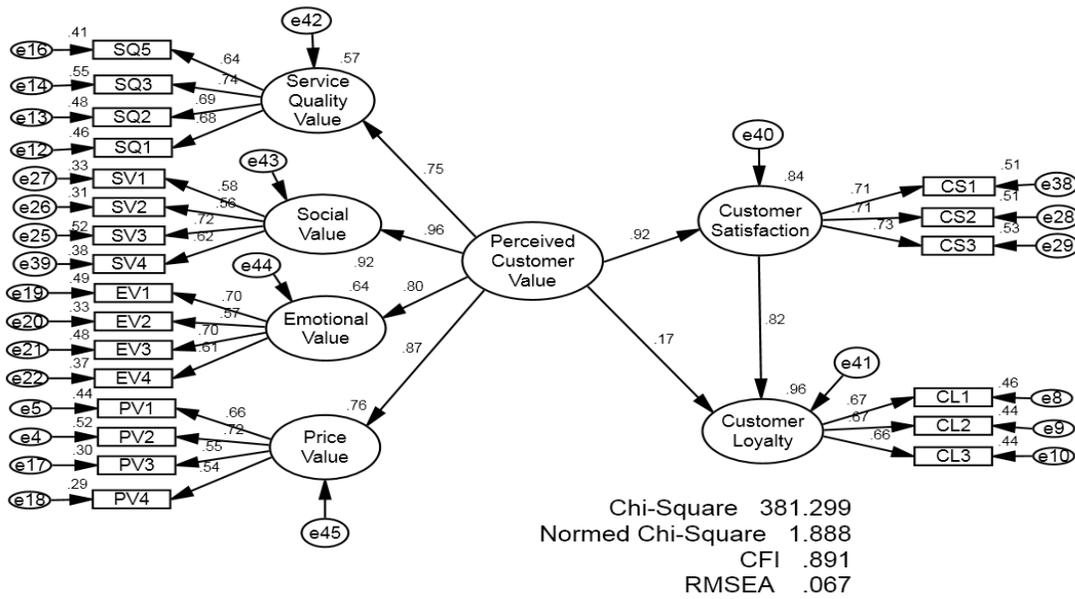
Second-order CFA clearly indicates strong bonding of the four dimensions of perceived customer value along with a reasonably good fit of the measurement model. In this case, the normed chi-square value of 2.0 is well below the threshold of 5, CFI value of 0.90 is exactly what one should achieve (i.e., 0.9 or above), and RMSEA value of 0.071 is also well below the cut-off value of 0.08.

The results of CFA of the present study give us a green signal to proceed with testing the full-fledged structural model.

Structural equation modelling (SEM).

The next important step is to test the fitness of the proposed model using SEM along with testing the hypotheses. In order to test the fitness of the model, some common suggested fit indices are used, e.g., Normed chi-Square, CFI, and RMSEA. Figure 4 presents the full-fledged structural model.

Figure 4. Full Structural Model.



It can be seen, in figure 4, that the model resulted in acceptable fit. In this case, the normed chi-square value of 1.88 and the RMSEA value of 0.067 are well below the cut-off values of <5 and <0.08, respectively. Moreover, the CFI value of 0.891 is slightly below the threshold of 0.90; however, it is also acceptable keeping in mind the large sample size and complexity of the model.

Lastly, in this stage of SEM hypotheses are also tested. The detailed results of hypotheses testing are available in Table 2.

Table 2. Estimates of the Hypothesized Model.

Structural path	Hypothesized Relationship	Std. Reg. Weight	S. E.	C. R.	P
Perceived customer value → Customer satisfaction	H1 ^s	0.918	0.182	6.901	***
Perceived customer value → Customer loyalty	H2 ^{ns}	0.171	0.402	0.527	0.598
Customer satisfaction → Customer loyalty	H3 ^s	0.818	0.309	2.395	0.017
^a CS mediates between PCV and CL	H4 ^s	Full Mediation (as direct link insignificant)			
Statistic		Suggested		Obtained	
Chi-square significance		≥ 0.05		0.000	
Normed chi-square (CMIN/df)		≤ 5.00		1.888	
Comparative fit index (CFI)		≥ 0.90		0.891	
Root mean error square of approximation (RMSEA)		≤ 0.08		0.067	

s = Supported at $p < 0.05$, a = Mediation is supported, please see the explanation.

The benefit of using SEM is its capability of testing practical, as well as, statistical significance. In the present study, two direct causal linkages (i.e., from perceived customer value to customer satisfaction, and from customer satisfaction to customer loyalty) emerged with practical significance (β value > 0.2). However, one causal link from perceived customer value to customer loyalty did not result in practical significance based on the above threshold of ($\beta > 0.2$). Similarly, in testing the statistical significance (P value < 0.05), it is revealed that two causal linkages were significant.

CONCLUSIONS.

Customer satisfaction is the most important factor for customer loyalty in service sector especially in banks. Satisfaction is a key aspect in service firms, which become the reason of retention or switching the customers (Hallowell, 1996).

Now the subject for organizations is how to keep their customers satisfied and loyal with them. However, keeping customers with the organizations depend on many other aspects like extensive range of service varieties, greater convenience of service attainment, better price and enhanced income probability. So, to use improved service quality and professional behaviour can increase customer satisfaction and reduce attrition (Thakur, 2011).

The quality of a commodity like product can be computed through its features. On the other hand, quality of the service depends on service persons and service provider himself. In numerous research studies concluded that switching behaviour of the customers occurred due to badly serviced and these studies also determine that banker's courtesy is a most important element in bank choosing. In banks, customers assess the level of the services, which they received and then make a decision whether to be retained or to switch (Jamal & Kamal, 2004).

This research study aims to establish an understanding about the mediating effect of customer satisfaction in the relationship between customer perceived value and customer loyalty links in the banking industry of Pakistan. Moreover, another aim of this study was to construct feasible

association among the customer perceived value, customer satisfaction and loyalty. Extensive literature review conducted to assess the connection between customer perceived value, customer satisfaction and customer loyalty followed by robust statistical analyses.

Moreover, this study also determined the relationship of customer perceived value, customer satisfaction and loyalty in conventional banks of Pakistan. There is significant and positive relationship between perceived values on loyalty directly and indirectly relationship among customer perceived value on customer loyalty found to be high through mediator customer satisfaction factor (Zeithaml, 1996).

Implications and direction for further research.

This research topic is unique in terms of choosing the four leading conventional banks of the Pakistan as there is no study previously done in this area, to judge the mediation effect and customer perceived value in these banks. The finding of this research can be used to improve the weak service areas of banking industry of Pakistan which will become the way for better customer satisfaction.

Every research has two aspects theoretical and applied. Theoretical contribution has been done in body of knowledge or contributed by body of knowledge and applied research prospective is used for the productivity of industry or resolves any issue.

It is suggested that the upcoming researches should be conducted in broader scope and triangulation methodology should be used in order to get a complete and comprehensive research results in the prescribed area. In order to increase the acceptability and reducing the error of the research findings the researcher should increase the sample size.

Further the researchers can include the public and Islamic banks also in the study in order to conduct comparison analysis between the different types of the banks. The banks needed to improve their service standards, to extra care of customers during any query raised by customers. So, these banks

should implement new service methods. (Suvittawat, 2015) For practitioners, it is advised that they should focus on employees' behaviour because it is vital factor in providing the quality services.

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RECIBIDO: 1 de febrero del 2019.

APROBADO: 12 de febrero del 2019.