

The Impact of Service Quality on Customer Loyalty in Sri Lankan Banking Sector with The Mediation Role of Customer Satisfaction

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ABSTRACT

Introduction - This study empirically examined the impact of service quality on customer loyalty in the Sri Lankan banking sector with the mediation role of customer satisfaction. At first, this research focuses on the relationship between service quality in terms of human aspects, tangible aspects and technical aspects between customer satisfaction. Then, it draws attention to the mediation effect of customer satisfaction between service quality and customer loyalty.

Design/Methodology/Approach - Positivism was used as the research philosophy, while the deductive method was the research logic and the quantitative method as the research approach. A cross-sectional survey of 112 banking customers was conducted in the Sri Lankan context in order to gather the data. The questionnaire has included Likert type structured questions. Sample customers were selected from nine major banks according to the stratified proportionate random sampling technique based on the market share of selected nine banks. Pearson correlation analysis and regression analysis have used for the analysis. Furthermore, the Hayes test was conducted to test the mediation effect of customer satisfaction.

Findings - The results indicate that the service quality dimensions have a positive direct effect on customer satisfaction, and the most influential factor is the human aspects of service quality. It was also found that customer satisfaction mediates the effect of service quality on customer loyalty.

Conclusion - The overall model is statistically significant. The final result emphasizes that there is a positive relationship between service quality, customer satisfaction and customer loyalty in the Sri Lankan banking sector, while customer satisfaction mediates the relationship between service quality and customer loyalty.

Contribution -The findings of the research give some important implications to bank managers and employees in making decisions, especially in creating the marketing mix, marketing strategies and the year plans.

Key words: *Banking Sector, Service quality, Customer satisfaction, Customer loyalty*