

Evaluating the Impact of Banking Services Quality on Customer Loyalty in Mellat Bank Ardebil Province

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ABSTRACT

Changes growing in Iran's banking and entry of private competitors in the field of provide services, bank managers had to pay in increased market share and customers maintain for a long time and gain more income and for maintain customers and changed into a permanent and loyal customers is depends on their satisfaction from banking services quality. So that customer loyalty causes increase profitability, the key to business success, reducing ongoing costs of recruiting and advertising and provides the possibility of addressing new and centralized opportunities. The banking industry is one of the most important economic sectors and economic development largely depends on the performance of banks. Present study, to quality effect of banking services on customer loyalty is discussed Mellat Bank branches in Ardabil province. The study statistical population is consisted customers of Mellat Bank branches in Ardabil province. For data analyzed in this study with the help of spss software were used statistical test correlation coefficient and regression analysis and using of this statistical test was determined that there is significant difference between banking service quality and loyalty of Mellat Bank customers in Ardebil province.

KEYWORDS: Customer Loyalty, Service Quality, Servqual Model, the Banking Industry.

INTRODUCTION

In developing countries and economies in transition with financial markets are less developed, banks are generally the only institutions that able to addressed financial intermediation and offering a variety of methods help to reduce investment risk. This is fact that for fundamental role of banking system in the national economy, efficiency of the banking industry has always been considered by statesmen; because weakness of the banking system can be considered a serious threat to macroeconomic stability (Naderi, 2008, 23). In this regard in the past few years due to problems of economic, social and also be state banking system and most of all increasing demand on supply, banks have always neglected customer orientation and its components and have not been able to efficiently make use of modern marketing. People due to lack of attention and do not value to the needs aspirations and providing services as the same or similar by all branches of country banks have no incentive to referring to certain banks and according to current environmental changes ;Banks should have already equipped themselves and be prepared to deal with competitors. In this regard, considering the market situation and identify needs and expectations of customers is important issues that master managers of bank should consider them because the organization can identify and meet these needs ahead of competitors will win in the field of competition(Nafar,2001,35). In recent years most country banks attempted to establish marketing and market research unit that clear reason is on moving the industry toward a competitive and no doubt in the near future we will witness the intensification of it. Customer orientation is the most useful and most appropriate strategy for the banks and customer is system and basis of banking system (Fatahpour, 2001, 47). Today banks are obliged that they see themselves in exist of customer and try to understand their customers' wants and desires and are trying that is complete customer satisfaction and banks that create customers loyal, importance of keeping the customer considering beyond at each visit (Reichheld,2009,55-61).

They know customers as valuable assets and from all their employees want that for keeping satisfied of the customer and remain loyal and faithful to do anything (Vives, 2009, 134). To achieve customer orientation should consider few points that due to customer demands and respond clear and explicit to customer needs and a variety of provide services innovative and new and also fast provide services by using modern facilities and equipment and response and to deal effectively with employees and create confidence in customers is most important of them(Mudie and pirrie,2009,195) and in the field of banking, a bank that can provide customer satisfaction will be more successful and satisfied customer remain loyal Continually and re-buying and are

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invited other customers to buy banks (Dowling & Uncles, 2008, 71-83). Performance of any business depends on success in keeping customers. However, customer has more value if customer survival term is more. Customer loyalty is business success key. Customer loyalty is caused Continuing decrease costs of attract customers or promotions (Gilmore, 2008, 30).

Statement of Problem

In any organization, whether manufacturing or service organization, customers are most important factor for the preservation and conservation, so that if an organization don't succeed in their satisfaction and especially loyalty, growth and long-term survival has not prepared themselves (Schults, 2008, 41-53). satisfied customers for longer stays as an organization customers and with the expression his positive words about organization with other and potential customers will increase their interest to use organization product or service and attract new customers to organization (Skogland & Siguaw, 2007, 47-52) and on the one hand customer loyalty will improve the amount of profitability and increased share in competitive market (Walter, 2008, 25). Today banks will play basic and important role of in economic development. Banks in a range of economic activities create credits and they will facilitate the transfer and payment. In banking system customers are main component and In fact everything is for satisfaction and absorption (Matthews & Thompson, 2007, 79-80). Therefore, in competitive environment among banks, banks are more successful when they create loyalty in your customers, on the other hand they are demanding better services and more favorable according to be more sensitive customer towards providing service by banks (Berger & Humphrey, 2008, 245-296). Given the low levels of public satisfaction with clients, especially in recent years, according to documents and data issued by the Management and Planning Organization in various public institutions including fiscal and monetary institutions such as banks that they have most clients due to the issue the quality of banking services on customer loyalty will provide improve the amount of profitability and reduce ongoing attracting and advertising costs for customers and the possibility of addressing to centralized and new opportunities. Therefore, for increasing changes in banking and being competitive business market and rise levels of customer expectations should addressed to review and analyze the quality of services and by knowing their strengths and weaknesses points and able to respond to the expectations of their customers increasingly in order to ensure their survival because there won't any system without customer (Drake and Hall, 2007, 891-917).

Research Objectives

In this study, researchers attempt to measured influence the quality of banking services on customer loyalty and are surveying the relationship each of the factors (Tangible, Reliability, Responsiveness, Assurance, Empathy) with amount of customer loyalty and the constituent components and details of service quality are evaluated in term of the various dimensions and its impact on customer loyalty of Mellat Bank in Ardabil and strategies will offer for improve and increase customer loyalty of banks.

Theoretical Framework for Research

This research is based on Parasuraman and Zeithaml models (Servqual scale) are Containing 5 dimension and 22 components standardized (Parasuraman *et al.*, 1991, 420-450) that researcher has selected following fields to examine effect of listed factors on the amount of customers loyalty.

- Tangible: Physical facilities, equipment and appearance of personnel
- Reliability: Ability to perform the services
- Responsiveness: Satisfaction to help customers and provide immediate service
- Assurance: Employees should have adequate skills and necessary expertise to provide services.
- Empathy: Special attention to customers

Research Hypotheses

According to above objectives, research hypotheses are proposed the following:

- 1- Tangible of bank is impact on the amount of customer loyalty.
- 2- Reliability is impact on the amount of customer loyalty.
- 3- Responsiveness factor of bank employees is impact on the amount of customer loyalty.
- 4- Assurance factor is impact on the amount of customer loyalty.
- 5- Empathy factor of bank employees is impact on the amount of customer loyalty.

Background Research

The first and most important marketing principle is customer demands. Organizations, regardless of demand client cannot continue to their life. However, before be proposed the marketing as a science, institutions from all types are paid to satisfy customer needs and demand. Looking at things from a customer perspective in new

philosophy is noteworthy. Having attention to the customer is different from customer orientation. In philosophy of customer orientation, the emphasis is on customer demand. Means first is characterized by what the customer wants then consider to equipment and achieving method. Two objectives strategy of customer orientation is consist that services provided by organization create differentiation aspect for customer that it is understand and measured and should have widespread and systematic impact on what is done in organization. This philosophy is called customer orientation, because it is an internal organizational culture and it is requires to intellectual development of the managers in believing and a commitment by such a philosophy. Requires the establishment of such a philosophy is proportional technology and organization structure with such a target. Therefore it is necessary that tasks and activities internal organizational should be reviewed until for provide quality services, the standard is developed, quality assurance programs be designed and sales personnel are trained in field of customer relations (Ranjbaran & Soltani, 2001, 17). Outstanding service should be determined by customer demand and expectations. If services in terms of the supplier are very interesting but cannot to satisfy the customers, these services are not considered significant. Outstanding service is not always what supplier thinks, sometimes a customer is forced to resolve their bill differences call with the company repeatedly (Fly nn, 2006, 62). Valarie, et al in articles has described dimension of services quality as follows (Valarie, et al., 1998, 35-38):

- 1 - Tangible aspects of service are including physical facilities of offered Structure services, equipment and personnel.
- 2- Service reliability means that the ability to provide services in accordance with conditions promised and accurately.
- 3 - Responsiveness means that organization willingness for help to the customer and provides services in accordance with conditions promised.
- 4- Competence means that knowledge and skills of employees and their ability to attract assurance and trust of customer.
- 5 - Empathy with the customer means that attention to customer in delivering services requirements.

Len berry about dimensions of service quality offers tens of factors:

- 1- Reliability means that the continuity of offering service in accordance obligations, accurately and complying the first order.
- 2- Having a sense of responsibility, sense of enthusiasm and readiness to provide services in accordance with what is made commitment.
- 3- Competency means having the skills and knowledge needed to provide services.
- 4- Access refers to feasibility and ease of access in different hours and waiting times for services.
- 5- Courtesy means good manners, respect, consideration and correctly of the relationship personnel with customer.
- 6- Relationship with customer is notifying the customer as understandable, listening to the customer, planning communicate based on customers need, describe the services, to determine how to solve customer problems.
- 7- Credit is the company's reputation and personality characteristics individuals to reliability and having integrity.
- 8- Security is means remember comfort in terms of the danger and risk, physical safety, financial security and confidentiality.
- 9- Understanding the customer means trying to understand the specific needs of their customers and is attention to them.
- 10- tangible aspects is physical appearance of services provided, physical facilities, appearance personnel, tools and equipment used to provide services.

In addition to good provide services to customer is requires to system that it have Pulse customer and utilize accurate forecasts for customer needs, accurate and timely information is causes that we can more quickly respond to customer complaints and our commitment to deliver credible.

A study entitled "Evaluation and measurement of Saderat Bank service quality and its relationship to customer satisfaction" was conducted in 2004 by S. Zarrabi that Results showed, there is positive and significant relationship between service quality and customer satisfaction in Saderat Bank Iran. In addition, factors such as speed and banking operations, secrecy employees, employee integrity, high knowledge employees, attention to customer's personality had a great impact in customer satisfaction.

Another study entitled "evaluate of effective factors on customer loyalty in Tejarat Bank" was conducted in 1998 by Keyvan Abdoli that results indicate direct impact mental image on satisfaction and service quality and also service quality has impact on customer satisfaction. On the other hand service quality and customer satisfaction has a significant impact on customer loyalty.

RESEARCH METHODS AND DATA ANALYSIS

Statistical population of this research is among customers of Mellat bank branches in Ardebil that by using of Morgan table has selected 385 people that according to size of statistical population, sampling method was

cluster. For obtain data required for analysis were used the Likert questionnaire of five ranges "very satisfied" to "very dissatisfied" questions as a measuring scale. Questions in the questionnaire were extracted from previous research (Parasuraman et al, 1991). After preparing a questionnaire to evaluate the reliability of the questionnaire were 40 customers in among Mellat Bank before the test. After preparing a questionnaire to evaluate the reliability of the questionnaire make pre-test 40 the questionnaire among customers of Mellat Bank. To examine reliability was used Cronbach's alpha method that Cronbach's alpha coefficients for all variables and the total amount of questionnaire is higher than 0.7. Also its validity was confirmed by experts. In this way questionnaire have the validity and reliability for distribution in statistical population.

In present study for analysis of parametric methods and for hypothesis testing was used regression analysis and a correlation coefficient significant test.

Test of the research hypotheses

First hypothesis: Tangible of bank is impact on the amount of customer loyalty.

Table (1): Table of correlation between tangibles and loyalty

Correlations

		Loyalty	Tangibles
Loyalty	Pearson Correlation	1	.536 **
	Sig. (2-tailed)		.000
	N	385	385
Tangibles	Pearson Correlation	.536 **	1
	Sig. (2-tailed)	.000	
	N	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

According to above calculations is observed that amount of correlation coefficient between Tangibles and customer loyalty is equal to 53/6 percent and considering that a significant level is less than 5%. Then can say that there is a positive relationship between customer loyalty and Tangibles factor. For examination of the Tangibles impact on customer loyalty use regression analysis:

Table 2: Regression analysis test of tangible and loyalty amount

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.536 ^a	.287	.285	3.79952

a. Predictors: (Constant), Tangible

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.310	.901		13.656	.000
	Tangible	1.056	.085	.536	12.426	.000

a. Dependent Variable: loyalty

According to R= 53/6 % in above table is observed that Tangible is effective factor on customer loyalty and according to that sig value is less than 5%, this effect is significant. According to coefficient B is observed that this effect is direct. Then regression model can be written as follows.

$$Y = 1.056X_1 + 12.10$$

In this hypothesis, the coefficient of determination is equal to 28/7; it means that Tangible can predict 28/7% variable changes of customer loyalty.

Second hypothesis: Reliability is impact on the amount of customer loyalty.

Table (3): Table of correlation between reliability and loyalty

Correlations

		Loyalty	Reliability
Loyalty	Pearson Correlation	1	.473 **
	Sig. (2-tailed)		.000
	N	385	385
Reliability	Pearson Correlation	.473 **	1
	Sig. (2-tailed)	.000	
	N	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

According to above calculations is observed that amount of correlation coefficient between reliability and customer loyalty is equal to 47/3 percent and considering that a significant level is less than 5%. Then can say that there is a positive relationship between customer loyalty and reliability factor. For examination of the reliability impact on customer loyalty use regression analysis:

Table 4: Regression analysis test of reliability and loyalty amount

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.473 a	.224	.222	3.96426

a. Predictors: (Constant), Reliability

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	15.036	.806		18.644	.000
	Reliability	1.319	.125	.473	10.520	.000

a. Dependent Variable: loyalty

According to R= 47/3 % in above table is observed that reliability is effective factor on customer loyalty and according to that sig value is less than 5%, this effect is significant. According to coefficient B is observed that this effect is direct. Then regression model can be written as follows.

$$Y = 1.319X_1 + 15.36$$

In this hypothesis, the coefficient of determination is equal to 22/4; it means that reliability can predict 22/4% variable changes of customer loyalty.

Third hypothesis - Responsiveness factor of Bank employees is impact on the amount of customer loyalty.

Table (5): Table of correlation between responsiveness and loyalty

Correlations

		Loyalty	Responsiveness
Loyalty	Pearson Correlation	1	.499 **
	Sig. (2-tailed)		.000
	N	385	385
Responsiveness	Pearson Correlation	.499 **	1
	Sig. (2-tailed)	.000	
	N	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

According to above calculations is observed that amount of correlation coefficient between responsiveness and customer loyalty is equal to 49/9 percent and considering that a significant level is less than 5%. Then can say that there is a positive relationship between customer loyalty and empathy factor. For examination of the responsiveness impact on customer loyalty use regression analysis:

Table 6: Regression analysis test of responsiveness and loyalty amount

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.499 ^a	.249	.247	3.90132

a. Predictors: (Constant), Responsiveness

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.960	.593		28.596	.000
	Responsiveness	1.733	.154	.499	11.257	.000

a. Dependent Variable: loyalty

According to R= 49/9 % in above table is observed that responsiveness is effective factor in customer loyalty and according to that sig value is less than 5%, this effect is significant. According to coefficient B is observed that this effect is direct. Then regression model can be written as follows.

$$Y = 1.733X_1 + 16.960$$

In this hypothesis, the coefficient of determination is equal to 24/9; it means that responsiveness can predict 24/9% variable changes of customer loyalty.

Forth hypothesis- Assurance factor is impact on the amount of customer loyalty.

Table (7): Table of correlation between assurance and loyalty

Correlations

		Loyalty	Assurance
Loyalty	Pearson Correlation	1	.697 **
	Sig. (2-tailed)		.000
	N	385	385
Assurance	Pearson Correlation	.697 **	1
	Sig. (2-tailed)	.000	
	N	385	385

**. Correlation is significant at the 0.01 level (2-tailed).

According to above calculations is observed that amount of correlation coefficient between assurance and customer loyalty is equal to 69/7 percent and considering that a significant level is less than 5%. Then can say that there is a positive relationship between customer loyalty and empathy factor. For examination of the assurance impact on customer loyalty use regression analysis:

Table 8: Regression analysis test of assurance and loyalty amount

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697 ^a	.486	.485	3.22600

a. Predictors: (Constant), Assurance

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.526	.637		18.083	.000
	Assurance	3.254	.171	.697	19.038	.000

a. Dependent Variable: loyalty

According to R= 69/7 % in above table is observed that assurance is effective factor in customer loyalty and according to that sig value is less than 5%, this effect is significant. According to coefficient B is observed that this effect is direct. Then regression model can be written as follows.

$$Y = 3.254X_1 + 11.526$$

In this hypothesis, the coefficient of determination is equal to 48/6; it means that assurance can predict 48/6% variable changes of customer loyalty.

Fifth hypothesis: Empathy factor of Bank employees is impact on the amount of customer loyalty.

Table (9): Table of correlation between empathy and loyalty

Correlations

		Loyalty	Empathy
Loyalty	Pearson Correlation	1	.752 **
	Sig. (2-tailed)		.000
	N	385	385
Empathy	Pearson Correlation	.752 **	1
	Sig. (2-tailed)	.000	
	N	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

According to above calculations is observed that amount of correlation coefficient between empathy and customer loyalty is equal to 75/2 percent and considering that a significant level is less than 5%. Then can say that there is a positive relationship between customer loyalty and empathy factor. For examination of the empathy impact on customer loyalty use regression analysis:

Table 10: Regression analysis test of empathy and loyalty amount

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.752 a	.566	.565	2.96608

a. Predictors: (Constant), Empathy

Coefficients a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.657	.758		8.781	.000
	Empathy	2.494	.112	.752	22.335	.000

a. Dependent Variable: loyalty

According to $R= 75/2$ % in above table is observed that empathy is effective factor in customer loyalty and according to that sig value is less than 5%, this effect is significant. According to coefficient B is observed that this effect is direct. Then regression model can be written as follows.

$$Y = 2.494X_1 + 6.657$$

In this hypothesis, the coefficient of determination is equal to 56/6, it means that Empathy can predict 56/6% Variable changes of customer loyalty.

Conclusion

Based on results of tests performed and theoretical study the following is recommended to Mellat Bank Ardabil to adopt necessary strategies moving to improve service quality until take effective steps for attracting and retain loyal customers.

It is suggested that bank customers and staff in order to increase customer loyalty can use from advanced technologies of electronic banking. It's a good combination and optimization of hardware and staff to service more quickly. It's a good combination and optimization of hardware and staff to done service more quickly.

It is suggested that bank in order to increase customer loyalty move in direction reduce administrative procedures normally and are easier current procedures and it try that for customer explain procedures by using the correct information.

It is suggested that bank in order to increase customer loyalty provide expanded methods of their services. Here could be remedial the use of electronic banking methods, internet banking, SMS banking, mobile banking and telephone banking. Of course should be considered that variation should not be summarized in how method of offering services but also should provide facilities and also the benefit to depositors, customers can be happy and satisfied by using a variety of methods. It is suggested that the banks supplied bank appear to increase their loyalty and use in the branch facilities such as TV and also web kiosks for customers. The use of suitable equipment, reception and waiting equipment and health services can be effective.

It is suggested that bank employees try to deal with customers while maintaining humility show their empathy with the customer and behave in ways that the customers must feel that the employee really tries to solve the problem and to help them. In here should be noted that If all the components and other variables affecting the observed increase customers loyalty but ultimately, employee is unable to deal effectively with customer, results won't obtained and it can be said that the proper approach is as the main condition for increasing customers loyalty in bank.

It is suggested that employee in order to increase ensure customers to bank while maintain personal privacy behave so that customers come to the conclusion that working with banks intended is to their benefit. There is ensure in term of lack of risk for deposits due to being state Mellat Bank but it seems that this subject should be considered that banks by using the proper procedures and policies create confidence in customers that intended bank will provide their interests in the short term and long-term. One of these methods can use of special rates for main customers.

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