



# **Service Quality And Customers' Loyalty In Nigerian Commercial Banking Industry**

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## **ABSTRACT**

This study investigates the effects of services quality on customer loyalty in commercial banks in South East. The main aim of the study is to examine the effect of tangibility, reliability, responsiveness and assurance customer loyalty. Relevant conceptual literature, theoretical exposition, theoretical framework and empirical literature were review. The theoretical framework was anchored on SERVQUAL model. Survey research design was adopted in this study. The population of the study consist of three 3 banks from each of the state in South-East 1800 and sample size for the study was determined using Borg and Gall (1973) formula to be 353. This study examine the effects of services quality on customer loyalty using selected banks in South-East Zone, Nigeria as the case study. The study adopted simple percentage analysis and Multiple Regression Analysis (MRA) in analyzing the hypotheses. The study find out that tangibility has a significant influence on customer loyalty in the banking industry; reliability has a significant effect on customer loyalty in the banking industry; responsiveness has a significant influence on customer satisfaction in the banking industry and assurance has a significant influence on customer loyalty in the banking industry. The conclude that there is a link between service quality and customer loyalty level can be established following the discussions from the analysis made that, customer loyalty is influenced by the level of total service quality. The study recommends that traditional predictors of the customer loyalty such like service quality (tangibles, reliability, assurance and empathy) still have a strong impact on the customer satisfaction so these factors must be the core of the strategy that is aiming at enhancing customer satisfaction and loyalty and providing value to him. The financial institutions must adopt a win-win service quality strategy through which they provide value to the customer and customer remains satisfied and loyal to the organization. The marketers must understand and determine the factors, premium service quality that enhances the customer loyalty in banking sector of Nigeria. Frequent surveys must be conducted to obtain the data from the customers regarding their perceptions, expectations and recommendations to improve the service quality dimension (tangibles, reliability, assurance and empathy). Commercial Bank should give much attention to reliability and responsiveness under the SERVQUAL model since the study revealed that its service is at its best when measured in terms of the quality dimensions mentioned and customer loyalty in banking sector of Nigeria

**Keyword:** Tangibility, Reliability, Responsiveness, Assurance and Customer Loyalty

## **INTRODUCTION**

It is virtually impossible for a business organization to survive without building customer satisfaction and brand loyalty (Iddrisu, Nooni, Fiankoc & Mensah, 2015). This is especially true in the service sector where there is frequent interaction with customers which hold the highest stake in ensuring that the organization exceeds its competitors and excel in its service provisioning. In winning this competition, it is obvious that customer loyalty is a critical issue as it is highly correlated with the quality of services provided by competing organizations (Melaku, 2015). Being one of service offering institutions, the quality of the service offered by banks is very crucial for their survival. The service industry is among the

highly dynamic industries as consumers and customers often demand changes. These changes further drive the service provisioning and delivery forward, with increasing demand for quality. Since services are intangible in nature their success and failure is not easily measured or quantified. The success of any corporate service provider can be measured in terms of its customers' attitude towards the service delivery process means service quality dimensions will be the dominant elements in the customers' evaluations of a given service provider (Garga & Bambale, 2016).

When customers patronize service providers, they expect to receive quality service their levels of expectation among each individual customers varies. Essentially, it is important to ascertain the customers' expectations in order to provide the appropriate quality service. In a service business, the customers and the front-line service employees interact to create the service. Effective interaction, in turn, depends on the skills of front-line service employees and on the support processes backing these employees. (Kotler and Armstrong, 2012) Unlike product manufacturers who can adjust their machinery and inputs until everything is perfect, service quality will always vary, depending on the interactions between employees and customers.

In the banking sector, the whole range of business activities and generation of income are closely related to its customers. Customers are demanding and they are often critical of the quality of the services and products provided for their experience, thus maintaining and retaining customers become an important issue. Banks need to maintain an ongoing relationship with their customers in order to retain customers and to protect and sustain long-term customer interest (Siew-Peng & Sedigheh, 2015). One way to do that is to understand the needs of bank customers, thereby serving them satisfactorily but to do that, banks have to improve their service quality. Berry, Parasuraman, and Zeithaml (1988) state that service quality is a differentiator and the most powerful and competitive weapon and it is the strength of leading service firms. Given the high competition that exists in the banking environment, any bank that wants to survive well, has to take into consideration the loyalty of its customers. This study will expand the research in Nigerian banking sector. Specifically, the study will conduct a survey of Nigerian bank customers to develop theoretically and empirically the understanding of the effect of Service Quality on customer loyalty.

### **Statement of the Problem**

For many services, the essence of marketing is the development of long-term value added relationships with customers. In order to ensure long term success and generate favorable financial result, firms must understand the critical role of customer loyalty rather than acquiring new customer alone. Today, the increasing awareness among bank customers of their rights, changing demands and highly competition requires constant progress in service quality from the bank for their customers to stay loyal (Kheng, Mahamad, Ramayah & Mosahab, 2010). Banks operating in Nigeria are consequently put into lot of pressure as a result of the increased competition in the industry. Various strategies are formulated to retain the customer and the key of it is to increase the service quality level. Service quality is particularly essential in the banking services context because it provides high level of customer satisfaction, and hence it becomes a key to competitive advantage (Molae, Ansari & Teimuori, 2013). Unsatisfactory customer service leads to a drop in customer satisfaction and willingness to recommend the service to a friend.

Service quality has various dimensions and each customer place different level of importance on each dimensions of service quality. The service providers' perception of service quality may be quite different from what customers perceive as service quality. If the banks are to compete in providing quality service to customers, it is important to understand the customer perception and expectation of quality service. Further they should identify themselves with at least one of the dimensions of service quality that they think it will drive customers' perceived service quality satisfaction, loyalty, and retention (Siew-Peng & Sedigheh, 2015). A review of service literature reveals that a sizeable number of previous studies on service quality in Nigeria, paid a relatively large amount of attention to hospitality, transport and the telecommunications industry. More importantly, most of these studies used the firm as against the industry level analysis in their studies. This study seeks to partially address the gap in the service quality literature by investigating the effect of service quality on customer loyalty in the Nigerian banking industry.

### **Objectives of the Study**

The main objective of this study is to examine the effect of service quality on customers' loyalty in Nigerian banking industry. The specific objectives include to:

1. Determine the effect of tangibility on customer loyalty in the banking industry.
2. Examine the effect of reliability on customer loyalty in the banking industry.
3. Ascertain the effect of responsiveness on customer loyalty in the banking industry.
4. Examine the effect of assurance on customer loyalty in the banking industry.

### **Research Questions**

The following research questions will guide this study:

1. How significant is effect of tangibility on customer loyalty in the banking industry?
2. To what extent does reliability affect customer loyalty in the banking industry?
3. To what degree does responsiveness exert effect on customer loyalty in the banking industry?
4. How significant is the effect of assurance on customer loyalty in the banking industry?

### **Hypotheses**

The following null hypotheses will guide this study.

Ho<sub>1</sub>: Tangibility has no significant effect on customer loyalty in the banking industry.

Ho<sub>2</sub>: Reliability has no significant effect on customer loyalty in the banking industry.

Ho<sub>3</sub>: Responsiveness has no significant effect on customer loyalty in the banking industry.

Ho<sub>4</sub>: Assurance has no significant effect on customer loyalty in the banking industry.

## **REVIEW OF RELATED LITERATURE**

### **Conceptual Framework**

#### **Concept of Service Quality**

Service quality is a construct that has stimulated significant interest and debate in the service marketing literature due to the complications in both defining and measuring it, with no general consensus emerging from them. As a result, many scholars have labeled service quality as an 'elusive' and 'indistinct' concept that is problematic to operationalize and measure (Rahim, 2016). Before we go into what service quality is all about, let conceptualize service and quality. American Society for Marketing has defined service as the activities or benefits offered for sale or offered due to its association with specific commodity (Azzam, 2008). Kotler & Armstrong (2004) defined service as any activity or benefit provided by one party to another party which is basically intangible and does not lead to any ownership. Lovelock (2004) defined service as perceived benefit by senses, either alone, or neither associated with something physical tangible and is interchangeable nor entail ownership, and mostly intangible. Zeithmanl (2000) argues that services are acts, operations, and achievements or actions, therefore, services include all economic activities that their outputs are not physical products. A service is a commodity with no physical existence, usually created and consumed at the same time. Gronroos (2001) described a service as a process resulting in an outcome in a partly simultaneous production and consumption process. This definition points to the fact that service provision and consumption are simultaneous activities.

Kotler (2000) defines services as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership or anything, it's production may not be tied to a physical product. Researchers argue that the distinctive nature of services requires a distinctive approach to defining and measuring service quality. As a result of the intangible multifaceted nature of many services, it may be harder to evaluate the quality of a service than of a good. Because customers are often involved in service production particularly in people processing services, distinction needs to be drawn between the process of service delivery and the actual output of the service. Perceived quality of service is the result of an evaluation process in which customers compare their perception of service delivery and its outcome against what they expect (Melaku, 2015).

#### **Concept of Customer Loyalty**

Customer loyalty has been widely studied by many researchers but there is no common consensus about the conceptualization of customer loyalty. Customer loyalty can be defined as the closest step to the repurchasing behaviour of customers. Customer loyalty has usually been referred to as a consequence of

all the experiences that a customer has with a service/product provider (Mascarenhas, Kesavan, & Bernacchi, 2006). The experiences might include physical interactions, emotional involvements, and value chain moments (Mascarenhas et al., 2006). The term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials (Kumar & Advani, 2009). Customer loyalty is the customer's mind-set regarding the company, its products and service, which generate a favourable attitude toward a business organization, a commitment to repurchase the company's product (or services) and a tendency to recommend the product (or services) to others . Pribanus (2016) defined customer loyalty as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts having the potential to cause switching behavior. Pearson (1996) has defined customer loyalty as the mindset of the customers who hold favorable attitudes toward a company, commit to repurchase the company's product/service, and recommend the product/service to others. Kotler (2003) defined customer loyalty as customer's measure and his desire in exchange participation in organization interactive activities. Customer loyalty is very significant in the creation and maintenance of competitive advantage in the service industry. Iddrisu (2011) noted that loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations. Customer loyalty can therefore be achieved in some cases by offering a quality product with a firm guarantee or through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs.. Saravanakumar and Jayakrishnan (2014) noted that customer loyalty is comprised of both customers' attitudes and behaviors. Customers' attitudinal component represents notions like repurchase intention or purchasing additional products or services from the same company, willingness of recommending the company to others, demonstration of such commitment to the company by exhibiting a resistance to switching to another competitor and willingness to pay a price premium.

### **Theoretical Framework**

This research work is anchored on SERVQUAL model. This is a prevailing model for measuring service quality and is the SERVQUAL model conceived by Parasuraman, Zeithaml, and Berry (1985). The SERVQUAL model is a multiple- item measure that can be used to identify and deduce customer perceptions and service expectations. It is considered to be reliable and valid for evaluating service quality in a number of industries. To develop the SERVQUAL scale, Parasuraman et al. (1985) gathered empirical data from five different service industries: appliance renovation and maintenance companies, retail banking, long distance telephone, security, brokerage, and credit cards. The SERVQUAL model initially acknowledged ten dimensions of service quality (tangible, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding, knowing customers, and access). Subsequently, these ten dimensions were suppressed into five (reliability, responsiveness, tangible, assurance and empathy).

The SERVQUAL model hinges on gaps in service quality, which addresses differences in service quality expectations and perceptions. Hutton and Richardson (1995) state that the broader the gap, the lesser the perception of quality appears in consumer minds, and vice-versa. According to Sheth and Desmukh (2004), SERVQUAL is most often applied to evaluate the presence and degree of Gap-5, which expresses the difference between customer expectations and perceptions of service quality. Mohammed (2006) notes that of the five service quality Gaps, only Gap 5 can be examined exclusively from the customer's viewpoint; that is, analyses of other Gaps require information from the service provider.

According to the SERVQUAL scale, the outcome for each dimension of customers' expectations and customers' perceptions are compared to estimate the gap in scores between the two components. As a result of this comparison, a firm's level of service quality assessment can be defined, e. g. the larger the gap, the lower the service quality evaluation, whilst the lower the gap, the larger the evaluation (Hoffman and Bateson, 1997). To sum up, SERVQUAL scale shows the extent to which service performance in

each of the five dimensions of service quality meet the level of the performance customers expect from the service firm.

Until now, there has been no conclusive method for measuring service quality; however, researchers agreed that the SERVQUAL dimensions are multifaceted and were vital elements in any study of service quality (Brady & Cronin, 2001). Parasuraman et al (1985; 1988) argue that the five dimensions used in the SERVQUAL scale represent and provide generic instrument and dimensions for measuring service quality in a variety range of services. Over the past years, the SERVQUAL instrument has been used widely and extensively for measuring service quality in different contexts and industries like banking, healthcare, hotels, restaurants retail chains, communication, real estate, higher education, etc. In addition to that, the SERVQUAL instrument has been used widely in several cultures and countries including: the USA, UK, China, Honk Kong, Greece, and so many other countries. The SERVQUAL scale has been imitated and appreciated well in the service quality literature in the last decades by academics, researchers and industry people (Buttle, 1996). Hence, SERVQUAL dimensions are adopted in this study to measure the effect of service quality on customer's loyalty in Nigerian Banking industry.

### **Empirical Review**

Service quality and customer loyalty has attracted much empirical attention. For instance, Sandip and Kailash (2016) examined the Impact of service quality on customer loyalty, commitment and trust in the Indian banking sector. This study examines the relationship of service quality with customer loyalty, commitment and trust from the customer's perspective in the Indian banking sector. Data was collected from 300 customers of public and private sector banks using structured interview schedules. The data was analyzed using Multiple Regression Analysis (MRA) and Analysis of Variance (ANOVA). The results show that dimensions of service quality such as assurance-empathy, reliability and tangibles significantly predict customer trust and commitment. The results also indicate that service quality is positively associated with customer loyalty. Private bank customers are more committed and loyal as they receive better quality of service. The study implies that public sector banks should also come forward and try their best to provide better quality service to win back their customers' loyalty and commitment.

Dalia, Hesham, Elham and Osman (2016) investigated the impact of key dimensions of service quality on customers' satisfaction and loyalty using evidences from the restaurant industry in Sudan using Dineserv model. The study is quantitative and descriptive in nature. Data was collected through self-administered questionnaires from 4 restaurants in Sudan. A total of four hundred questionnaires were distributed among restaurants. The collected data was subjected to several statistical analyses such as frequencies and multi-regression, in addition to conducting reliability tests. Based on the analyses, four factors including assurance, empathy, tangibility, and reliability were the most significant dimensions of service quality that had positive influence on customer satisfaction while assurance, empathy, and tangibility were the most significant dimensions that had positive influence on customers' loyalty. The results also confirmed the links between service quality dimensions, satisfaction, and loyalty, respectively.

Archi and Srivastava (2016) investigated the impact of service quality on customer loyalty on telecom sector in India. Service quality has been considered as independent variable whereas customer relationship management and customer loyalty were considered as dependent variable. Five antecedents of service quality have been considered in this study viz. empathy, assurance, responsiveness, tangibility and reliability based on SRVQUAL model. A survey-based exploratory and causal research design was used. The data was collected from 262 customers using mobile service of various telecom operators of India through structured questionnaires distributed online. Exploratory factor analysis was conducted to check the validity and Cronbach's coefficient alpha was used to determine the reliability of the instrument. Multiple regression analysis was used to determine the causal relationship between both the independent & dependent variables. Results depicted that the service quality has significant and positive impact on customer relationship management and customer loyalty. Out of the four antecedents of service quality, tangibility and assurance has significant and positive impact on customer relationship management, while tangibility has a significant impact on customer loyalty.

Pandit (2016) carried out a study on the impact of service quality on customer satisfaction, loyalty, commitment & retention in the Indian banking sector. 800 customers of four selected banks – SBI, PNB,

ICICI and HDFC were surveyed through non probability convenience sampling. After checking reliability of the collected data, various statistical tests were performed on the collected data. Factors of the service quality were extracted through exploratory factor analysis and based on that, empirical model of the service quality was proposed. Validity of the model checked through the confirmatory factor analysis. The study found that service quality has significant impact on customer satisfaction, loyalty, commitment & retention in the Indian banking sector.

Ngo and Nguyen (2016) examined the relationship between service quality, customer satisfaction and customer loyalty in Vietnamese retail banking sector. In this study, a research model about the interrelationships between service quality, customer satisfaction, and customer loyalty was developed. Then a survey is conducted with retail banking customers about these constructs, which results in 261 valid respondents. The hypotheses are then proposed and tested using confirmatory factor analysis (CFA) and the structural equation modelling technique (SME). The analysis reveals that service quality and customer satisfaction are important antecedents of customer loyalty and customer satisfaction mediates the effects of service quality on customer loyalty. These findings suggest that there are non-linear relationships between three constructs and emphasize the need to treat customer loyalty management as a process which includes plenty of factors interacting with each other.

Siew-Peng and Sedigheh (2015) examined the dimension of service quality and its impact on customer satisfaction, trust, and loyalty in Malaysian banks. This study proposes to measure service quality by applying six dimensions: tangibles, empathy, reliability and security, price, online banking and convenience. These six dimensions are used to examine the relationship between service quality, perceived value, customer satisfaction, bank image, customer loyalty and customer trust among bank customers in the Klang Valley, Malaysia. Data were analysed by structural equation modelling (SEM) in order to test all the relationships between the variables in the model. The findings support the proposed hypotheses, which are consistent with the theoretical framework. The results indicate that the dimensions of tangibles, empathy, reliability and security, and online banking have a significant positive relationship with perceived value. The analyses show that service quality, customer satisfaction, bank image and trust are important determinants of loyalty.

Melaku (2015) examined the impact of service quality on customer satisfaction in Bank of Abyssinia S.C. using SERVPERF model. Quantitative means of data collection method is employed to collect the data through questionnaire. Proportionate and disproportionate stratified sampling technique is used to select the sample size and a sample of 399 bank customers are taken to undertake the study. The data collected from the questionnaire were analyzed using statistical tools such as mean, correlation, and regression analysis VIA SPSS Version. The results of this study indicate that, all the service quality dimensions (tangibility, reliability, responsiveness, empathy and assurance) have positive and significant relationship with customer satisfaction. Also the finding of this study indicates that customers were most satisfied with the assurance dimensions of service quality followed by responsiveness. Accordingly from the regression result it is observed that all service quality dimensions have positive and significant impact on customer satisfaction. Furthermore, 44% of the variations in customer satisfaction is explained by service quality dimensions in bank of Abyssinia S.C. Based on the findings of the study, the researcher forwarded some recommendations to the bank's management.

## **METHODOLOGY**

### **Research Design**

This study adopted survey research design. The study was carried out in South East Nigeria. South-East is one of the six geo-political zones in the Nigeria consisting of Abia State, Anambra State, Ebonyi State, Enugu State and Imo State. The population of study is made up of customers of five selected commercial banks in South-East Region of Nigeria. The banks include all the First Bank of Nigeria Plc, Abia State. Zenith Bank of Nigeria Plc in Anambra state, Fidelity Bank Plc in Ebonyi State, Union Bank of Nigeria Plc in Enugu State and Guaranty Trust Bank Plc Imo state. The total population was 1800 of all the employee of the five selected bank. The sample size of 353 was determined using Borg and Gall (1973) formula. The study make use of primary sources of data. Questionnaire were be used as the instrument of

data collection. The researcher use face and content validity in this work. Test-retest and Cronbach's alpha was used to verify the internal consistency of each construct in order to achieve reliability.

**Method of Data Analysis**

The analysis of data was performed using SPSS package. This involved descriptive analysis. Data were cleaned before analysis to ensure that they were correctly captured from source documents. Multiple regression analysis will be to assess the effect of services quality on customer loyalty. P value was considered significant at level 0.05.

**DATA PRESENTATION AND ANALYSIS**

In this section, the data generated from the employee of the sampled banks were presented, analyzed and interpreted. A total of three hundred and fifty three (353) questionnaires were distributed to the respondents, out of which three hundred and thirty two was properly filled and found relevant to the study. 21 copy were not properly filled and some got missing . Therefore, the analysis in this section will be based on the three hundred and thirty two relevant copies. The first section covers the demographic features of the respondents. The second section will analyzed the data relevant to research questions.

**Multiple Regression Analysis**

Multiple regression result was employed to test the effect of independent or explanatory variables on the dependent variables. The result of the multiple regression analysis is presented in the tables below.

**Table 1: Summary of the Regression Result**

The result of the multiple regression formulated in chapter three is presented in the tables below.

Model	Variables	Variables	Method
	Entered	Removed	
1	ASS, REL, RES, TAN <sup>b</sup>		Enter

a. Dependent Variable: CL

b. All requested variables entered.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Durbin-Watson
1	.294 <sup>a</sup>	.686	.572	3.185	.086	6.151	5	326	1.875

a. Predictors: (Constant), ASS, REL, RES, TAN b. Dependent Variable: CL

Table 2 shows that R<sup>2</sup> which measures the strength of the effect of independent variable on the dependent variable have the value of .572. This imply that 69% of the variation in customer loyalty is explained by variations in tangibility, reliability, responsiveness, and assurance. This was supported by adjusted R<sup>2</sup> of .086.

In order to check for autocorrelation in the model, Durbin-Watson statistics was employed. Durbin-Watson statistics of 1.875 in table 4.4 shows that the variables in the model are not autocorrelated and that the model is reliable for predications.

**Table 3: ANOVA Result**

Model	Sum of Squares	df	Mean. Square	F	Sig.
Regression	312.052	5	62.410	6.151	.000 <sup>b</sup>
1      Residual	3307.502	326	10.146		
Total	3619.554	331			

b. a. Dependent Variable: CL

c. b. Predictors: (Constant), ASS, REL, RES, TAN

The f-statistics value of 6.151 in table 4.5 with f-statistics probability of 6.151 shows that the independent variables has significant effect on dependent. This shows that tangibility, reliability, responsiveness, and assurance can collectively explain the variations in customer loyalty in the selected banks.

**Table 4 Coefficients of the Model**

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Colinearity Statistic's	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	18.916	1.918	.158	9.863	.000	.930	1.075
TAN	.123	.043		2.870	.004		
REL 1	.085	.044	.202	2.923	.005	.996	1.004
RES	.171	.044	.209	1.901	.176	.978	1.023
ASS	.028	.044	.204	3.632	.000	.976	1.025

a. Dependent Variable: CL

Source: SPSS 21.0

Table 4 shows the coefficient of the individual variables and their probability values. Tangibility has regression coefficient of .123a probability value of .004. This implies that stress associated with tangibility has a positive but insignificant effect on customer loyalty. Reliability has a regression coefficient of .085with a probability value of .005 implying that reliability has a negative and significant effect on customer loyalty.

Furthermore, responsiveness has a regression coefficient of .171with a probability value of .176. This implies that responsiveness has a negative and significant effect on customer loyalty. Finally, assurance has a coefficient value of .028 and a probability value of .000. This shows that assurance has a negative and significant effect on customer loyalty.



**Test of Hypotheses**

Four hypotheses formulated in chapter one were tested using t-statistics and significance value of the individual variables in the regression result. The essence of this is to ascertain how significant are the effect of individual independent or explanatory variables on the dependent variables. The summary of the result is presented in the table below.

**Table 5 T-Statistics and Probability Value from the Regression Result**

Model	T	Sig.
	9.863	.000
(Constant)	2.870	.004
TAN	2.923	.005
	1.901	.176
1 REL	2.562	.009
RES	3.632	.000
EMP	9.863	.000
ASS	2.870	.004

Source: Authors Compilation from the Regression Result

**Test of Hypothesis One**

Ho: Tangibility has no significant influence on customer loyalty in the banking industry.

Hi: Tangibility has a significant influence on customer loyalty in the banking industry.

In testing this hypothesis, the t-statistics and probability value in table 4.7 is used. Tangibility has a t-statistics of 2.923 and a probability value of .005 which is statistically significant. Therefore, we reject the null hypothesis and accept the alternative hypotheses which state that tangibility has a significant influence on customer loyalty in the banking industry.

**Test of Hypothesis Two**

Ho: Reliability has no significant effect on customer loyalty in the banking industry

Hi: Reliability has a significant effect on customer loyalty in the banking industry

Reliability has a t-statistics of 2.562 and a probability value of .009 which is statistically significant. Therefore, we reject the null hypothesis and accept the alternative hypotheses which state that reliability has a significant effect on customer loyalty in the banking industry.

**Test of Hypothesis Three**

Ho: Responsiveness has no significant influence on customer loyalty in the banking industry

Hi: Responsiveness has a significant influence on customer loyalty in the banking industry

Responsiveness has a t-statistics of 3.632 and a probability value of 0.000 which is statistically significant. Therefore, we reject the null hypothesis and accept the alternative hypotheses which state that responsiveness has a significant influence on customer loyalty in the banking industry.

**Test of Hypothesis Four**

Ho: Assurance has no significant influence on customer loyalty in the banking industry.

Hi: Assurance has a significant influence on customer loyalty in the banking industry

Assurance has a t-statistics of 2.870 and a probability value of .004 which is statistically significant. Therefore, we reject the null hypothesis and accept the alternative hypotheses and conclude that Assurance has a significant influence on customer satisfaction in the banking industry.

### **DISCUSSION OF FINDINGS**

The main objective of this study is to examine the effect of service quality and customer loyalty in fifteen banks in south east, Nigeria. The data were analyzed using descriptive statistics, correlation and multiple regression analysis. Service quality of the bank has been measured with four dimensions, such as tangibility, reliability, responsiveness and assurance.

The result of the multiple analysis shows that Tangibility has a significant influence on customer loyalty in the banking industry. This finding is consistent with that of Melaku (2015), Siew-Peng, & Sedigheh, (2015) Whose studies shows that service quality dimensions tangibility, reliability, responsiveness, empathy and assurance) have positive and significant relationship with customer loyalty. Also the finding of this study indicates that customers were most loyalty with the tangibility dimensions of service quality.

The study found that reliability has a significant effect on customer loyalty in the banking industry. This study tallies with the findings of Juhari, Bhatti & Piaralal (2016) Sandip & Kailash (2016) whose study indicated that that reliability has a significant effect on customer loyalty in the banking industry. It also agrees with the conclusion of Abdel (2015) that reliability positively influences customer loyalty.

The study also revealed that responsiveness has a significant influence on customer satisfaction in the banking industry. This finding conforms with that of Archi & Srivastava (2016), Pringviriyi, (2015) whose study indicated that role conflict reduces employee performance and efficiency. Based on the analyses, reliability were the most significant dimensions of service quality that had positive influence on customer satisfaction while assurance, empathy, and tangibility were the most closely dimensions that had positive influence on loyalty.

Finally, the study found that assurance has a significant influence on customer loyalty in the banking industry. This study agrees with the findings of Abdel (2015) that assurance has a significant influence on customer loyalty in the banking industry. This result is consistent with studies done by Santhiyavalli and Sandhya (2011); Arokiasamy and Abdullah, (2013); Ilias, Rahman, Abd Razak, and Abu Hasan, (2008); Saghier and Nathan (2013).

### **Summary of Findings**

This study examines the effects of services quality on customer loyalty using selected banks in South-East Zone, Nigeria as the case study. The study adopted simple percentage analysis and Multiple Regression Analysis in analyzing the data generated. The data analyzed shows that:

1. Tangibility has a significant influence on customer loyalty in the banking industry.
2. Reliability has a significant effect on customer loyalty in the banking industry
3. Responsiveness has a significant influence on customer satisfaction in the banking industry
4. Assurance has a significant influence on customer loyalty in the banking industry

### **CONCLUSION**

This study examined the effect service quality on customer loyalty in Nigeria banking industry using fifteen selected banks in the South -East. The results of the analysis showed that service quality dimension has a significant effect on customer loyalty in the banking industry. Further, multiple regression results indicates, that the reliability dimensions predicting the customer loyalty, it shows other dimension tangibility, responsiveness and assurance, were found to be higher predictors of customer loyalty in the banks. To conclude, the study found that, a link between service quality and customer loyalty level can be established following the discussions from the analysis made that, customer loyalty is influenced by the level of total service quality.

## RECOMMENDATIONS

Base on the findings of this study, it is recommended that:

1. Traditional predictors of the customer satisfaction such like service quality (tangibles, reliability, assurance and empathy) still have a strong impact on the customer satisfaction so these factors must be the core of the strategy that is aiming at enhancing customer satisfaction and loyalty and providing value to him.
2. The financial institutions must adopt a win-win service quality strategy through which they provide value to the customer and customer remains satisfied and loyal to the organization.
3. The marketers must understand and determine the factors i.e. premium service quality that enhances the customer satisfaction in banking sector of Nigeria. Frequent surveys must be conducted to obtain the data from the customers regarding their perceptions, expectations and recommendations to improve the service quality dimension (tangibles, reliability, assurance and empathy).
4. Nigeria Commercial Bank should given much attention to reliability and responsiveness under the SERVQUAL model since the study revealed that its service is at its best when measured in terms of the quality dimensions mentioned and customer satisfaction in banking sector of Nigeria.

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