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Antecedents of Customer Loyalty in Banking Sector: A Mediational Study

VIKALPA
The Journal for Decision Makers

43(2) 92–105

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SAGE Publications

sagepub.in/home.nav

DOI: 10.1177/0256090918774697

<http://journals.sagepub.com/home/vik>



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Executive Summary

The competition among the organizations is increasing continuously and there has been a rapid shift in the business process deliverance. Financial service firms are striving to improve their business processes by liaising with customers to survive and compete successfully. The literature has obstinately emphasized on the utmost importance of trust and loyalty to survive in the financial sector. This study aims to explore the role of customer knowledge management (CKM) and satisfaction as antecedents of customer trust in the retail banking sector. The causal relationships existing between CKM, satisfaction, trust, and loyalty are explored. The mediating role of customer trust in the knowledge–loyalty and satisfaction–loyalty relationships is also explored. The data has been collected randomly from 412 customers of a private bank through survey by questionnaire. The research instrument has been developed and purified through factor analysis (confirmatory factor analysis). Structural equation modelling (SEM) has been employed to examine the causal relationship and fitness of the proposed model.

The findings of the study reveal that CKM and satisfaction positively impact customer trust, and customer trust has a significant impact on loyalty. Besides, trust partially mediates the effect of knowledge and satisfaction on loyalty. The findings of the study are valuable to managers and strategists in understanding customer need in order to formulate the relevant customer loyalty programmes. However, the study focused on retail banking sector and uses data from a single bank only. Future research may evaluate the generalizability of findings across other banks as well as other nationalities. The main contribution of this study is to the loyalty literature by empirically validating the identified antecedents and demonstrating their role in managing loyalty. Furthermore, the study provides some valuable insights into the relational exchanges between variables wherein some inferences are derived from results regarding trust and loyalty.

In the last few years, new and emerging economies have seen a shift in the market, that is, from a seller's to a buyer's market. This has led to intricate relationships between buyers and sellers. The intensity of customer–organization relationship has changed dramatically over time. The customer is considered a key element for an



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