

Customer involvement as a missing link in reputation, service quality, innovation and customer satisfaction: an empirical investigation in retail banking sector

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Abstract: The aim of the study is to link three different antecedents to customer involvement and customer satisfaction in the banking sector of Pakistan. A model is developed to show the relationship between dependent and independent variables taken from the existing literature. The data are collected from 198 respondents taken from Islamabad and Rawalpindi cities of Pakistan using structured questionnaire. Correlation and regression are applied to estimate the relationship between variables and find out the extent to which the independent variables have impact on the dependent variable through mediator. Results show that there is a positive relation between the reputation, service quality, innovation and customer involvement. It is also analyzed by the results that customer involvement mediates the relationship independent variable and dependent variable. This paper identified the impact of reputation, service quality and innovation on customer satisfaction through customer involvement that helps the services sector especially banks how they can improve the customer satisfaction through improving their reputation, service quality, and level of innovation.

Key words: *Reputation; Service quality; Customer satisfaction; Customer involvement*

1. Introduction

Numerous regulatory changes in the banking sector in general have reduced the barriers to operate globally, thus allowing the formation of a more unified banking sector. This rapid expansion has given the opportunity to the customers to avail the services of the bank more than ever. The above said modification has changed the overall perceived expectations of service quality of customers, in banking sector. Today, almost every bank is aiming to resolve service quality issues arising in the banking sector by improving service quality management techniques to achieve highest levels of customers' satisfaction. According to Berry and Parasuraman (2004) high quality services enhances perceived value of the customers, which triggers positive word of mouth communications and prevents the switching behavior of the customers. To attain these desired outcomes, high quality services has to be convenient from customers' point of view and through this level of convenience banks can strive to create competitive advantage over competitors (Zameer, Tara, Kausar, & Mohsin, 2015).

Banking sector is experiencing major shifts due to the complex nature of working dynamics, where personal communication between employees and customers was considered as the backbone of traditional banking setup and it was continuously improved through obligatory training programs for employees. But after the establishment of automated banking system, the nature of banking sector has changed because the set of the specific services

offered by the banks, the benefits attached to them are greater in number than the traditional ways of banking. In other words, the focus of interaction between employees and customers has shifted from human-human to customer-technology interface, delineating that now the banks are using customer-technology interaction as a strategy to enhance the competitiveness in the banking industry (Ganguli & Roy, 2011). The transition in this regard in banking sector of Pakistan is also making customers more powerful despite the fact that automated banking setup lacks human warmth and sociability (K. S. Hassanein & Head, 2004). But still this advancement is allowing the customers to get hold of good quality services which translates into their overall satisfaction level.

Generally, service firms operate in an extreme competitive environment, that is rapidly changing and getting extremely challenging day by day by other external factors. Due to heated competitive environment, firms take serious measures to improve their service quality and find ways to give the best to their customers. Therefore, service quality enhancement initiatives continues to be on the top of list for service providers (Karim & Chowdhury, 2014). In today's world the buyers are more sophisticated and well informed about the quality of product or services, which itself is a great challenge for the firms. This information about the quality of service or product, develops customers' expectations about the quality of services and compels the firms to fulfil the customers' anticipations and expectations more profoundly

(Krishnamurthy, SivaKumar, & Sellamuthu, 2010). Extensive literature review shows that research has been done on service quality, innovation and reputation and its impact on customers' satisfaction but the role of customer involvement is missing in the literature (Karim & Chowdhury, 2014). The aim of the study is to link three different antecedents of service quality to customer satisfaction through customer involvement. Specific objective are to measure the impact of reputation, service quality and level of innovation on customer satisfaction through a mediating mechanism.

2. Literature review

Reputation is characterized as "clients' perception about how well a company deals with its customers and shows concerns for their welfare". Different researchers endorsed this perspective that "reputation is aligned to the affiliation consumers have in their minds". A strong reputation reflects an enhanced customers' opinion of service brilliance, customer certainty and loyalty (Oliver, 2014). In retail banking context, a strong reputation has been considered the backbone for growth and competitive edge. A high quality reputation can increase customers' trust in the bank (Fornell, 1992). Ennew, Banerjee, & Li (2000) characterized reputation as "an idea recognized with image, yet one that alludes to esteem judgments among many people about an organization's qualities, framed over a long period, in regards to its consistency, dependability and reliability". Al-Hawari, Hartley, & Ward (2005) clarified, that "reputation is increased with each telephone call, each email, each release, every decision and each activity". Furthermore, Boyne (2003) cautioned against seeing reputation management as anything other than everyday business and contented that "nature of correspondence must be upheld by characteristics of activity". There are two school of thoughts regarding reputation: similitude school that states company reputation is an equivalent word for company image and distinction school that separates these two expressions.

In today's competitive environment, achievement of capturing market or business is highly dependent on quality and kind of services the firm offers. Eventually it leads to customers' satisfaction, market image and strong reputation (Ishaq, 2012). Hence in consumer oriented sectors like banks, one of the tool of achievements is to notice and keep logs on customers' view on quality (Abdullah et al., 2012). Some best practices have resulted in making efficient prototypes of calculating customers' perceived value. Another well-known design "Servqual" was developed by Zeithaml, Parasuraman, & Berry (1985) to evaluate the best available or suitable service with respect to profit, quality levels in the services. It classifies what should the service provider would have to practice to provide their customers with best valued services.

As per (Kosmaczewska & Pereira, 2014), the innovation serves as key arrangement toward client care, responsibility, and to pick up market potential that expands the business of the organization. Along these lines, the advancement can be cool thing or new thought that has gotten from deliberate investigation and new thoughts. It likewise depicted as commercialization of creation

Customer satisfaction is, ordinarily, a state of mind formed as a result of aptitude after clients gain an item or utilize something and pay for them (Fornell, 1992). It means that being satisfied with thing or something. Fulfillment is the measurement of the skill of cooperating with something till the present purpose of time, and it is utilized by clients to expect future experience. Fulfillment is one of the past conditions of client duty. In prior investigation, happiness or fulfillment is specifically influencing client responsibility (Chattananon, Lawley, Trimetsoontorn, Supparerkchaisakul, & Leelayouthayothin, 2007). Fulfillment may not generally be the sole reason of client's dedication. In spite of the fact that one might say that dedication is related with fulfilled clients. Fulfillment shows up after utilization of some administration or creation that is the result of genuine and expected utility of thing (Gan, Clemes, Wei, & Kao, 2011). Since the purchasing practices, examples, needs, and needs, fulfillment phase of the considerable number of clients are diverse along these lines it is hard to assess which specific administration or item offered will offer happiness to specific gathering of clients. Showcasing and control divisions are unequivocally interrelated.

Customer involvement is imperative sort of communications between bank-clients. As indicated by (Witt, Andrews, & Carlson, 2004), involvement is a person's incitement for taking an interest in an objective related question. Customer contribution alludes to the level to which benefit makers speak with current (or potential) agents of at least one client at different phases of the best service system.

Buyer inclusion can be portrayed as a perspective that triggers customers to perceive item/administration and make purchase activities (Joshi & Rahman, 2017). Association is the physical and mental exertion that purchaser experience while making purchase decision, inclusion makes an inclination inside the clients to consider specific administration or thing and do scholarly considering, checking the substitutes before making any purchase activities.

A study conducted by (K. Hassanein & Head, 2007) revealed that customer involvement is missing in previous studies while studying service quality and its impact on customer satisfaction. (Whitler, Gibson, Hebblewaite, & Bridges, 2014) conducted a study in which they proposed that customer involvement should be studied as mediator between reputation, service quality, level of satisfaction and customer satisfaction. Since, customer involvement is an important variant to understand the customer satisfaction. Past model was inadequate in certain

interceding and additionally arbitrators that could be utilized as a part of future research to extend the proposed structure for consumer loyalty. It was recommended for the researchers to re think and

bring variables into solution (Sayani, 2015). Research can also view innovation and its effects in regard of developed and un developed countries (Jamal & Naser, 2002).

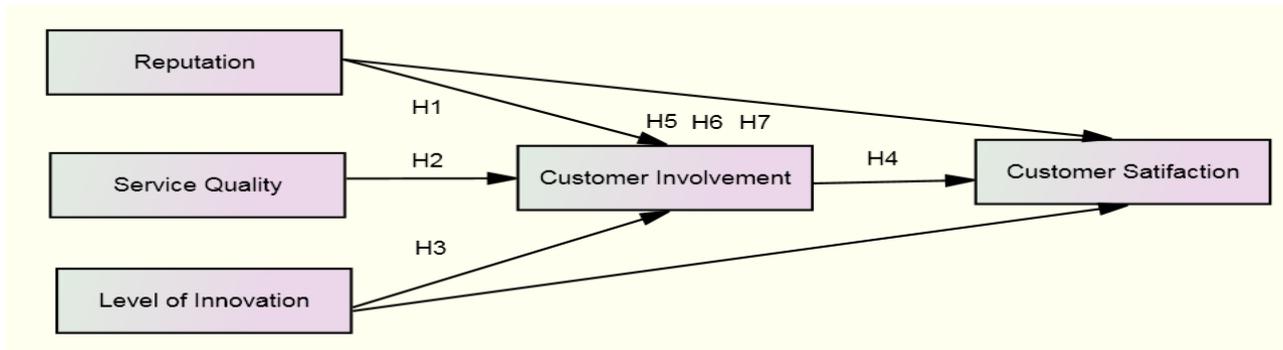


Fig. 1: Model for customer Satisfaction a Missing link

3. Research methodology

This part provides details of the methodology adopted to conduct this study. The research aim is to answer the question of how the reputation, service quality and level of innovation influence the customer satisfaction through customer involvement. There is probably going to be an abnormal state of dependability to positivist research because of an exceptionally organized approach. In this way, the researcher will use the positivism as research philosophy. This study will pursue a deductive approach which will employ existing knowledge and theories to explain the influence of reputation, service quality and level of innovation on the customer satisfaction through customer involvement. The instrument utilized for the collection of data is a structured questionnaire that contained structured and close ended questions. The questionnaire has 2 different section. Section 'a' is comprising the demographics as in organization such as age, gender etc , section 'B' has the questions. Each question was an item to measure responses from the respondents on different variables. All questions in the questionnaire are adapted. The five likert scale is used. That is "strongly agree to strongly disagree". The unit of analysis for this study is individual analysis which includes the green consumers. For the present study, the time horizon is cross sectional as the data has been collected at one point of time from the consumers of Islamabad, Pakistan. Structured questionnaire was used as an instrument for data collection. The questionnaire was distributed among the bank's consumers in Islamabad and Rawalpindi. A total number of 300 questionnaires were distributed among the participants out of which 260 were received back. On scrutiny of the questionnaires received back duly filled, almost 62 were not properly filled thus were not usable. The remaining 198 were usable i.e. they were correctly filled thus the data from these 198 questionnaires was entered into SPSS.

The data was collected through questionnaire was coded into SPSS version 20 and a variety of tests were applied in order to analyze data and to test

hypothesis. Firstly, the pilot test was conducted to check the Cronbach's Alpha and reliability i.e. (internal consistency) of the instrument. The principal component analysis, KMO and Bartley's test was applied to analyze the convergent and discriminant validity of the questionnaire. Thirdly, for the initial analysis of data descriptive statistics of the variables were calculated including Mean, Standard Deviation, Skewness and Kurtosis. Fourthly, the Pearson Correlation between different variables was calculated in order to measure the direction and extent of the relationship under investigation. Fifthly, for the direct hypothesis linear regression was used (simple or multiple regression whichever applicable). For the mediation analysis, the process Macro was installed in SPSS V20 and bootstrapping method suggested by (Hayes, 2013) was used. The model was used to analyze the total, direct and indirect effect for mediation.

4. Data analysis

Demographic have been taken from the questionnaire that were received correctly filled and were entered into the SPSS. From the demographic it is evident that majority of the participant were male i.e. there were 149 males and 47 females which makes a ratio of almost 76:24. Similarly, majority of the respondents held master degree which means maximum no of the respondents (102 out of 196, 52%) were those who were suitably qualified. As far as the experience is concerned majority of the respondent i.e. 55 percent fell in the bracket of 1 to 5years of experience. As far as age is concerned we see that majority of the respondents i.e. 53 percent were young aged between 20 to 30 years. The values of Mean, Standard Deviation, Skewness and Kurtosis of the variables were calculated. The value of descriptive statistics for all the variables confirmed the normality of data as the value of Skewness is between -2 to +2 and of Kurtosis it is -3 to +3. Reliability of all items were checked and found >0.6 that show good internal consistency of items.

Pearson's Correlation was calculated and results showed correlation between reputation and service

quality is significantly positive ($r = .502, p < 0.01$), reputation and level of innovation is positive ($r = .512, p < 0.01$), positive correlation between level of innovation and service quality ($r = .514, p < 0.01$), The correlation between customer involvement and reputation is positive ($r = .451, p < 0.01$), between customer involvement and service quality is positive

($r = .46, p < 0.01$) and between customer involvement and level of innovation is positive ($r = .494, p < 0.01$). Similarly, customer satisfaction has a positive correlation with reputation, service quality, level of innovation and customer involvement ($r = .51, p < 0.01, r = .56, p < 0.01, r = .55, p < 0.01, r = .54, p < 0.01$).

Table 1: Regression analysis of CI w.r.t RP, SQ and LI (N=196)

Variables	B	S.E	β	t	R ²	F
Constant	6.57	1.78		3.70	0.33	31.19**
RP	0.21	0.08	0.20	2.74**		
SQ	0.24	0.08	0.22	2.96**		
LI	0.43	0.11	0.28	3.82**		

Notes: RP: Reputation, SQ; Service quality, LI; Level of Innovation; ** p values <0.05

Based on the results of above table it is stated that hypothesis 1, 2, and 3 are accepted.

Table 2: Regression analysis of CS w.r.t CI (N=196)

Variables	B	S.E	β	t	R ²	F
Constant	11.25	1.02		10.98**	.29	79.95**
CI	0.68	0.04	0.54	8.94**		

Notes: CI; Customer Involvement; ** p values <0.05

The result indicate a significant impact ($t = 8.942, p < 0.05$), therefore hypothesis 4 is accepted.

Table 3: Mediation testing

	Effect	SE	t	p	LLCI	ULCI
Total effect of X on Y	0.389	0.0477	8.1624	0.0000	0.295	0.4829
Direct effect of X on Y	0.2529	0.0489	5.1676	0.0000	0.1564	0.3494
	Effect Boot SE					
Indirect effect of X on Y (perceived Value)	0.136	0.0336			0.0802	0.2154
	Effect	SE	Z	p		
Normal theory tests for indirect effect	0.136	0.0295	4.6105	0.0000		

The above results provide strong support for the hypothesis H₅ showing that customer involvement

mediates the relationship between reputation and customer satisfaction.

Table 4: Mediation testing

	Effect	SE	t	p	LLCI	ULCI
Total effect of X on Y	0.4483	0.0474	9.4551	0.0000	0.3548	0.5418
Direct effect of X on Y	0.317	0.0494	6.4142	0.0000	0.2196	0.4145
	Effect Boot SE					
Indirect effect of X on Y (perceived Value)	0.1312	0.0295			0.0815	0.1988
	Effect	SE	Z	p		
Normal theory tests for indirect effect	0.1312	0.0293	4.4813	0.0000		

The above results provide strong support for the hypothesis H₆ showing that customer involvement

mediates the relationship between service quality and customer satisfaction.

Table 5: Mediation testing

	Effect	SE	t	p	LLCI	ULCI
Total effect of X on Y	0.5997	0.0651	9.2051	0.0000	0.4712	0.7282
Direct effect of X on Y	0.4049	0.0698	5.8661	0.0000	0.2717	0.547
	Effect Boot SE					
Indirect effect of X on Y (perceived Value)	0.1903	0.0472			0.1108	0.2987
	Effect	SE	Z	p		
Normal theory tests for indirect effect	0.1903	0.0423	4.5039	0.0000		

The above results provide strong support for the hypothesis H₇ showing that customer involvement mediates the relationship between innovation and customer satisfaction.

5. Conclusion

The present study has been conducted to explore the impact of service quality provided by banks in Pakistan, level of innovation and financial institute's

corporate image have on customer satisfaction in Pakistan. The present study proposed three independent variables that are reputation, service quality, and level of innovation while one dependent variable that is customer satisfaction and customer involvement as mediator. Analysis has been done on these variables are analyzed separately by using the respective dimensions of these variables. As dimensions of service quality are analyzed according to SERVQUAL proposed by Parasuraman et al. (1985), i.e. SERVQUAL scale fall apart into five components of service quality that it must be tangible which second it must be reliable third, it must be responsive. At fourth, services must have quality of assurance; at last, it must have empathy. Similarly dimensions of customer satisfaction and corporate image are also analyzed with the help of questionnaire.

The findings are also consistent with (Siddiqi, 2011) who studied the effect of service quality on customer satisfaction and corporate image. He found a strong positive association of these variables. The results from regression analysis suggest that independent variables have significant effect on the dependent variables. Table IV show the findings of the regression analysis that service quality and customer satisfaction have significant effect on the customer perceived value and both are equally important for the bank to improve the customer perception about the bank and the services. Results from present study are consistent with the study conducted by Oliver (2014) which suggest that banks should consider the service quality to influence the customer perceived value. Results from present study are opposite to the study of Siddiqi in term of customer satisfaction. Siddiqi (2011) found customer satisfaction is not important in the services sector. Service quality is more important for the services sector to capture the potential customer. The reasons behind these results are due to different countries of origin where these two studies are conducted. The recent study is held in Pakistan where the Siddiqi (2011) conducted his research in Bangladesh. The people of both the countries are different in term of thoughts, perception, likes, dislikes and preference. Increased customer satisfaction make bank to adopt the new technologies as mobile banking. The appropriate and courteous behavior of the employees increases the customer satisfaction. According to (Ishaq, 2012) there is a positive relationship between service quality and customer satisfaction. In Pakistan, services sector are facing many challenges to satisfy the customer in the global competitive world, they are adopting western techniques to respond to the rapid growth and changing culture demands. Results indicate that corporate image also have impact on the customer satisfaction. Banks can improve the image by using innovative communication strategies to reveal the information about their services by giving meaningful statement about their future missions and objectives. All these leads to change in the customer perception about bank and their

services. Overall results show that all the variables have close significant effect on each other.

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