

THE RELATIONSHIP BETWEEN SERVICE QUALITY, CUSTOMER SATISFACTION, TRUST, AND COMMITMENT: A CASE STUDY OF FUDIAN BANK'S CUSTOMERS IN KUNMING, YUNNAN, CHINA

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Abstract: *This research aims to investigate the relationships among four variables (service quality, customer satisfaction, trust and commitment) to enhance the understanding of the factors that affect the commitment of customers to a bank, in this case, the Fudian Bank in Kunming, China. The data was collected from 399 respondents by using the non-probability sampling procedure. The research outcomes reveal that technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality), functional quality (in terms of employees behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service-mindedness) have a statistically significant influence on customer satisfaction and trust. Moreover, both customer satisfaction and trust toward the bank is proven to be positively associated with commitment.*

Keywords: *Service Quality, Customer Satisfaction, Trust, Commitment.*

1. Introduction

In Kunming, China, as in many places across the country, organizations often depend on banks to conduct their activities in a sustainable manner. With business booming and the number of companies growing, more and more banks have been set up to respond to these needs. This, among other, has caused competition amongst them to increase and forced them to be more aggressive in their effort to attract and retain customers. Banks have also become increasingly more aware of and concerned about the need for better management in order to ensure customers' willingness to maintain a relationship with them. In short, banks are looking for customer commitment.

Commitment is considered to be the superlative indicator of the status of interdependence between partners, and one of the most significant and important factors for maintaining trust and relationship between trading partners (Scanzoni, 1979; Dwyer, Schurr, and Oh, 1987; Moorman, Zaltman, and Deshpande, 1992). Customer commitment to a bank is one of the most important factors of a bank's strategic development, and a reflection of the quality of the service a bank provides. Banks need the commitment of customers to create

competitiveness. Commitment is also one of the most important ways to generate profits. With competition intensifying, customers' requirements with regard to satisfaction and trust in a bank are increasing constantly.

Given the intense competition, both from domestic banks and local financial institutions, any given bank needs to try to lift up high the service quality innovation flag day by day, in order to improve its customer commitment and brand influence, and to achieve strategic goals steadily. The strategies on how to attract and retain customers should be differentiated as each bank has its own specific orientations. A bank's concentration on service quality, customer satisfaction, and trust, should be assessed in a way that is appropriate to that particular bank.

Based on all these considerations, this article primarily aims to explore the customer commitment in the context of banking services. Specifically, it looks at seven branches of the Fudian Bank located in Kunming city, China. Fudian Bank is a medium size, local bank that is representative of many such banks in Kunming. It is a commercial bank whose main focus is on SMEs and export-oriented companies. Measuring the factors that affect the commitment of customers to banks such as Fudian Bank will have both theoretical and practical meanings.

After considering the literature relevant to this study and the conceptual framework derived from it, this article explains the methodology

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used in this research and then focuses on its findings and the conclusions and recommendations to be made from them.

2. Literature Review

This research is based on the literature dealing with ways to measure customers' attitudes and behavior in the banking service sector. Many researchers assert that service quality, which is critical to customer satisfaction and trust, plays a significant role in the banking environment, and is an essential component in developing a long-term, value-laden relationship with customers (Berry, 1983; Bejou and Palmer, 1998). In this research, largely based on Grönroos's (1983, 1984) service quality model, service quality consists first of technical quality, expressed in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and second machine quality and functional quality, expressed in terms of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service-mindedness. In addition, reference is made to several empirical studies which show the linkage between service quality, customer satisfaction, trust and commitment.

- *Service Quality and Customer Satisfaction*

Service quality is related to high levels of customer satisfaction (Dabholkar et al., 2000; Anderson and Sullivan, 1993; Parasuraman et al., 1988). Customer satisfaction mediates the impact of service quality on the customers' behavioral intentions (Gotlieb et al., 1994). Several studies indicate that both technical quality and functional quality have high a correlation with customer satisfaction (Grönroos, 1998; Kang, 2004; Lehtinen and Lehtinen, 1991).

- *Service Quality and Trust*

Service quality has been proven by many researchers to have a significant relationship with trust. A specific Bank Service Quality (BSQ) model for perceived banking service quality has been developed by Bahia and Nantel (2000). A similar measurement instrument for capturing service quality in the Chinese corporate banking industry has been constructed by Guo et al. (2008). Also, a study by Yenhui

(2010) on the relationship between service quality and customer trust in the financial industry has found that service quality has a direct significant effect on trust.

- *Customer Satisfaction and Commitment*

As stressed by Leuthesser and Kohli (1995) and Tax et al., (1998), customer satisfaction is found to be a high predictor for customer retention. It also helps reinforce a customer's decision to participate in the service delivery activities, and keep more committed customers. Thus, efficient and satisfactory services result in satisfied customers who are less likely to switch to another bank (Mols, 1999). Bilgin, Shemwell and Yavas (1998) devised a model of service quality, customer satisfaction and relationship-oriented outcomes and the result shows a strong relationship between satisfaction and commitment. In addition, in a model for explaining the impact of quality of online banking on customer commitment, Hamadi (2010) suggested that on a managerial level, satisfaction contributes significantly to the commitment of customers.

- *Trust and Commitment*

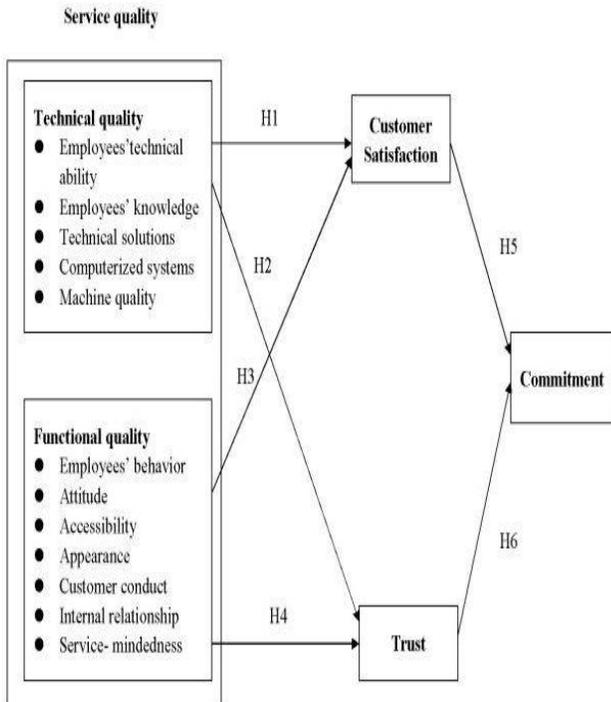
As a conceptual support of the relationship between trust and commitment, several authors have indicated that trust positively affects commitment (Beatty et al., 1996; Gundlach and Murphy, 1993; Andaleeb, 1996; Ganesan, 1994). According to Morgan and Hunt (1994), commitment is the critical complement and consequence of trust in exchange relationships, and relationship commitment is influenced significantly by trust. Moreover, as Wang's (2008) model illustrates, the consumers' commitment to a corporation becomes stronger as they feel trust in the corporation's relationship efforts. Thus, consumers will tend to be more committed to the bank once they feel trust or perceive a higher level of relationship efforts by the bank. A significant positive effect on commitment by trust has been confirmed in Mukherjee and Nath's (2003) model and Hennig-Thurau and Klee's (1997) model.

3. Conceptual Framework and Research Methodology

Based on the literature reviewed and the aforementioned previous empirical studies, the researcher designed a modified conceptual

framework for this study to investigate the relationships among the variables selected for this study (service quality, customer satisfaction, trust and commitment).

Figure 1: Modified Conceptual Framework



Source: made by the author for this study

The following six hypotheses were developed with regard to the relationships involving customer satisfaction, service quality, and trust to commitment:

H₁₀: There is no relationship between technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and customer satisfaction.

H₂₀: There is no relationship between technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and trust.

H₃₀: There is no relationship between functional quality (in term of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service-mindedness) and customer satisfaction.

H₄₀: There is no relationship between function quality (in term of employees' behavior, attitude,

accessibility, appearance, customer conduct, internal relationship, and service-mindedness) and trust.

H₅₀: There is no relationship between customer satisfaction and commitment.

H₆₀: There is no relationship between trust and commitment.

The descriptive research and survey research techniques were applied for this study. The researcher collected data by distributing questionnaires at seven Fudian Bank branches in Kunming City. Three non-probability sampling techniques were used in order to get the sampling unit for this study: purposive sampling, quota sampling, and convenience sampling. The questionnaire includes seven parts. The first part contains screening questions designed to ensure the targeted population fulfills all the requirements. In the second part, respondents are asked to rate their opinions about the technical quality. The 25 five-dimension statements describe the technical quality features borrowed from Grönroos's (1983, 1984) service quality model. A seven-point Likert scale was used, ranging from strongly disagree (1) to strongly agree (7) (Parasuraman et al., 1988b, 1994). The third part measures the respondents' attitude towards functional quality. The seven-dimension 34 statements also describe functional quality features as applied by Grönroos's (1983, 1984) service quality model. And a seven-point Likert scale was also used. In the fourth part, the researcher aimed to measure customer satisfaction about the service they customers received. The questions contained close-ended statements, asking the respondents to rate their attitudes in terms of 'displeased, pleased; disgusted, contented; dissatisfied, satisfied, and unhappy or happy. The fifth part measures the trust toward using 5 statement questions. The seven-point Likert scale was used to assess the customers' opinions. Part six asks the questions about commitment that contained 4 statement questions. The researcher applied the seven-point Likert scale for the measurement of the customers' thinking. The last part consisted of close-end questions regarding demographic factors.

4. Results and Implications

The six hypotheses were processed using Pearson's correlation coefficient in order to explore whether there are relationships among the variables. The results of the hypothesis testing show that all the null hypotheses are rejected. The details and their implications are discussed below:

The results of hypotheses one and three indicate that both technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and functional quality (in term of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service-mindedness) have a high positive correlation with customer satisfaction. Both technical quality and functional quality are always considered as the predictor of customer satisfaction as some previous research studies show. Both technical quality and functional quality has a high correlation with customer satisfaction (Grönroos, 1998; Kang, 2006; Lehtinen and Lehtinen, 1991). In Lundahl, Vegholm and Silver's (2009) study, technical quality has a significant impact on customer satisfaction. The results also indicate that there is a high correlation between functional quality and customer satisfaction. In this research, the mean value of the correlation between functional quality and customer satisfaction (.682) is greater than that of the correlation between functional quality and customer satisfaction (.680). This conclusion is consistent with Swan and Linda's (1976) study which has determined that customer's dissatisfaction is generally due to poor functional quality rather than to poor technical quality. Moreover, Grönroos (1982) found that temporary problems in technical quality were considered not to be critical.

The results from hypothesis two and four indicate that both null hypotheses are rejected. This means that there is a strong positive correlation (.659) between technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and customer satisfaction. There is a high positive correlation (.695) between function quality (in term of employees' behavior, attitude, accessibility,

appearance, customer conduct, internal relationship, and service-mindedness) and trust. This is in keeping with Yenhui (2010), who found a positive correlation between technical quality, functional quality and trust. This is also consistent with Bahia and Nantel (2000) who came up with similar findings in a model of specific Bank Service Quality (BSQ) for perceived banking service quality.

The result from hypothesis five shows that the null hypothesis is rejected, indicating that customer satisfaction is associated with commitment. Customer satisfaction only has a low positive correlation to commitment with a mean value of .229, which implies that in banking services, customer satisfaction can be treated as a predictor of commitment. This conclusion is well supported by several previous studies. According to Leuthesser and Kohli (1995), customer satisfaction is found to be a predictor for customer retention. It also helps to keep more committed customers (Tax et al., 1998). This is consistent with Mols (1999) who had a similar finding; "efficient and satisfactory services result in satisfied customers who are less likely to switch to another bank." Similar findings also came up in Bilgin, Shemwell and Yavas' (1998) model of service quality, customer satisfaction. The relationship-oriented outcomes showed a positive relationship between satisfaction and commitment. As Hamadi (2010) suggested, the importance of promoting factors of satisfaction should be valued by bankers since this is a strategy that could generate favorable customer behavioral intentions. The more customers are satisfied with their experience with the banking service, the more commitment the bank gains and customers will have a greater intent to return and re-purchase.

As the results of hypothesis six indicate, there is a statistically significant relationship between trust and commitment. Trust and commitment are positively correlated at medium level (.486), implying that customer behavioral intentions can be influenced by the level of trust toward the bank. Since relationships characterized by trust are highly valued, commitment to such relationships is seen as critical. This is in keeping with previous studies that have determined that trust positively affects

commitment (Beatty et al., 1996; Gundlach and Murphy, 1993). Some commentators have found empirical evidence of the relationship between trust and commitment (Andaleeb, 1996; Doney and Cannon, 1997; Ganesan, 1994). According to Morgan and Hunt (1994), commitment is the critical component and consequence of trust in exchange relationships. Relationship commitment is influenced significantly by trust. Wulf and Odekerken-Schroder (2003) stated that trust is hypothesized to affect commitment. According to them, the following benefits can be expected: the perception of risk is reduced; consumers have greater confidence that over time short term inequities will be resolved; and transaction costs can be reduced. Thus, there may be a desire to continue the relationship since these benefits are likely to enhance attachment (Andaleeb, 1996; Ganesan, 1994). Wang (2008) mentioned that consumers' commitment to a corporation becomes stronger as they feel trust in corporations' relationship efforts. In other words, consumers tend to be more committed to the bank once they feel trust or perceive a higher level of relationship efforts by the bank.

5. Conclusion and Recommendations

This study investigated the relationships among variables (service quality, customer satisfaction, trust and commitment) in order to enhance the understanding of the factors that affect the commitment of customers to a bank. This section presents the conclusions of this research and makes some recommendations.

A majority of the respondents are females, between 31 to 40 years old, holding a bachelor degree, working at a private company or a government enterprise and earning a monthly household income of 2,001-4,000 Yuan.

As for hypothesis testing, the researcher can conclude that technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality), functional quality (in terms of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service-mindedness) have a statistically significant influence on customer satisfaction and trust. Moreover, the hypothesis testing results show that both customer satisfaction and trust toward

the bank are positively associated with commitment.

Due to the limitations of this research, the survey was only conducted with customers from seven branches of Fudian Bank, which means it might not perfectly represent the whole customer population of Fudian Bank in Kunming and also in China. Moreover, the results may vary upon the selection criteria of the target group and also the sample size.

- Recommendations

Based on the hypothesis testing results, the researcher justified the hypotheses and confirmed the relationships between the various factors and commitment. Increasing commitment is one of the most important drivers of long-term business performance. It is also an important measure to secure commitment. In order to maintain strong and long term relationships with customers, service providers should research and implement strategies that keep commitment.

Since both customer satisfaction and trust positively impact commitment and trust is the most influential determinant of commitment (.486), customers who trust Fudian Bank would commit to it. Hence, the bank should orient their bonding strategy towards building the trust of its customers. According to Smith and Barclay (1993), "Trust develops over time." This process may be accelerated by joint training and role playing of the partners as well as by fostering organizational similarities, particularly in terms of goals, exchange behaviors, control procedures, and strategic horizons. If Fudian Bank's customers think the services provided by the bank are satisfying and trustworthy, their commitment can be enhanced.

The bank also should look at the enhancement of trust as an essential strategy for retaining customers successfully. An important implication for Fudian Bank as a service provider is that it is essential to meet the customers' expectations via the service encounter. In order to understand how to enhance customers' satisfaction and trust, the bank should consider the quality of the service which has been delivered. This quality of service generates customers' basic expectations with respect to service. The quality of the service includes both technical quality (in term of

employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and functional quality (in term of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service-mindedness).

From the service provider's perspective, the findings emphasize the importance of both his/her technical and functional quality (H1-H4). The role of a service provider is to provide a pleasant service to customers. Customers evaluate a bank's performance mainly on the basis of both technical and functional service qualities. If the banks excel in both its technical and functional quality, this could enhance customers' satisfaction and trust toward the bank. Therefore, the service provider should improve the technical service quality and functional service quality to attract customers. In addition, the service provider can also gain competitive advantage over other service providers and banks. It follows that Fudian Bank would be well advised to put more emphasis on the employees' technical abilities and behaviors in order to enhance its customers' satisfaction and trust. Fudian Bank should also consider improving its employees' operational skills through training programs designed to improve their skills and ability and ensure error-free service. The bank should consider that better performance in technical and functional quality will better meet the desires of its customer and put it in a position to attract and retaining customers. Moreover, Fudian Bank may consider improving its service by adding more value to it and introducing more new and more convenient services, and offering some more competitive service charges.

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Appendix

Table 2: Summary of the Results of the Hypothesis Tests

Null Hypothesis Statements	Significance level	Result
H ₁₀ : There is no relationship between technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and customer satisfaction.	0.000	Reject H ₀
H ₂₀ : There is no relationship between technical quality (in term of employees' technical ability, employees' knowledge, technical solutions, computerized systems, and machine quality) and trust.	0.000	Reject H ₀
H ₃₀ : There is no relationship between functional quality (in term of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service- mindedness) and customer satisfaction.	0.000	Reject H ₀
H ₄₀ : There is no relationship between function quality (in term of employees' behavior, attitude, accessibility, appearance, customer conduct, internal relationship, and service- mindedness) and trust.	0.000	Reject H ₀
H ₅₀ : There is no relationship between customer satisfaction and commitment.	0.000	Reject H ₀
H ₆₀ : There is no relationship between trust and commitment.	0.000	Reject H ₀

Summary of Demographic Factors

Table 3: Summary of Demographic Factors

Demographic Factors	Highest percentage	Lowest percentage
Gender	Female (54.7%)	Male (36.2%)
Age	31-40 Years (33.2%)	Less than 20 years (9.0%)
Occupation	Private Company/Government Enterprise Officer (37.5%)	Housewife (4.0%)
Education	Bachelor Degree (63.2%)	Above Master Degree (8.8%)
Monthly Household Income	2,001-4,000 Yuan (38.5%)	8,001- 10,000 Yuan (3.8%)