The effects of digital and physical service quality on customer loyalty in the South African retail banking industry

by

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submitted in accordance with the requirements for

the degree of

MASTER OF COMMERCE

In the subject

Marketing

At the

UNIVERSITY OF SOUTH AFRICA

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November 2023

DECLARATION

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The effects of digital and physical service quality on customer loyalty in the South African retail banking industry.

I declare that this dissertation is my own work and that all the sources that I have used or quoted have been indicated and acknowledged through complete references. I further declare that I submitted the dissertation to originality checking software and that it falls within the accepted requirements of originality.

I further declare that I have not previously submitted this work, or part of it, for examination at the University of South Africa (UNISA) for another qualification or any other higher education.

Signature Date:12 December 2023

DEDICATION

This master’s dissertation is dedicated to my beautiful daughter, Nkanyiso Cham, who has been a source of inspiration to stay focused and motivated regardless of numerous hardships that came my way, also thanking her for sacrificing play time while I needed to work and finish this project.

ACKNOWLEDGEMENTS

With the submission of this dissertation, I acknowledge with gratitude the assistance, encouragement, and support of everyone in completion of this study. In particular, I would like to sincerely thank the following individuals:

First, I would like to thank God for the strength and wisdom to finish this project despite all the challenges.

A special thank you to my two amazing supervisors, Dr Nombulelo Dilotsotlhe and Mrs Adri Meyer. I wouldn't have done this without you. Thank you for your guidance, for believing in me and for your patience in reviewing my work.

To Dr Chokwe, thank you for your language editing services.

To Dr Emile and Dr Nzita from Ozmos Consulting for conducting data collection and data analysis.

A special thank you to my late supervisor Professor Mbango who started this project with me but unfortunately couldn't see me finish. I thank him for believing in me, his words of wisdom and encouragement are still embedded in my heart. May his soul continue to rest in peace.

To all the respondents for participating in this study, am grateful for the time and data provided to make this study possible.

My mother Rachel Cham for being a pillar of strength and support during my studies.

To all my friends for supporting me and for believing in me during this journey.

ABSTRACT

The researcher aimed to determine the effects of digital and physical service quality on customer loyalty in the South African retail banking industry. To measure the effects of service quality for the physical channel, the researcher used the SERVQUAL model, and the E-S-QUAL model were used to measure the digital channel service quality.

A quantitative research approach was employed. Data were gathered using a self-administered, structured questionnaire. Constructs were measured using a six-point Likert scale. A convenience sampling method was used for this study. A total of 384 valid responses from both male and female participants aged between 18 to 60 were collected using an online questionnaire. A descriptive and standard multiple regression directed on IBM Statistical Package for Social Sciences (SPSS) was used.

This study established that customer loyalty and service quality are positively correlated and that both physical channel service quality and digital service quality influence customer loyalty. However, this study revealed that digital service quality has more impact on customer loyalty than physical channel service quality on customer loyalty.

Bank managers are encouraged to find ways to constantly improve service quality, sustain their competitive edge and maintain customer loyalty. Bank managers can do this by creating an omnichannel customer experience. Practical and theoretical implications for the study are also provided.

Key Terms

Service quality; customer loyalty; channel; digital channel; physical channel.

SERVQUAL; E-S-QUAL; Retail banking; industry competition; Omnichannel

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CHAPTER 1:
INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

This chapter is the outline of the entire study which sought to determine the effects of digital and physical service quality on customer loyalty within the South African retail banking industry. Banks are essential players in the economic development and well-being of a country, and they are a chief participant in the financial domain (Nguyen, 2022: 1). Mushavhanamadi and Mavimbela (2018: 885) posit that in an emerging economy like South Africa, the banking industry plays a significant role. Bansal (2020:11) asserts that without a banking system, transactions and trading would not be possible as banks receive payments and channel them into contribution activities and through capital markets. Banks serve as a liaison between customers with capital shortfalls to customers with a capital surplus and banking organisations provide the necessities of society by means of deposits, credit savings and investments (Thulare, 2019: 1).

However, in the global banking industry, bank practitioners are engulfed with challenges posed by intense competition (through the emergence of digital banks), homogeneity (all banks offering the same services) and technological advancement(through the use of AI) that have debilitated customer loyalty (Malila, 2019: 17). The banking industry in South Africa has also been impacted by these global issues, and the intensity of competition has put the financial industry players under pressure to remain competitive (Bhengu & Naidoo, 2016: 216). Moreover, the South African retail market's pivotal challenge is the prevailing poor service quality which is detrimental to customer loyalty (Vilakazi, Muofhe & Dhliwayo, 2019: 2).

Wafula (2019: 6) argues that service quality is significant in the banking industry and constructing it to be a competitive tool. Gayathri and Rekhapriyadharshini (2022: 22) also posit that it is the basis of customers' reference when choosing a retail bank and yet it is still a challenge in the banking industry.

According to Alolayyan, Al-Hawary, Mohammad and Attallah Al-Nady (2018: 546), service quality is identified as a significant aspect of banking performance, existence and success. Furthermore, Mushavhanamadi and Mavimbela (2018: 886) concur that a bank with paramount service quality takes precedence over its competitors, has an increased clientele, outstanding business returns and stable customer retention. Furthermore, Lubbe and De Meyer-Heydenrych (2019: 3) argue that within the South African banking industry, there is growing pressure for service quality resulting from poor service quality.

A study conducted by Ernst and Young (2018) showed that service quality complaints within the South African banking industry increased from 18% to 22.3%, compared to the global benchmark of 10%, meaning South Africa has one of the highest service qualities complains. Furthermore, a Customer Satisfaction Index survey conducted in 2018 indicated an increase in attrition from 34% to 39% over the previous year (Tarrant, 2018). Furthermore Sullivan (2018) and Thaichon, Quach, Bavalur and Nair (2017) stipulated that from 2014 to 2015 a projected 2.3 million customers with South African banks accounts have switched to competitor banks due to poor service quality, (Mutsonziwa, Khumalo & Motsomi 2016) are also in agreement with the above statement.

From September 2021 to August 2022, Brands Eye conducted a study to analyse the voice of the customer on social media platforms and it revealed that 14.3% threaten to leave their banks owing to pain points stemming from poor service quality (BusinessTech, 2022a). In 2021, The Ombudsman for banking services also reported that the second leading complaint category was affiliated to service quality (BusinessTech, 2021b). Taoana, Quaye and Abratt (2021: 65) were also in agreement that a large group of South African banking customers are not satisfied with the level of service quality.

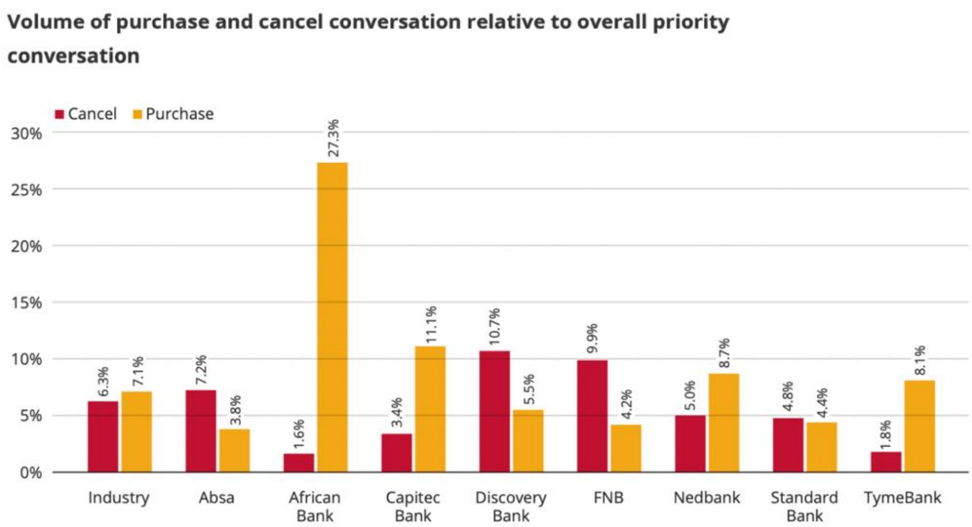

Figure 1.1: Volume of purchase and cancel conversation relative to priority conversation

Source: DataEQ, 2020

Based on the information presented in Figure 1.1 as well as on the aforementioned studies and statistics, it becomes apparent that addressing the issue of poor service quality is a matter of urgent priority within the South African retail banking industry. Furthermore, from the mentioned studies (Brands Eye Customer sentiment study (2022); Ombudsman complaint Report (2021); Ernst and Young (2018); Sullivan 2018; Customer Satisfaction Index survey (2018) and DataEQ (2020), it can be deduced that there is a correlation between service quality and customer loyalty, and consequently, customer loyalty is influenced by service quality. Jalagat, Pallanda, Aquino and Dalluay (2019: 22) note this relationship by affirming that an escalation in service quality leads to an increase in customer loyalty. Studies on the banking industry, globally and locally have also depicted a correlation between service quality and customer loyalty Siddiqi, 2011(Asia); Darmawan, Mardikaningsih & Hadi, 2017(India); Lau, Cheung, Lam & Ting Chu, 2013(Asia); Ullah & Haider.2023 (Asia);Van Deventer & Redda, 2021(South Africa Africa) and Gwaza, 2016(South Africa); Unes, Camioto, & Guerreiro, 2019.(Brazil); Saueressig,Larentis, & Giacomello2021(Brazil); Lumanaj and Lesha,2015(Europe); Famiyeh,Asante-Darko and Kwartemg.2018.(Africa) The cited studies depict this relationship may be dismantled owing to inadequate service quality. They also affirm that service quality is the cornerstone of customer loyalty, a tool for competitive advantage, the core differentiator in a homogenous market, and a catalyst for attaining operational success through profitability and growth in market share. Therefore, it is of utmost importance that the industry players in the retail banking field comprehend holistically what constitutes service quality when interacting with their customers.

According to Omoregie, Addae, Coffie, Ampong, and Ofori (2018), service quality makes an impeccable effect on the advancement of customer loyalty. Services quality mediates customer loyalty. A study conducted by Ginanta and Surip (2022: 349) revealed that service quality dimensions have significant positive impact on customer loyalty.

Nawaz (2021: 69) affirms that service quality is regarded as the crucial factor in the service sphere, as it collectively attracts new customers from competitors and stimulates repetitive buying motives. Surahman, Yasa and Wahyuni (2020: 47) remark that service quality is a vital contributor in fostering consumer loyalty and the primary indicator of customer loyalty is the quality of the services provided. Nawaz (2020: 69) also indicates that customer loyalty and service quality are positively correlated and established that inflated market share resulted from service quality, and recurring sales prompt customer loyalty.

However, referring to the retail banking industry, the majority of previous studies conducted on service quality independently focused on either physical channel service quality or digital channel service quality and did not employ an all-inclusive view that encompasses both the physical and digital service channels (Hadid, Soon & Amreeghah, 2019: 7). Gayathri and Rekhapriyadharshin (2022: 24) argued that the present era, where digital banking is of significance due to technological advancements and digital adoption, makes it imperative that service quality be studied using both channels. The study conducted by Boston consulting group (2022), revealed that 86% of South African across all income segments and across all life stages have demonstrated a preference for carrying out their daily banking using digital platforms, therefore it imperative that service quality be studies using both physical and digital channel due to digital adoption. Figure 1.2 demonstrates the South African banking industries' preferred banking channels, according to this figure 86% of customers preferer digital channels to conduct their day-to-day transactions.

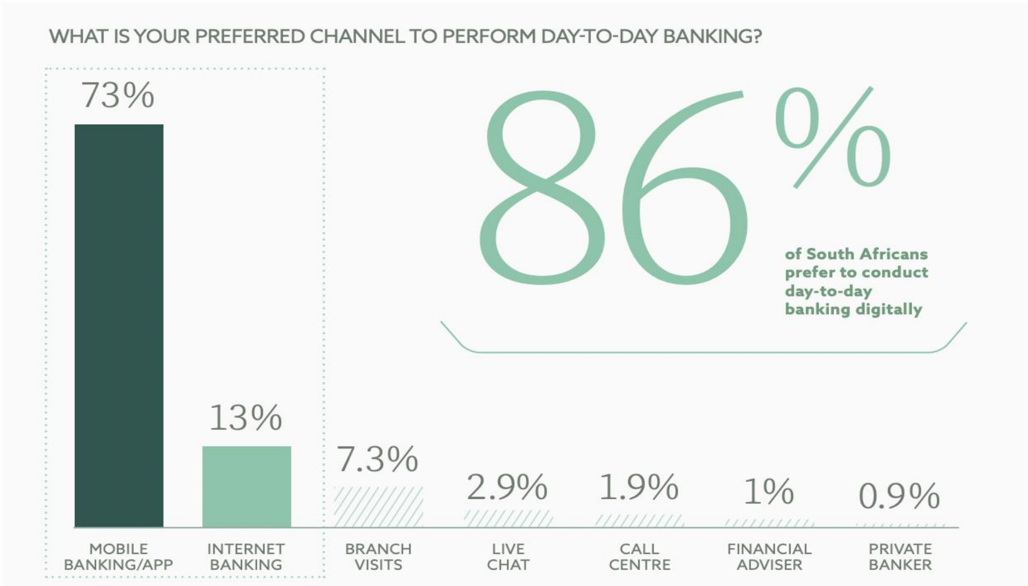

Figure 1.2: Preferred channel to conduct everyday banking

Source: Boston Consulting Group, 2022

Studying service quality across both service channels in the retail banking industry, specifically physical and digital channels is of utmost importance. Consequently, this research addressed and examined both physical and digital service channels in retail banking.

1.2 PROBLEM STATEMENT

The South African banking industry is saturated with competition and homogeneity (FSCA, 2022: 8). Taoana, Quaye and Abratt (2021: 65) maintain that this replication demeanour in the banking industry encourages switching behaviour from customers that leads to a reduction in consumers loyalty. Furthermore, Lubis, Dalimunthe, Absah and Fawzeea (2021: 1268) further aver that it is evident in this competitive environment that the main differentiator is service quality, which also combats customer-switching behaviour. It is patent that service quality is important in the banking industry.

According to Nguyen, Kim-Duc and Freiburghaus (2020), studies undertaken on service quality and customer loyalty have been dominant in the banking service literature only focusing on either service quality dimensions rooted in the traditional physical branch network or service quality only focusing on digital platforms. Despite global numerous studies, there are limited studies conducted to investigate service quality dimensions in the South African banking industry that is inclusive of digital channels such as virtual banking platforms (banking Apps and the internet) and ATMs (Theko, 2020: 18).

These studies by Mushavhanamadi and Mavimbela (2018), Bhengu and Naidoo (2016), De Villiers (2020), Noeth, (2021) and Chitamba, (2018) conducted within the South African industry centred on the branch's physical appearance and on the banking employees' service quality rendition and provided recommendations on providing them with training to improve their service quality. However, there was no indication of the digital service quality, therefore omitted to assess service quality using both virtual and physical channels. Adversely, studies conducted to assess digital channel service quality (Mujinga, 2020; Molapo, 2008; Theko, 2020; Redda, Surujlal & Leendertz, 2017; Redda & Surujlal, 2017; De Jager, Wulandari, & Wannenburg, 2020; Chigori, Viljoen, Ford & Cilliers, 2020) focused solely on digital platforms and did not incorporate digital service quality. In this evolutionary industry where technological disruption and the Corona virus crisis have changed the way customers do banking, Understanding the aspects of service quality that affect customer loyalty across digital and physical channels is crucial for banking service managers. However, there is a gap in literature within studies conducted to assess service quality on both digital channels and physical channels in one study, and a gap in assessing which channel 's service quality has the most impact on customer loyalty.

Therefore, this study aims to investigate the influence of service quality on customer loyalty, and it will incorporate both the physical and digital service quality within the South African banking industry. Owing to a wide number of various banking services within the South African banking industry and many transactional volumes, this study will only focus on retail banking.

In doing so, for the physical channel the study makes use of the **SERVQUAL** instrument developed by Zeithaml, Parasuraman and Leonard in 1985 stemming from the GAP Model. To measure the digital channels of retail banking, the study will be utilised a model of **E-S-QUAL** by Parasuraman, Zeithaml and Malhotra (2005: 1).

Taking an integrative approach, the research question in this study was addressed by assessing the service quality of the service channels, the digital channel service quality, and the physical channel service quality. The research question in this study is captured in the following question.

What are the effects of digital and physical service quality on customer loyalty in the South African retail banking industry?

1.3 RESEARCH OBJECTIVES

In order for this study to fulfil its main purpose of investigating the effect of digital and physical service quality on customer loyalty in the SA retail banking industry. The following primary and secondary objectives were formulated for the current study.

1.3.1 Primary objective

The primary objective of the current study is stated as:

To determine the effects of digital and physical service quality on customer loyalty in the South African retail banking industry.

1.3.2 Secondary objectives

The following secondary objectives have been formulated for the current study:

- **Secondary objective 1**: To ascertain the service quality channel that contributes the most to customer loyalty within the South African retail banking industry.
- **Secondary objective 2**: To determine the effects of service quality dimensions on physical channels that contribute to customer loyalty within the South African retail banking industry.
- **Secondary objective 3**: To determine the effects of service quality dimensions on digital channels that contribute to customer loyalty within the South African retail banking industry.
- **Secondary objective 4:** To ascertain the perceptions of customers towards the services provided by South African retail banks.
- **Secondary objective 5**: To examine the relationship between service quality and customer loyalty in the South African retail banking industry.

1.4 RESEARCH METHODOLOGY

This section provides a summary of research methodology adopted by the study, which will be elaborated on in Chapter 4. The study followed the research onion framework founded by Saunders, Lewis and Thornhill, (2019) outlining the research philosophy, research approach, research design, data collection and analysis, research time horizon as well as the research techniques and procedures.

According to Saunders *et al.* (2019: 14), the research onion framework has been widely utilised in management research to illustrate various methodological dimension and, therefore, applicable and served as the foundation for the research technique employed in this study.

1.4.1 Research philosophy

According to Saunders *et al*. (2019: 130), a research philosophy is the doctrine that governs how knowledge and data regarding a phenomenon can be obtained, used, and analysed. Saunders, Lewis and Thornhill (2012) further ascertain that research philosophy is a premise of how we view our environment and guides the study to yield effective overall results and it consists of interpretivism, realism and positivism approaches. The study followed a positivism methodology which posits that reality can be viewed objectively and impartially and that the world is perceived objectively in accordance with universal rules and causes (Saunders *et al.,* 2012). This method was also followed as it provides an explanation of causal relationships in data and in the case of this study it is applicable as the relationship between service quality and customer loyalty will be measured (Saunders *et al*., 2019: 144). Lastly, the method was applied owing to its nature of providing unambiguous and precise knowledge, for its scientific approach of collecting statistical data and for its use of larger sample (Saunders *et al*., 2019: 144).

1.4.2 Research approach

A deductive approach was implemented in this study. According to Collis and Hussey (2013), this method aims to develop a theory and hypothesis based on pre-existing evidence. This study is based on the theory that is existing and it seeks to validate it. The approach is also adapted owing to its quantitative nature that follows the positivist philosophy as the study will adopt a quantitative method of data collection using a survey method (Saunders *et al*., 2019). Data were assessed using claims or hypotheses connected to an established theory supported by this methodology (Saunders *et al.,* 2019).

1.4.3 Population and sampling

Data were obtained from a targeted population of retail banking customers between the ages of 18 and 60 years of age throughout the nine South African provinces, who have an active transactional bank account, who receive a monthly income, and who use both digital and traditional channels to interact with the bank. The recruitment and data collection were attained by making use of a data collection agency that has already a widespread database of existing banking customers across all banks. Data were extracted by sending out survey links through the digital platforms preferred by the data collection agency, while adhering to research ethics and the purpose of the study.

The study applied a non-probability sampling method within which a purposive sampling technique was utilised. Respondents were chosen from a sample frame comprising purposefully selected participants founded on the researcher’s judgement. When selecting the respondents for data collection from retail bank account holders within South Africa, this tactic was utilised as it will warrant that the designated respondents are of interest and have the same characteristics, such as holding a transactional account and receiving a monthly income. This demographic knowledge is critical to enable the researcher to acquire the relevant participants from the targeted population that will deliver significant and appropriate results that will merit inclusion. This approach will also be applied as samples are simple to set, the method is convenient, and it is economically viable (Showkat & Parveen, 2017). This technique was ideal for use as the sample in this investigation consisted of participants who possess the characteristics that are significant to the outcome of the study (Bornstein, Jager & Putnick, 2015: 360).

1.4.4 Data collection and measurement

For the present study, data were collected solely from primary sources. Kabir (2016: 204) asserts that owing to its originality, primary data is dependable and consistent. Therefore, this was chosen as the data collection technique for the study. The method of data collection utilised is the survey method, and the instrument to be administered is a questionnaire comprising structured close-ended questions. The questionnaires were distributed by means of electronic platforms via a data collection agency on behalf of the researcher. The online questionnaires consisted of structured questions that are closed-ended, where participants could choose their answers from a given selection. The questions adopted a psychometric Likert scale. The arrangement, phrasing and categorisation of the questions certified a simple comprehension to reduce misunderstanding. Attached to the questionnaire is a cover note that clarifies the purpose of the questionnaire and the significance of the study. The structure of the questionnaire will be discussed in the methodology chapter.

1.4.5 Data analysis

It is important for the clarification to be without prejudice and misinterpretation. Therefore, to avoid this occurrence, two data analysts were deployed to independently conduct the coding process before data entry, and to validate the data to ensure that the surveys were conducted effectively. Data were analysed using both descriptive and inferential methods, using the Statistical Package for Social Science (SPSS), and regression analysis will be applied to define relationships between the independent and dependent variables, namely, to ascertain the association between service quality and customer loyalty (Shyti & Valera, 2018: 90).

To further evaluate this relationship, a Pearson’s correlation coefficient was used where (r) measures the strength of the association between the two variables (Isaac & Chikweru, 2018: 15). This measured the strength of the association between the service quality dimensions and customer loyalty. Furthermore, cross-tabulation analyses through Chi-squared tests caried out to determine patterns, trends and relationships between the variables (Sufahani, Muhammad & Ismail, 2016: 69).

1.5 SIGNIFICANCE OF THE STUDY

The results of this study contain practical and theoretical contributions to both practitioners and researchers.

1.5.1 Theoretical contribution

The purpose of this study is to expand the body of knowledge through the understanding and measuring of service quality dimensions that are detrimental to customer loyalty. The South African financial industry has undergone extraordinary technological changes owing to the emergence of virtual banks, such as Tyme Bank and Discovery bank. The nature of competition has shifted to digital enablement and yet research on virtual service quality is not widespread and holistic. There are limited studies conducted to measure service quality within the South African banking industry that measures service quality using both digital and physical platforms. Therefore, this study aimed to contribute to the body of knowledge through the measurement of service quality dimensions in both virtual banking and physical channels. Ultimately, this study contributes to the academic domain in determining the influence of service quality on customer loyalty in the South African retail banking industry.

1.5.2 Practical implication

The application of the recommendations and findings of this study will further assist service specialist and marketing practitioners in the banking industry to determine between physical channels and digital channel’s service quality, which one aggressively influences customer loyalty so that management can invest and focus on the most attractive channel. The findings will also assist management to identify and understand service quality dimensions (in both physical and virtual channels) from the customer’s perceptive that affects service quality to enable them to remain competitive and be ahead of their rivals through service quality enhancements and customer loyalty retainment. The study will also assist marketing managers to establish whether poor service quality influences customer switching behaviour. The study will further assist managers in understanding the correlation between service quality and customer loyalty and enable them to determine the quality attributes that habitually resonate with customers and impose customer loyalty. This will assist managers to capitalise on the identified attributes and to invest in strategies that will improve service quality to manage attrition and enhance customer loyalty. The findings from this research concerning the service quality dimension may be studied further to contribute to the body of research on service quality.

1.6 DEFINITIONS OF KEY THE TERMS

The following key terms were used throughout the study:

- **Service quality** is the level at which customers' perceived service exceeds their expectations (Al Chalabi & Turan, 2017: 40).
- **Customer loyalty** is the continuous assured relationship between a customer and a business. It channels repetitive purchases and drives current customers to select the same business over its competitors (Bisimwa, Nuwagaba & Musigire, 2019: 101).
- **Channel:**
    - **Digital channel** is a service channel that consists of cell phone banking (through banking application and Unstructured Supplementary Service Data, and chat banking), ATM, call centres, point-of-sale banking in retail shops, and internet banking (Brown & Patel, 2016: 137).
    - **Physical channel** is a service channel that consists of the branch that has physical bank employees where customers can be assisted with banking services (Sha & Mohhamed, 2017: 75).
- **SERVQUAL** is a multifaceted research tool intended to gauge the quality of services by gathering respondents' expectations and opinions (Zeithaml, Parasuraman & Leornad, 1985).
- **E-S-QUAL** is a rating scale created in 2005 especially to measure the calibre of e-services (Mujinga, 2020: 236).
- **Retail banking** is the provision of banking services by a financial institution to the public rather than to businesses wholesale banking (Chitamba, 2018: 23).
- **Industry competition** industry competition involves businesses that offer similar products or service (Gener, 2020).
- **Omnichannel** is the ability for business to provide an integrated and cohesive service quality in whichever service channel they choose to use (Meshkova, 2019).

1.7 CHAPTER SUMMARY

This chapter introduced the study, presented the study's background and that of the South African banking industry. The chapter also outlined the problem statement, identified the gap in the literature and a problem to be solved, and the objectives that form the basis of this study were highlighted. A synopsis of the research methodology to be applied to the study was stipulated. This chapter indicated the significance of the study for businesses and to marketing managers. The definition of the core terms was provided. The chapter concluded with the chapter outlines. The next chapter will provide a comprehensive discussion of the South African banking industry.

1.8 CHAPTER OUTLINE

Chapter one: Introduction

This chapter gave an overview and the introduction to the study, presented and defined the problem statement, outlined the study's objectives, gave a summary of the research methodology adopted by the study and highlighted on the significance of the study and concluded with the definition of terms.

Chapter two: The structure of the South African banking industry

Chapter two is the first part of literature review, and it delivers an extensive theoretical literature on the South African financial and service sectors and their contribution to the economy. The chapter highlighted the South African retail banking industry by discussing its key industry players, and subsequently gave a description of various types of banks. This chapter gave a short description of how South African banks are regulated and the types of banking channels that customers utilise to acquire banking service were defined. The industry's competition and a snippet of the customer sentiment index were discussed.

Chapter three: Service quality and customer loyalty: underlying theories and proposed model

This chapter serves as an extension of the literature review, delving into detailed definitions of the central concepts essential to the study. These concepts include service, quality, service quality, service quality dimensions, and customer loyalty. The chapter also provides a thorough exploration of the theories that underpin the study.

Finally, it formulates hypotheses and constructs a conceptual framework to guide the research.

Chapter four: Research design and methodology

This chapter provides a detailed discussion on the research methodology employed by the study, clarifying on the research philosophy, research approach, research strategy, data collection and on techniques used for data analysis. The chapter alluded to data collection instrument and concluded with ethical consideration.

Chapter five: Data presentation, analysis, and interpretation

Chapter five entails data presentation and analysis of the findings. The findings are shown using tables, graphs, and statistic data.

Chapter six: Recommendations and conclusion

This last chapter presents conclusions and recommendations depicted from the findings. The findings further relate to the objective of the study of determining the effects of service quality to customer loyalty.

CHAPTER 2:
LITERATURE REVIEW:
THE STRUCTURE OF THE SOUTH AFRICAN BANKING INDUSTRY

2.1 INTRODUCTION

The previous chapter introduced the study, gave a general orientation, and provided a broad overview of the study. The literature in this chapter provides a comprehensive overview of the South African banking industry. This chapter commences by providing an introduction, gives an overview of the South African service sector then further discusses the South African banking industry and its contribution to the South African economy, transmission of economic policies, financial intermediation, and financial innovation. The chapter expands on the types of banks followed by a brief discussion on the South African banking landscape, focusing on the main five bank industry players, elaborating on the products they offer and their stance in the market based on their market share and an explanation of how the industry is regulated. The chapter proceeds to explain the type of channels utilised by banks when offering service to their customers. Subsequently, this chapter explains industry competition as well as the impact of Covid-19 within the banking industry. Then the chapter elucidated with a brief discussion about customer sentiments and concluded with a discussion of as well as the future of the South African industry.

2.2 OVERVIEW OF THE SOUTH AFRICAN SERVICE SECTOR

South Africa is a service-based economy owing to more services produced than products. The services sector is accountable for two-thirds of South Africa’s total economic output and is the largest sector of the South African economy, responsible for 61% contribution towards gross domestic product (GDP) growth (The greater good, 2023). According to Jules, Govender and Bridgman (2021: 4), and as stipulated by Figure 2.1, the service sectors that contribute to the GDP the most are: general government services (16.74%); real estate, finance, insurance and business services (22.39%); personal services (5.96%); wholesale and retail trade, catering and accommodation (15.10%); and transport, storage and communication (9.55%),while 30.26% is for other services within the service sector.

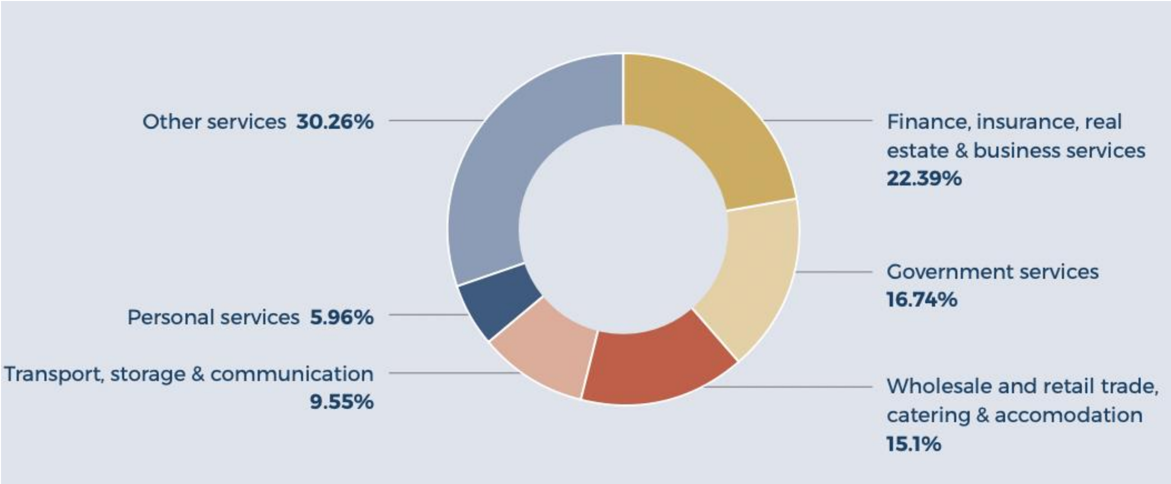

Figure 2.1: Contribution of service sector to the GDP

Source: Jules *et al.* (2021: 6)

South Africa's service economy has also aided in job creation. As stipulated by The World Bank statistics for 2018, the South African services sector employs more than 5.5 million people and accounts for 71.5% of employment (Jules *et al.,* 2021: 6). The service sector comprises transportation, tourism, banking, insurance, and real estate. The service sector has experienced growth resulting from tourism and foreign investments. As the nation's infrastructure develops and the middle class grows, the service sector is anticipated to keep expanding (Brand South Africa, 2018).

2.2.1 The financial service sector

According to the World Bank Group (2022), the South African financial sector is a large, sophisticated and complex sector consisting of banks and non-banks. Non-banks comprise pension funds, insurance companies, collective investment schemes and state-owned financial institutions while banks are dominant.

The financial service sector assets make up three times gross domestic product (GDP) – The ratio exceeds most emerging market economies – banking assets equates to over 100% of GDP (National Treasure, 2019). According to Stats SA (2021), growth in the economy is driven by the financial sector with its contribution of 1.2% points, showing growth by 7.4% from the preceding year (Smith, 2022). By the end of 2021, the financial sector's assets amounted to 380% of GDP and is large compared to most peer countries and contributed 20% to the GDP (The World Bank Group, 2022).

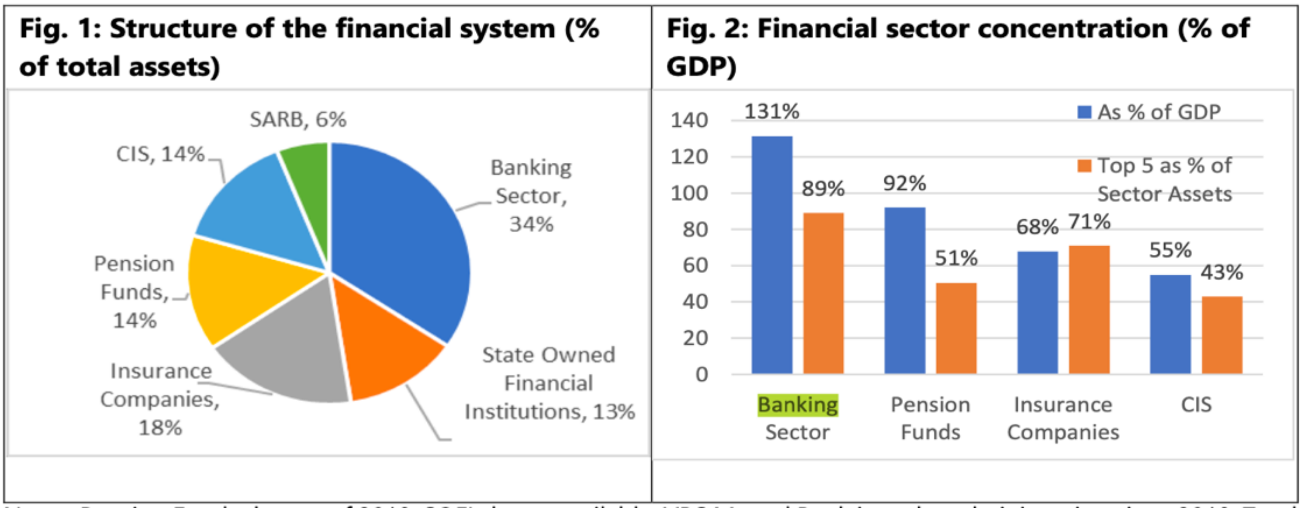

Figure 2.2: Structure and the contribution of the South African financial sector to the economy

Source: The World Bank Group (2022: 11

2.2.2 South African banking industry and its contribution to the economy

It can be deduced from Figure 2.2 that within the South African service sector the banking industry leads (with 34 % worth of asserts) and it oversees the entire financial industry with the GDP contribution of 131%. According to Mushavhanamadi and Mavimbela (2018: 885), macroeconomic management is solely hinged on the performance of the banking industry as the industry is significant in emerging countries like South Africa. Similarly, Morina and Turan (2019: 28) stress that an advanced banking system ought to contribute to the development of the economy arguing that no economy can run efficiently without support from an efficient financial system. The Banking Association of South Africa (2019) states that the banking industry is a net creator of jobs, and as such, it employs 153 846 people, which makes up 3% of personal taxpayers and has invested R4.7-billion in talent management and in staff development. In contribution to economic growth, the banking industry also provided R271-billion in empowerment financing, including R34.5-billion to small black-owned businesses (Bulbulia, 2022). In 2011, the banking industry launched a job creation fund and by 2018, the fund had a portfolio of 127 authorised initiatives totalling to R6.8 billion in fund amount. These projects will create an estimated 229 610 permanent jobs (South African Government, 2018: 11).

For more than half a century, economic growth has been considered a critical goal for the world's governments depicting a critical role in economic development (Haralayya & Aithal, 2021: 293). Economic development theologians assert that the banking industry is valuable for advancing the productive volume of the economy and a vital source of central funding for any country, especially in the early phases of economic advancement (Kumar & Bird, 2020: 7). Furthermore, Freimanis and Šenfelde (2019: 325) argue that the state of a country's economy can be determined by the state of its banking industry and that macroeconomic management depends on the banking industry. Mushavhanamadi and Mavimbela (2018: 885) emphasise that the banking industry is significant in emerging countries like South Africa.

2.2.3 Economic importance of the South African banking system

The banking industry plays critical roles mainly financial intermediation, financial innovation and transmission of economic policy, which will be discussed in the next sections.

2.2.3.1 *Transmission of economic policies*

The transmission of monetary policy is a frame by which changes to the South African Reserve Bank's (SARB) monetary policy settings are translated into inflation and economic activity. The intricacy of this process makes it difficult to determine the timeliness and size of the economic impact (ARB, 2023).Transmission can occur through changes to monetary policy to affect interest rates and through changes to interest rates to affect economic activity and inflation in the economy (ARB, 2023). There is a consensus that the steadiness of the over-all price level is an essential condition for promoting sustainable economic growth. In essence, this is the primary focus of monetary policy (SARB, 2021a). The SARB currently uses the repo rate to influence market prices. The bank's repo rate influences interest rates (SARB, 2021a).

2.2.3.2 *Financial intermediation*

This is a significant function as it facilitates and promotes the economic expansion and advancement of a country. Financial intermediation is a course of consolidation surplus spending units (savers) and deficit spending units (borrowers) in an economy, through integrating surplus and deficit units utilising financing or financial intermediaries (Freimanis & Šenfelde, 2019: 325). Financial intermediation permits the savings of investors to be channelled to borrowers for investment and consumption (Garr & Awadzie, 2021: 98). Through performing the function of indirect financing, financial intermediaries contribute toward conflict resolution among debtors and creditors by constructing two market segments of financial instruments, namely, lenders and borrowers (Tadjeddine, 2018). Therefore, financial intermediation intensifies access to financial and the use of financial resources to grow the economy and create employment and generate income (Boot, Hoffmann, Laeven & Ratnovski, 2020: 6).

Bongomin, Munene and Yourougou (2020: 4) buttress that financial intermediaries always seek to attract surplus or idle funds to channel to households, businesses and governments for investment resolutions. Acha and Udofa (2018: 176) maintain that financial markets are made possible by banks and other financial entities. Levine (2021: 10) stipulates that banking reduces income inequality by redistributing economic resources into productive investments throughout the country. Such circulation generates an opportunity to produce income throughout the economy rather than investing in a single sector (Morina & Turan, 2019: 28). Levine (2021: 10) concludes that the banking industry provides liquidity in the economy and lowers long-term investment risk.

2.2.3.3 *Financial innovation*

As consumers' requirements, behaviours, knowledge, and competitive innovations evolve, the banking industry is in upheaval (Ntimane, 2020: 2). As a result, banks must develop culture of business innovation, learning, customer relationship management and customer research (Marous, 2023). If banks want to perform at their best, they cannot afford to ignore these elements. Market conditions and client tastes shift, competitors' actions are also evolving. As a result, banks must adapt their tactics to survive in this innovation frenzy (Ashiru, Balogun & Paseda, 2023: 1). Therefore, the banking industry has worked hard to make its systems more efficient and productive (Marous, 2023).

2.3 TYPES OF BANKS IN SOUTH AFRICA

The South African banking industry has a variety of banks, serving diverse customer segments with different product offering based on their needs. The types of banks in the South African banking industry are discussed next.

2.3.1 Central bank

A central bank is focused on regulating the banking industry (Santander, 2023). It is mainly responsible for maintaining a country's economic stability in line with the monetary policy of the country and act independently from all banks. In South Africa this mandate is done by the SARB (SARB, 2022b).

2.3.2 Private banks

Private banking is a unique area of banking that serves the wealthy, high-net-worth individuals by offering banking, investment and other services (The business professor, 2022). Private banking customers receive customised attention from the bank employees who are dedicated to them as individuals through a personal banker. Customers can quickly and easily access their funds without having to wait in line or interact with other bank staff (Underwood, 2022). Private banking customers are typically affluent, well informed, sophisticated and have expressed the need for advisory services (Vilakazi, Muofhe & Dhliwayo, 2019: 4).

2.3.3 Corporate banks

A corporate bank refers to financial institute that offers services to its large to mid-size wholesale clients with customised solutions (Peterdy, 2022: 1). Although a significant percentage of wholesale customers are large corporations, they may also include other institutions like pension funds, governments and other (semi-) public entities (Burnett, 2022). Services offered by corporate divisions of banks include over all commercial banking activities like corporate lending, acquisition financing and asset sale services specifically designed for large clients such as multinational companies (Corporate Finance publication, 2022). Cooperatives banks are often owned by customers rather than shareholders resulting in them prioritising to maximise customer value over profits (Kotalahti, 2022: 1).

2.3.4 Investment banks

Investment banks refer to banks whose primary function is to underwrite mergers and acquisitions and stock trading (CEOReview, 2018: 2). They serve as financial brokers and as an essential conduit between users and suppliers of capital by bringing together those who need to raise capital and allocating capital and regulating price in these financial transactions (Investment Banking & Brokerage, 2022: 174). They also provide for financial guidance, stock trading and asset management (Moyo, 2018:12). In the next section, retail banks will be discussed.

2.3.5 Co-operative banks

Co-operative banking is a type of banking that is founded through shares, deposits and loans. Co-operative banks are owned and governed by its associates who have the same interest (Shilpa & Hebbar, 2022:1189).The fundamental objective of cooperative banking offering is to provide its members with credit, savings accounts, checking accounts, loans, mortgages, insurance, and investment services. To assist members of the cooperative with their financial requirements, cooperative banks also provide a range of services, including cash management courses and financial literacy (Business banking plus, 2023).

2.3.6 Mutual banks

Mutual banks are owned by customers who are the depositors. Contrary to the traditional banks, profits are utilised to benefit customers instead of paying shareholders (Sawutana, 2021). Mutual banks are community-oriented and provide the same services and products as typical banks, including transaction accounts, savings accounts, mortgage loans, and credit cards (Seeto, 2021).

2.3.7 Retail banking

Retail banking is provision of services by a financial institution to the general people as opposed to companies, groups, or other banks, which is typically referred to as wholesale banking (Chitamba, 2018: 23). These services comprise transactional accounts knowns as cheque and savings accounts, credit and debit cards, mortgages, car finance and numerous types of secure and unsecured loans as well as investment services pertaining to retirement and educational planning (Anandalakshmy, Aathreya, Keerthana, Nandhini & Dhanyasree, 2019: 1692). Retail banking covers services rendered to customers by commercial banks (Ambedkar, 2018: 11). Vaidya (2023) points out that retail banking may also refer to a distinctive division of the bank that handle individual customers. Retail banking is also defined by a wide range of products, distribution channels and customer categories (Henricks, 2022). Financial products such as deposits, insurance and investments are examples of numerous products. Customer service centres, the internet and other distribution channels are examples of various delivery channels used by the retail banks (Henricks, 2022). Individual customers are examples of client category (Aluregowda, Mahadevaswamy & Ranjansathya, 2020: 137).

The study focused on retail banking as it is a most common type of banking that caters for various customers from low to high earning customers and it utilises multiple service delivery channels (Anandalakshmy *et al*., 2019: 1693.). According to Research and Markets (2021), it is the most competitive form of banking in South Africa and retail banking has the largest numbers of customers. From the 100% of declared banking customer, retail customers make up 70% (Business Tech, 2020; Moyo, 2023).

2.4 THE SOUTH AFRICAN RETAIL BANKING LANDSCAPE

The South African banking industry is the largest in Africa and it comprises 31 banking entities and 13 foreign banks with agreed representative offices in South Africa, with 18 local banks. It has assets aggregating to R5.74 trillion and an annual increase of 11.1% in assets as of May 2021 (Mensah, Tribhowan, Barsdorf & Young, 2021: 7). Furthermore, the South African retail banking industry is penetrated by the following top five traditional industry players that hold 90% in assets, as of March 2021: Standard Bank, Nedbank, Capitec, FNB, and ABSA (Businesstech, 2021a). Standard Bank was the industry leader holding the largest market share and optimal income base in 2021. (Businesstech, 2021b) as depicted by Figure 2.4.

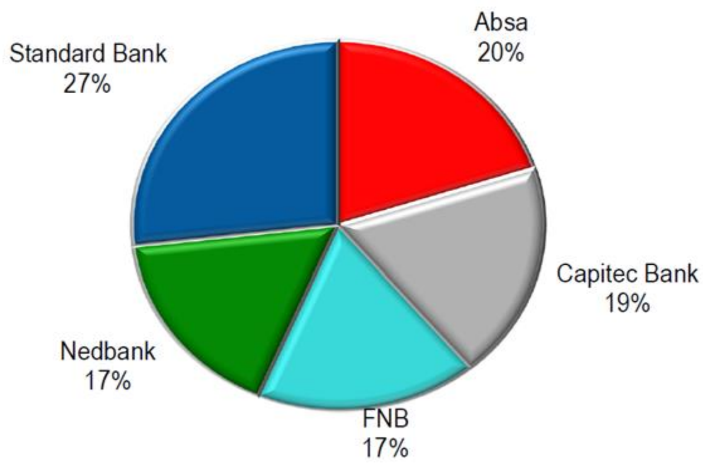

Figure 2.3: Five major Industry players with the percentage of their market share

Source: BusinessTech, 2021b

Standard Bank maintained the first position until 2022, thereafter in 2023 Capitec became a leader with 20.1 million customers, and Standard Bank in second place with 10 million customers (Businesstech,2023d) However, the South African industry experienced a game-changer in the market through the announcement and launching of three digital banks as customers move to digital and cashless channels. The new rivals in the retail digital arena are Discovery Bank, TymeBank and Bank Zero (McKane, 2020).

The major industry players are discussed next.

2.4.1 Absa Bank Limited

ABSA Group Limited is one of the leading financial services corporations in South Africa serving retail, commercial and corporate clients. ABSA is registered with JSE Limited operating principally in South Africa (Forbes, 2021). ABSA services its customers using various platforms including a blend of physical and digital channels, donating a complete range of products and services, for low-income retail customers to customised solutions for the business and corporate markets (ABSA, 2022a). ABSA's customer business model is segmented and focused on four main areas, namely, commercial, investment and corporate banking as well as Bancassurance which offers fiduciary services, life and short-term insurance and investment products to all segments in South Africa (ABSA, 2022b). ABSA’s operational footprint runs across Africa with a network of 991 branches, 9 734 ATMs, 124 432 point-of-sale partnerships, and a labour force of 36 737 employees (ABSA, 2021a).

2.4.2 Standard bank

Standard Bank is a pan-African bank, which originated in South Africa, Port Elizabeth in 1862 and it received its JSE listing in 1970. The bank presently has global presence and operates in 17 African countries and 21 global countries (Standard Bank, 2022 a). Standard bank is one of the big five, full-service financial providers in South Africa, with a market value of R 277 billion in 2020. It is the market front-runner in the African financial industry in terms of assets (Standard Bank, 2022a). Standard Bank has presence in sub-Saharan Africa with 1114 branches, has over 6774 ATMs, hires over 47,000 employees, and services commercial and personal customers. The company is 48% controlled by South Africans and 52% by international investors, with 14% held in the United States, 20% in China, and 2% in Singapore (Standard bank, 2022b). According to the most recent Brand Finance study that was printed in The Banker magazine, the bank has consistently been regarded as Africa unrivalled banking and financial brand following a 26% growth in brand value to US$1.583 billion (Brand finance, 2022).

2.4.3 Nedbank

Nedbank's antiquity dates to the early eighteenth century (Nedbank, 2022a). In the 1980s, succeeding to a series of brand and structural modifications the Nedbank Group was founded from The Netherlands Bank of South Africa (NBSA) to the formation of the Nedcor Group through a merger of various groups in the 1980s, acquired its JSE Limited listing in 1986 following the formation of the Nedbank Group in 2003 (Nedbank, 2022b). Today, the group has reputable strategic associations across the globe. Nedbank is South Africa’s fourth largest bank.

Currently the group holds total assets of R1,2 trillion assets under management amount to R400 billion, and headline earnings above R5 251 million (Nedbank, 2022d). Nedbank is in possession of ATMs: 4 436 (including Africa Regions), with a labour force of 27 580 employees and a client base of 7,8 million customers and has 2,3 million customers that are digitally active clients (Nedbank, 2022d). The group is among the transformed banks and takes a lead in social responsibility.

2.4.4 First National Bank

The First National Bank of South Africa (FNB) is the country's oldest and chief bank. Its roots can be traced back to 1838. In 1998, it received its JSE listing and became a subsidiary of the First Rand Group (FNB, 2021a). The commercial and consumer banking processes of FirstRand are embodied to FNB operating model. FNB customer base is 8.82 million in retail, commercial, and corporate (Businesstech, 2022c). FNB also offers its customers various banking platforms such as digital and mobile banking (FNB, 2021b).

In multiple surveys, FNB has been named the best bank in South Africa, and the group declares that its popularity stems from affordable bank fees, innovative financial services and a generous rewards programme (IOL, 2021). FNB remains the lowest bank in terms of bank charges, which is a significant factor in the competitive environment, and where consumers are under financial pressure. FNB still continues to progress, as it onboards about 30 000 customers a month (IOL, 2021).

2.4.5 Capitec

Capitec is an outcome of the acquisition of micro-lending businesses Smartfin and Finaid by the founding entity, PSG which is a self-governing financial services group in 1997 (Makhaya & Nhundu, 2021).By the year 2002 Capitec was listed with JSE Limited and increased its footprint and branch presence through the acquisition of the micro lending businesses and altering them into service branches (Buthelezi, 2021). By 2020, Capitec acquired 4.2 million and continues to attract 160 000 clients per month, growing its clientele to 15.8 million customers. Capitec has 794 branches and has a workforce of 13 500 employees (Saba, 2021). In 2019, Capitec was declared the most affordable bank in South Africa (Hesse, 2019).

Table 2.1 displays a summary of products offered by the top five banks within the South African industry. These banks offer similar products except for Capitec that only offers common transactional accounts and unsecured lending products.

Table 2.1: Summary of South African retail banks and their offerings

Brand	Bank	Products	Source
	ABSA	Transactional banking: Overdraft, credit card, transaction banking, secured and unsecured lending solutions, deposit services, point of sales solutions, and risk management and investment products, insurance, risk, investment, wealth, Islamic banking	(ABSA, 2021a).
	Bank	Transactional banking: Overdraft, credit card, transaction banking, secured and unsecured lending solutions, deposit services, point of sales solutions, and risk management and investment products, insurance, risk, investment, wealth, Islamic banking	Businesstech, 2021b)
	Nedbank	Transactional banking: Overdraft, credit card, transaction banking, secured and unsecured lending solutions, deposit services, point of sales solutions, and risk management and investment products, insurance, risk, investment, wealth, Islamic banking	(Standard Bank, 2022a).
	FNB	Transactional banking: Overdraft, credit card, transaction banking, secured and unsecured lending solutions, deposit services, point of sales solutions, and risk management and investment products, insurance, risk, investment, wealth, Islamic banking	(FNB, 2021b).
	Capitec	Transactional banking and unsecured lending	(Hesse, 2019).

Source: Researcher's own construction

2.5 REGULATION OF THE SOUTH AFRICAN BANKING INDUSTRY

South Africa has a reputable banking system that is efficiently governed and regulated by the principles of the Basel Committee on banking supervision, through the SARB (SARB, 2022b). The SARB is the hub of the South African banking system, and it acts as the chief guardian of monetary authority (Mboweni, 2019). Under the regulatory mandate of the SARB, the South African banking industry's performance is satisfactory, and it has been ranked number 11 out of 138 well-established states, based on the financial development in the Global Competitive Report (Moyo, 2018: 3). The South African banking industry was further ranked the second best in relation to reliability and was given the 27th position regarding the affordability of financial services out of the 138 countries (Moyo, 2018: 3). Businesses (2019b) affirm that the South African banking industry is firmly lucrative with a profitability ratio of 15.7%.

Within the confines of the South African banking industry, retail banks are the chief players (Coetzee, 2018: 2).

2.6 TYPES OF SERVICE CHANNELS IN THE SOUTH AFRICAN RETAIL BANKING INDUSTRY

A service channel, also known as a distribution channel, is defined as a medium by which a financial institution provides services to its customers (Murowaniecki, 2015: 106). Menrad (2021: 7) describes a service channel as a platform adapted by the consumer to interact with the bank. Banking channels are classified into two categories, namely, digital channels (virtual or online channels) and physical channels (brick-and mortar or traditional channels) (Gadal, 2022: 1).The physical channel is a location-based platform that consists of the branch that has physical bank employees, and a digital channel is embodies digital technologies, internet banking and the use of electronical devices (Temelkov, 2020: 11).

2.6.1 Digital channels

South Africa's retail banking service channels have undergone a major transformation from the traditional walk-in branches to the current digital channels (Nzama, 2020: 2). Lappetito (2019) asserts that banks are early technological adopters, and consequently, they are relentless in their quest for innovative and technological service platforms. Goga (2020: 7) concurs that South African banks are innovative and are using technology to provide new digital channels to customers. According to the Future of Retail Banking in South Africa report, released in August 2022 by Boston Consulting Group (BCG) in partnership with Discovery Bank, 86% of South Africans across all income segments prefer banking using digital channels and 50% of customers above the age of 60 are confident using only digital channels (Mugadze, 2022).

Bishwas and Ashrafy (2022: 29) define digital channel as an electronic channel that offers products and services through electronic signals and telecommunication networks without the assistance of human and without the use of paper documents, through which customers can transact hassle-free and quick, whenever and wherever they might be. Trust radius (2022) describes digital channel as a platform that relies on process automation and web-based capability to provide service and in some cases, it can allow for cross-institutional functionality and offers customers the ability to access financial data through desktop, mobile and ATM services.

Banu, Mohamed and Parayitam (2019: 1) remarked that the primary goal of a digital channel is to provide customers simplicity by meeting their needs for accessing digital account details, statement information, digital bill payment, money transfers, opening new accounts, bill payments, credit application and the secondary goal is to lower operating costs.

Since its inception, digital channels have become popular owing their benefits to banking organisations in terms of convenience and comfort while handling customer transactions, broadening their market share and providing service quality (Jayachandra, 2022: 3). Bishwas and Ashrafy, (2022: 29) affirm that the launch of digital channels has reduced the scope of human errors, lessens paperwork, reduces fixed costs, improve service quality and create customer loyalty. The introduction of digital channels has remodelled the financial landscape that allows for banking anywhere and anytime (Theko, 2022: 23).

This technological dimension awards customers access to banking services through various channels. Contrary to physical channels, digital channels provide more features and functionalities at a lower cost (Jayachandra: 2022: 3). Yazbek (2020: 8) posits that customers demand seamless means to transact and access their accounts outside banking hours, including on weekends and public holidays and within better proximity. Zeleke and Chauhan (2022: 3228) concur that the modern consumer demands services that are effective, quick and convenient.

A digital channel is responsible for delivering banking service to customers through a variety of platform of electronic intelligent devices (Theko, 2022: 23). These platforms provide customers with convenience, safety, round the clock service accessibility, reduced banking cost and lowered geographical barriers (Baten & Kamil, 2010). These platforms include mobile phone banking, and PC (personal computer) banking (or offline banking) and internet banking or (online banking), TV-based banking, whereby customers access these services using an intelligent electronic device, like PC, automated teller machine (ATM), personal digital assistant (PDA) kiosk, or touch tone telephone (Zeleke & Chauhan, 2022: 3231).

The following are the most popular forms of digital channels:

- **ATM: Automated Teller Machines:** These are machines that allow customers to withdraw cash, transfer cash, pay bills, purchase airtime and electricity, view balance and print statements without going to the bank (Gadal, 2022: 25). ATMs can be accessed every day and uninterruptedly through a computer terminal, database system and cash vault in one unit, allowing customers to enter a banking system with a plastic card containing a PIN (Zeleke & Chauhan, 2022: 3232).
- **Internet banking:** Through this channel, customers can manage their financial transactions on a safeguarded website employed by the institution (Nzama, 2020: 8)**.** Customers are also able ask questions about interest, and foreign exchange rates, account balances, and also execute various transactions through the use of data (Shrestha, 2019: 11).
- **POS: Point of sale:** POS or check out is a software that records sales transactions and manages the selling process by a salesperson similarly to an electronic cash register and used by banking customers to send and receive cash (Santosa & Wirawan, 2019: 69).
- **Mobile banking channel:** This is term used when referring to a channel where customers can make payments, apply credit, check balances, and make other banking transactions using a mobile device such a phone, laptop or tablet (Ahmadi & Narci, 2022: 8).
- **KIOS**: These are small booths with internet connections with personnel to help the customers with opening of accounts, deposit and withdrawal of cash and money transfer to other branches of the bank (Adithyan, 2023). Mbama (2018: 16) concludes that the use of digital channel is affiliated with exceptional service quality that makes it appealing to customers. The next section will discuss the physical channel and provide a summary of the differences between physical channel and digital channel in the banking industry.

2.6.2 Physical channel

In this era of digital transformation some customers still prefer transacting using the physical channel as it allows them to walk into a local branch and speak to a real person. This is considered to be a safe channel, as it offers real time personal service, and it makes cash withdrawals and deposits seamless, and a number of products can be accessed through this channel compared to digital channel (DBI, 2023). However, Nohumba, Nyambuya and Nyambuya (2020: 65) assert that although digital channels bring convenience, it is still necessary to develop and maintain close bonds with customers through physical channels as it is one of the most crucial differentiators for luring in and keeping customers in the banking industry through emotional connection built on trust.

Physical channel means users go to the bank for the primary banking requirement such as withdrawal or deposit of cash, funds transfer, verifying statement of accounts and physical channels' character trait is their physical location and in person interaction with the banks employees while transacting (Gandhi & Gupta, 2022: 4996). Furthermore, physical channels consist of physical presence in the form of regional headquarters in each country or region where the banks are active, physical employees, face-to-face or one-on-one customer service and a dedicated account consultant (DBI, 2023). The usage of this channel allows for a customer to open a transactional and savings account, do deposits and transfers, withdraw and access lending services at a face-to-face till (Mohammad & Bello, 2022: 34). Through this channel, customers can also receive financial advice and assistance with their complaint and queries (Bathra, & Porwal, 2018: 385). However, Meshkova (2019) commented that the use of a physical channel is expensive for the bank as it requires human resources, building and equipment (wide spread of branches).

According to De Villiers (2020: 27), within the South African retail industry, physical channels are not competitive in the crucial areas of pricing, operational efficiency and client value management. The causes range from high fixed expenses brought on by aging infrastructure and expensive staff costs to physical's channel inability to effectively use big data to outperform rivals and these operational costs are then transferred to customers in a form of banking fees (De Villiers, 2020: 27). Meshkova (2019: 47) further posits that increment of banking fees may has a negative effect on customer loyalty as customers will seek better options by using physical channels putting banks under pressure to respond with more convenient, reliable and proficient digital channels.

The use of physical channels has negatively impacted on customers as it requires travel to access physical channels and has high banking fees (Price Waterhouse Coopers, 2019). Within the confines of this channel, banking is limited to business hours and service is carried out during a specific time (Bathra, & Porwal, 2018: 385).

Physical channels lack consistency in customer experience, as service quality is dependent on the qualification and experience of banking employees and the channel does not cater protection from danger (Gandhi & Gupta, 2022: 4297).

Despite the physical channel restrictions and inconvenience, a third (31%) of South Africa's retail bank customers above the age of 35 still prefer human interaction, particularly when handling intricate account issues or finishing high-value service transaction. In contrast, 51% of South Africans say their top reason for visiting a bank branch is that they prefer human interaction and 40% of customers posited that it will still be relevant and necessary to use physical channels in the next five years (Mugadze, 2022).

Table 2.2: Summary of the difference between physical channel and digital channel in the banking industry

Distinguishing features	Traditional model	Digital model
Customer service time frame	Limited. Service is carried out only at a clearly defined time	Unlimited. Possibility of round-the-clock access
The speed of customer service	Depends on the qualification and experience of the Bank employee	Immediate
Approach to service	Flexible, however, is limited to a small variety of service channels	Flexible and carried out through any convenient channel for the client
Maintenance cost	High, taking into account the Bank's costs for the personnel and maintenance of departments	Low, often services are provided free of charge
Scope of service	Limited branching of the branch network and staffing	Unlimited, can go beyond the geographical location of the banking institution
Status of the operator in the service process	Functions of the operator is performed by an employee of the Bank	Functions of the operator are performed by the Bank's client
The procedure for learning new services and promotions	Requires time and cost	Carried out quickly, via SMS and e-mail newsletter

Source: Galazova & Magomaeva, 2019: 45.

2.7 COMPETITION IN THE SOUTH AFRICAN RETAIL BANKING INDUSTRY

The competition within the banking industry endorses financial inclusion by providing access to financial services at lower costs to all market segments, particularly to the poor (Chinod & Mashamba (2021: 2). Furthermore, Ntimane (2020: 2) affirms that industry competition advances the player’s competency and innovation of players result in favourable economic welfare. In the same vein, Asnawi, Sukoco and Fanani (2019) posit that competition will drive small businesses to acquire capital to exercise their entrepreneurship. Globally, competition within the banking industry has significantly increased, and this makes it challenging for banks to provide customers with bespoke banking services (Haripersad & Sookdeo, 2018). Equivalently the South African banking industry experienced unexpected changes in the last few years, mainly owing to the emergence of digital banks, and the ability to contrast institutions, whose core business is not banking, to manoeuvre their way into the banking industry (Mahlaka, 2019). The entrance of these new digital banks, namely, Tyme Bank, Discovery and Bank Zero, have disrupted the financial industry as well as FinTech technology, putting the big five's supremacy in jeopardy, and stirring up competition and endorsing financial inclusion attributable to the use of technology and low-cost structure (Cardoza, 2022). These new entrants also contributed to the industry’s customer switching behaviour. The findings of the study by Tarrant (2018) determined that 13% of average bank customers intend to switch from their primary bank owing to poor service quality and industry competition.

Naidoo argues that these entrances increased and immensely intensified the competition, changed the status quo and driving growth levels of innovation in the South African banking industry (Cranston, 2019). Calvey and Romagny (2019) assert that the new banks are expected to be leaders in a banking industry that has remained unchanged for decades. However, Calvey and Romagny (2019) project that the big five banks will remain profitable based on their return on equity, the main metric for measuring business capability to generate profits from its investments, has continued to be steady at about 16% over the past five years. Makhaya and Nhundu (2021) emphasise that banks can endure a level of competition from new entrants.

Goldberg (2019) maintains that the competition has extended to the best value proposition offerings from the emerging virtual banking channels, such as internet banking and mobile banking apps that enable banking from the palm of a hand (Goldberg, 2019). Leninkumar (2018) comments that while the banking industry must cope with technological disruptions and the intensifying competition from new entrants (Discovery Bank and Bank Zero) and their advanced mobile banking applications, customer expectations of good service quality have also escalated.

Figure 2.4: South African new entrance digital banks

Source: Illidge, January 2022

2.7.1 Tyme Bank

Tyme Bank was granted its operative licence by the South African Reserve bank in 1999 but was only launched in 2019. Subsequent to its launch, Tyme Bank reached the three million customer landmark in 24 months signing up 5 000 customers a day (Tyme, 2022a). Gadget (2021) indicates that Tyme Bank is increasingly growing from R800 000 in February 2020 to R2 billion in February 2021 in its gross profit. Tyme Bank prides itself with having zero banking fees and majority of its transaction cost 30% to 50% lesser than competitors (Gadget,2021).

2.7.2 Bank Zero

Bank Zero was awarded a mutual bank operating licence in 2018 and in September 2021, the bank was launched. Its founder is Michael Jordaan. Bank Zero is a mutual bank meaning that it functions without capital stock and is owned by its members who pledge to a common trust (BusinessTech, 2021d, 2019). It is 45% black-owned and 20% women-owned (BusinessTech, 2021d, 2019). Bank Zero currently employs 35 people and commented that it will employ more as they increase its customer base (Buthelezi, 2021b).

2.7.3 Discovery Bank

Discovery Bank is a digital bank that was launched in 2019 July with a customer base of 78 000 and currently has managed to attract 1.2 billion customer deposits with an income turnover of R11 billion (Simango, 2022). With a banking app that serves the whole retail market and provides full-service banking, Discovery Bank has firmly established itself as the top digital bank in South Africa. This has resulted in extremely high levels of customer engagement, utilisation, and value. The one million accounts held by more than 450 000 customers and the R4.5 billion in credit advances made as of today show this worth (Business Tech, 2022a).

Amidst the industry competition, Deputy Governor of the South African Reserve Bank, Kuben Naidoo projects that in the proceeding decade, South Africa's big five retail banks – Capitec,Nedbank,FNB Standard Bank, and ABSA – will still dominate the banking industry (Mahlaka, 2019).

2.8 IMPACT OF COVID-19 ON THE SOUTH AFRICAN BANKING INDUSTRY

The invasion of COVID-19 caused a stir and disruption within the banking industry affecting business operating models, customer interactions and revenue streams.

In the Financial Stability Review for May 2020, SARB warned that the South African banking industries' earnings would likely be harmed owing to the pandemic. A later version of the same report noted profit decrease in the banking industry that was last reported eight years ago (Smit, 2021). Acker (2020) remarks that both consumers and banks underwent a loss of income, some borrowers were not able to pay their debts consequential to accounts falling into arrears causing bank a decline in earnings owing to the pandemic.

In 2021, Melamedov (2021) also notes that the South African banking industry was negatively affected by the pandemic. The gross profit of domestic banks decreased by 48.4% compared to 2019, while return on equity decreased from 17.8% in 2019 to 8.3% in 2020 (Slater, 2020). Slater (2020) also notes that in 2020 the industry also sustained credit losses. Despite massive profit declines in 2020 that spurred early concerns that it would not be able to sustain the Covid-19 economic shock, Melamedov (2021) notes that the country's financial sector is resilient. In 2021, the industry experienced improvement driven by higher income earnings that increased by 11% (Ernrst & Young, 2021b).

According to Rootman (2022: 55), the existence and the dynamic nature of Covid-19 has altered how businesses function, influenced the relationship between banks and their customers and subsequently affected customer loyalty. Lockdown restrictions altered how customers interact with their banks (Baicu, Gârdan, Gârdan, & Epuran, 2020: 534). A trend that emerged in the banking industry owing to the pandemic is a paradigm shift from using physical channels by customers into using digital channels for their banking transactions owing to safety and social distancing (Whitehouse, 2020). Moreover, Sharma, Sharma, and Sharma (2020: 6056) posit that although banks already had a variety of digital banking channels in place “pre-Covid”, lockdown restrictions increased the need for digital banking. Baicu *et al*. (2020: 535) remark that the pandemic has driven the banking industry into a higher usage of digital channels. Mckinsey and company (2021) reports that customers are now content and feel secure in using digital platforms. On 11 November 2020, 45% of South Africans said they would visit physical bank branches less often, while 42% said they would increase digital and mobile interactions with their bank. Thompson (2021) concurs by affirming that the pandemic encouraged digital adoption that existed that had no pressing motive to be utilised.

2.9 CUSTOMERS' SENTIMENTS ABOUT THE SOUTH AFRICAN BANKING INDUSTRY

According to Grljević and Bošnjak (2018), customer sentiment is an index that measures how consumers feel about a certain product or service provider. Labuschagne (2022) asserts that regardless of challenges faced by the South African banks and their consumers during 2020 and 2021, the banking industry’s net sentiment increased dramatically during the previous year, rising from -7.5% in 2021 to 9.4% in 2022 indicating significant advancements.

Figure 2.5 is a representation of the South African banking industry customer sentiments, illustrating the level of customer satisfaction about their current banks, led by FNB with the highest positive sentiments of 37% and Capitec taking the last place with a negative sentiment of -15.4%.

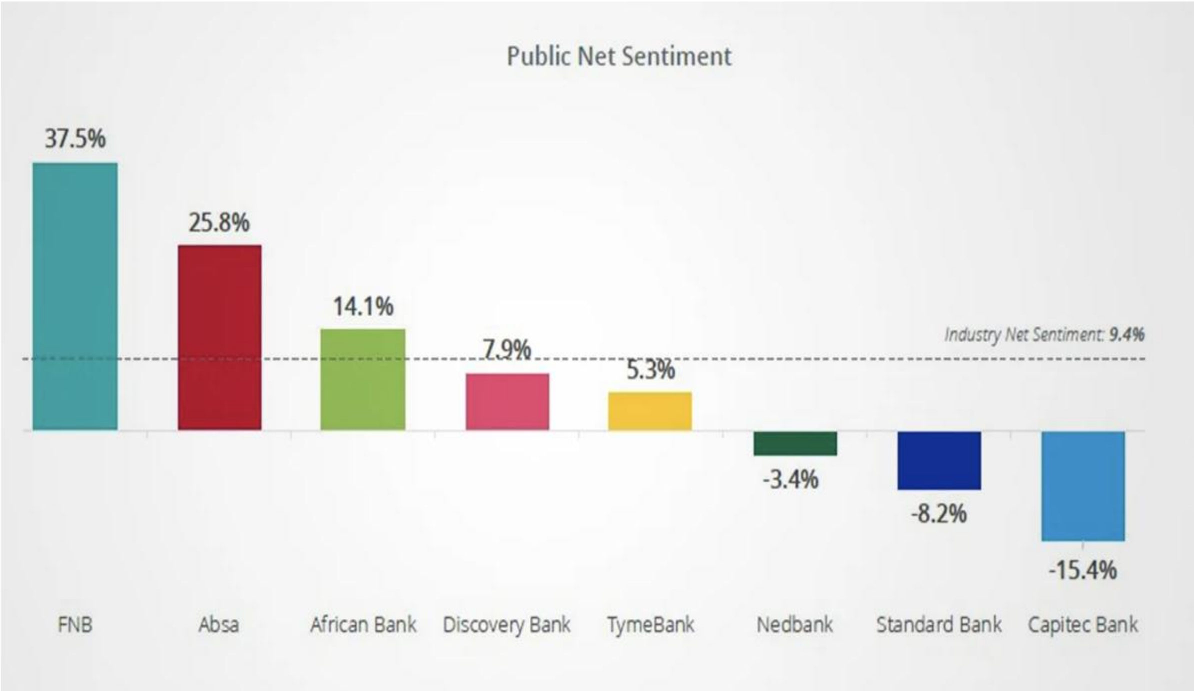

Figure 2.5: The South African Bank net sentiment index per bank

Source: Labuschagne, 2022

The net sentiment index suggests that South African banking customers are largely satisfied with the service they obtain from their banks, with most respondents grading their individual banks an 8 out of 10 according to the index (DataEQ, 2020).

2.10 THE FUTURE OF SOUTH AFRICAN RETAIL BANKING

Mothibi and Rahulani (2021) remark that the future of South African banking will shift customers into banking mainly through digital channels and this shift was first identified during the pandemic, when lock down restrictions were in place. During this period, it was noted that most customers did their banking using digital platforms. Mungadze (2022) asserts that the South African retail banking industry is presently experiencing a paradigm shift of digital adoption and use by customers.

According to the study conducted by Kallner and Creemers (2022), South African banking customers are prepared for a digital shift and anticipate that more banks function virtually in the next years. A greater number of South African retail banking customers (60%) agree that in five years there will not be a need for banks to have physical branches (Business Tech, 2022b). In response to what the customers preferred banking platform, customer responses depicted that majority of customers preferred banking apps followed by internet banking. The insights provided by the study indicated that banking customers are already transacting and prefer digital channels and are ready for the shift. On the contrary, not all banks are fully equipped for the digital transformation.

According to Kallner and Creemers (2022), Preference for mobile banking through an app is anticipated to rise as smartphone technology advances and adoption increases. Therefore, the industry players and disruptors will need to aggressively customise their apps offerings to meet customers' needs. My broadband (2022) accentuates that South Africa is growing the regulatory environment; it needs to encourage further digital banking. Following that, honours is on the banking industry players to consider how increased digital capabilities will alter what it means to be a retail bank (Mybroadband, 2022). Kellner and Creemers (2022) conclude that with the digital revolution, there will not be a one-size-fits-all strategy to retail banking. Players should think about which of the various possible business model best fits them if they want to succeed in the future.

2.11 CHAPTER SUMMARY

This chapter gave an overview of the South African financial and service sectors and their contribution to the economy. The chapter discussed the South African retail banking landscape by discussing its key industry players ABSA, Standard Bank, Nedbank, FNB and Capitec, a summary of their product offering and subsequently gave a description of various type of banks. This chapter gave a short description of how South African banks are regulated and the types of banking channels that customers utilise to acquire banking service were defined. The industry's competition through the entrance of digital banks that toughened the competition and created innovation and advanced the player's competency were discussed. The impact of Covid-19 within the banking industry was discussed. The chapter further gave a snippet of the customer sentiment index explaining how South Africans feel about their bank's quality services. This chapter concluded by discussing the future of South African retail banking.

The next chapter will serve as the second section of the literature review that will discuss the service quality and customer loyalty concepts, the importance of service quality and customer loyalty as well as service quality theories. The chapter will conclude with the conceptual model, together with the proposed hypotheses to determine the influence of digital service quality and physical service quality on customer loyalty.

CHAPTER 3:
SERVICE QUALITY AND CUSTOMER LOYALTY: UNDERLYING THEORIES AND PROPOSED MODEL

3.1 INTRODUCTION

Chapter 2 was the first part of the literature review and introduced the South African banking industry as an important contributor to the South African economy and described the role of banks. This chapter is a continuation of the literature review and mainly focuses on service quality and customer loyalty, and the importance of these constructs in the South African banking industry. This chapter commences with a background of characteristics of service as well as service quality, and the importance thereof, specifically in the retail banking industry. Thereafter, in-depth literature on customer loyalty, types of customer loyalty and the significance of customer loyalty in the retail banking industry is discussed. Thereafter a discussion of customer loyalty, different theories and measurement tools of service quality is expressed, with a specific focus on the application of SERQUAL. An overview of the evolution of theories, constructions, and measurements related to digital service quality concludes this chapter.

3.2 SERVICE

The notion of service has been discussed from various perspectives (Al-Qatawneh, 2019: 6). According to Koti (2018: 9), service incorporates the sum of economic activities that yield outputs that are not physical in nature, but rather outputs that are consumed at the time of production. Koti (2018: 9) maintains that these outputs provide diverse added value. Schonsleben (2019: 29) posits that service is becoming an increasingly significant subject and frequently a key element in the competitive advantage discussions.

Ikenna, Uche and Agu (2019: 108) define service as a recognisable, intangible action that serves as the primary focus of a transaction intended to satisfy customers' needs. Rao and Patro (2021: 20) affirm that service occurs when there is an interaction between customers and service providers through systems to deliver the service. According to Abu Bakir (2022: 4), service is defined as any activity one party offers to another that is intangible and does not result into transfer of ownership. Chi Do (2022: 13) further ascertains that a service can neither be shipped nor stored. Barnard (2019: 17) stipulates that services encompass all economic activities whose output is not physical goods, are typically consumed at the time of production and they add value in intangible ways (such as convenience, comfort, or luxury). Barnard (2019: 17) subsequently asserts that intangibility is a unique feature of service that differentiates it from physical to goods.

According Virima, Sandada, Ndoro and Chuchu (2019: 100), there are different definitions of what constitutes a service, and these meanings vary according to the context in which the term is being used. Abu Bakir (2022: 5) elucidates that services has unique characteristics which differentiate them from physical goods, namely, intangibility, inseparability, variability, and perishability. This study will adopt Rao and Patro's definition of service stating that service is an interaction between customers and service providers through systems to deliver the service.

3.3 SERVICE QUALITY

Service quality is one of the crucial fields of studies to comprehend customers' service assessment. Scholars have confirmed the importance of identifying and evaluating the concepts of service quality, provided its theoretical and practical application is well defined (Qasem& Alhakimi, 2019: 142).

Rahayu, Bangsawan, Mahrinasari and Ahadiat (2021: 441) define service quality as the overall rating given by the customers for a service. Leigh (2020: 19) views service quality to be an evaluation of how well a service meets customers' expectations. According to Naude (2020: 9), service quality is the outcome of a comparison between the service a customer expects to receive, and the actual service received. Bisimwa *et al. (*2019: 100) posit that customers understand service quality to be the discrepancy between their beliefs and assumptions of service rendered. Furthermore, Al-Wishah, Al-Weshah, Abu-Hamour and Alzubi (2022: 461), Kant, Jaiswal and Mishra (2019: 1249). Waful (2019: 3), Tetteh and Boachie (2020: 1307) define service quality as the extent of the variation between the customer's perceived service and service expectation, and it is an idiosyncratic perceived experience of how the service should meet and exceed customer expectations. Virima *et al*. (2019: 100) conclude that in the marketing management studies, it has been noted that service quality is the degree to which customers view service to either meet or exceed their expectations.

Despite service quality being a widespread notion, an important factor for the banking industry, and the subject of interest among researchers over the decades, no universal consensus has been reached on its description, dimensions and measurements (Afroz, 2019: 147; Eresia-Eke, Stephanou & Swanepoel, 2018: 2; Nushrat, 2019). Regardless the variations in the definitions and views of service quality, various authors agree that service quality is a subjective phenomenon that is solely dependent on the customer's overall assessment and measurement of the differences between the service expectation and the perception of the actual rendered service (Mohmmed, Ibrahim & Ali, 2017; Tegambwage, 2017; Aljasser & Sasidhar, 2016).

According to Deneke (2015: 23), the frequently quoted definition of service quality is the one proposed by Parasuraman, Zeithaml and Berry (1988: 16), defining service quality as customers' universal ruling about service features relating to service excellence. Furthermore, these authors denote service quality as inconsistencies between what customers anticipate relative to what they receive, and in which anticipation has a significant impact on how service characteristics are viewed, subsequently influencing the outcome. According to this definition, the customer is the sole judge of service quality.

Zeithaml, Parasuraman and Leornad (1985) postulate the following ideologies when debating about service quality:

- Customers have trouble in expressing and assessing service quality. As a result, an organisation's understanding of the standards that consumers use to assess service quality can be challenging.
- Consumers' perceptions of service quality stem from the service results and from their assessment of service delivery process.

Hlaka (2022: 29) avers that that service quality is an abstract and indefinable concept, with unique feature characteristic of intangibility, heterogeneity and inseparability of production and consumption that services have. From the retail bank perspective, Murari (2018: 38) suggests that service quality involves all activities undertaken by retail banks and its personnel to please customers. For this reason, Khoo (2019: 106) suggests that service quality must be considered so that customers' needs can tailor service delivery in accordance with specific behaviours and expectations of specific customers. Naude (2015: 76) describes service quality in three extensive viewpoints, namely, product-orientated viewpoint, the user-orientated viewpoint and the value-viewpoint. Furthermore, Tan, Benbasat and Cenfetelli (2013: 81) note that product-oriented viewpoint considers service quality to be a result of the difference between a product's or service's actual and ideal features attributes, the user viewpoint perceive service quality as the products' or service capability to gratify customers' needs and from the value-viewpoint service quality is categorised as the variation between merits and expenses perspective.

Table 3.1 illustrates Naudé's service quality description and contributing authors.

Table 3.1: Summary of service quality perception

PERSPECTIVE	DESCRIPTION	CONTRIBUTING AUTHOR(S)
PRODUCT-ORIENTATED	Quality is the function of the discrepancy between actual and ideal attributes of a product/service that determines its desirability	Forker (1991), Garvin (1984), Teas (1993)
USER-ORIENTATED	Quality is the ability of a product or service to satisfy human needs and is equivalent to a customer's contentment with product/service attributes	Forker (1991), Garvin (1984), Hauser and Clausing (1988), Teas (1993)
VALUE-ORIENTATED	Quality is the difference between product/service benefits and costs	Forker (1991), Garvin (1984), Hirschman and Holbrook (1982)

Source: Naudé, 2015: 77

One of the early writers of customer loyalty, Gronroos (1984), abstracted service quality as a two-facet concept, namely, technical quality and functional quality and named this construct the Nordic school of service quality. According to this school of thought, technical quality facet consists of results of the service process and functional quality refers to the quality of the service process, meaning that technical quality is an outcome of quality and functional quality is process quality (Ben, 2018: 34). Bonsu and Mensah (2013: 16) elucidate that technical service quality refers to systematic and electronic quality and from the banking perspective. This will include ATM, banking applications, internet banking and functional quality entails of interactive relations and communications between personnel and customers and friendliness of the business staff.

Some authors describe and define service quality in terms of perceived quality and expected quality. Hlaka (2020: 12) affirms that service quality is determined by benchmarking consumer's expectations of what service quality should be to their perceptions of the actual received service. Henceforth, service quality is reliant on two variables: expected service and perceived service. In 1984, Gronroos (1984) also pointed out that that service quality consists of two facets, namely, expected services quality and perceived service quality. Murari (2018: 38) defines perceived service quality as findings from customer assessments during the process of comparison between the actual service quality that they have received versus perceived service quality. Vinnarasi, Kumar, Ganesh, Agarwal and Maguluri (2022: 1478) buttress that perceived service quality includes the customers' past experiences and the customers' gross judgement of the service quality superiority. Hlaka (2020: 13) defines expected service quality as customer's expectation from a service provider. He further articulates that customer judges current service quality based on the previous experience, if the previous experience was unpleasant, customers will expect the next interaction to be negative.

Machado (2014: 12) asserts that expected service quality has two dimensions, namely, primary expectations and secondary expectations. Defining primary expectations as a core necessity from an interaction and secondary expectations as expectations constructed from preceding experiences (Machado, 2014: 12). Murari (2018: 37) articulates that when the rendered service is inefficient by not exceeding customers' expectations then service quality will be perceived to be low. Conversely, if it is excellent and exceeds customers' expectations, it will be perceived to be high. Opele, Afolabi and Adetay (2020: 486) identified these differences between expected and perceived quality as gaps. Opele *et al.* (2020: 486) further ascertained that the gap implies inconsistencies between perceived and expected service quality creating a poor service quality. Subsequently, the gap could be positive creating good service quality. Alolayyan *et al.* (2018: 546) conclude that one of the most discussed and investigated topics in marketing theory is perceived service quality.

For the purpose of this study, the definition of service quality provided by Parasuraman *et al.* (1985) will be applied as the operational definition and in the same manner, service quality will be measured by means of service quality dimensions from the SERVQUAL model also constructed by Parasuraman *et al.* (1985).

3.4 IMPORTANCE OF SERVICE QUALITY IN THE BANKING INDUSTRY

Within the banking industry, the significance of rendering exceptional service quality that is aligned and exceeds what the customers have anticipated is beyond debate (Nath & Devlin, 2020). Omoregie Addae, Coffie, Ampong, and Ofori (2018: 801) aver that service quality is a crucial selection measure for banking customers, as it determines the choice of a service provider. Consistent service quality delivery is an antidote for switching behaviour and a significant antecedent of customer loyalty (Omoregie et al., 2018: 802). Moreover, Foster (2019: 100) suggests that banking consultants should concentrate on the factors that create a positive perception about the service quality of their businesses, and constantly assess their service levels from the customers’ perception to ensure continuous improvements.

According to Tran (2020: 170), previous studies have indicated that some level of service quality is a catalyst for positive business performance through customer retention and increasing market share. Concurrently, the banking sector has progressively taken note to quality of service and has endeavoured to reach the highest levels of service to achieve customer loyalty and satisfaction (Murari, 2018: 39). Froz (2019: 145) posits that there is a correlation between service quality, business performance and market share. Addai, Agyeman and Gyimah (2019: 2) note that service quality involves any business strategic technique aimed at ensuring success and longevity. Service quality has various significant benefits, as follows:

Differentiation: The banking sector is engulfed with homogeneity and competition, and service quality converts to a distinct differentiator and determinant of business growth, and ultimately, survival (Deventer & Redda, 2021: 136).

Competitive advantage: A careful distinguished service quality can be a source of competitive to the business in today's competitive environment. Therefore, providing exceptional quality services is the key to sustainable competitive advantage which leads to longevity, profit share and profitability (Raham, Ali, Kejing, Taru & Mamoon, 2020: 824; Ranjith, 2019: 894; Nautwima & Asa, 2022: 32).

Customer satisfaction: Service quality has a direct and a positive relationship with customer satisfaction. The higher the service quality, the higher the satisfaction (Murari 2018: 37). Furthermore, Nautwima and Asa (2022: 35) assert that this causal relationship assists the business in the increment of customer retention and in the enhancement of its brand image. Mushavhanamadi and Mavimbela (2018: 884) argue that customer satisfaction is the core of business achievement, attaining the same through quality service is inevitable.

Customer loyalty: Customer loyalty has been acknowledged as an important feature to businesses success through building and maintaining customer relationships Hlaka (2020: 2). A customer who has experienced excellent service quality is likely to be loyal and recommend the brand through the word of mouth, therefore, promoting brand image (Nawaz, 2021: 68). Fida, Ahmed, AL-Balushi and Singh (2020: 2) assert that there is positive relationship between service quality and customer loyalty. The following section will discuss customer loyalty.

3.5 CUSTOMER LOYALTY

The aspect of loyalty in banking is essential as customers (throughout their life stages) will constantly engage with the bank's services for conventional day-to-day banking or for lending required for asserts purchases such as property or vehicles (Reddy, 2021: 17).

Customer loyalty was conceptualised in the 1940s, and as a theory, it has frequently been confused with repetitive buying behaviour (Mohmmed, Ibrahim & Ali, 2017: 213). From this indecision, customer loyalty was subsequently regarded as the intention or attitude that drives action. Kant *et al*. (2019: 1250) affirm that customer loyalty is predominantly a strategic intent for a bank's marketing practitioners, and a game plan for customer relationship managers.

Lubis *et al*. (2021: 1268) define customer loyalty as the vigorous continuous sentiment that drives repeated purchases, or the consumer's use of the same service provider, irrespective of competitors offering the same service. Consequently, Pase (2021: 20) asserts that customer loyalty is a decision taken by customers to offer relentless commitment to a specific service or product. Noeth (2021: 83) posits that loyalty is the customer's overarching desire to build a long-term relationship with a business, demonstrating commitment through consistent patronage, despite the marketing campaigns and situational influences that may cause switching tendencies. Furthermore, Ginanta and Surip (2022: 343) describe customer loyalty as a source of customer satisfaction that is the outcome of a product or service that exceeds customer's expectations. In addition, Ginanta and Surip (2022: 343) maintain that customer loyalty is an antecedent of service quality. This study adopted a formal definition by Day (1976) that defines customer loyalty as the pattern of frequent purchases combined with a favourable brand preference, constituting behavioural loyalty. In the next section, the different types of customer loyalty will be discussed.

3.5.1 Types of customer loyalty

Prasadh (2018: 39) and Day (1969) highlight that customer loyalty is a two-dimensional concept consisting of attitudinal loyalty that divulges the customers' attitudes towards a business, and behavioural loyalty that is related to customers' long-term obligation towards a business. Furthermore, Omoregie *et al.* (2018: 802) articulate that the latter can be measured by how frequently a customer utilises the business services, and the percentage of the amounts that customers spend on a service.

3.5.1.1 *Attitudinal loyalty*

Attitudinal loyalty is the feeling of connection that a customer develops towards a business and its services that leads to an affinity towards the business and its services. In addition, attitudinal loyalty encompasses the customer's confidence in the organisation's services, and it incorporates a lifelong commitment towards the organisation, which designates the customer's probability of promoting the business through word-of-mouth (Svensson & Lundberg, 2022: 8).

Similarly, Xu (2022: 4) defines attitudinal loyalty as having influential characteristics, where customers persuade others to use their service providers. Soedarto, Kurniawan and Sunarsono (2019: 2) further explains attitudinal loyalty as the psychosomatic behaviour that is projected when a customer views a particular business with feelings of like or dislike. Mohmmed *et al.* (2017: 213) affirm that the basis of attitudinal loyalty is the ongoing positive value that the customer gains from the company, and it intensifies the customer's inclination towards a service or product. Carelse (2017: 18) asserts that attitudinal loyalty is measured by the customer's attributes such as their principles and feelings, buyback intentions and through the possibility of them indorsing a business service.

3.5.1.2 *Behavioural loyalty*

Fragata and Muñoz-Gallego (2010) report that consumer studies conducted in the 1960s and 1970s, approached customer loyalty mainly from a behavioural viewpoint. Hollingshead (2021: 3) regards behavioural loyalty as the customer's reoccurring purchasing actions, or repetitive service utilisation, and the customer's tendency to hold a company with great supremacy. It creates a biased feeling in customers to repurchase a product and to sustain a relationship with the business (Bisimwa, Nuwagaba & Musigire, 2019: 101).

Joubert (2018: 79) articulates that behavioural loyalty is three dimensional namely: forced loyalty; loyalty owing to inertia and functional loyalty. Furthermore, Akhter, Abbasi, Ali and Afzal (2018: 2) buttress that forced loyalty occurs when customers do not have a variety of service providers to choose from. Loyalty consequential to inertia is owing to satisfaction of one's choice which prevents them from seeking for other alternatives and functional loyalty is a result of functional values. Oliver (1999, 1997) and TaghiPourian and Bakhsh (2015: 50) split the behavioural dimension into four stages of customer loyalty, namely, cognitive loyalty, affective loyalty, conative loyalty, and action loyalty.

3.5.1.3 *Cognitive loyalty*

According TaghiPourian and Bakhsh (2015: 50), cognitive loyalty is customer's attitude to the service offering after knowledge is possessed regarding quality, durability, and price. Oliver (1997) elucidates that this kind of customer loyalty is the most inefficient as an alteration to price, quality, and durability, which will result in customers switching to competitors.

3.5.1.4 *Affective loyalty*

Gomez, Arranz and Cillan (2006: 388) define affective loyalty as a result of attachment to the brand and from pleasing encounter with the business service. Oliver (1999) avers that when customers are fulfilled, they develop positive experiences with services and products leading to an emotional relationship.

3.5.1.5 *Conative loyalty*

According to Zheng, Shen, Yin Chau and Liu (2021: 32), this type of loyalty is more efficient than cognitive and affective loyalty as it can be seen in customers yearning to purchase or repurchase. However, Oliver (1999) stresses that irrespective of conative loyalty's efficiency, customers may not lose the propensity to be persuaded by competitors' offerings. Nonetheless, service providers must strive to attain dedicated customers to accomplish conative loyalty (Oliver, 1997; 1999; Ndaaba, Harada, Romle & Shamsudin, 2015: 169).

3.5.1.6 *Action loyalty*

Hinson, Nimako, Van Zyl and Chinje (2016: 57) and Upadhye (2016: 2) describe action loyalty as an indicator of stable consumer preference for the brand with little interruptions, when loyalty is turned into practical fidelity behaviours or acts. They further state that action loyalty is unquestionably any brand's ultimate goal. Oliver (1999) asserts that when consumers are prepared to act at this level, they are also prepared to overcome any challenges that would keep them from receiving the good or service they desire to employ their preferred brand. This study adopted attitudinal loyalty as it aims to determine whether customers will recommend retail bank which offers exceptional service quality also to establish if customers will switch or remain loyal to banks that offer good service quality.

3.6 IMPORTANCE OF CUSTOMER LOYALTY IN THE BANKING INDUSTRY

There are evident signs of decreasing customer loyalty in the South African banking sector. A bank survey conducted by Consulta in 2018 confirmed that South African banks are undeniably losing customer loyalty, and the study concluded that 32% of South Africans circumvent interaction with banks. The prevailing reason for this is the poor service quality received from these institutions (Tarrant, 2018). According to Tabish (2018: 2), customer loyalty is a fundamental prerequisite for establishing and maintaining long-lasting relationships with customers in this increasingly competitive service environment. Khundyz (2018: 1624) accentuates that maintaining customer loyalty assists in increasing market share and in gaining competitive edge. Khundyz (2018: 1625) further maintain that cultivating a loyal customer base can reduce operating costs and boost revenue as gaining new clients comes at a higher cost than keeping hold of current clientele. Joubert (2018: 75) notes customer loyalty reduces price sensitivity as loyal customers are prepared to spend extra for products and services of superior quality and value. Loyal customers typically utilise products or service irrespective of discounts or cost.

Omoregie *et al.* (2018: 801) posit that within the banking environment, customer loyalty is a product of a diverse range of factors that stem from customers' perceptions about the bank's level of service quality, and from customers' opinion about the bank's image. In addition, Kant *et al*. (2019: 1251) point out that numerous marketing scholars are in consensus that customer loyalty is the predicate of customer satisfaction, positive image and service quality. These include a dynamic source of competitive advantage within the banking sector, as it contributes to business retentions efforts, profit growth and acts as an anticatalyst to switching behaviour; therefore, it is significant for the bank's survival and growth (Kant *et al*., 2019: 1251).

Omoregie *et al*. (2018 : 801), Kant *et al*. (2019: 1252) and Yaqub, Halim and Shehzad (2019) concur that customer loyalty is a bank asset that can be linked to cost reductions, considering that it is more costly to acquire new customers than to retain current customers. The aforesaid authors also maintain that customer loyalty is crucial for the banking industry owing to a shift from customer acquisition to customer retention, and they advocate for banks to focus on and invest in customer loyalty (Omoregie *et al*., 2018; Kant *et al*., 2019; Yaqub *et al*., 2019).

3.7 THEORIES AND MEASUREMENT OF SERVICE QUALITY (PHYSICAL CHANNEL)

The precise measurement of service quality to business practitioners and scholars is significant in comprehending the crucial antecedents and the results of service quality and eventually generate ideas to refine quality to attain competitive advantage and institute customer loyalty (Alolayyan *et al.* 2018: 544). In the same vein, Opele *et al.* (2020: 487) concur that service quality measurement is a substantial method to determine the level of service provided and to determine customer satisfaction yielding to customer loyalty. Various authors concur that despite of service quality' s importance to the business, measuring it has always been a challenge owing to its peculiar attributes, namely, intangibility, heterogeneity and inseparability (Muhaba, 2013; Carelse, 2017; Nath & Devlin, 2020; Coetzee, Van Zyl & Tait, 2013;

Parasuraman *et al.,* 1985: 42, 1988: 13; Murari, 2018). This means that service quality is not quantifiable and is difficult to measure prior to its consumption. Service deliverance also varies owing to different personnel skills and behaviour who renders it, and service quality depends on how customers perceive it (Hartwig & Billert, 2018).

Carelse (2017: 4) also articulates that from a service perceptive, it is challenging to objectively measure service quality and therefore, a distinctive framework is required. In the previous three decades (1984 and 2003), scientists designed various service quality measurements and numerous were recommended but only 19 were acknowledged with each model depicting different variables affecting service quality (Agarwal & Kumar, 2016: 1).

Table 3.2: Models measuring service quality

Author	Name of model	Description and applications
Grönroos (1984)	Technical and functional quality model	This model postulates that service quality in an organisation is influenced by what customer receive, how they receive it and by the image of the organization.
Berry, Parasuraman and Zeithaml (1985)	The retail service quality and perceived value model	According to quality dimensions, service quality shows incongruity in what customer expects and perceive. With its emphasis on the external client, this approach can help management identify any weaknesses that could compromise the quality of the services provided.
Berry, Parasuraman and Zeithaml (1988)	The GAP model	Service quality reflects the disparity between expectation and perception according to quality dimensions. This model focuses on the external customer and is able to assist management in determining gaps that may affect the service quality offering.
Haywood-Farmer (1988)	The attribute service quality model	This model determines that if an organisation is able to satisfy the desires and expectations of its customers consistently, then it has high quality. This model is able to assist the management of an organisation in gaining clarity about the theory of service quality and to assist the organisation in directing their efforts to the correct target segment.
Brogowicz, Delene and Lyth (1990)	The synthesised model of service quality	This model analyses three determinants – the organisation's image, outside influences and conventional marketing initiatives – as factors that prompt customer's assupmtions regarding

Author	Name of model	Description and applications
Mattsson (1992)	The ideal value model	The ideal value model places emphasis on the value of weak and negative experience as a reason for a satisfactory outcome. The model measures service quality by comparing the usage of ideal standards with experiences.
Berkley and Gupta (1994)	The information technology alignment model	The organization's information and service strategies are linked by this approach. It illustrates how to use information technology to improve the quality of services by utilising case studies from several industries (banking, manufacturing, transportation and logistics, and services).
Cronin, Jr. and Taylor (1994)	The performance only model for the measure of service quality	The developers of this model postulate that service quality must be analysed and assessed as behaviour. They found the performance based SERVPERF to be competent when compared to SERVQUAL owing to the reduction of the items by half and the outcome is better.
Teas (1994)	The evaluated performance and normed quality model	According to Teas (1994), there are theoretical and quantitative problems with the traditional disconfirmation model. He points out a number of problems with evaluating service quality, including vagueness in concept definition, theoretical justification for expectations.
Dabholkar (1996)	The attribute and overall effect model	Constructed from a rational perspective on decision-making, the attribute model asks users to evaluate the features of the technology-based self-service option through a compensatory process, therefore establishing expectations for the level of service.
Mackoy and Spreng (1996)	The model of perceived service quality and satisfaction	This model method aims to enhance the understanding of customer satisfaction and perceived service quality. The model focuses on the relationships between expectations, perceived performance desires, required congruency, and expectation disconfirmation and how these impact full-service quality and customer satisfaction.
Hazlett and Philip (1997)	The pivotal, core and peripheral attribute model	The researchers propose a model that adopts a hierarchical structure called P-CP for gauging service quality in organisations offering services. The model was founded on three main categories of attributes, namely, pivotal, core and peripheral attributes.

Author	Name of model	Description and applications
Dabholkar, Shepherd and Thorpe (2000)	The antecedents, consequences and mediator model	To gain a deeper understanding of service quality ideas, an extended model of service quality includes an investigation of its antecedents, repercussions, and mediators.
Frost and Kumar (2000)	The internal service quality model (INTSERVQUAL)	Based on the GAP model created by Berry et al., the researchers created an internal service quality model in 1985. The model assesses the factors and how they relate to one another in a service organisation in order to determine how well internal suppliers—support service personnel—provide services to internal consumers—front-line employees.
Soteriou and Stavrinides (2000)	The internal service quality data envelope analysis model	This model is for a bank branch to make the best use of its resources. The model is not intended to develop the service quality measures; instead, it is meant to guide how service quality measures can be included to improve service quality. The model also identifies resources that are not efficiently utilised.
Broderick and Vachirapornpuk (2002)	The internet banking model	Since various formats alter how a customer behaves and interacts, one of the primary challenges facing service companies when using the internet as a medium for service delivery is how to govern service quality. This study proposes and evaluates an online banking service quality model.
Chen, Wymer and Zhu (2002)	The information technology-based model	The relevance of IT-based service alternatives is the main emphasis of this paradigm. IT is used by service providers to save expenses and offer value-added services. The customer's perception of IT-based service options is linked to traditional service aspects in this service quality model. The model looks at the relationship between consumers' perceptions of the quality of services and IT-based services.
Santos (2003)	The model of e-service quality	This conceptual model proposes that e-service quality has incubate dimensions (suitable website design, use of technology to offer consumers simple website accessibility, efficiency and exceptional service in order to improve the number of hits, stickiness and retention of customers.

Source: Agarwal & Kumar, 2016: 6-9

The models summarised in Table 3.2 offer an invaluable framework for comprehending the models to measure service quality. From this collective, it is evident that the analysis, assessment and outcome of service quality depends on a variety of aspects, including the organisational service environment, customer needs and wants, situational circumstances, and time considerations (Agarwal & Kumar, 2016: 7). This study explored three models employed by the banking sector, namely, the Nordic Model, GAP model and SERVQUAL. These models were selected for further discussion as they are widely used in the service quality literature (Arguelo, Monerrer & Guillen, 2020; Musikavanhu, 2017; Kakouris & Finos, 2016; Rahman, Islam, Mitu, Mohitul & Mustafi, 2019; Khuna, Lima & Mahmud, 2021; Kang & James, 2004). Moreover, it has also been applied in these studies, Ngeyen, 2014; Yip,2016; Osman,Uz-Zaman,Ashraf & Uddin,2020; Mmutle, 2017; Musikavanhu, 2017; Saeed, Xizheng, Abdulwase & AL-Methali, 2021), Higher education (Chatterjee, Ghosh & Bandyopadhyay, 2009; Magasi, Mashenene & Dengenesa, 2022; Asim & Kumar, 2018; Sukardi, Wildan & Fahrurrozi, 2022; Bawaisa, Sagsanb & Ertuganc, 2020), Call centres (Ramseook-Munhurrun, Naidoo & Lukea-Bhiwajee, 2009).

3.7.1 Nordic Model of service quality

The primary service quality model was designed by Gronroos in 1984, called the Nordic model of service quality. This was the first effort to present a factual model for measuring perceived service quality (Ghotbabadi, Feiz & Baharun, 2015: 271). This model postulates how customers evaluate the weight of expected service quality to the actual experienced service quality (Amin & Pazir 2019: 1118). The model separates customer experience into three facets, namely, technical quality, functional quality and corporate image (Khader & Madhavi, 2017: 19).

(a) Technical quality is the result of what the customer receives after being in contact with the business. It signifies how the service is distributed, describing customer's perceptions of the encounters occurred throughout service delivery (Hartwig & Billert, 2018).

(b) Functional quality is concerned with process of how the service was delivered. It reflects the outcome of service transactions, or what customers receive within the service experience (Endeshaw, 2019: 90).

(c) Corporate image is an image that customers store in their mind about the business, its products and its services (Yulianti, 2021: 23). Furthermore, Yulianti, (ibid) also commented that business must always strive to have a positive image and that this is one of the significant company's attributes.

This model provides a comprehensive view of how technical and functional service features can enhance the business service quality (Amin & Pazir, 2019: 1118). The model concisely highlights to service practitioners that it is through the enhancement of technical and functional quality that the business image can be improved (Yulianti, 2021: 13). However, this model lacks the physical environment quality aspect (Pollack, 2009: 43; Wong & Fong, 2012). According to Yulianti (2021: 13), the physical environment quality is justified to be a critical dimension of service quality.

Amin and Pazir (2016: 37) further ascertain that the approach falls short of providing a clear grasp of how to evaluate the business' technical and functional quality components. Kasiri, Cheng, Sambasivan and Sidin, (2017), Pollack, 2009; Wong and Fong (2012) have critiqued the model for its lack of a physical environment quality dimension. Therefore, the model cannot be tested in all company settings or organisations since it does not enable broader applicability. However, it is significant to highlight that this model gives the process and the result of service delivery equal weights Delaney (2019:23) and it has been successful in communication, healthcare, hospitality and education services studies (Kang & James, 2004); and it has also been applied in these studies (Ngeyen, 2014; Yip, 2016; Osman, Uz-Zaman, Ashraf & Uddin, 2020). Figure 3.1 is a depiction of The Nordic model by Gronroos.

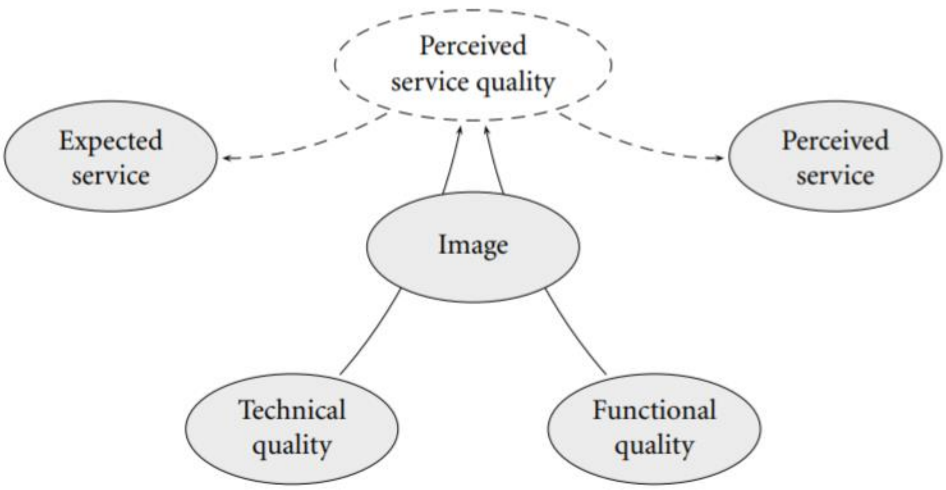

Figure 3.1: The Nordic model

Source: Gronroos (1984)

3.7.2 GAP Analysis Model

The first model designed to measure service quality was designed by Parasuraman *et al.* (1985) called GAP Analysis model. This model has been extensively accepted and used worldwide to measure customer perception of service quality in various service industries since its inception (Addai, 2019: 5). Carelse (2017: 18) asserts that the model has been formed in a series of developmental stages resulting into a comprehensive edition version and it can be altered to any service business. According to the model, service quality is the result of customers' experience of the actual service versus how customers perceived the service and, therefore, aims to identify the gaps between the desired and actual levels of performance (Parasuraman *et al.*, 1988).

Parasuraman *et al.* (1988) define service quality to be a gap between customer expectation of service and their perception of the service experience asserting that the gaps are a result of poor service delivery. Subsequently, in 1985, Parasuraman and his colleagues conceptualised a model based on the five identified gaps called the GAP Model.

The gaps proposed by the model are:

Gap 1: The knowledge gap – Discrepancy in understanding customer's expectations and management's perceptions of those expectations (Marwa, 2019: 239). According to Ramya, Kowsaly and Dharanipriya (2019: 39), the cause of this gap is the absence of market research and upward communication from the business leadership.

Gap 2: The standards gap – This service gap occurs as result of misalignment between perception of the management about customers' expectation and service quality specifications (Parasuraman *et al*., 1985, 18-23). In this instance, the business might understand customer's expectation but fail to utilise available resources to address those expectation needs. Hlaka (2020: 51) remarks that this gap is a result of inadequate standardisation of responsibilities, and inadequate leadership participation in problem solving of service quality.

Gap 3: The delivery gap – Gap between service quality specification and service delivery (Parasuraman *et al*., 1985, 18-23). This gap originates from the discrepancies between service quality stipulations and the actual rendered service. Ramya *et al.*, (2019: 39) affirm that this gap is owing to unproductive recruitment and ineffective human resources.

Gap 4: The communication gap – Differences between service delivery and the communications to customers regarding service delivery (Parasuraman *et al*., 1985, 18-23). The gap between service delivery and customer communication transpires owing to overstated promises and under delivering and inadequate communication between the business and customers (Leigh, 2020: 8). Ramya, *et al*. (2019: 39) ascertain that this gap can be mitigated through effective and a well-organised communication approach.

Gap 5: Expected Service and Experienced Service gap -This concluding gap denotes from the difference between customers' expectation and perceived service since the overall evaluation of service from customers does not meet their expectations (Alsaffar, 2020: 1). This: gap is relatively connected with the preceding four gaps mentioned earlier as it is reliant on the magnitude of the space and directions of the last four (Hlaka, 2022: 52). Figure 3.2 is a depiction of the GAP Model.

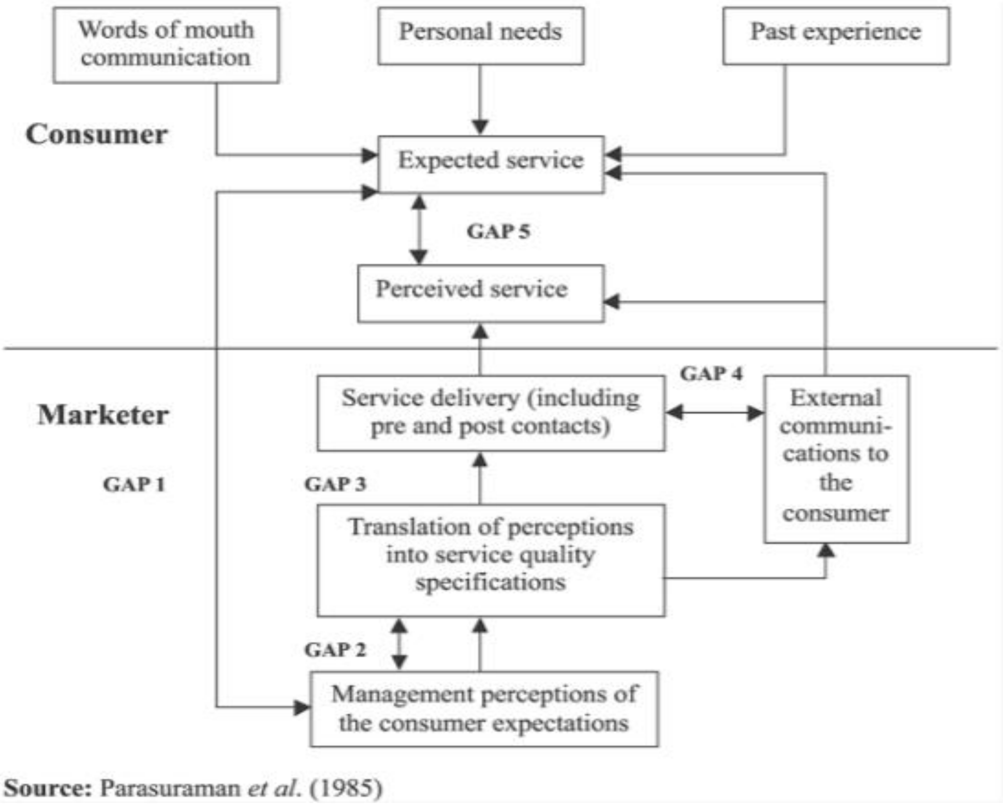

Figure 3.2: GAP Model

According to Hlaka (2020:53), The model attempts to draw attention to the important steps that the service organisation has made that impact the perception of quality. Additionally, the model highlights relationships between the fundamental operations and shows how these activities are interdependent and pinpoints connections between the core operations of the service organisation that are important for delivering a good level of service quality. Njau, Mutungi and Mutinda (2019:51) posit that in an effort to enhance service quality and objectives development for the business the gap approach assists in the examination of performance-value distances and in reaching the degree of the anticipated level.

However, Cronin and Taylor critiqued this model arguing that service quality measured based on gaps theory is inadequate stating that “service quality is an elusive and abstract construct that is difficult to define and measure” (Alsaffar, 2020: 3). Amin and Pazir (2016: 39) further argue that the model fails to provide extensive comprehension as to how the gaps are to be quantified at the different levels.

Despite its critics, the model was applied successfully in the airline industry (Chau & Kao, 2009). It appeared that changes were necessary to make it suitable for use in other sectors such as the engineering sector (Samson & Parker, 1994). The same authors maintain that there were inconsistencies in this model and emphasised that Gaps 2-4 can be researched further by applying a case study method.

3.8 SERVQUAL MODEL

Grounded on the gap model that measures disparities between customer's expectations and customer's perceptions, Parasuraman *et al*., (1985) proposed a dimensional model which they called the SERVQUAL to measure the gaps in their original service quality model. In development of the SERVQUAL model, Parasuraman *et al.* (1988) developed a series question for service evaluation on explicit characteristics reflecting the 97 basic components. Consumers were requested to rank service quality levels in relation to both expectations and performance. The model underwent two assessments and modification, after examination and data grouping the amended scale was directed to a second sample and questions were tested, with 44 questions, 22 measuring expectation and the other 22 measuring performance (Parasuraman *et al*. (1988). In the first revised version, the initial 97 attributes were reduced to ten, namely, communication, credibility, security, responsiveness, understanding, tangibles, competence, reliability, courtesy, and access. Subsequent to the first modification the second phase of modification reduced the attribute into five, namely: tangibility, reliability, responsiveness, assurance and empathy which came to be known as the five dimensions of service quality (Parasuraman *et al.,* 1985, 18-23). These five dimensions signify five theoretically distinct and interconnected facets of service quality (Ghotbabadi, Feiz, & Baharun, 2015: 276). Figure 3.3 is an illustration of the SERQUAL Model.

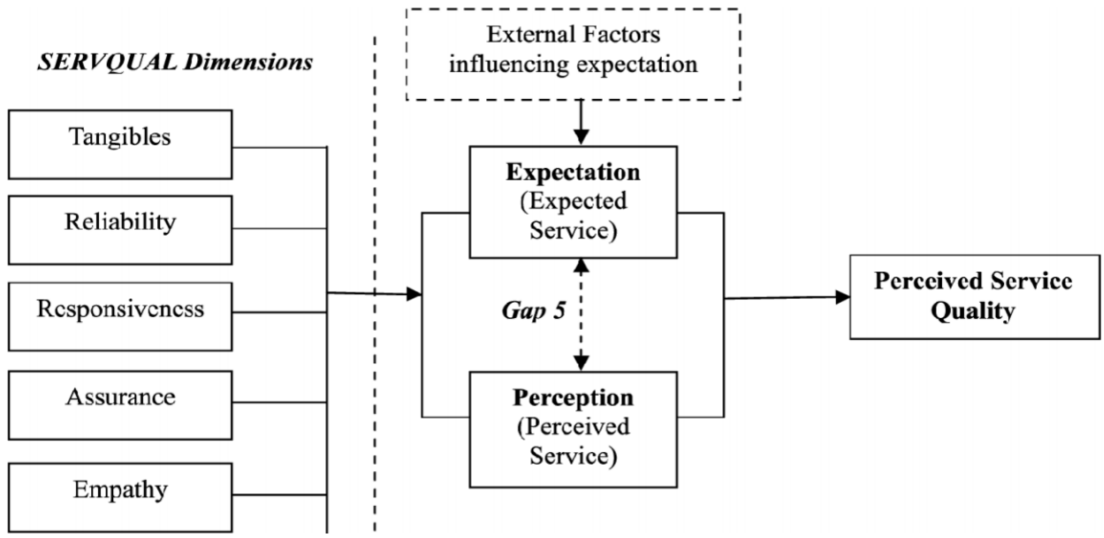

Figure 3.3: Graphical illustration of the SERVQUAL Model

Source: Parasuraman et al., 1985

Service quality dimension from the SERVQUAL model

a) Tangibility

Tangibility denotes the physical buildings where service is delivered, the appearance of bank employees, ambiance, and equipment (Cheng-Kun *et al.*, 2023: 7). Within the banking sector, it is significant that there are sufficient modern, functional equipment and enough service personnel that have a neat and professional appearance, owing to the extensive face-to-face service interactions (Foster, 2019: 101; Mohmmed *et al*., 2017: 213). A study by Hafiza, Asad, Iqra, Mubina and Ahmad (2016: 3) discovered that customers are observant of these features when entering the bank. These tangibles assist in creating the first positive impression of the bank, and as customers experience the friendliness of the service environment, this may prevent switching behaviour (Ramya *et al.*, 2019: 40).

b) Reliability

Parasuraman *et al.* (1985) maintain that reliability is a vital feature in conventional service. Reliability refers to the bank's capability of providing the promised service precisely and dependably the first time and within the promised period. This aspect incorporates the banks' ability to deliver relevant and quick service with sophisticated security systems during bank transactions (Ramya *et al.*, 2019: 40; Foster, 2019: 101).

Furthermore, Parasuraman *et al*. (1988) argue reliability is significant in conventional service.

c) *Assurance*

Assurance is the (bank) employee's traits and ability to instil customer trust and confidence towards the service provider (Ifeanyi & Ezenyilimba, 2020: 133). Assurance also includes capability, politeness, trustworthiness, and security (Adjei, 2016: 26). This ability is critical in creating a long-term commitment towards the bank in customers. Owing to the bank handling complicated products, such as investments, customers need a bank that they can trust in handling their lifetime investments (Razak, Fodol, Jama & Burhan, 2020: 21).

d) *Responsiveness*

Responsiveness refers to the employee's desire and ability to deliver prompt service and solutions, and this demonstrates the employees' readiness to respond to customers' demands (Ramya *et al.*, 2019: 42; Mohmmed *et al.*, 2017). It is the inspiration to assist customers and offer on-time service. Within the banking industry, this dimension is important for handling clients complains (Ifeanyi & Ezenyilimba, 2020: 23).

e) *Empathy*

Adjei (2016: 27) posits that researchers have proven most customers are influenced by the empathy dimension of service quality. Razak *et al*. (2020: 23) define empathy as caring for and understanding customers' needs by giving special attention to every issue, offering solutions that have a positive outcome for customers, and leaving customers feeling valued. It is concerned with considering customers, and treating them with compassion (Foster, 2019: 102). Hafiza *et al*.'s (2016: 4) study suggest that empathy can be a success factor in the banking industry, as customers expect empathy in their interaction with the bank staff, and there is a relationship between empathy and loyalty.

The primary benefit of this model is that it is a two-dimensional scale with two sections. The first area is used to assess customer expectations for service quality, and the second component is intended to gauge how customers feel about the sector delivering the service giving comprehensive feedback on service quality (Fida, Ahmed,

& Al-Balushi, 2020). Danish (2018) further remarks that the model has an ability to identify shortfalls in service quality provision and it also measures customer demands and individual perceptions. Ladhari (2009) and Tian, Tang, Xu and Selover (2020) accentuate that the SERVQUAL scale has undergone through extensive research and multiple testing, therefore, making it one of the most reliable instrument measure service quality. Asubonteng, McCleary and Swan (2002) and Ladhari (2009) and Tian et al. (2020) affirm that even after multiple and various validations across different studies and industries, SERVQUAL continues to be the most practised and favoured tool to evaluate service quality for both academia and industry.

Despite the indubitable admiration in the service quality literature, the SERVQUAL model received a variety of criticism. According to Suuroja (2003: 11), Cronin and Taylor (1992) were the foremost to validate for the removal of the expectation facet of SERVQUAL in favour of the performance measure. Moreover, Cronin and Taylor (1992) contend that the model does not measure service quality. In their defence to the criticism, Parassuraman (1993) affirms that despite the validity and reliability problems experienced in their model, numerous experimental evidence indicating that the expectation aspect of their instrument provides an analytical advantage over the other service quality instruments. However, some scholars (Juga, Juntunen & Grant, 2010: 498; Ladhari, 2009: 73; McDougal & Levesque, 2000: 266) argue that measuring expectations was insignificant and that measuring the perceptions of outcomes should be the focus.

After analysing the writings of several scholars, Angell, Heffernan and Megicks (2008: 238) recognise two confines of the framework: (1) That the framework's 'expectations' measure is immaterial and unclear, and (2) the dimensions applied by the framework cannot be generalised. Buttle (1996: 15) contends that the model is central to the service process and disregards the outcome; secondly, the supreme relationship between the five service dimensions ignores the accuracy of the ultimate results and lastly Buttle (1996: 15) argues that there is no substantial indication that service quality was measured on the basis of customers' expectations and perceptions gaps.

Service quality dimensions are the core cause of criticism. Polyakova and Mohammed's (2015: 66) experimental studies discovered the validity absence on the distinguishing features and characteristics between SERVQUAL's dimensions, while content validity is indeterminate owing to overlapping of theoretical definitions of some dimensions (Buttle,1996: 15). Furthermore, Zungu (2012) claims that the constituents of ‘empathy’ and ‘reliability’ dimension were undistinguishable and further noted that the reliability dimension imbricates with ‘technical’ quality from the Nordic model (Lapierre, Filiatrault & Pierren, 1996). However, the ‘tangible’ and ‘reliability’ dimension were maintained to be unambiguous (Getty & Thompson, 1994: 80). Durvasula, Lysonski and Mehta, (1999), Kang (2006: 40) and Kang and James (2004: 268) proposed that SERVQUAL be modernised into a model with two or three dimensions inclusive of functional quality resulting into an adequate service quality model.

Although significant criticism of the SERVQUAL’s theoretical and operational underpinnings has developed over the years (Babakus & Mangold, 1992: 255; Brady & Cronin, 2001; Grayson & Omstrom, 1994; Buttle, 1996; Cronin & Taylor, 1992; Andersson, 1992: 225; Iacobucci, Martinez & Martinez, 2010; Teas, 1993), the SERVQUAL model is intended to comprehend the overall elements of service quality that are joint in various services environments and it can be applied within different industries. In their study, Carrillat, Jaramillo and Mulki (2007) conclude that the SERVQUAL model is adequate and effective for measuring the overall service quality.

From its conceptualisation, the SERVQUAL model has been utilised to measure perceived service quality of customers in various service industries. Even though some of the scholars have altered the SERVQUAL dimensions to suit their research objectives and specific service industry, the bases of their research model stayed the same.

This model has been applied in different fields such as:

- Healthcare services studies (Arasli, Ekiz & Katirciogly, 2008: 46; Chaniotakis & Lymperopoulos, 2009: 232; Dagger, Sweeney & Johnson, 2007; Etgar & Fuchs, 2009; Ramsaran-Fowdar, 2008; Rashid & Jusoff, 2009; Alam, 2013: Teshnizi *et al*., 2018; Hua Ko & Chou, 2020; Agarwal, Singh & Upadhyay, 2021),
- Mobile communication services (Kung, Yan & Lai, 2009; Lai, Hutchinson, Li & Bai, 2007; Negi, 2009; Kaushal, Singla & Parkash, 2022; Aziz & Chaudhry, 2017);
- The hotel industry, (Ali et al., 2021); Mmutle, 2017; Musikavanhu, 2017; Saeed, Xizheng, Abdulwase & AL-Methali, 2021);

- Higher education (Chatterjee, Ghosh & Bandyopadhyay, 2009; Magasi, Mashenene & Dengenesa, 2022; Asim & Kumar, 2018; Sukardi, Wildan & Fahrurrozi, 2022; Bawaisa, Sagsanb & Ertuganc, 2020);
- The information technology industry (Roses, Hoppen & Henrique, 2009).
- The insurance sector (Tsoukatos & Rand, 2006);
- Telecommunication industry (Ramseook-Munhurrun, Naidoo & Lukea-Bhiwajee, 2009);
- The tourism industry (Kvist & Klefsjö, 2006);
- The computer software industry (Dos Santos, De Oliveira & Da Silva, 2009); and
- The airline industry (Chau & Kao, 2009; Ramsaran-Fodar, 2007).

The application of the SERVQUAL measure has also been recognised in the retail banking industry. Siddique, Akhter and Al-Masum (2013) suggest that the SERVQUAL instrument is best suited to measure service quality perceptions in the retail banking industry.

Several recent studies have used the SERQUAL model in assessing services quality in the banking industry (Hwang, Jang, Chang & Kim, 2017; Schiuma, 2017; Fethi & Pasiouras, 2018; Abdelghani, 2022; Nautwima & Assa, 2022; Khan & Imami 2020); Chi, Tam, Hoang, Tung, Nguten, An & Tu, 2021; Aljasser & Sasidhar, 2019, Wendawek, 2018).

From the aforementioned examples, it is evident that the application of SERVQUAL model is broadly applied in various industries to evaluate the service quality. Therefore, the consistency of this model in measuring service quality has been extensively proven. For that reason, the current study also adopted the SERVQUAL instruments using the five service quality dimensions to determine the influence of service quality to customer loyalty within the South African banking industry.

Figure 3.4 illustrates the Conceptual Framework for the model physical channel.

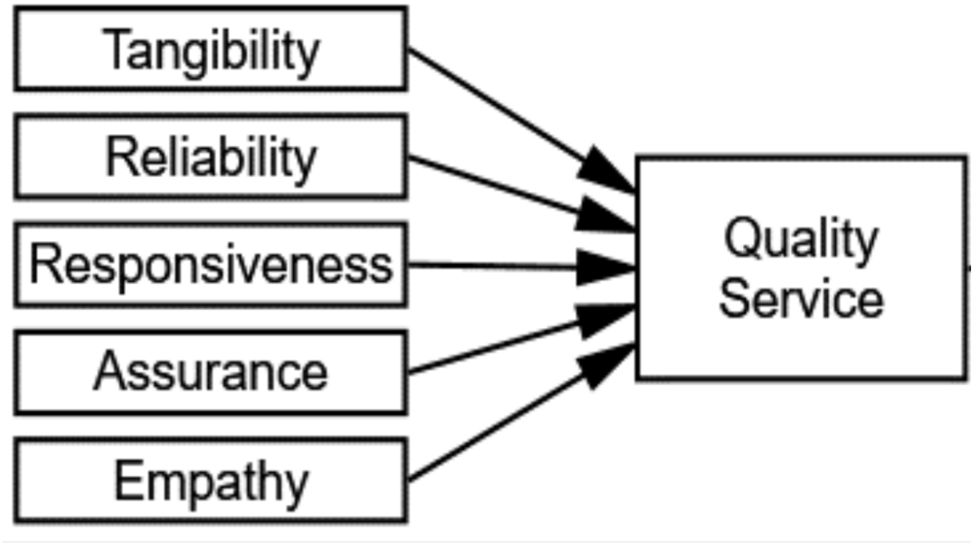

Figure 3.4: The SERVQUAL Model

Source: Adopted from Parasuraman et al. (1988)

3.9 DEVELOPMENT OF DIGITAL SERVICE QUALITY CONSTRUCTS

In view of discrepancies between physical channel services and digital channels services, it is evident that the traditional SERVQUAL model does not represent a comprehensive instrument for evaluating the quality of digital channels (Firdous & Farooqi, 2019: 1659). The task of creating precise measuring scales for the digital service quality has been tackled in several research work. However, it has not been an easy and straightforward exercise (Redda, 2015: 61). This was recognised by Parasuraman *et al.* (2005) when they state that developing scales for measuring digital service quality goes beyond just adopting offline scales.

As the scales to assess digital service quality were developed, several academics discovered several sets of service quality dimensions for digital service quality (Fritz, 2018: 47). According to Han and Baek (2004: 209), Parasuraman *et al.* (2005: 230) and Ladhari (2010: 465), the key distinction between digital and physical channel services quality has an impact on the dimensions and the criteria that should be applied when assessing the quality of digital channel. There is evidence of variation in the findings of different studies on the dimensions of digital quality that have emerged in the attempt to address the key dimensions of service quality, directly or indirectly

(Redda, 2018). In addition, Madu and Madu (2002: 249) provided a set of dimensions that may be used to assess the quality of digital services or operations in an effort to determine the qualities or dimensions that consumers use as a criterion. After examining and synthesising various research on service quality, these scholars concluded with the following 15 dimensions, namely, aesthetics, reliability, serviceability, storage capability, reputation, responsiveness, security and system integrity, structure, empathy, performance, features product/service differentiation and customisation, website policies, trust, and assurance (Redda, 2015: 61).

Subsequently, Wolfinbarger and Gilly (2003: 193) only identified four essential dimensions, namely, fulfilment/reliability, customer service, website design, and security/privacy. Furthermore, Ding, Hu and Sheng (2011) reviewed preceding studies to develop a holistic and integrated framework of the basic roles of an online service provider to guide service quality scale development (e-SELFQUAL). This scale was aimed at measuring digital self-service quality in the retail environment (Redda, 2015: 62). The scale identifies various sets of dimensions regarding online services, attributes and related constructs as illustrated by Figure 3.5.

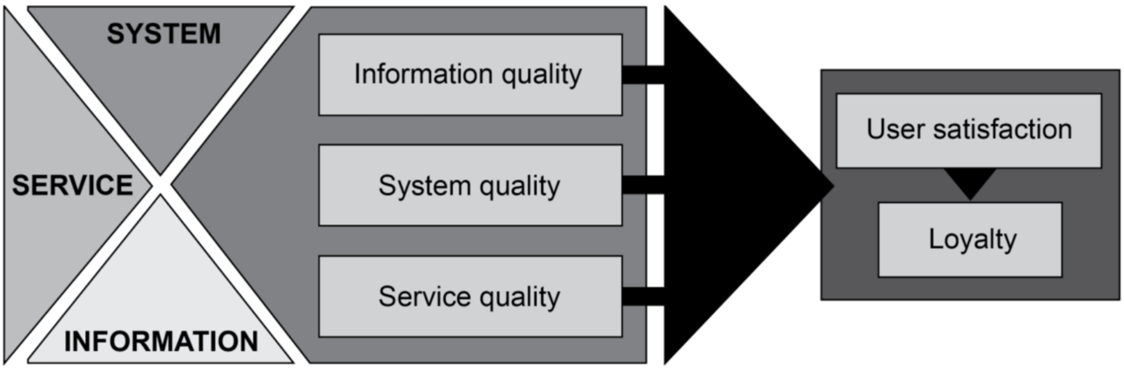

Figure 3.5: E-service composition and corresponding quality constructs

Source: Ding *et al.,* 2010: 510

According to Ding *et al.* (2010: 513), the suggested framework and created scale (e-SELFQUAL) simplify the discussion about the quality of electronic services by shifting focus away from the contentious argument over quality measures and toward a theoretical and administrative goal. Additionally, as a first attempt to link the quality-satisfaction-loyalty constructs, the researchers are certain that their research makes a distinctive contribution to the field of service research.

Ladhari (2010), however, carried out a thorough examination of all scales that relate to digital service quality up to 2010. The examination focuses methodological problems in creating measurement scales and problems with the dimensionality of the electronic service quality construct. Previous research on electronic service quality scales is shown in Table 3.3.

Table 3.3: Prior studies conducted on digital service quality scales

Study	Domain of measure	Sample	Types of web site	Original items battery	Data analysis procedure for assessing factor-structure	Final items battery	Final number of dimensions (number of items
O'Neill *et al.* (2001)	Online library service quality	269 students, users of online library service	Online library service	18 items 5-point scale Offline administration	Exploratory factor analysis	18 items	4 dimensions: contact, responsiveness, reliability, and tangibles
Yoo and Donthu (2001)	Online retailers' Web site quality	69 students in the first stage (207 site evaluations) and 47 individuals for the second stage (187 site evaluations)	Wide variety of sites categories (such sites as books, music and videos, department stores, computers, apparel and accessories, travel and auto)	54 items 5-point scale Offline administration	Exploratory factor analysis; Confirmatory factor analysis	9 items	4dimensions: ease of use (2), aesthetic design (3), processing speed (2), and security (2)
Barnes and Vidgen (2002)	Web site quality	376 students and staff of a university	Internet bookshops	22 items 7-point scale Online administration	Exploratory factor analysis	22 items	5 dimensions: usability (4), design (4), information (7); trust (4), and empathy (3)
Bauer *et al.* (2006)	Service quality in online shopping	384 members of an online panel who completed product purchases online	NA	53 items 5-point scale Online administration	Exploratory factor analysis; Confirmatory factor analysis	25 items	5 dimensions: functionality/design (7), enjoyment (4), process (4), reliability (6), and responsiveness (4)
Ibrahim *et al.* (2006)	E-banking service quality	135 UK banking customers	e-bank services	26 items 5-point scale Offline administration	Exploratory factor analysis	25 items	6 dimensions: convenience/accuracy (8); accessibility/ reliability (4); good queue management (3); personalization (4); friendly/responsive customer service (4); targeted customer service (2)
Sohn and Tadisina (2008)	E-service quality	204 customers experienced with internet-based financial services	Internet –based financial services	30 items online and offline administration	Exploratory factor 25 items analysis; Confirmatory factor analysis	25 items	6 dimensions: trust (5), customized communication (4), ease of use (3), website content and functionality (6), reliability (5), and speed of delivery (2)

Source: Ladhari, 2010: 266-469

Ladhari (2010: 473) notes that there are six dimensions that repeatedly appear in the reviewed scales, namely, reliability/fulfilment, responsiveness, rase of use/usability.

3.10 THEORIES AND MEASUREMENT OF SERVICE QUALITY (DIGITAL CHANNEL)

3.10.1 Digital Service Quality Models

3.10.1.1 *WebQual*

The WebQual scale was first developed by Barnes and Vidgen in 1998 and it was known as an instrument that examines the service quality of digital platforms (known as websites). From inception, it was used in e-commerce websites and e-government (2002: 114). According to Barnes and Vidgens (2002), WebQual is a unique approach or strategy for evaluating a website's quality based on the opinions of active users (Haryanti & Setyorini, 2018). Furthermore, Haryanti and Setyorini (2018) maintain that WebQual is based on the Quality Function Development (QFD) idea, is a rigorous and systematic process that provides a means of identifying and representing the customer's voice at every stage of service development and implementation. The scale has five dimensions for measuring digital service quality, namely, trust, information, empathy design, and usability (Barnes & Vidgens, 2002: 114).

Subsequently, Loiacono, Chen and Goodhue (2000: 301) also created a WebQual scale that consisted of 12 dimensions, namely, response time, informational fit to task, trust, design, trust, intuitiveness, visual appeal, interaction, flow (emotional appeal), integrated communication, innovativeness, business processes, and substitutability. Figure 3.6 provides an illustration of WebQual.

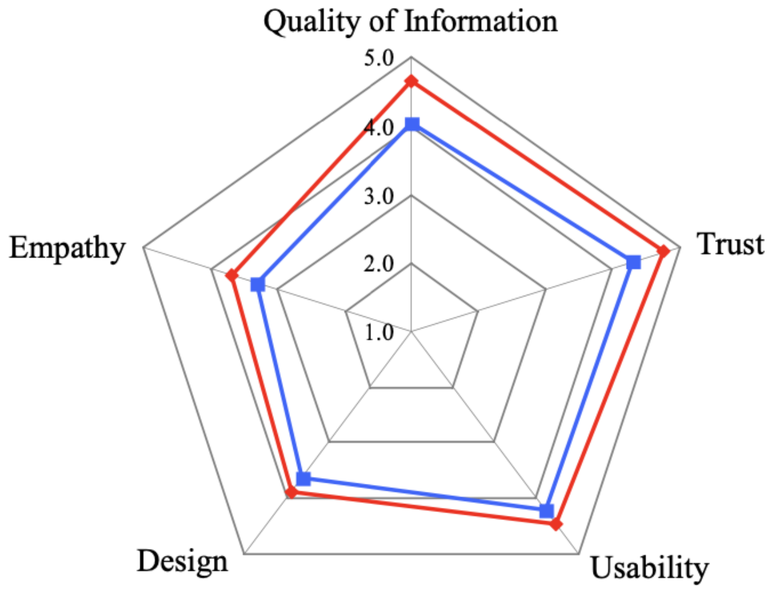

Figure 3.6: WebQual: Service Quality of Web Information Systems

Source: Tonta & Soydal, 2009.

Since 1998, WebQual has been utilised and expanded, and its dimensions and variables have undergone several modifications. WebQual was initially developed as WebQual 1.0. After various modifications Barnes and Vidgen eventually redesigned a scale in 2003, also known as the Web Quality instrument (WebQual 4.0), with 23 items created expressly for gauging the quality of digital services. This WebQual was also based on quality function deployment (QFD), a method for finding and transporting the customer voice across each step of product and/or service development and implementation (Barnes & Vidgen 2003:298). QFD is a systematic and disciplined procedure. This measuring approach is based on the three measures of service quality, namely, usability, information quality, and service interaction (Wijaya, Triandini, Kabnani and & Arifin,2021:109). The WebQual scale asks website visitors to score target websites using a seven-point rating system for a variety of features. As indicated in Table 3.4, the questions are divided into categories based on usability, information quality, service interaction, and overall quality (Redda, 2015: 75).

Table 3.4: The WebQual 4.0 instrument

Category	WebQual 4.0 items
Service interaction	• Has a good reputation • It feels safe to complete transactions • My personal information feels secure • Creates a sense of personalisation • Conveys a sense of community • Makes it easy to communicate with the organisation • I feel confident that goods/services will be delivered as promised
Overall	• Overall view of the website
Usability	• I find the site easy to learn to operate • My interaction with the site is clear and understandable • I find the site easy to navigate • I find the site easy to use • The site has an attractive appearance • The design is appropriate to the type of site • The site conveys a sense of competency • The site creates a positive experience for me
Information quality	• Provides accurate information • Provides believable information • Provides timely information • Provides relevant information • Provides easy-to-understand information • Provides information at the right level of detail • Presents the information in an appropriate format

Source: Barnes & Vidgen, 2003:299

However, WebQual 1.0 received the following criticism from Parasuraman *et al*. (2005: 216):

- The scale's main objective is to create data for website designers instead of assessing customer service excellence.
- Customer service was not included on the scale since it could not be quantified using the study methodology that was employed.

- WebQual does not include fulfilment as a dimension.
- The study that established the scale involved students visiting websites to examine them without purchasing to assess their experiences.

Furthermore, Barnes and Vidgen (2002) ascertain that the scale was evaluated without customers having to finish the shopping experience. Therefore, Webqual methodology does not, as a result, evaluate the entire consumer transaction experience (Fritz, 2018:48).

The WebQual 4.0 was also challenged by Parasuraman et al. (2005:216) for the following reasons:

- Data were extracted from convenience samples of university students and employees who were requested to visit one bookstore from the three pre-selected bookstore settings, gather some information about a book of their choice and then score their experience on the scale items.
- The scale is intended to be used without the responder having to finish the purchase process, making it a transaction-specific review of a site rather than a whole assessment of its service quality.

Despite the criticism, Subandi, Syahidi and Asyikin (2019:79) assert that the scale has been successful in measuring the level of customer satisfaction which is a gap between interest and performance and this scale can also be used to rate different components of a collection of services and determine what needs to be done.

Several scholars incorporated this model in their studies in assessing service quality with the education filed, government and business industries (Loiacono, Richard & Dale, 2002; Jundillah, Suseno, & Surarso, 2019; Napitupulu, 2016; Subandi, Syahidi, & syikin; 2019; Gonzalez et al. (2015); Faqih, Warjiyono, Kuhon, Aji, Ardiansyah & Fandhilah, 2022; Johanes Andry, Christianto & Wilujeng, 2019).

3.10.1.2 *The SITEQUAL Model*

Yoo and Donthu (2001: 1) affirm that there is no extensive research to provide a reliable psychometric indicator of digital service quality. They argued that there are various limitations to prior measurements of site quality. Firstly, rather than measuring site quality, many of them are primarily geared to assess site efficiency and they are non-consumer-based measures of quality (Yoo & Donthu, 2001: 1). Secondly, the measurements do not depict the organisation of the site quality dimensions. Thirdly, rather than being established as performance measurements for digital service, the measures are primarily developed for generic websites and lastly not all of the psychometric characteristics of the measures have been disclosed. For instance, it has not been determined if the preserved metrics produce unidimensional constructs (Yoo & Donthu, 2001: 1).

Based on the foregoing arguments and to enhance the measurement of digital service quality, the four-dimensional SITEQUAL approach was developed by Yoo and Donthu (2001) by asking students in two marketing classes to generate appropriate questions. Furthermore, Yoo and Donthu (2001) identified four major factors related to perceived quality, which are:

- *Ease of use* - of website and ability to easily navigate and search for information.
- *Aesthetic design* - the imaginative use of colour visuals and superior multimedia on a webpage.
- *Processing speed* - digital processing promptness and interactive responsiveness to consumers' requests; and
- *Security* - of financial and personal information (Yoo & Donthu, 2001).

The instrument was also developed to measure perceived quality of a digital shopping experience (Sardha, 2020: 9).

The SITEQUAL model demonstrated the site's quality measurements in relation to its performance. Additionally, the model may be utilized to gauge how website speed affects users' virtual behaviours (Yoo & Donthu 2001). Figure 3.7 is a depiction of the SITEQUAL Model.

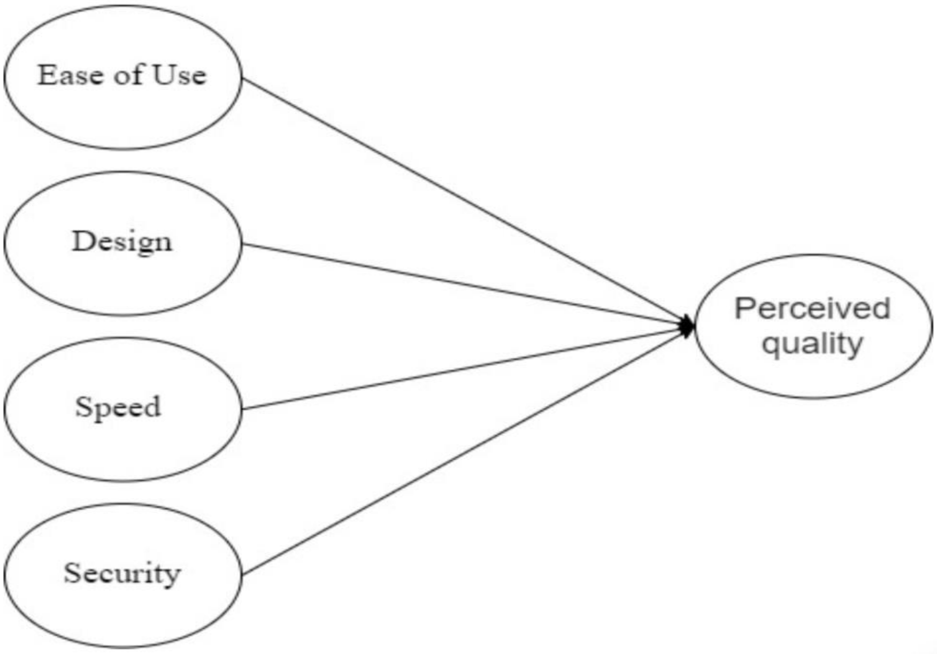

Figure 3.7: SITEQUAL Model

Source: Yoo & Donthu, 2001: 43

Similar to the WEBQUAL model, SITEQUAL has certain drawbacks and, therefore, should not be viewed as an ultimate measure but rather as a basis in the path of a better metric since it does not quantify consumers' transaction experience (Yoo & Donthu, 2001: 31). Moreover, Yoo and Donthu (2001) contend that the model was not an exhaustive examination of a site's service level as it did not offer a full evaluation of that site's service quality since it did not cover every step of the purchasing process (Muzinda, 2021:28). Albinalsheikh (2022:38) also emphasised that the model has restricted focus on functional service quality, since it regards the customer's perspective. Parasuraman *et al.* (2005) also concurs but critique this scale by stating that it fails to produce a comprehensive evaluation of digital service quality (Nyembezi, 2020:17).

This leads to the conclusion that the SITEQUAL scale presented by Yoo and Donthu (2001) is not a universal scale, and that its application depends heavily on the information that the organisation needs to learn and on the goals of the study. As a result, this model was not widely employed in research but was applied in a few studies (Ingaldi & Brozova, 2021:21). However, some studies applied the SITEQUAL model when measuring service quality (Webb & Webb, 2004; Adewale; Temitayo; Dandison & Adekunle, 2018; Ingaldi & Brozova, 2021; Pattnaik, 2019).

3.10.1.3 *The E-S-QUAL scale*

Parasuraman *et* al*.* (2005: 5) developed an E-S-QUAL dimensions scale for core service delivery, and they define it as a scale that includes all stages of customer's interactions with the digital platform, the degree to which a digital platform promotes effective and efficient purchasing and service experience. The researchers further mentions that the E-SQUAL instrument conceptualises, develops, perfects, and tests a multiple-item scale (E-S- QUAL) for gauging the level of customer service provided by websites where people conduct digital shopping. Parasuraman *et al*., (2005: 17) further maintain that the purpose of E-S-QUAL is solely to measure the service quality of websites. Preliminary to the development of the E-S-QUAL scale, Parasuraman *et al.* (2004: 50) created a conceptual gaps model for digital services using a qualitative research procedure that was comparable to the SERVQUAL gaps model. Figure 3.8 shows the conceptual gaps model for the quality of digital services. The E-S-QUAL scale is based on the gap between what clients anticipate from digital services and what they actually get.

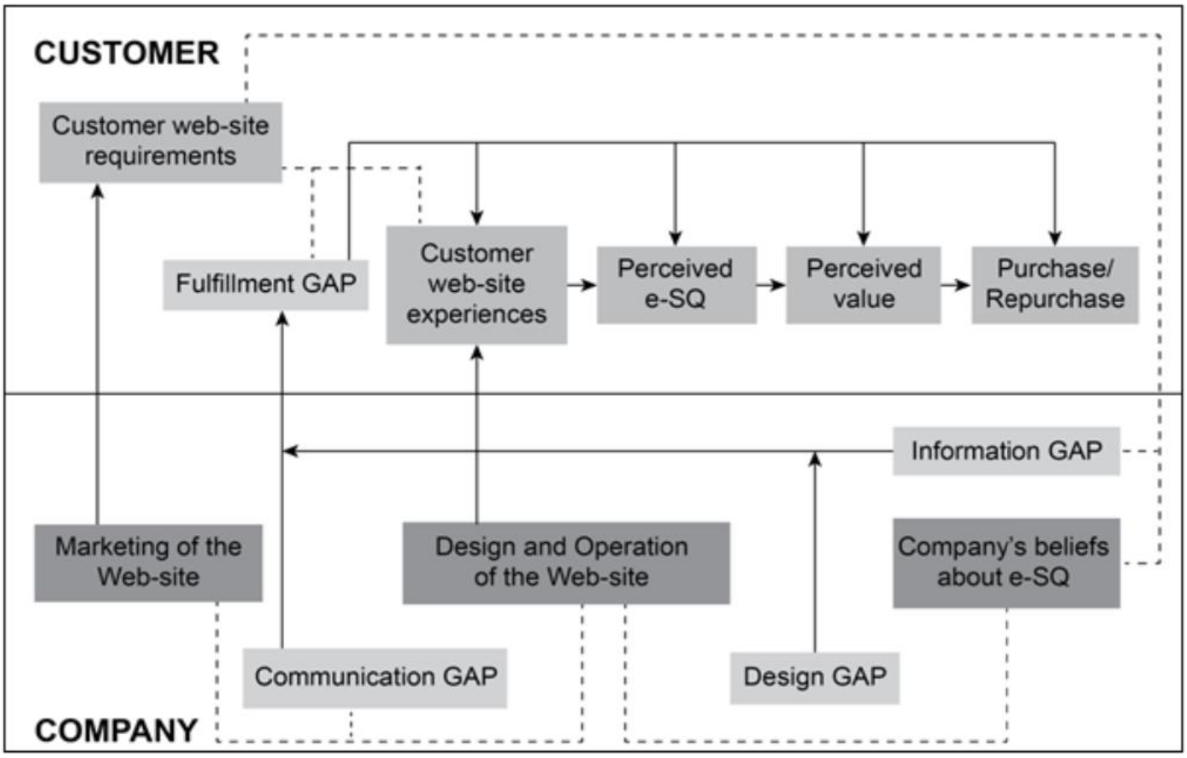

Figure 3.8: A conceptual gaps model for E-S-Q

Source: Parasuraman *et al.*, 2004: 51

Subsequent to their gap analysis, in their study Parasuraman *et al.* (2005: 218) identified website traits at the conceptual attribute level and grouped them in 11 E-S-Q dimensions as illustrated by Table 3.5.

Table 3.5: Dimensions of E-S-QUAL

E-Service Quality Dimension	Description
Security/privacy	Degree to which the customer believes the site is safe from intrusion and personal information is protected
Price knowledge	Extent to which the customer can determine shipping price, total price, and comparative prices during the shopping process
Site aesthetics	Appearance of the site
Customisation/ personalisation	How much and how easily the site can be tailored to individual customers' preferences, histories, and ways of shopping
Reliability	Correct technical functioning of the site and the accuracy of service promises (having items in stock, delivering what is ordered, delivering when promised), billing, and product information
Responsiveness	Quick response and the ability to get help if there is a problem or question
Access	Ability to get onto the site quickly and to reach the company when needed
Flexibility	Choices of ways to pay, ship, buy, search for, and return items
Ease of navigation	Site contains functions that help customers find what they need without difficulty, has good search functionality, and allows the customer to manoeuvre easily and quickly back and forth through the pages
Efficiency	Site is simple to use, structured properly, and requires a minimum of information to be input by the customer
Assurance/trust	Confidence that the customer feels in dealing with the site due to the reputation of the site and the products or services it sells, as well as clear and truthful information presented

Source Redda, 2015: 67

Two stages of empirical data collection revealed that two different scales were necessary for capturing digital service quality. The results of the latter study led to the development of a scale with 22-items that has only four dimensions, namely, efficiency, fulfilment, system availability, and privacy (Redda, 2015: 67).

Table 3.6 represents the original instrument (E-S- QUAL) developed by Parasuraman et al. (2005: 230-231) with the four core dimensions and the corresponding questions that were used in evaluating e-service.

Table 3.6: E-S-QUAL Scale

Dimension	Questions
Efficiency	▪ Finding what I need is made simple by this website. ▪ It facilitates navigation throughout the website. ▪ I can swiftly finish a transaction thanks to it. ▪ The information on this website is arranged neatly. ▪ It loads pages quickly. ▪ This website is easy to navigate. ▪ I can get it fast thanks to this website. ▪ This website is arranged well.
System availability	▪ This website is open for business at all times. ▪ This website opens and functions immediately. ▪ This website never crashes. ▪ This website's pages don't freeze whenever I input my order details.
Fulfilment	▪ It fulfils orders on schedule. ▪ This website offers products for delivery in an appropriate amount of time. ▪ It delivered what I ordered swiftly. ▪ It dispatches the requested things. ▪ It possesses the stuff that the business says it does. ▪ It tells the truth about what it offers. ▪ It provides precise assurances on product delivery.
Privacy	▪ It safeguards data regarding my online purchase habits. ▪ It doesn't divulge any of my personal details to other websites. ▪ This website secures my credit card details.

Source: Adapted from Parasuraman *et al.,* 2005: 230-231

For this study, the hypothesis was formulated based on the E-S-QUAL service quality.

a. Efficiency

Efficiency is the ease and speed of accessing and using the site. Parasuram *et al.* (2005) describes it as the means by which accessing and using the site is easy and quick. In his definition, Zeithaml *et al.* (2000) emphasise that customers must have minimal participation in the input system. In the banking industry efficiency, it means effortlessness user experience with easy navigation.

b. Fulfilment

Fulfilment is the extent to which the sites' promises about order delivery and item availability are fulfilled (Parasuram *et al.*, 2005). In principle, it implies that service providers should be genuine in what they give and fulfil what they guarantee, even when they make digital advertisements (Kapalu, 2022: 20).

c. System availability

This dimension refers to the correct technical functioning of the site (Parasuram *et al.,* 2005; Kapalu, 2022: 20). In the banking service context, this means that the digital channels must not go offline or shut down while in use, it must always be operational and must be safe from cyber-attacks.

d. Privacy

Privacy is the belief by a customer that a site is safe from intrusion and their personal information is protected (Parasuram *et al.*, 2005; Kapalu, 2022: 20). In the banking industry, privacy to customers means that the website does not have leakages in protecting their personal information; this can range from bank details, transactional history or personal information.

According to Albinalsheikh to (2020:42), the E-S-QUAL scales was created using the means-end philosophy, and as a result, they have better dimensions for measuring the banking digital service quality and client interactions with digital financial services. Kim, Kim and Lennon (2006) assert that the scale measures service quality as an integrated complete process, and the quality is measured.

Akinci, Atilgan-Inan and Aksoy (2010), Rafiq, Lu and Fulford (2012) and Santouridis, Trivellas and Tsimonis (2012) affirm that the E-S-QUAL scale's dimension is consistent and have been repeated in multiple research projects to assess the quality in various sectors. Furthermore, the E-S-QUAL scale possess dimensions that encompass all customers' interactions with platforms to produce efficient experiences through the digital service delivery process and beyond (Kim, Kim & Lennon 2006). Akinci *et al.* (2010), and Santouridis, Trivellas and Tsimonis (2012) conclude by stating that the E-SQUAL scale's dimensions are appropriate and durable for assessing digital service quality in various industries. The latter include the banking industry, and the scale is inducive in measuring digital service quality and, therefore, this study will apply the E-S-QUAL in measuring service quality.

The scale has been applied in the banking industry by several researchers (Pentnji et al.,2011; Chang, 2011; Rafiq et al., 2011; Meng & Mummalaneni, 2010; Akinci et al., 2010; Marimon, Vidgen, Barnes, Cristobal, 2010; Fuentes-Blasco,Gil-Saura, Berenguer-Contrí & Moliner-Velázquez, 2010; Connolly, Bannister & Kearney, 2010;, Cheng, Chan, Pan, Chen & Yang, 2010). The model has also been applied in recent studies by Karadeniz and Çuhadaroğlu (2016) who studied the dimensions of mobile service quality utilizing the constructs from the E-S-QUAL scale. These studies include Akın and Toksarı (2017), Ateş (2017), Düger and Kahraman (2017), Faiz (2018), Mwiimbu (2016) and Chituta (2016).

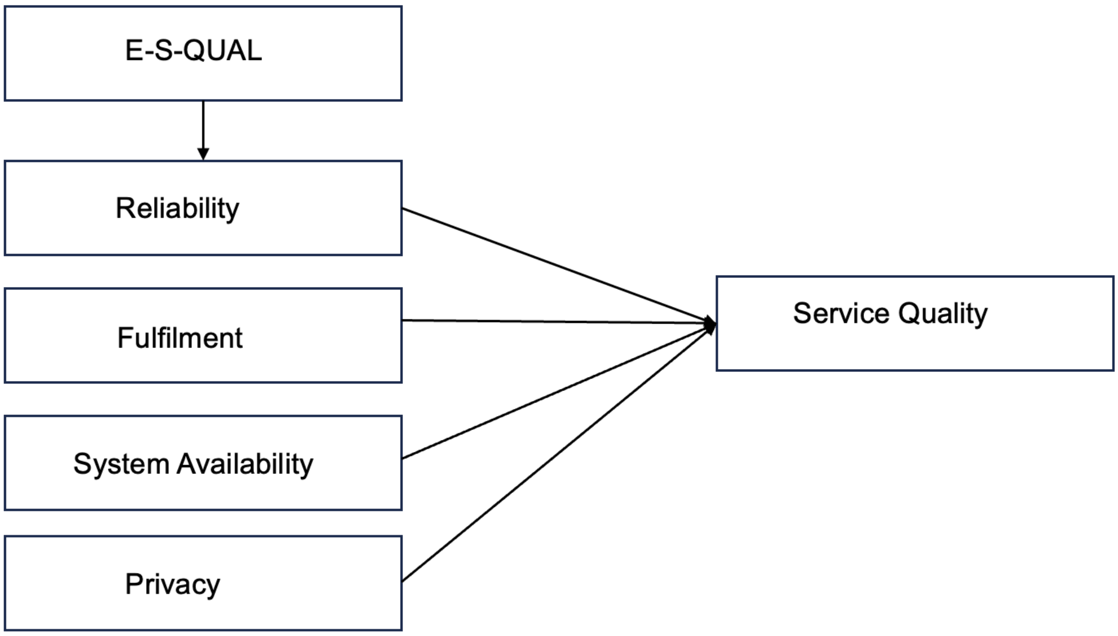

Figure 3.9: Conceptual Framework for the model for digital Channel Quality

Source: Researcher's own compilation

Proposed conceptual model to understand the effects of digital and physical service quality on customer loyalty in the South African banking industry.

This study aims at assessing the impact of both physical channel and digital channel service quality on customer loyalty in the South African retail banking industry. Previous studies have studied service quality on either physical channel or digital channel, but few studies have addressed service quality on both channels. Therefore, this study adopted two theories to test service quality, the physical channel service quality will adopt SERVQUAL model and digital service quality will adopt the E-S-QUAL model. From the SERVQUAL model, all dimensions were tested, namely, tangibility, reliability, responsiveness, assurance, and empathy and from the E-S-QUAL reliability, fulfilment and system availability have been tested.

Figure 3.10 depicts the proposed conceptual research model.

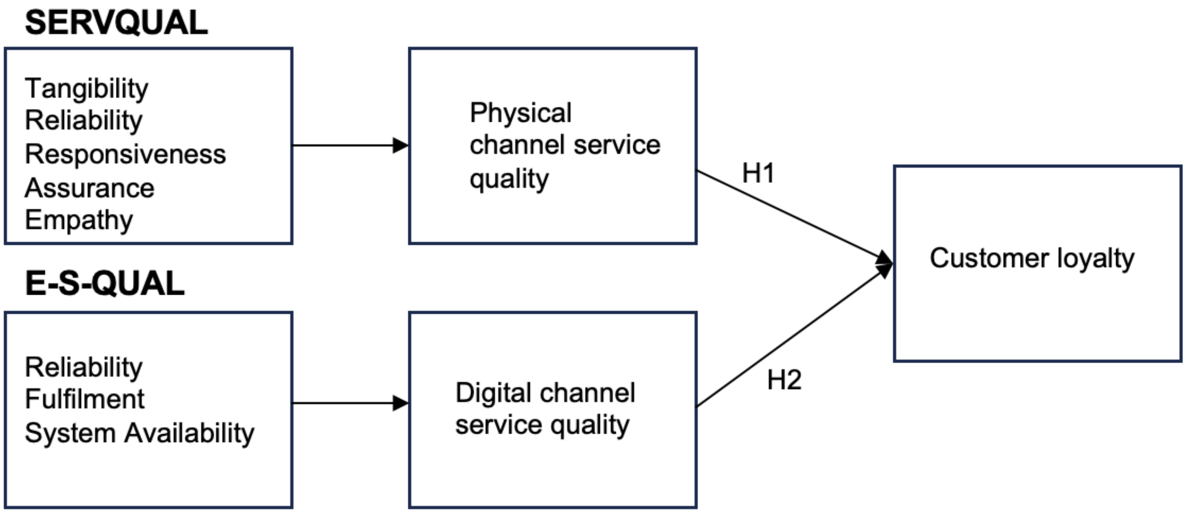

Figure 3.10: Proposed research model

3.11 CHAPTER SUMMARY

This chapter highlighted concepts of service, service quality and customer loyalty. This chapter illustrated service to hold unique distinguishable features of intangibility, heterogeneity, inseparability of formation and consumption which makes it difficult to measure service quality. The concept of service quality was also discussed and defined. Tables of service quality perception were provided to give an overview of how various authors perceived service quality, and subsequently, the chapter defined customer loyalty and types of customer loyalty. The chapter further discussed theories of physical channel service quality were discussed. Furthermore, the chapter alluded to theories of digital channel service quality, elaborating on how various scales were created and the chapter concluded with the proposed research model.

CHAPTER 4:
RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

In the preceding chapters, widespread and appropriate literature was reviewed. The current chapter describes the research methodology that was applied in this study to determine the primary and secondary objectives of this study. Chapter 4 commences by giving a brief explanation of the adapted research approach and its various phases, namely, research philosophies, research approaches, methodological choice, research methods, time horizon data collection, validity, reliability, and data analysis. The chapter concludes with ethical considerations observed while conducting the study.

4.2 THE RESEARCH ONION

Research methodology is a plan that outlines how research will be conducted. It contains a set of philosophical presumptions and a set of beliefs that influence how the research questions are understood and how the research methodologies are chosen. Research methodology is an integral part of the study that ensures consistency between chosen tools, techniques and underlying philosophy (Melnikovas (2018: 33).

This study applied a confined framework by Saunders, Lewis and Thornhill (2019) known as the research onion. This blueprint consists of six layers, namely: research philosophies, research approaches, research strategies, research methods, time horizon and the techniques and procedures used to collect and analyse data to achieve key findings. According to Saunders *et al.,* (2019: 14), this research framework has been widely utilised in management research to illustrate various methodological dimensions.

Figure 4.1 demonstrates the research onion.

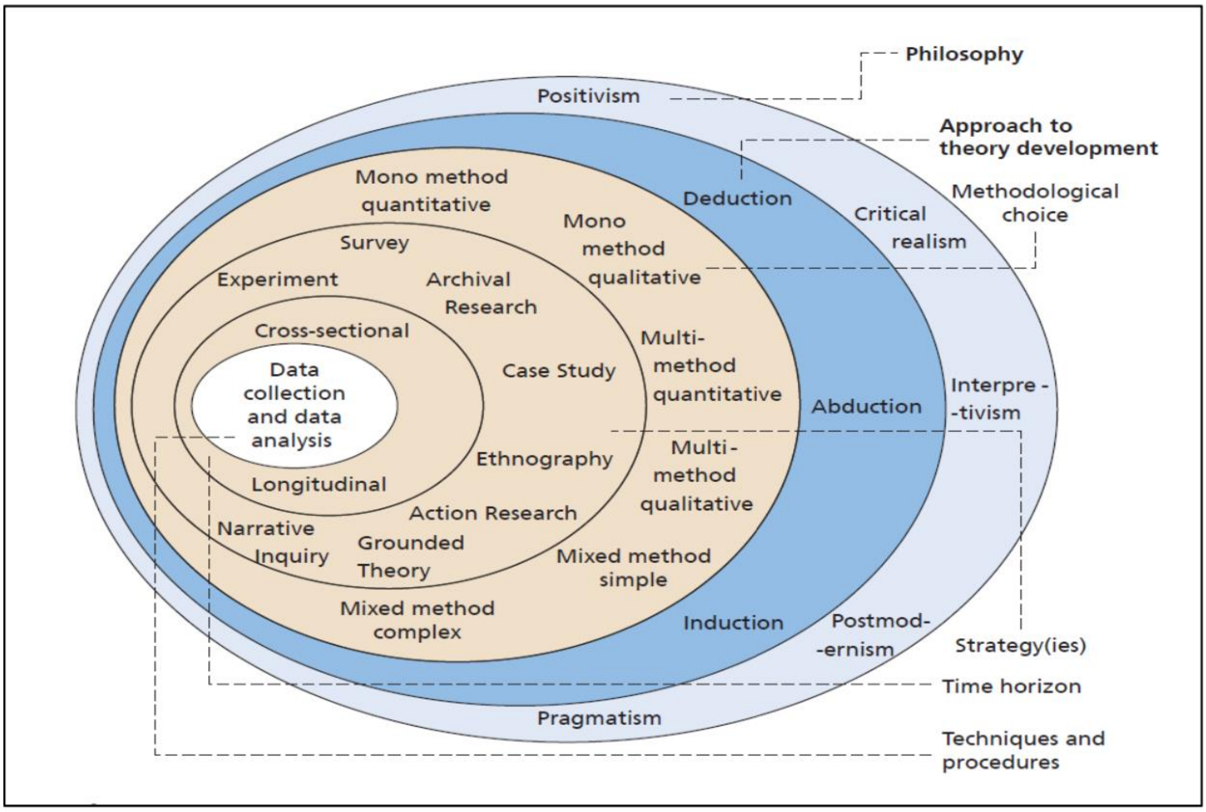

Figure 4.1: The Research Onion

Source: Saunders, Lewis & Thornhill, 2019: 18

4.3 RESEARCH PHILOSOPHY

The first layer of the research onion focuses on the research philosophy. According to Nzama (2020: 47), the phrase "research philosophy" is frequently used to refer to how knowledge develops and the type of knowledge a researcher will attain in a particular study (Saunders *et al*., 2019: 14). Furthermore, Saunders *et al.* (2019: 130) define the research philosophy as a doctrine that governs how knowledge and data regarding a phenomenon can be obtained, used, and analysed. Melnikovas (2018: 35) remarks that research philosophy is a premise of how we view our environment and guides the study to yield effective overall results and it consists of interpretivism, realism and positivism approaches. Realism is a scientific application to assess whether objects exist independently of our knowledge of their existence (Abdelhakim & Badr, 2021: 101). Interpretivism emphasises that humans are unique from physical phenomena for the reason that humans create meanings (Wimalaratne & Kulatunga, 2022: 18) and positivism is objective-led, suggesting that the study cannot draw any conclusions prior to a thorough investigation and analysis of results.

This study followed a positivism methodology which posits that reality can be viewed objectively and impartially, and that the world is perceived objectively in accordance with universal rules and causes (Saunders *et al.,* 2012). This method was also followed as it provides an explanation of causal relationships in data (Saunders *et al*., 2019: 144). Accordingly, the method was applied owing to its nature of providing unambiguous and precise knowledge, for its scientific approach of collecting statistical data and for its use of larger sample (Saunders *et al.,* 2019: 144).

Lastly, the method was adapted owing to its focus on utilising existing theories and reliability on measurable observations which result in statistical analysis (Saunders *et al*., 2019: 14). This method was applied as it provided results that are not biased in determining which service quality has the most effect on customer loyalty between digital and physical channel and this method will also be suitable as it will explain the nature of the causal relationship between service quality and customer loyalty.

4.4 RESEARCH APPROACH

The second layer of the research onion comprises the research approach. According to Makgopa, (2019: 115), research approach is a structured method for gathering, examining, interpreting, out lining data and interpreting data in a research study. According to Wimalaratne and Kulatunga (2022: 20), this second layer in the research onion consists of three types of reasoning strategies, namely, deduction, induction and abduction.

The term "deductive approach" refers to research projects that begins with theory that is frequently created after reading academic literature and end with the researcher developing a research plan to put that theory to the test (Rehman & Alharthi, 2016: 56). Conversely, the "'inductive approach" refers to the studies that start by collecting data to explore a phenomenon and generate or build theory such as conceptual framework (Nzama, 2020: 48). In contrast, the abductive approach entails the process of gathering data to investigate a phenomenon, recognise themes, and explain patterns to create or alter an existing theory (Saunders *et al*., 2019).

This study followed a deductive approach which adheres to the positivist research paradigm and forms the basis of the study's epistemological philosophy (Saunders, Lewis & Thornhill, 2015: 160). According to Wimalaratne and Kulatunga (2022: 20), this method is most appropriate to use when preceding studies exist for specific social phenomenon and when aiming to develop a theory and hypothesis based on pre-existing evidence. This study is based on an existing theory, and it seeks to validate it. The approach is also adapted owing to its quantitative nature that follows the positivist philosophy as the study will adopt a quantitative method of data collection using a survey method (Saunders *et al*., 2019). Data will be assessed using hypotheses connected to an established theory supported by this methodology (Saunders *et al.,* 2019). This approach is applicable to this study as literature on service quality and customer loyalty is available from preceding studies and hypothesis was formulated from existing evidence.

4.5 METHODOLOGICAL CHOICE

The third layer of the research onion is called the methodological choice which is responsible for assisting the researcher in determining and choosing the best research strategy (Nzama, 2022: 49). Qualitative and quantitative studies form the basis of methodological choice. Qualitative methods utilise non-statistical data equivalent to words, concepts, expressions, themes, and classifications to interpret data (Bismah, Saqib & Umair, 2018). Conversely, quantitative methods utilise numerical models for research, yielding increased objective analytical data and mixed method make use of both approaches in one study (Abuhamda, Ismail & Bshara, 2021: 71).

The various methodological choices are mono method quantitative, multi method quantitative, mono method qualitative, multi method qualitative, easy mixed method and complicated mixed method (Chitasa, 2021: 33).

According to Saunders *et al*. (2019: 178), a mono method is when the study incorporates only one data collection method, for example, a questionnaire. In contrast, a multi method make use of more than one data collection method. This study adopted quantitative approach using a survey method. According to Apuke (2017: 40), quantitative studies answer the ‘what’, ‘why’ and ‘where’ of a phenomenon. This method was appropriate for this study, as it aimed to determine the effects of physical and digital channel service quality on customer loyalty and why. This method was applied as it is aligning with Saunders, *et al.*’s postpositivist view that adopts quantitative studies (Asenahabi, 2019: 79). This method was also applied as it centres on facets of social behaviour that can be quantified (Taherdoost, 2022: 54).

Furthermore, this approach was applied as it involves data collection that can be measured numerically and be subjected to statistical analysis to support the findings (Aspers & Corte, 2019: 145). Lastly, a quantitative method was applied to obtain conclusive results and findings that can be regarded as a representative of the entire population (Rahman, 2017: 106).

4.6 RESEARCH STRATEGIES

The fourth layer of the research onion is referred to as research strategies (Chitsa, 2021: 34). The strategies used in research studies include experiments, surveys, archival research, case study, ethnography, action research, grounded theory, and narrative inquiry (Nzama, 2020: 51), as discussed below:

- Experiments are usually used in exploratory and explanatory research to get the answer to 'how' and 'why' questions (Abdelhakim & Badr, 2021: 106).
- Surveys comprise assembling primary data using organised questions that necessitate respondents to choose from a set of predetermined answers (Makgopa 2019: 125).
- Archival research concerns collecting data and storing it for future use and does not involve engagement with live objects (Subotić, 2021: 350).
- A case study is an empirical investigation that looks closely at a current phenomenon and considers it in the context of real-world events, particularly when the distinctions between the phenomenon and the environment are not immediately apparent (Song & Shen, 2019: 205).
- Ethnography strategies are used to describe a culture or explain the social world of a group of people, and it presents social life narratives (Saunders *et al.,* 2019: 200).
- Action research focuses on the settlement of important social or administrative issues together with those who practice these subjects directly (Abdelhakim & Badr, 2021: 107).
- Grounded theory is a systematic collection of reliable data in order to investigate actions that will assist in the discovery and development of theories (Reiter, Stewart & Bruce, 2011: 40).

- Narrative inquiry is a philosophical and theoretical approach that transforms research into live stories, then further use these stories as data (O' Toole, 2018).

This study made use of a survey strategy in a form of structured questionnaire that allows for data collection through a logical set of questions that reproduced participants' behaviour, perceptions, and views (Van Zyl, 2018: 152). Bihu (2021: 41) defines a survey method as the collection of data from a sample of participants through their replies to questions utilising a present sample and well-structured instrument. Surveys entail assembling primary data using organised questions that necessitate respondents to choose from a set of predetermined answers (Makgopa 2019: 125). The prearranged questions can be asked verbally (personally or telephonically and via email (Faulkner & Faulkner, 2019: 111).

A survey was used owing to its economic viability and ability to include the highest representation of a population (Queiros, Faria & Almeida, 2017: 381). The main drive of survey research was to attain information describing the characteristics of a great sample of individuals of interest relatively quickly (Asenahabi, 2019: 79). A survey was also used based on its advantages mentioned by Asenahabi (2019: 80). Advantages of using the survey method are as follows:

- In a survey method, data can be very precise if sampling is probabilistic.
- It provides access to extensive number of participants.
- It is more ethical than experiments.
- It utilises approaches, resources and setting of the study of the real-life situation which is under investigation to guarantee legitimacy.
- It is the sole way of retrieving information about a respondent history. It is the only method where generalised information could be collected from almost any human population.

The disadvantages of surveys include a non-representative sample, minimum response rate, invalidity owing to participants' deception, limitations in the type of information collected, the interviewer cannot assist with problems the respondents may experience and the interviewer may influence responses (risk of interviewer bias)

(Hlaka, 2020: 84).To alleviate the above-mentioned disadvantages, the questionnaire had a simple layout and used comprehensive language. A justifiable sample size of 384 respondents was used as suggested by Taherdoost (2017: 237) for a population greater than one million. The questionnaire was also accompanied by a consent letter explaining the importance of honesty in the study and the use of the survey results was also addressed. Accordingly, this study made use of a survey method to ensure validity as it allows access to a large number of participants and used the strategies, tools, and environments of the real-life situation being studied.

4.7 RESEARCH TIME HORIZON

According to Kulatanga (2021: 21), prior to collecting data, it is crucial to establish if the research's goal is to examine a phenomenon in a single moment in time (cross-sectional) or to examine a phenomenon across time (longitudinal). The study aimed to focus on a specific occurrence at a certain moment. As a result, the time horizon of the research is identified as a cross-sectional method.

4.8 TARGET POPULATION AND SAMPLING

A population is a cluster of individuals or elements that have common characteristics that are of interest to a researcher from which to draw conclusions and make inferences (Shukla, 2020: 1). The targeted population for this study were retail bank customers between the ages of 18 and 60 years of age throughout the nine South African provinces, who have an active transactional bank account and who use both digital and traditional channels to interact with the bank. The recruitment and data collection were attained by using data collection agency known as Osmoz.

The agency has a database consisting of banking customers from various banks who fit the above description. Data will be extracted by sending out survey links through digital platforms preferred by the data collection agency, while adhering to research ethics and the purpose of the study.

4.9 SAMPLING FRAME

A sampling frame represents the target population. According to Rahman *et al.* (2022: 43), a sample frame is a list of inventory groups from the population from which the sample is to be drawn. Therefore, by studying a smaller group, the researcher may draw reliable conclusions about the larger group from the findings of a smaller group (Rahman *et al*., 2022: 43). For this study, a sample frame encompassed of South African bankers who were pulled out from the Osmoz consulting database that has participants that are geographically dispense within South Africa who have the required attributes for the study.

4.10 SAMPLING METHOD

Sampling is a process of extracting information about the whole population by studying solely a subgroup of the population (Majid, 2018: 3). In addition, Rahman *et al.* (2022: 43) assert that the purpose of sampling is to establish a small representative collection of units or cases from a greater population, such that the researcher can study the reduced collection to yield accurate generalisations about the larger collection. Sampling is conducted by means of two techniques, namely, probability sampling and non-probability sampling (Raifman, DeVost, Digitale, Chen & Morris, 2022: 38).

4.10.1 Probability sampling

- **Probability sampling** occurs when each unit in a population has an equal chance of being chosen, and it consists of simple random sampling, systematic sampling, stratified random sampling and cluster sampling (Raifman *et al.,* 2022: 38).
- **Cluster sample**: is a technique in which the target population is separated into similar clusters and each cluster represents a mini- population (Bhardwaj, 2019: 161).
- **Systematic sample**: Systematic sampling is a technique where individual members from a greater population are selected through random intervals (Sharma, 2023: 9).
- **Simple random sampling** is a probability sampling technique that gives each person in the population a separate, equal chance of being selected for the sample (Bhardwaj, 2019: 159).
- **Stratified random sample** is sampling technique that creates a fortuitous selection of objects from the population based on how they are grouped. From each uniform, opposed section of the target population, a simple random sample is taken. (Iliyasu & Etikan, 2021: 25).

The appointed sample from various strata is combined to create a single sample. Stratified sampling is the technique of probability sampling in which the characteristics of a precise variable are interpreted in the universe relative to this variable (Etikan & Babatope, 2019: 51).

4.11 NON-PROBABILITY SAMPLING

In contrast, non-probability sampling occurs when the researcher selects the sample based on preference or judgement, and this method constitutes of quota sampling, snowball sampling, judgment (purposive) sampling and convenience sampling (Joseph & Eleojo, 2019: 101).

- **Quota sampling** occurs when the selected sample is used elected on pre-determined attributes and where the overall sample has similar characteristics in the population that is being studied (Iliyasu & Etikan, 2021: 25). When using this technique, sampling is conducted until certain quotas from different sub-populations are chosen (Stratton, 2019: 228).
- **Snowball sampling** is the sampling method that is rooted in the referral mechanism. This method chooses subjects based on referrals from other surveys (Parker, Scott & Geddes, 2022: 3). This method is also subjected to gathering data from small groups of the intended study population (Naderifar, Goli, & Ghaljaie, 2017: 2).
- **Purposive sampling**, also known as judgment sampling, is the cautious and intentional selection of a respondent owing to the characteristics they possess (Ames, Glenton & Lewin, 2019: 2). This method is used in qualitative studies where comprehensive and exhaustive knowledge about a specific phenomenon is crucial rather than statistical inferences (McCombes, 2019).
- **Convenience sampling** is also referred to as haphazard sampling or accidental sampling (Joseph & Eleojo, 2019: 106). When using this technique, members of the targeted population are selected based on their availability, simple accessibility, geographical proximity, and on their enthusiasm to participate (Scholtz, 2021: 2).

The study applied a non-probability sampling method within which a purposive sampling technique will be applied. Etikan and Babatope (2019: 51) define purposive sampling as a technique where respondents are chosen from a sample frame comprising purposefully selected participants founded on the researcher's judgement. Moreover, Taherdoost (2016: 18) asserts that the basis of the researcher's judgement stems from the knowledge of the selection criteria and from the objectives of the study. Joseph and Eleojo **(**2019: 105) maintain that the focusing on certain, interesting features of a population that will enable the researcher to solve the research phenomenon is the primary aim of purposive sampling.

The selection criteria for data collection for this study consisted of retail bank account holders within South Africa. This tactic was utilised as it will warrant that the designated respondents are of interest and have the same characteristics, such as holding a transactional account and receiving a monthly income. This demographic knowledge is critical as it will allow the researcher to acquire the relevant participants from the targeted population that will deliver significant and appropriate results that will merit inclusion (Taherdoost, 2016: 19).

This approach will also be applied as samples are simple to set; the method is convenient and economically viable (Thomas, 2020: 5). This technique is best suited for this study as the sample will consist of participants who possess the characteristics that are significant to the outcome of the study (Bornstein, Jager & Putnick, 2015: 360).

4.12 SAMPLE SIZE

Sample size is a number of elements that will be included in the final sample in order to achieve accurate generalisation and to reduce sample errors and bias (Laban, 2019: 56). More importantly, a sample needs to be of adequate magnitude (Oribhabor & Anyanwu, 2019: 48). To achieve this, a sample needs to be of a suitable size with a 5% margin of error and 95% confidence level (Taherdoost, 2017: 237). According to Moodley (2019), 80% of South Africans have bank accounts. The South African population is approximately 62 million, with Gauteng having the highest population share of 15.5 million (26%) (Stats SA, 2020). Taherdoost (2017: 237) suggested that for a population size of 1 million and greater, a sample of 384 respondents is appropriate to yield accurate results with 95% levels of confidence. For this study which is to determine the influence of quality on customer loyalty, a sample size of (n=384) will be adopted to meet the objective of the study. The selected sample will be extracted from the South African residents who own bank accounts.

4.13 DATA COLLECTION METHOD

Data collection is the practice of gathering the required information meticulously, with minimum falsification, to allow for accurate and credible results during analysis to answer the research problem or test the hypothesis (Sapthami, 2021: 5). Mohapatra (2018) and Taherdoost (2021: 12) mention that to address the research phenomena effectively and to receive quality results, novel and original material, referred to as primary data, is required.

For the purpose of this study, both secondary and primary data were collected. Secondary data were collected to encapsulate and summarise the existing literature in the form of journals, textbooks, electronic newspapers and online portals considering the publication dates and validity of the source.

Primary data was collected from primary sources. Kabir (2016: 204) asserts that owing to its originality, primary data is dependable and consistent, and therefore, the choice of the data collection technique for the study. The method of data collection to be utilised is the survey method, and the instrument to be administered is a questionnaire consisting of structured close-ended questions. The questionnaires were distributed by means of electronic platforms via a data collection agency on behalf of the researcher.

4.13.1 Data collection instrument and development

A questionnaire was used as the data collection instrument in this study. A questionnaire is an instrument that constitutes a sequenced set of questions to drive data collection (Ahuja, 2022: 265). Furthermore, Pozzo, Borgobello and Pierella (2019: 4) aver that a questionnaire is a basic means of collecting statistical primary data. A questionnaire has two types of distinct questions, namely, closed-ended questions that require respondents to choose a response from a set of provided options, and open-ended questions that require respondents to formulate their own responses (Architha & Sreeramana, 2022: 4).

For this study, questionnaires were distributed on electronic platforms and consist of structured questions that are closed-ended, where participants will choose their answer from a given selection. The questions made use of a six-point psychometric Likert scale: a scale that measures attitude where respondents indicate their level of agreement or disagreement with a statement (Joshi, Kale, Chandel & Pal, 2015: 397). The scale was arranged as follows: (1) strongly disagree, (2) disagree, (3) partly disagree (4) agree (5) strongly agree (6) slightly agree.

The arrangement, phrasing and categorisation of the questions will certify a simple comprehension to reduce misunderstanding. The questionnaire will be accompanied by a cover letter that clarifies the purpose of the questionnaire and the significance of the study. The cover letter will also include a clause that ensures the participants of confidentiality of their identity and responses (Collis & Hussey, 2021: 192). This will be contained on the first screen that the participants encounter on the web link.

The first set of questions will be related to demographics, and will ask respondents about their age, name of their bank and account type. The next section will encompass questions relevant to the study's objective, which is to determine the influence of service quality on customer loyalty. The questionnaire's duration was about ten to 15 minutes long.

4.14 PILOT SURVEY PRE-TESTING OF THE INSTRUMENT

Instrument pre-testing entails the testing of a questionnaire or questions on respondents of the targeted population to determine in advance if a questionnaire will present problems for both participants and assessors (Fraser, Fahlman, Arscott & Guillot, 2019: 263). The pre-testing stage helps in identifying errors in the questionnaire in relation to improper question sequence, incorrect choice selection options, inappropriate wording, respondent's ability to understand and respond to the questions, and the respondent's willingness to respond (Ikart, 2019: 4).

For this study, a questionnaire pre-test was applied to assess the feasibility of the study. In addition, respondents were requested to reveal their reaction to the sequence of the questions, phrases and format (Hilton, 2015: 2). Accordingly, this method assisted in evaluating the participants' degree of comprehension and their willingness to respond. This method allows participants to rearticulate questions in their own words, and in this way, the researcher can alter questions to be effortlessly understood by participants (Faux, 2010: 110).

A pilot survey was administered to 40 participants through an online platform. Participants' responses were comprehensive and satisfactory. There were no problems encountered with the data collection instrument, the questions were clear, the sequence was proper. The results were satisfactory leading to the actual data collection.

4.15 VALIDITY AND RELIABILITY

It is imperative for the researcher to determine the authenticity of the results. Therefore, the researcher must administer the validity and reliability test (Surucu & Maslakci, 2020: 2694). To demonstrate the quality of the methods and techniques utilised in this study to measure constructs, the researcher tested reliability and validity.

4.15.1 Reliability

Reliability is the ability of a measurement to yield consistent measures, even when performed repeatedly (Moses & Yamat, 2021: 206). In addition, Surucu and Maslakci (2020: 2696) note that reliability is the magnitude of an instrument to measure uniformity, under the same circumstances and using the same respondents. Seybert and Becker (2019: 2) mention that there are two types of reliability, namely, internal reliability that measures how well the test measures what it was intended for, and external reliability that measures beyond the scope of the measurement. For this quantitative research, it was necessary to consider reliability when creating a research design, planning methods, and writing up results (Middleton, 2020).

To ensure the reliability, the reliability analysis was conducted on the following constructs (loyalty, digital channel service quality and physical channel service quality) to ascertain whether the construct where internally compatible. The results depicted that all constructs were internally compatible in their measurements as all Cronbach's alpha values were above 0.7., indicating the highest level of validity given that the cut-off value of the Cronbach's alpha is 0.7 (Saidi & Siew, 2019: 541).

4.15.2 Validity

Validity is an extent to which an instrument accurately measures what it is intended to measure, and correspondingly, the extent to which the deductions drawn from the study are true (Thomas, Oenning & Goulart, 2018: 660). Furthermore, Leung (2015: 325) notes that validity is concerned with the validity of the research question to yield the desired results, the suitability of the research methodology, research design, sampling, and data analysis method in solving the research problem. To guarantee validity in the proposed study, a factor analysis was conducted to reduce many variables into a smaller set of variables. This enables the researcher to assess the structure of the variables according to the theory (Shrestha, 2021: 4). The four components (digital channel and physical channel, loyalty, and service quality) included in the study were tested for both convergent validity and structure using the exploratory factor analysis (EFA). A detailed (instrument and constructs) validity as well as reliability test will illustrated in following chapter.

4.16 DATA ANALYSIS

It is important for the clarification to be without prejudice and misinterpretation. Therefore, to avoid this occurrence, two data analysts were deployed to independently conduct the coding process before data entry, and to validate the data to ensure that the surveys were conducted effectively.

Descriptive and inferential analyses are two of the many quantitative data analysis techniques that can be applied. Descriptive analysis is the initial level of data analysis that helps researchers to determine the absolute numbers to summarise individual variables and illustrates the pattern of the obtained data (Kaur, Stoltzfus & Yellapu, 2018: 61), and inferential analyses assist the researcher to generalize the study's outcomes from a sample to the whole population and they are also useful for examining group variances and the relationships between variables (Guetterman, 2019: 12).

For this study, data were analysed using both descriptive and inferential methods, utilizing Statistical Package for Social Science (SPSS version 27),and regression analysis was applied to define relationships between the independent and dependent variables, namely, to determine the relationship between service quality and customer loyalty (Shyti & Valera, 2018: 90). To further evaluate this relationship, a Pearson's correlation coefficient was used where (r) measures the strength of the association between the two variables (Isaac & Chikweru, 2018: 15). This then will measure the strength of the association between the service quality dimensions and customer loyalty. Furthermore, descriptive analysis, reliability analysis and correlation were conducted to determine a relationship between variables, and they will be addressed in depth in the subsequent chapter.

4.17 ETHICAL CONSIDERATIONS

The customary ethical doctrines that apply to the treatment of human participants served as the foundation for the methodological approach in this study. Ethical processes were followed in the following manner: Prior to data accumulation, the Research Ethics Committee (HSRC) of the department was approached for conferred approval. On the web links, participants were prompted to read and consent before proceeding with the survey, and on emails, a consent form was attached for participants to sign after perusing.

The consent form clearly stipulates that being a participant is entirely voluntary and no one is forced to participate. A consent form sensitised participants about their involvement in the study, explain potential benefits and the purpose of the study. Through the consent, participants were guaranteed that no respondent will be physically or psychologically harmed as a result of their participation. The consent also advises participants that they can abstract themselves from the study at any stage. Furthermore, the consent form assured respondents of confidentially and that their anonymity will be maintained during and after the study through the removal of all identifying variables before broadcasting of information.

Additionally, the participants were assured that the results of the study will be used as a subset of a larger set and not from an individual perspective. Lastly, only respondents between the ages of 18 and 6 years of age were part of the study. It should be acknowledged that this study adhered to the University of South Africa requirements of obtaining a clearance certificate before commencing the certificate was granted (**see Appendix B**).

4.18 CHAPTER SUMMARY

This chapter provided a discussion on the research approach that was adapted by the study. The study made use of the research onion approach. The components of the research approach were mentioned and widely discussed. The chapter also explained how and why each component of the research were utilised in this study. The population size and the sample size were also discussed and justified for. This chapter also alluded to the data collection process, data collection method and data collection instrument were also discussed in detail. This chapter also summarised on how reliability and validity were tested for this study. Moreover, the data analysis was also discussed and how ethical considerations were be catered for. The next chapter discusses data analysis, presentation and interpretation.

CHAPTER 5:
DATA PRESENTATION, ANALYSES, AND INTERPRETATION

5.1 INTRODUCTION

The previous chapter gave clarification on the research methodology applied for this study. This chapter gives an overview of the undertaken process for data analysis and the outline of the findings of the analysis. The data collected was analysed using IBM SPSS version 27 software for descriptive analysis and to address the study's objectives, a standard multiple regression was utilised for construct analysis.

This chapter is categorized into four sections, the outcome of descriptive data analysis is first discussed, these include the results of the gender, age, and level of education of the sample. The first section also represents findings about the preferred channel as well as the frequency of use. The findings are presented by making use of tables and pie charts. The second section discusses the descriptive analysis of the measures of the constructs used in this study. Central tendency measures were conducted to assess how centred the distribution of the constructs involved in the study are. The third section presents an analysis result on the reliability and validity of the measurement instrument and the last section summarises the findings of the standard multiple regression analysis.

5.2 DESCRIPTIVE STATISTICS: BACKGROUND CHARACTERISTICS OF THE PARTICIPANTS

The following section presents the descriptive statistics of the sample and the measure of the constructs adopted in the study.

5.2.1 Demographic information

This section presents the profile of the respondents including their demographic profile presented with the use of frequency tables and pie charts. This study's demographics include gender, level of education and age of the respondents. The sample comprised of 384 respondents. The demographic results are presented next.

5.2.1.1 *Gender*

Table 5.1: Gender

	Frequency	Percentage
Male	210	54,7
Female	172	44,8
I Prefer not to say	2	0,5
Total	384	100

Table 5.1 illustrates the gender distribution of the sample; the results show that 210 (54,7%) were males' respondents and 172 (44,8) were female and 2 (0.5%) preferred not to answer. Therefore, the results indicate that there were more males than females who responded to this survey. However, the highest number of male respondents is not a true reflection of the South African gender distribution as females are dominant (51%) than males (49%) (Stats SA, 2021). A possible reason for the dominant representation of the male group in the sample is that female participants could not be reached to be sent out surveys or they were not eager to take part in the study. However, the results of this study were not skewed owing to this gender representation. It is important to note that there were other studies (Nzama, 2020; Odele, 2020; Kgosieng, 2020), that were recently conducted in South Africa (conducted in the banking and service industry) that had the highest representation of male participants even though the female population is dominant.

5.2.1.2 *Age*

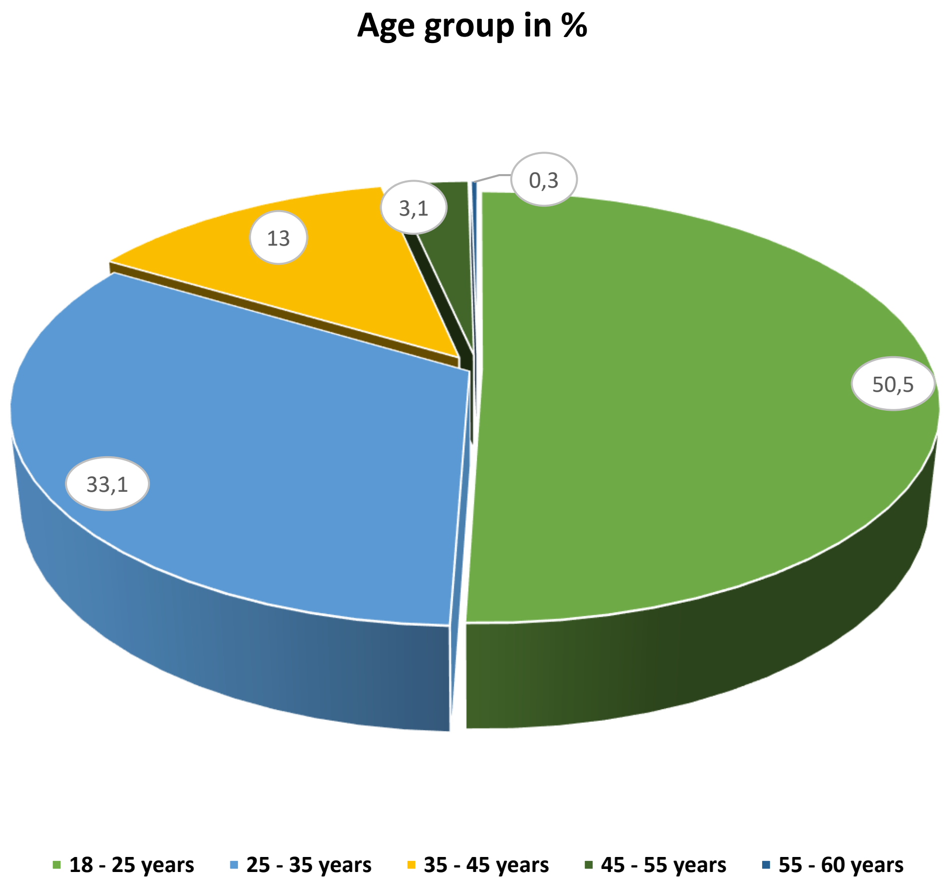

Figure 5.1: Age distribution of respondents

Figure 5.1 provides an illustration of the age distribution of the respondents. The study was targeted to respondents that were between the ages of 18 and 60. This group constitute of respondents who are no longer minors but not yet pensioners. According to Figure 5.1, (50.5%) of the respondents are between 18 - 25 years of age, (33,1%) are between the ages of 25-35 years,(13%) are between the ages 35-45, (3.1%) are between the ages of 45-55 and (0,3%) are between the ages of 55-60 years. The age composition of the results indicate that the highest number of respondents were the youth at 83,6% (18-25 and 25-35 years: 50.5%+33,1%) who ranged between the ages of 18 and 35, as defined by the South African National Youth Policy (South African Government, 2015:10). These results are aligned with the South African youth population statistics, which show that 20.4 million or 63.3% of the South African population constituted of individuals that are in the 15-35 age category (Stats SA, 2020).

5.2.1.3 *Level of education*

Table 5.2: Level of education

	Frequency	Percentage
Below matric	40	10,4
Matric	163	42,4
Diploma / Degree	124	32,3
Prefer not to say	57	14,8
Total	384	100

The analysis of the results depicted by Table 5.2 show that 42.4% of the respondents have a matric qualification, which makes up the majority of respondents, while 32.3% have a diploma/degree. Additionally, 10.4% of the respondents reported having some level of education below matric, and 14.8% preferred not to declare their l education background indicating that vast of the South African bank account holders have a matric certificate followed by the ones who pursued their studies beyond matric. These results reflect a true distribution of the level of education among South Africans and are supported by the South African department of education which shows a largest number (32%) of individuals to have a matric certificate and the lowest number (11%) of individuals to have post-matric qualifications (Department of Education and Higher Training, 2022:4).

5.2.1.4 *Preferred banking channel*

Participants were requested to state the banking channel they preferred using.

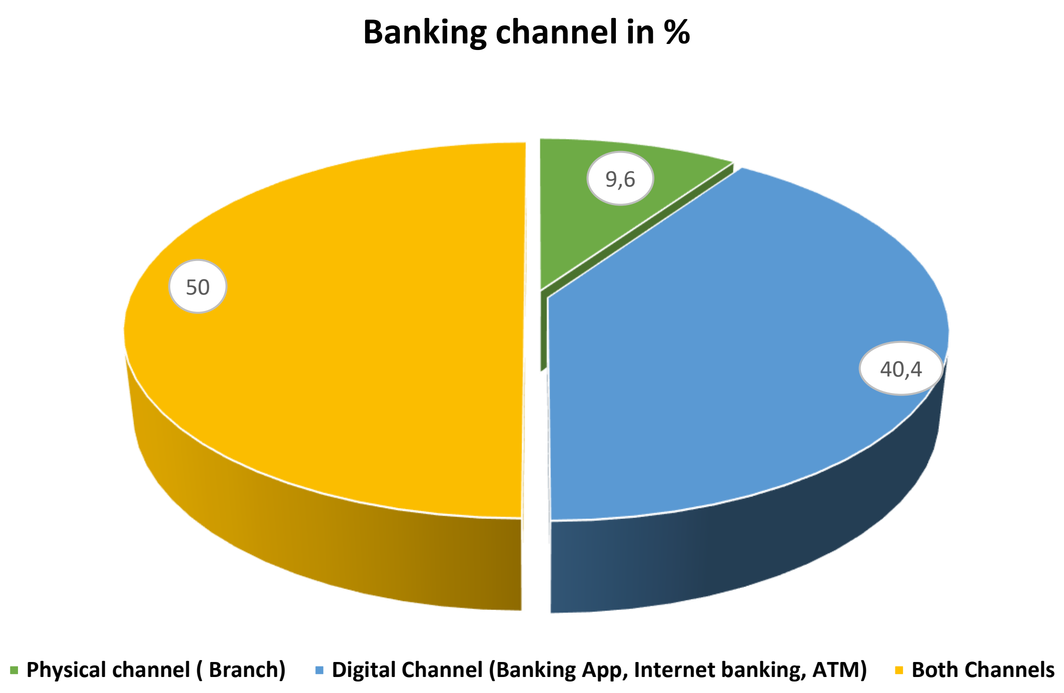

Figure 5.2: Preferred banking channel

Figure 5.3 shows that a majority 50% of the respondents prefer to use both physical and digital channels to transact or interact with the bank. Meanwhile, 40.4% of the respondents preferred digital channels such as the Banking App, Internet banking, and ATMs, while 9.6% preferred to use physical channels (branch) to transact or interact with the bank. These results suggest that though 50% of the respondents preferred to use both channels, a majority of them (40.4%) preferred using digital channels compared to physical channels(9,6%). These results are in line with previous universal studies conducted internationally (Kavya & Ramya, 2022; East Asia: Hossain & Khan, 2015 India, Asare & Sakoe, 2015, Africa; Adamis, 2020; Europe, Bennette, 2023) on the digital channel service quality and banking channel's preference context that also established that the use of digital channels is preferred amongst bankers.

This preference may be owing to convenience, efficiency, affordable bank charges and personalised offerings catered by digital channels (Kavya & Ramya, 2022). In South Africa, there has been an increase in the adoption of digital channels by costumers. The proportion of individuals who preferred digital channels increased by 4% points in 2019 (Mothibi & Rahulani, 2019) and a study conducted by Boston Consulting showed that 86% of South Africans preferred digital channels. The preference of digital channels over physical channels has led the South African bank industry players to reduce their physical channels presence; the aggregate number of bank branches that has been reduced since 2019 is 700 (Tarrant, 2019).

5.2.1.5 *Frequency of the use of the banking channel*

The respondents were also required to state how often they use a physical channel.

Table 5.3: How often do you use physical channel (branch)?

	Frequency	Percentage
Never	23	6
Sometimes	197	51,3
Often	64	16,7
For most of my banking transactions	100	26
Total	384	100

Table 5.3 displays the analysis's conclusions, and they indicate that slightly half (51.3%) of the respondents use physical channels sometimes, followed by a quarter (26%) that stated that they use physical channels for most of their transactions and only (16%) mentioned that they use it often. These results illustrate that physical channel is the least used channel to transact and these results align with previous studies (Devendra, 2022(India); Nohumba, Nyambuya & Nyambuya, 2020(Africa); Ananiev, 2022(Europe); Sadiku, Lesjak, Kohun, Pushavat & Natek, 2022, USA). The lower usage of physical channel may be the result of its high cost as physical channels require customers to travel and be physically present to transact. Transactions and enquiry fees are also costly on physical channels. Physical channels are also time-consuming owing to time needed to travel and time spent on queues while waiting to be assisted.

However, these results are in contradiction with the findings of the global banking consumer study that was conducted by Accenture. The latter discovered that two-thirds (67%) of customers prefer using branches (physical channel) owing to its reliability and accessibility. The study also established that in the last 12 months customers utilised physical channels more than digital channels for account opening, queries, product acquisition and for financial advice (Abbott, Van der Ouderaa & Oon, 2023). A possible reason for the physical channel preference could be that customers seek quick feedback on queries; they are unsure on what to do when they open new accounts or when they apply for credit and, therefore, need human interaction for guidance.

Contrary to the global world results on the physical channel's dominant usage, South African bank customers do not favour going to branches (physical channel) as shown in the study by Discovery (2022:11) that displayed that only 7.3% of customers use physical channels to mainly open accounts and for identity verification. It was also established that customers who visit the branch belong to Gen X and it could be that they lack technological skills. The same study also mentioned that only a 40% of customers think there will be a need for a bank physical channel in five years (Discovery, 2022:9).

The respondents were also required to state how often they use digital channels.

Table 5.4: How often do you use digital channel (App, internet banking)?

	Frequency	Percentage
Never	26	6,8
Sometimes	65	16,9
Often	119	31
For most of my banking transactions	174	45,3
Total	384	100

Table 5.4 shows that most (45%) of the respondents use digital channels (App, internet banking) for most of their banking transactions, 31% use them often, 16,9% use it sometimes and 6,8% never use digital channels, showing that digital channel is the most used and preferred channel to conduct daily transactions.

5.2.1.6 *Type of transactional account*

The participants were asked to state their primary transactional account.

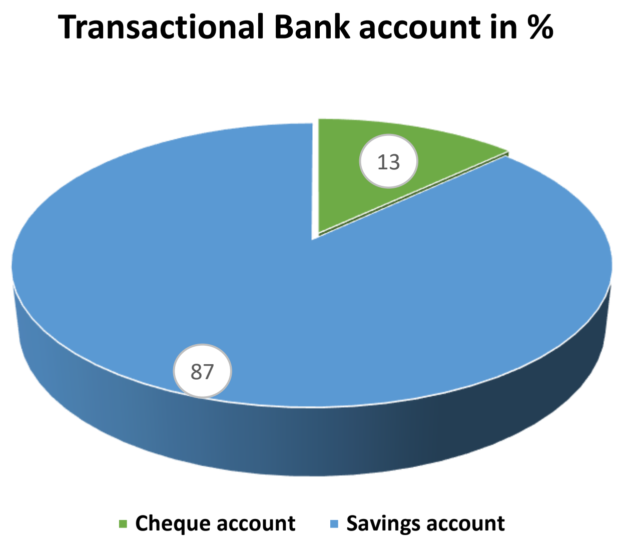

Figure 5.3: Type of transactional account

As shown in Figure 5.4, most respondents (87%) have savings accounts and only 13% have a cheque account. This indicates that most respondents hold a bank account that has basic benefits and not willing to pay more for banking fees while a minority hold a bank account that has more banking benefits and willing to pay more on banking fees.

5.3 DESCRIPTIVE ANALYSIS OF THE MEASURE OF CONSTRUCTS

This section discusses the descriptive analysis of the measures of the constructs used in this study. To determine how centrally distributed the study's constructs are, assessments of central tendency were performed. The constructs (loyalty, digital channel service quality, and physical channel service quality) were measured using a six-point Likert scale, where 1 represents "strongly disagree" and 6 represents "strongly agree.'' Since the mean point of the six-point Likert scale is 3, any mean ratings that are less than 3 show that most respondents generally disagree or disagree slightly with the statements measuring the constructs. In contrast, mean scores between 3 and 4 imply that most respondents either slightly disagree or slightly agree. All the mean scores equal to or above 4 indicate that most respondents either agree or strongly agree with the statements measuring that specific construct.

5.3.1 Loyalty

This construct measured customer's loyalty towards their banks and the extent they will advocate for their banks when they receive exceptional service quality. The results of the analysis are shown in Table 5.5.

Table 5.5: Loyalty

	Frequency	Percentage
I usually share with my peers when I have received bad service quality		
Strongly Disagree	32	8,3
Disagree	41	10,7
Slightly disagree	59	15,4
Neutral	80	20,8
Agree	39	10, 2
Strongly agree	133	34,6
Total	384	100
I usually share with my peers when I have received good service quality		
Strongly Disagree	34	8,9
Disagree	45	11,7
Slightly disagree	51	13,3
Neutral	77	20,1
Agree	69	18
Strongly agree	108	28,1
Total	384	100
I am pleased with the experience I receive when using my bank's digital channels		
Strongly Disagree	6	1,6

	Frequency	Percentage
Disagree	18	4,7
Slightly disagree	2	0,5
Neutral	170	44,3
Agree	37	9,6
Strongly agree	151	39,3
Total	384	100
I will recommend to my peers to use my bank's digital channels		
Strongly Disagree	10	2,6
Disagree	20	5, 2
Slightly disagree	9	2,3
Neutral	147	38,3
Agree	49	12,8
Strongly agree	149	38,8
Total	384	100
When I receive good service quality from a bank, I am most likely not to use other banks		
Strongly Disagree	15	3,9
Disagree	23	6
Slightly disagree	10	2,6
Neutral	156	40,6
Agree	37	9,6
Strongly agree	143	37, 2

	Frequency	Percentage
Total	384	100
When I receive bad service quality from a bank, am most likely to switch and use other banks		
Strongly Disagree	47	12, 2
Disagree	31	8,1
Slightly disagree	50	13
Neutral	81	21,1
Agree	39	10, 2
Strongly agree	136	35,4
Total	384	100
I will recommend to my peers to use my bank's physical channels		
Strongly Disagree	12	3,1
Disagree	35	9,1
Slightly disagree	10	2,6
Neutral	135	35, 2
Agree	61	15,9
Strongly agree	131	34,1
Total	384	100
I use multiple banks because I enjoy their individual service quality		
Strongly Disagree	115	29,9
Disagree	36	9,4
Slightly disagree	50	13

	Frequency	Percentage
Neutral	58	15,1
Agree	53	13,8
Strongly agree	72	18,8
Total	384	100
Mean= 4.29 **Std. Dev.= 1.040**		

The results shown above (Table 5.5) illustrate that respondents turn to share about their service quality experience whether good or bad. However, a majority ('Strongly agree' (34,6%)+ 'Agree' (10,3%)=44.8%) of respondents were in support of the statement "I usually share with my peers when I have received bad service quality" than a few ('Strongly Disagree' (8.3%) + 'Disagree' (10.7%)+ 'Disagree' (15.4%) =(34,4%) who responded to the statement "I usually share with my peers when I have received good service quality," indicating that unsatisfied customers share more than those who receive good service quality. This may be that negative emotions linger for longer than positive emotions. This is consistent with earlier African studies (Nimako, 2012; Nimako & Mensah, 2014; Magatef, Momani, & Altrjman, 2019; Levetta, 2021) affirm that dissatisfied customers share more than satisfied customers, as dissatisfied customers are more attentive to negative experience and this experience tends to be more heavily weighted in their evaluations of service than a positive experience.

The table also indicates that 51,6% ('Agree' (12,8%)+ 'Strongly agree'(38,8%)=51,6%)of the respondents are in agreement with the statement "I will recommend to my peers to use my bank's digital channels." In addition, 50% ('Agree'(15,9%)+ 'Strongly agree'(34,1%=50%)of respondents concurred to the statement "I will recommend to my peers to use my bank's physical channels" since there is no significant difference between the digital and physical channel recommendation. Therefore, it can be deduced that respondents are satisfied with both digital and physical channels respectively in such that they will recommend them both to their peers.

A further 48.6% (‘Agree’ (9,6%)+ ‘Strongly agree’(39,3%)=48,6%) agreed that they are pleased with the experience they receive when using their banks’ digital channels as they agreed with the statement ‘’ I am pleased with the experience I receive when using my bank’s digital channel’. These results are congruent with the result of global previous studies (Chaniotakis & Lymperopoulos, 2009(Europe); Morgan & (USA), 2006; Manyanga, Makanyeza & Muranda 2022(Africa); Ingemarson & Andersson, 2022; Rutstrom, 2022(Australia) where they learned that there is a relationship between customer satisfaction and positive word of mouth. They observed that satisfied customers are most likely to recommend the brand to their friends and family.

On the statements of switching, 3,9% respondents strongly disagree to the statement “When I receive good service quality from a bank, I am most likely not to use other banks” while 37% strongly agree with the statement. In contrast, on the statement, “When I receive bad service quality from a bank, am most likely to switch and use other banks” only a 12% of participants strongly disagree while a significant 35% strongly agree. These results indicate that when respondents receive bad service quality, they are likely to switch to competitor banks. This shows that poor service quality negatively affects customer loyalty, which yields customer attrition and encourages switching behaviour, and moreover, 46.8% of the respondents approve that when they receive good service quality from a bank, they are most likely not to use other banks.

These results are aligned with the findings of studies conducted in the banking industry by Bulumulle, Mahadewa, Herath and De Mel (2022), who investigated factors that influence switching behavior and found poor service quality to be one of them. In a study conducted by Sahari, Othman, Jakpar and Nichol (2020) found that there is a relationship between service quality and customer switching behaviour in the banking sector.

In another study, (Matiza, 2017:194), it was indicated that there is positive relationship between customer switching behaviour and unfavourable service quality. Villian, (2022) and Bugyei (2019) analysed customer switching behaviour in the banking industry and also yielded the same results. The results also indicate that most respondents did not express disagreement with the statements related to loyalty. However, it is worth noting that a significant percentage of respondents (39.3%) did not agree that they use multiple banks simply because they enjoy the individual service quality.

Based on the foregoing findings, it can also be deduced that the respondents are satisfied with the South African banking industries’ service quality and are loyal to their banks owing to service quality received and would advocate for their banks based on the level of service quality delivered. This was also reflected in the SA-CSI report (2022) that showed that the South African banking industry exceeds customer expectations in delivering good service quality. Moreover, the banks were above the industry benchmark of 83% in providing the best service quality. In another study conducted by DataEQ showed that the biggest improvement over the previous year was seen in the banking industry's net sentiment index, which increased from -7.5% in 2021 to 9.4% in 2022. (Lachman, 2022) indicating that customers are receiving a positive experience owing to service quality.

Due to this noticeable improvement banks are leaders in the cross-industry net sentiment analysis, proposing that South Africans are satisfied with the quality service they received from their banks than local retailers, insurers and telecommunications. Lastly, these results are also consistent with the South African banking customers service quality sentiments who attest that they would recommend their banks to their peers. This is according to the survey conducted by Consulta in measuring the likelihood of the customers recommending their bank using the Net promoter score (Opperman, 2021).

5.3.2 Digital Channel Service Quality

This construct measured whether the respondents deem digital channels service quality dimensions to be important when interacting with a bank through its digital channels.

The results of the analysis are shown in Table 5.6.

Table 5.6: Quality of digital channel service quality

	Frequency	Percentage
I can complete my digital transactions with a minimum number of screens and instructions		
Strongly Disagree	10	2,6
Disagree	10	2,6
Slightly disagree	5	1,3
Neutral	159	41,4
Agree	32	8,3
Strongly agree	168	43,8
Total	384	100
I am confident that my bank keeps my personal details private and confidential		
Strongly Disagree	8	2,1
Disagree	7	1,8
Slightly disagree	6	1,6
Neutral	133	34,6
Agree	29	7,6
Strongly agree	201	52,3
Total	384	100
I feel safe when I make transactions digitally		
Strongly Disagree	13	3,4
Disagree	11	2,9
Slightly disagree	4	1
Neutral	147	38,3

	Frequency	Percentage
Agree	28	7,3
Strongly agree	181	47,1
Total	384	100
I save time when I transact digitally		
Strongly Disagree	12	3,1
Disagree	7	1,8
Slightly disagree	4	1
Neutral	126	32,8
Agree	23	6
Strongly agree	212	55, 2
Total	384	100
My digital banking channels are always upgraded to suit my banking needs		
Strongly Disagree	10	2,6
Disagree	9	2,3
Slightly disagree	7	1,8
Neutral	135	35, 2
Agree	48	12,5
Strongly agree	175	45,6
Total	384	100
I can easily navigate and find what I need on digital channels in order to transact		
Strongly Disagree	8	2,1
Disagree	7	1,8

	Frequency	Percentage
Slightly disagree	9	2,3
Neutral	138	35,9
Agree	27	7
Strongly agree	195	50,8
Total	384	100
My bank's digital channels are available 24/7 for me to use		
Strongly Disagree	8	2,1
Disagree	10	2,6
Slightly disagree	9	2,3
Neutral	110	28,6
Agree	21	5,5
Strongly agree	226	58,9
Total	384	100
I can complete my digital transactions without the channel crashing		
Strongly Disagree	9	2,3
Disagree	16	4, 2
Slightly disagree	13	3,4
Neutral	150	39,1
Agree	66	17, 2
Strongly agree	130	33,9
Total	384	100
I don't require data to use my bank's digital channels		

	Frequency	Percentage
Strongly Disagree	31	8,1
Disagree	12	3,1
Slightly disagree	14	3,6
Neutral	128	33,3
Agree	22	5,7
Strongly agree	177	46,1
Total	384	100
My bank provides a good customer experience when using digital channels		
Strongly Disagree	7	1,8
Disagree	8	2,1
Slightly disagree	5	1,3
Neutral	149	38,8
Agree	28	7,3
Strongly agree	187	48,7
Total	384	100
My bank keeps accurate records of all my transactions conducted digitally		
Strongly Disagree	9	2,3
Disagree	3	,8
Slightly disagree	4	1,0
Neutral	148	38,5
Agree	18	4,7
Strongly agree	202	52,6

	Frequency	Percentage
Total	384	100
My bank quickly solves problems that I encounter with my digital transactions		
Strongly Disagree	5	1,3
Disagree	7	1,8
Slightly disagree	9	2,3
Neutral	159	41,4
Agree	42	10,9
Strongly agree	162	42, 2
Total	384	100
I can upload needed documents by the bank via my digital channels		
Strongly Disagree	8	2,1
Disagree	14	3,6
Slightly disagree	16	4, 2
Neutral	134	34,9
Agree	44	11,5
Strongly agree	168	43,8
Total	384	100
I can conduct a majority of transactions digitally without going to the bank		
Strongly Disagree	9	2,3
Disagree	8	2,1
Slightly disagree	10	2,6
Neutral	140	36,5

	Frequency	Percentage
Agree	24	6,3
Strongly agree	193	50,3
Total	384	100
My bank's digital design is visually appealing		
Strongly Disagree	5	1,3
Disagree	8	2,1
Slightly disagree	8	2,1
Neutral	162	42, 2
Agree	32	8,3
Strongly agree	169	44
Total	384	100
Digital banking charges are affordable		
Strongly Disagree	6	1,6
Disagree	12	3,1
Slightly disagree	11	2,9
Neutral	149	38,8
Agree	39	10, 2
Strongly agree	167	43,5
Total	384	100
Digital channels must save travelling cost, therefore good value for money		
Strongly Disagree	8	2,1
Disagree	8	2,1

	Frequency	Percentage
Slightly disagree	7	1,8
Neutral	145	37,8
Agree	36	9,4
Strongly agree	180	46,9
Total	384	100
My digital channels have financial tools that I can use to manage my money, e.g. financial calculator		
Strongly Disagree	12	3,1
Disagree	19	4,9
Slightly disagree	20	5, 2
Neutral	154	40,1
Agree	57	14,8
Strongly agree	122	31,8
Total	384	100
I can apply and be granted credit quickly and easily via my digital channels		
Strongly Disagree	14	3,6
Disagree	14	3,6
Slightly disagree	19	4,9
Neutral	147	38,3
Agree	41	10,7
Strongly agree	149	38,8
Total	384	100

	Frequency	Percentage
I must be satisfied with the transactions I make through digital channels		
Strongly Disagree	7	1,8
Disagree	9	2,3
Slightly disagree	6	1,6
Neutral	118	30,7
Agree	26	6,8
Strongly agree	218	56,8
Total	384	100
I must be satisfied with the service quality of my bank's digital channels		
Strongly Disagree	6	1,6
Disagree	6	1,6
Slightly disagree	5	1,3
Neutral	120	31,3
Agree	23	6
Strongly agree	224	58,3
Total	384	100
Mean= 4.88 **Std Dev= 0.852**		

Table 5.6 shows that 64.6% of the respondents opine that they must be satisfied with the service quality of their bank's digital channels. In addition, 64.4% of the respondents attest that their bank's digital channels must be available 24/7 for them to use. Moreover, 63.6% of the respondents believe that they must be satisfied with the transactions they make through digital channels, and 61.2% of the respondents save time when they transact digitally. Moreover, 59.9% of the respondents are

confident that their bank keeps their personal details private and confidential, while 58.1% affirm that their digital banking channels are always upgraded to suit their banking needs. Furthermore, 57.8% of the respondents confirm that they can easily navigate and find what they need on digital channels to transact.

Based on the overall Mean score (M=4.88) and Std Dev (0.852), as shown in the last section of Table 5.6 most respondents tend to agree with "Digital Channel Service Quality" statements. The results indicate that customers deem system reliability, system availability, and fulfilment as important dimensions of digital service quality when interacting with a bank through its digital channels that yield customer loyalty. These outcomes align with the findings of earlier research. (Ramadania, 2021; Ahmed, Stremikiene, Channar, Soomro & Streimkis, 2021; Redda, 2023; Yusfiarto, 2021) that investigated the effects of digital service quality dimensions on customer loyalty, and it was found that the E-S-QUAL dimension have positive affect on customer loyalty.

5.3.3 Physical Channel Service Quality

This construct measured whether the respondents deem physical channels service quality dimensions to be important when interacting with a bank through its physical channels.

Table 5.6: Quality of physical channel service quality

	Frequency	Percentage
The bank building must be attractive		
Strongly Disagree	9	2,3
Disagree	12	3,1
Slightly disagree	11	2,9
Neutral	148	38,5
Agree	19	4,9
Strongly agree	185	48, 2
Total	384	100
The bank staff must look presentable		
Strongly Disagree	7	1,8

	Frequency	Percentage
Disagree	6	1,6
Slightly disagree	5	1,3
Neutral	141	36,7
Agree	7	1,8
Strongly agree	218	56,8
Total	384	100
The bank equipment must function properly		
Strongly Disagree	5	1,3
Disagree	5	1,3
Slightly disagree	5	1,3
Neutral	96	25
Agree	5	1,3
Strongly agree	268	69,8
Total	384	100
The bank must have an appealing ambiance		
Strongly Disagree	5	1,3
Disagree	7	1,8
Slightly disagree	3	0,8
Neutral	110	28,6
Agree	4	1
Strongly agree	255	66,4
Total	384	100
My bank must deliver service as promised		
Strongly Disagree	6	1,6
Disagree	12	3,1
Slightly disagree	1	0,3
Neutral	73	19

	Frequency	Percentage
Agree	9	2,3
Strongly agree	283	73,7
Total	384	100
My bank must deliver service correctly the first time		
Strongly Disagree	6	1,6
Disagree	12	3,1
Slightly disagree	2	0,5
Neutral	76	19,8
Agree	11	2,9
Strongly agree	277	72,1
Total	384	100
I must be able to trust my bank		
Strongly Disagree	7	1,8
Disagree	8	2,1
Slightly disagree	1	0,3
Neutral	71	18,5
Agree	7	1,8
Strongly agree	290	75,5
Total	384	100
My bank must have a desire and ability to deliver prompt service and solutions		
Strongly Disagree	6	1,6
Disagree	9	2,3
Slightly disagree	4	1
Neutral	109	28,4
Agree	8	2,1
Strongly agree	248	64,6
Total	384	100

	Frequency	Percentage
My bank branch (the one I often visit) cares for my needs		
Strongly Disagree	8	2,1
Disagree	7	1,8
Slightly disagree	4	1
Neutral	170	44,3
Agree	28	7,3
Strongly agree	167	43,5
Total	384	100
My bank branch (the one I often visit) gives me special attention		
Strongly Disagree	11	2,9
Disagree	22	5,7
Slightly disagree	10	2,6
Neutral	132	34,4
Agree	78	20,3
Strongly agree	131	34,1
Total	384	100
My bank branch (the one I often visit) can resolve my query empathetically		
Strongly Disagree	10	2,6
Disagree	15	3,9
Slightly disagree	8	2,1
Neutral	150	39,1
Agree	50	13
Strongly agree	151	39,3
Total	384	100
My bank branch (the one I often visit) values me as their customer		
Strongly disagree	6	1,6
Disagree	8	2,1

	Frequency	Percentage
Slightly disagree	4	1,0
Neutral	171	44,5
Agree	25	6,5
Strongly agree	170	44,3
Total	384	100
Mean= 5.08 Std. Dev.= 0.844		

According to the results in Table 5.7, 77.3% of the participants approve that trusting their bank is essential. Additionally, 75% of the respondents opine that their bank must deliver service correctly the first time, whereas 71.1% admit that the bank equipment must function properly. Furthermore, 67.4% of the respondents believe that the bank must have an appealing ambiance, while 66.7% attest that their bank must have a desire and ability to deliver prompt service and solutions. Moreover, 58.6% of the respondents believe that the bank staff must look presentable. The results further indicate that 54.4% of the respondents affirm that their bank branch (the one they often visit) gives them special attention.

Based on the overall Mean score (M=5.08) and Std.Dev(0.844) as indicated by the last section of Table 5.7, most respondents tend to agree with "*Physical Channel Service Quality*" statements. This indicates that the respondents consider tangibility, reliability, responsiveness, assurance, and empathy to be the important service quality dimensions when interacting with a bank through its physical channels. This shows that these are the attributes that customers expect from their bank when using their physical channels, therefore, leading them to stay loyal to their bank. These outcomes align with the findings of previous research. that investigated the effects of physical service quality dimensions on customer loyalty that showed tangibility, reliability, responsiveness, assurance, and empathy to be the ascendants of customer loyalty (Mahmood, Rana & Kanwal, 2018; Yum & Yoo, 2023; Molai, Roberson & Roeloffze, 2023; Leninkumar, 2016; Mushavhanamadi & Mavimbela 2018; Bhengu & Naidoo, 2016; De Villiers, 2020; Noeth, 2021 & Chitamba, 2018).

5.4 RELIABILITY AND VALIDITY ANALYSIS

5.4.1 Reliability

When repeated, a measurement must be dependable in order to produce consistent results (Moses & Yamat, 2021: 206). According to Surucu and Maslakci (2020: 2696), reliability is, therefore, the extent to which an instrument can assess uniformity when the same conditions and respondents are used.

5.4.1.1 *Technique*

To ensure the reliability, internal reliability analysis using Cronbach's technique was conducted on the following constructs (loyalty, digital channel service quality and physical channel service quality) to ascertain whether the construct where internally compatible.

The study results depicted that all constructs were internally compatible in their measurements as all Cronbach's alpha values were above 0.7 as depicted by Table 5.8, indicating the highest level of validity given that the cut-off value of the Cronbach's alpha is 0.7 (Saidi & Siew, 2019: 541).

Table 5.7: Reliability of constructs

Constructs	Items	Corrected item-total correlation	Cronbach's alpha	Final number of items
Digital channel service quality	SQD1	0,721	0,944	21
	SQD2	0,721		
	SQD3	0,666		
	SQD4	0,649		
	SQD5	0,759		
	SQD6	0,704		
	SQD7	0,681		
	SQD8	0,718		
	SQD9	0,672		
	SQD10	0,643		

Constructs	Items	Corrected item-total correlation	Cronbach's alpha	Final number of items
	SQD11	0,674		
	SQD12	0,686		
	SQD13	0,626		
	SQD14	0,697		
	SQD15	0,520		
	SQD16	0,622		
	SQD17	0,514		
	SQD18	0,547		
	SQD19	0,563		
	SQD20	0,670		
	SQD21	0,658		
Physical channel service quality	SQP1	0,665	0,912	12
	SQP2	0,710		
	SQP3	0,702		
	SQP4	0,676		
	SQP5	0,644		
	SQP6	0,620		
	SQP7	0,673		
	SQP8	0,647		
	SQP9	0,622		
	SQP10	0,569		
	SQP11	0,566		
	SQP12	0,700		
Loyalty	L1	0,580	0,828	8
	L2	0,612		
	L3	0,598		

Constructs	Items	Corrected item-total correlation	Cronbach's alpha	Final number of items
	L4	0,618		
	L5	0,421		
	L6	0,577		
	L7	0,569		
	L8	0,508		

Cronbach values are explained as follows (Olaniyi, 2019: 2):

- <0.6: reliability is unacceptable or poor.
- 0.6 – 0.7: reliability is acceptable or fair.
- 0.7 – 0.8: reliability is effective.
- 0.8 – 0.96: reliability is very effective.

Madoro (2021: 88) notes that it is important for a study to guarantee the quality of the research results.

5.5 VALIDITY

Leung (2015: 325) notes that validity is concerned with the validity of the research question to yield the desired results. It entails the suitability of the research methodology, research design, sampling, and data analysis method in solving the research problem. To guarantee validity in this study, a factor analysis was conducted to reduce many variables into a smaller set of variables. This enables the researcher to assess the structure of the variables, according to the theory (Shrestha, 2021: 4). EFA was performed to test both the structure and the convergent validity of the four constructs involved in the study (digital channel and physical channel, loyalty and service quality). Additionally, it enabled the researcher to objectively evaluate the validity of the scales used. Prior to conducting an analysis, the primary component with quadratic circulating, Varimax was utilized as the extraction technique. This approach was chosen due to its ability to effectively identify components with high eigenvalues and arrange them in a hierarchy of significance. Details on each factor's contribution to the overall variance are stipulated in Table 4.2.

5.5.1 Exploratory Factor Analysis

Factor analysis aims to condense a huge number of variables into a more manageable collection of variables. This makes it possible for the researcher to evaluate the variables' structure in light of the theory (Pallant, 2010: 96).

In conducting an exploratory factor analysis (EFA) on variables related to "Digital Channel Service Quality," "Physical Channel Service Quality," and "Loyalty," the study applied principal component analysis with Varimax rotation(Table 5.12). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy reported 0.935(Table 5.9), suggesting high suitability of the data for factor analysis (Kaiser, 1974). Additionally, Bartlett's Test of Sphericity (Bartlett, 1954) indicated a significant chi-square statistic ($\chi 2(820) = 9826.429$, $p < .001$), affirming the presence of relationships among the variables that are appropriate for factor analysis. (EFA) was also performed to test both the structure and the convergent validity of the three constructs, lastly, (EFA) was conducted to enable the researcher to empirically assess the validity of the scales used.

5.5.2 KMO and Bartlett's Test

Additionally, the Kaiser-Meyer-Olkin (KMO-Table 5.9) measures were calculated to guarantee that the sample size is sufficient for factor analysis. Table 5.9 indicates that the data's appropriateness is supported because the KMO value (0.935) is higher than the 0.6 criterion and Bartlett's Test of Sphericity was conducted to test the null hypothesis, the results indicated that there is a correlation between the variables with significant ($p<0.05$) (Matore, Noh, Zaina, & Matore, 2020: 248)

Table 5.8: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		**0.935**
Bartlett's Test of Sphericity	Approx. Chi-Square	9826.429
	df	820
	Sig.	0.000

The extraction approach made use of Varimax with orthogonal rotation as a chief component. This approach was chosen as it effectively identifies and ranks the components with high eigenvalues in terms of significance. Specific information on each factor's contribution to the overall variance is given in Table 5.10.

Table 5.9: Total variance explained

Component	Initial Eigenvalues		
	Total	**% of Variance**	**Cumulative %**
1	14,767	36,017	36,017
2	3,195	7,792	43,809
3	2,622	6,395	50, 203
4	1,908	4,653	54,857
5	1,358	3,312	58,169
6	1,135	2,769	60,938
7	1,096	2,672	63,610
8	1,068	2,606	66, 216

Principal component analysis reveals the presence of eight factors with eigenvalues exceeding 1. According to Table 5.10, component number 1 has the highest eigenvalue (14.767), which corresponds to 36% of the total variance, while the last component (number 8) has an eigenvalue of 1.068 which represents 2.6% of the total variance. Taherdoost, Sahibuddin and Jalaliyoon (2020: 377) recommend that two crucial components be taken into account while determining factors: firstly, factor should be greater than 3 and lastly a component must have at least three items. According to the results, both conditions are supported.

Table 5.10: Rotated component matrix

	Component							
	1	2	3	4	5	6	7	8
SQD1		0.520						
SQD2		0.506						
SQD3		0.657						
SQD4		0.688						
SQD5		0.687						
SQD6		0.708						
SQD7		0.510						
SQD8							0.467	
SQD9							0.725	
SQD10	0.634							
SQD11	0.705							
SQD12	0.614							
SQD13							0.421	
SQD14	0.658							
SQD15	0.650							
SQD16	0.697							
SQD17	0.653							
SQD18							0.532	
SQD19							0.554	
SQD20	0.523							
SQD21	0.548							
SQP1			0.644					
SQP2			0.814					
SQP3			0.789					
SQP4			0.813					

	Component							
	1	2	3	4	5	6	7	8
SQP5					0.841			
SQP6					0.843			
SQP7					0.689			
SQP8					0.518			
SQP9				0.767				
SQP10				0.777				
SQP11				0.811				
SQP12				0.739				
L1						0.773		
L2						0.787		
L3								0.632
L4								0.663
L5								0.632
L6						0.708		
L7								0.683
L8						0.645		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.a								
a. Rotation converged in 9 iterations.								

Table 5.11 presents specific information on the items linked to every component. The number of factors per component was calculated using the factor loadings and the total number of items. Digital Channel Service Quality: Components 1 and 2 were predominantly loaded with items SQD1 to SQD7, and SQD10 to SQD21, encapsulating a broad spectrum of service quality attributes in the digital context. These components reflect the multifaceted nature of digital service quality, encompassing ease of use, reliability, and content relevance, which are critical for enhancing customer experiences online.

Physical Channel Service Quality: Components 3, 4, and 5 captured items SQP1 to SQP12, illustrating aspects of service quality experienced in physical channel platforms. This distinction underscores the differences in customer expectations and perceptions between physical and digital service channels, highlighting the tactile, personal interaction and service responsiveness aspects of physical channel service quality.

Loyalty: Components 6 and 8 grouped items L1 to L8, denoting loyalty. The distribution of loyalty-related items across components suggests a nuanced understanding of loyalty, potentially differentiating between emotional loyalty, reflected by a customer's attachment and preference, and behavioral loyalty, indicated by repeat purchase behaviors.

According to Pallant (2010: 194), Two crucial components, should be considered when drawing conclusions about factors: (1) factor loadings should be above. (3) and (2) a component must at least have three minimum items. The outcomes show that both criterions are met.

5.6 MEASUREMENT MODEL ANALYSIS

For this study, SPSS version 27 and multiple regression analysis was applied address the research objectives and to define relationships between the independent and dependent variables, namely, to determine the relationship between service quality and customer loyalty (Shyti & Valera, 2018: 90). The analysis presents standard linear regression and correlation to make a conclusion relating to a positive or negative relationship between the variables.

5.6.1 Standard Multiple-Linear Regression Analysis

Regression analysis is a common and a strong statical model used to estimate associations between a dependent and independent variable. It can be used to simulate future relationship between variables and gauge how strongly the relationships between them are currently (Kang & Zhao, 2020: 1). Furthermore, Mandal and Sharma (2022: 25) affirm that regression accurately ascertains which variables or factors are most important, which ones can be disregarded, and how they interact. Standard multiple-linear regression test was conducted to evaluate the impacts of predictors (digital channel service quality and physical channel service quality) on the dependent variable (loyalty) to examine the hypothesis.

Regression analysis was a suitable and appropriate statistical technique to support or refute the chosen research problem since it enables the investigation of the relationship between the independent and dependent factors (Adjei, 2020: 170). Subsequently given that the constructs were measured using a 6-point Likert interval scale, regression was deemed necessary, and the use of parametric statistical techniques to analyse the data was considered appropriate given the sample size of 384 (Chabata 2016: 97) and subsequently, this statistical approach was adopted because the model's dependent variable is continuous (Pallant, 2010).

Table 5.11: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.502[a]	0.252	0.248	7.21410
a. Predictors: (Constant), physical channel service quality, digital channel service quality				

Table 5.12 represents the model's summary that indicates the level of predictability of the variables (physical and digital service quality) to the outcome variable (customer loyalty). R0.252 indicates that there is a level of predictability between the variables.

Table 5.12: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6670.037	2	3335.018	64.082	0.000[b]
	Residual	19828.453	381	52,.43		
	Total	26498.490	383			
a. Dependent Variable: Loyalty						

b. Predictors: (Constant), physical channel service quality, digital channel service quality

ANOVA test was conducted to determine whether digital channel service quality and physical channel service quality significantly influence customer loyalty. According to the results in Table 5.13 digital channel service quality and physical channel service quality significantly influence customer loyalty (F = 64.082; R2= 0.252; p<0.05). According to Sawyer (2019:2) a significance lesser than P<0.05 indicates influence. These findings are in line with studies conducted globally and locally by (Yum & Yoo,2023(Asia); Husnanv& Handayani,2019(Europe); Adebisi & Lawal, 2017(India); van Deventer & Redda,2023(Africa) and Carelse,2017(Africa) that concluded that service quality has a positive influence on customer loyalty.

SUMMARY OF THE RESULTS

Table 5.13: Coefficients

Model		Standardized Coefficients	t	Sig.
		Beta		
1	(Constant)		3.377	0.001
	Digital channel service quality	0.422	7.602	0.000
	Physical channel service quality	0.118	2.122	0.034
a. Dependent Variable: Loyalty				

The analysis of the results revealed (see Table 5.14) that digital channel service quality has a positive (β= 0.422) and statistically significant (p. value=0.000 <0.05) impact on loyalty. The results also show that physical channel service quality has a positive (β= 0.118) and statistically significant (p. value=0.000 <0.05) effect on customer loyalty. Based on these results, we can conclude that there is a positive relationship between service quality and customer loyalty and that both physical channel service quality and digital service quality influence customer loyalty**.** These results resonate with previous studies (Priporas,Stylos,Vedanthachari, & Santiwatana

2017(Thailand); Peng, Moghavvemi, & Teng 2019(Malaysia); Fianto, Gan, Widiastuti & Sukmana 2020(Indonesia); Ikenna, Uche and Agu 2021(Nigeria); Tetteh & Boachie 2020(Ghana); Mahmood, Rana & Kanwal, 2018(Pakistan).

These studies established that there is a positive relationship between service quality and customer loyalty. Therefore, it is concluded that service quality influences customer loyalty. However, this study revealed that digital service quality has more impact on customer loyalty than physical channel service quality on customer loyalty.

5.7 CHAPTER SUMMARY

The purpose of this chapter was to present the results. The first section presented the demographic results including the results about the preferred channel and the frequency of use. This was followed by a section that discussed descriptive analysis of the measures of the constructs used in this study. Central tendency measures were conducted to assess how centred the distribution of the constructs involved in this study are. The third section illustrated how reliability and validity of the measurement instrument. Reliability was conducted by Cronbach’s technique and validity was performed through the use factor analysis and the last section summarises the results of the standard multiple regression analysis. The following chapter will provide a summary of the study’s results, recommendation as well as the recommendations.

CHAPTER 6: RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

Considering the study's findings, this chapter focuses on the conclusions and recommendations banks can implement to improve service quality. This chapter gives an overview of the study as well as the overview of the objectives. The chapter also highlights the results and conclusions drawn from each secondary objective along with the connected recommendation. Furthermore, this chapter discusses practical and theoretical implications of the study. This study also lists the study's limitations and articulates further research that can be conducted. This chapter concludes by giving a summary.

6.2 OVERVIEW OF THE STUDY

The main purpose of this study was to investigate the effects of digital and physical service quality on customer loyalty in the SA retail banking industry. Taking an integrative approach, the study was underpinned by the **SERVQUAL** model to measure the physical service quality, and the **E-S-QUAL** model to measure the digital service quality. This study proposed a theoretical model based on the aforementioned two theories to highlight factors that affect customer loyalty on both physical and digital channels. These factors measuring physical service quality were tangibility, reliability, responsiveness, assurance, and empathy while the factors measuring digital service quality constituted of system reliability, system availability and fulfilment. To address the main purpose of the study, data collection was facilitated using a survey method in the form of a structured questionnaire with a total number of 384 participants with the same total number of usable responses. Data analysis was conducted using a theoretical package for social sciences, IBM SPSS version 27 software and the result, as well as the discussions of data, were presented in chapter 5.

6.2.1 Overview of research objectives

As stated, the aim of this study was to investigate the effects of digital and physical service quality on customer loyalty in the South African retail banking industry.

The dimensions of physical channels service quality and that of digital channels service quality were both examined, and the results concluded that both channels' service quality have a positive influence on customer loyalty.

- **Secondary objective 1**: To ascertain the service quality channel that contributes the most to customer loyalty withing the South African retail banking industry.
- **Secondary objective 2**: To determine the effects of service quality dimensions on physical channels that contribute to customer loyalty within the South African retail banking industry.
- **Secondary objective 3**: To determine the effects of service quality dimensions on digital channels that contribute to customer loyalty within the South African retail banking industry.
- **Secondary objective 4:** To ascertain the perceptions of customers towards the services provided by South African retail banks.
- **Secondary objective 5**: To examine the relationship between service quality and customer loyalty in the South African retail banking industry.

6.3 SUMMARY OF FINDINGS AND RECOMMENDATION

To draw conclusions on the secondary objectives, results from descriptive analysis were used. The following section discusses the findings.

6.3.1 Secondary objective 1

- *To ascertain the service quality channel that contributes the most to customer loyalty with in the South African retail banking industry.*

According to the results, both physical channels and digital channels service quality positively contributes towards customer loyalty. However, it was concluded that digital channel's service quality (β= 0.422) has the most significant effects on customer loyalty within the South African banking industry than physical channel's service quality (β= 0.118). The results clearly show that it is imperative to customers that digital channel be more reliable than physical channels. This is indicated by the overall mean of 0.422 for digital channels service quality.

Recommendation 1. It is recommended that banks invest more in digital technology such as artificial intelligence as well as in digital transformation to keep their digital channels efficient, as this is a preferred channel for customers to transact (see Chapter 5, figure 5.3)**.**As a preferred channel, digital channel service quality contributes more towards customer loyalty therefore banks must make their digital platforms user friendly through simple navigation and using simple language that customers understand (less technical and less of a bank language). To keep digital channels effective, it is also recommended that banks ensure that they are safe for customers to transact by investing in cyber-security. Moreover, banks should also ensure that digital channels are available round the clock by ensuring constant system evaluation and maintenance. Through the application of the latter, banks can enhance customer experience through efficient service quality.

Recommendation 2. It is recommended that banks conduct digital channel service quality surveys with their customers (that is, rate our service functionality). Furthermore, banks should also document and study their customer's digital channel complaints to determine the level of perceived service quality on their digital platforms to establish what needs to be improved to ensure that transacting is a seamless process as there are numerous technological advancements within the financial digital sphere allowing banks to be innovative when improving service quality within their digital channels. Banks also need to prioritize conducting macro-environmental studies to keep abreast with environmental changes to be in par with the channel's service quality standards and also to meet the channel's service quality requirements as articulated by their customers.

6.3.2 Secondary objective 2:

- *To determine the effects of service quality dimensions on physical channels that contribute to customer loyalty within the South African retail banking industry.*

6.3.2.1 *Physical channel service quality dimensions that affect customer loyalty within the South African retail banking industry*

The overall mean for physical channel service quality dimensions was 5.08. The respondents, therefore, agreed with the statements of "*Physical Channel Service Quality*". Therefore, it can be concluded that the respondents consider tangibility, reliability, responsiveness, assurance, and empathy to be important service quality dimensions when interacting with a bank through its physical channels.

Recommendation 3. Tangibility. Ramya *et al.*, (2019: 40) assert that tangibles assist in creating the first positive impression of the bank, and as customers experience the friendliness of the service environment, it may prevent switching behavior. Findings revealed that respondents deemed tangibility to be an important service quality dimension when interacting with a bank through its physical channels. Therefore, it is recommended that banks ensure that their physical buildings where service is rendered are clean, well maintained and are situated in accessible locations and are easy to identify and easy to navigate specifically for customers with disabilities.

Recommendation 4. Specifically, during peak hours or on days when the bank is crowded, it is recommended that banks ensure that there is enough modern working equipment and enough trained staff that is also well-groomed and presentable.

Recommendation 5. *Assurance.* Ifeanyi & Ezenyilimba, (2020:133) defined assurance as the (bank) employee's traits and ability to instill customer trust and confidence towards the service provider. To ensure confidence and trust it is recommended that banks clarify their product offerings and educate their customers about the benefits of product take-up, simplify pricing models, and educate customers about their reward systems.

Recommendation 6. Before a bank can sell customers products, it is recommended that financial advice and financial literacy is offered to ensure that customers are sold products that they need, products that are suitable for their life-stages and products that they can afford.

Recommendation 7. Responsiveness. It is recommended that banks equip their human resources with the correct tools and training to be able to promptly assist customers. When human resource is knowledgeable, it will be confident and motivated to assist customers. By equipping their personnel, banks will have staff members that desire to assist their customers, and this will enhance the handling of customer complaints. Banks also need to explain to their human resource as to what is expected from them as staff, explain how their contribution makes a difference to the business and lastly, identify what motivates the team and reward hard work.

Recommendation 8. *Empathy.* It is recommended that banks apply design thinking process in their customer journeys to understand their customers' real needs. Design thinking is an interactive approach in which a business seeks to understand their customers, questions the assumptions, reframe challenges, and create novel solutions (Dam, 2022). This can be done by conducting research to understand their customer real needs through ideation and brainstorming.

6.3.3 Secondary objective 3:

- *To determine the effects of service quality dimensions on digital channels that contribute to customer loyalty within the South African retail banking industry.*

6.3.3.1 *Digital service quality dimensions that effects customer loyalty within the South African retail banking industry*

Based on the overall mean score (M=4.88), most respondents tend to agree with "Digital Channel Service Quality" statements. The results indicate that respondents deem system reliability, system availability and fulfilment as important dimensions of digital service quality that contribute to customer loyalty. Respondents stated that they must be satisfied with the level of service provided by digital channels, attesting that these channels must be available 24 hours a day (Table 5.6), that personal information must be kept private when using them, that using these channels must save them time and that navigating through them must be easy, and that they must be satisfied and confident in the transactions carried out through these channels.

Recommendation 9. To enhance system reliability, it is recommended that banks offer a complete digital channel onboarding process, where customers can open new accounts, submit required documents and sign consent without physically going to the bank. Utilising this approach can decrease the possibility of errors that can slow down the account opening application, including blank data fields, or missing signatures. By doing away with the need to speak to a bank employee over the phone or visit a branch in person, time and money are saved. This offers clients the flexibility and immediate satisfaction they've come to expect in a digital world.

Recommendation 10. It is recommended that banks ensure that their digital channels are available for use around the clock. Banks can make use of chatbots. These virtual assistants can do repetitive chores automatically and respond to frequently requested inquiries. Customers will value being able to navigate the digital interface easily at any hour of the day or night.

Recommendation 11. To prevent digital channels down time and channel unavailability, it is recommended that banks conduct crucial and continuous testing before going live with new digital channel banking capability as targeted testing can uncover inconsistencies, bugs and capacity concerns that were not considered during the planning stage.

Recommendation 12. Although digital channel's down time is inevitable, extensive downtime is not required and can be prevented. It is recommended that banks do this by having a well-practised business continuity strategy in place.

Recommendation 13. It is recommended that banks be genuine in what they deliver and fulfil what they guarantee when transacting on their digital channels. It is, therefore, recommended that banks to be realistic in their marketing messages and must not advertise a capability that is not currently available on their digital platforms. Banks should also educate customers on how to use and navigate through digital channels by providing "how to videos" as this can help reduce dissatisfaction in customer experience.

Recommendation 14. It is recommended that banks make transacting through digital channels accessible for the visually impaired customers. Customers must be offered a choice of having material read to them. While it is crucial to make digital channel banking portable, many people with vision issues might not be able to read the tiny screens on their mobile devices. Usability for customers with vision impairments will be significantly improved by adding a voice over functionality for security codes that must be entered.

6.3.4 Secondary objective 4:

- *To ascertain the perceptions of customers towards the services provided by South African retail banks.*

6.3.4.1 *Perceptions of customers towards the services provided by South African retail banks.*

Table 5.7 depicts that respondents are generally pleased with the service quality they receive from their banks. They stated that their banks deliver what they promise, and they do things correctly the first time, Table 5.5 indicates that 48.9% (‘Agree 9,6%’+ ‘Strongly agree 39,3%” =48.9%) agree that they are pleased with the experience they receive when using their banks’ digital channels.

Recommendation 15. Even though respondents are pleased with the service quality they receive from their banks, the banking industry is competitive, banks are competing for revenue and for market share. Therefore, it is recommended that banks find ways to constantly improve service quality, sustain their competitive edge, and maintain loyalty. Banks can do this by creating an omnichannel customer experience and through service and product differentiation.

6.3.5 Secondary objective 5:

- *To examine the relationship between service quality and customer loyalty in the South African retail banking industry.*

The findings of this study showed a substantial positive association between customer loyalty and service quality. Therefore, it can be deduced that there is an existence of a positive relationship between service quality and customer loyalty. In Chapter 5, Table 5.5 indicates that 46,8% (‘Agree9,6%’+’Strongly agree 37,2%’=46,8%) of the respondents stated that they will stay loyal to their banks if they receive good service quality and only 9.9% (‘Disagree 6%+Strongly disagree 3.9%=9,9%) disagreed with this statement while 45% of the respondents mentioned that they will switch banks if the service quality was not good. Respondents who receive good service quality develop loyalty and are not likely to switch to other banks. These findings are aligned with Omoregie *et al.,* (2018: 802) who revealed that consistent service quality delivery is an antidote for switching behaviour and a significant antecedent of customer loyalty.

These findings are also consistent in line with studies by Ginanta and Surip (2022: 343) and Fida, Ahmed, AL-Balushi and Singh (2020: 2) who asserted that there is positive relationship between service quality and customer loyalty.

Recommendation 16. To maintain and improve service quality, it is recommended that banks constantly train their staff to remain competitive in delivering service quality, train staff to demonstrate empathy, train staff on how to leverage on technology in delivery service quality.

Recommendation 17. To discourage switching behaviour and to improve customer loyalty banks should aim to delight their customers by exceeding their service quality expectations, it is, therefore, it is recommended that banks create and implement internal service quality measurement scales to monitor their service levels, identify arears of improvement in order to remain competitive.

6.4 IMPLICATION OF THE FINDINGS

6.4.1 Practical implications

This study aimed to investigate the effects of physical channel service quality and digital channel service quality on customer loyalty within the South African retail banking industry. This study made use of the SERVQUAL model to understand the service quality dimensions for the physical channel and the E-SQUAL model to understand the digital channel service dimension that has an impact on customer loyalty. The study's results may provide omni-channel banks (banks that make use of both channels as a strategy) insights on how to provide seamless and integrated customer service across all channels and to understand the service quality dimensions that contribute greatly to customer loyalty.

Furthermore, the study revealed that digital channel service quality has more impact on customer loyalty than physical channel service quality, this finding may assist banks to prioritize its efforts to a channel that has more impact on customer loyalty.

The study also validated that there is a positive, significant relationship between service quality and customer loyalty and the recommendations suggested in this study can be used by retail banks to aid them in improving, measuring and to maintaining service quality, furthermore the study's recommendations can be used to assist banks to enhance customer loyalty and prevent attrition.

6.4.2 Theoretical implications

This study makes a significant theoretical contribution that is useful for current and future research. Firstly, the study explored the effects of digital and physical service quality on customer loyalty in the South African retail banking industry. The results indicated that there is a significant relationship between service quality and customer loyalty. Secondly, the study highlighted that both the digital channel's service quality and physical channel's service quality have an impact on customer loyalty. However, the most impactful service quality to customer loyalty is the digital channel's service quality. Thirdly, the study also revealed that customers will advocate for a bank that provides the best service quality and when banks demonstrate some level of poor service quality, there is likelihood of customers switching banks. Lastly, the study revealed that in general South Africans are happy with the service quality of the South African bank industry.

Although the study's conclusions have valuable theoretical and practical implications, it also has certain limitations that future research should address. These limitations are listed in the following section.

6.5 LIMITATIONS OF THE STUDY

The results of this study should be seen in light of several limitations that allow for more investigation on the topic. The following limitations were noted:

- A cross-sectional approach, which looks at variables at one point in time, was adopted by the study and potential changes that may occur in consumer's attitude in terms of perceived service quality and customer loyalty towards their banks are not addressed in this study.
- There was limited literature on recent studies conducted on service quality on physical channels and on digital channels conducted within the South African banking context. As a result, the study relied mostly on the international context.
- Non-probability sampling method was applied for this study. The sample was drawn from respondents with known attributes (customers needed to have transacted in the last three months). There might be chances that if a probability sampling method is employed, a different conclusion to the same study might be reached.

- The study only considered customers who held a transactional account. It did not consider customers who held other bank accounts such as investments accounts. Therefore, this study's findings are subjected to only transactional account holders.
- A typical limitation that cannot be totally prevented is prejudice, whether deliberate or inadvertent. When doing scientific study, prejudice will always be a factor because it is based on people's prior experiences and views. The general impression of service quality is one such instance. Even for the researcher, the subjectivity of service quality is considerable. One person's perception of service quality may not be the same as another person's.

6.6 RECOMMENDATIONS FOR FURTHER RESEARCH

- More studies should be conducted on service quality of banks on both channels in one study locally and internationally so that marketers have a simultaneous view of how the effect of both channels' service quality dimensions influence customer loyalty.
- Future research can be conducted to establish other digital channel's service quality dimensions that affects customer loyalty. Dimensions that could be studied further in the future are customisation, ease of navigation, information quality design. The results might assist marketers to identify the most impactful dimensions and focus their resources and strategic efforts on improving them.
- The study was cross sectional. Future research might, therefore, be longitudinal to track changes in consumers' perceptions of their bank's service quality.
- Future studies can apply qualitative methods such as focus groups to get a comprehensive understanding of how customers perceive service quality.

- A probability sampling method could be applied in future to draw conclusions from respondents who hold other accounts with the bank other than a transactional account. A different conclusion to the same study might be reached.

6.7 CONCLUDING REMARKS

The study investigated the effects of digital and physical service quality on customer loyalty in the South African retail banking industry. The most impactful service quality was found to be the digital service quality and most customers prefer using digital channels when transacting. Customers demonstrated that they value service quality, and they will stay loyal and advocate for banks that provide good service quality. This study also revealed that South Africans are generally satisfied with their banks service quality, but poor service quality may encourage switching behaviour in customers. The study also validated that there is a positive relationship between service quality and customer loyalty; therefore, service quality has an influence on customer loyalty.

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APPENDIX A: TURN IT IN REPORT

The effects of digital and physical service quality on customer loyalty in the South African retail banking industry

by Nomsa Mvubu

Submission date: 11-Dec-2023 07:14AM (UTC+0200)
Submission ID: 2255203196
File name: Turn_it_in_woking_doc_2023.docx (4.91M)
Word count: 36406
Character count: 206356

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APPENDIX B: ETHICAL CLEARANCE CERTIFICATE FROM UNISA

UNISA university of south africa

UNISA DEPARTMENT OF MARKETING AND RETAIL MANAGEMENT ETHICS REVIEW COMMITTEE

28 November 2022

Dear Ms Nomsa Mvubu

NHREC Registration #: (if applicable)

ERC Reference #: 2022_MRM_015

Name: Dear Ms Nomsa Mvubu

Student #: 45403163

Staff #: N/A

Decision: Ethics Approval from 2022 to 2025

Researcher(s): Ms Nomsa Mvubu
45403163@mylife.unisa.ac.za
+27 739505651

Working title of research:

The influence of service quality on customer loyalty in the South African Banking industry

Qualification: Master of Commerce (BMA) Business management (Retail Marketing)

Thank you for the application for research ethics clearance by the Unisa Department of Marketing and Retail Management Ethics Review Committee for the above-mentioned research. Ethics approval is granted for 3 years.

*The **low risk application** was **reviewed** by the Department of Marketing and Retail Management Ethics Review Committee on 16 November 2022 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment.*

The proposed research may now commence with the provisions that:

1. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.

2. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the Department of Marketing and Retail Management Ethics Committee.
3. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
4. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
5. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's act no 38 of 2005 and the National Health Act, no 61 of 2003.
6. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
7. No field work activities may continue after the expiry date 30 November 2025. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:
*The reference number **2022_MRM_015** should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.*

Yours sincerely,

Signature

Signature

Chair of Marketing and Retail Management ERC

E-mail: mbangp@unisa.ac.za

Executive Dean: College of Economics and Management Science

E-mail: mogakmt@unisa.ac.za

URERC 25.04.17 - Decision template (V2) - Approve

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APPENDIX C: THE QUESTIONNAIRE

RESP. No.			

Investigating the influence of service quality on customer loyalty in the South African banking industry.

INFORMED CONSENT FOR PARTICIPATION IN AN ACADEMIC RESEARCH STUDY

Department of Marketing and Retail Management

Dear Respondent

We are inviting you to participate in a study entitled **"The influence of service quality on customer loyalty in the South African banking industry".**

WHAT IS THE PURPOSE OF THE STUDY?

The aim of this study is to establish the service quality factors influencing customer loyalty in the South African banking industry. This will be done by determining the relationship between the service quality dimension and customer loyalty. This study is expected to collect important information, your thoughts, and views that can assist bank managers to improve the service provided by banks in digital and physical channels so that banking customers can have an excellent customer experience.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give. Please note that while a report of the study may be submitted for publication in research reports, journal publications and/or conference proceedings, your participation will be kept confidential, and your identity will be kept strictly confidential meaning you will not be identifiable in such a report.
- Participating in this study is voluntary and you are under no obligation to consent to participation. If you do decide to take part, you will be given this information

sheet to keep and be asked to sign a written consent form. You are free to withdraw at any time and without giving an explanation.

- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 20 minutes of your time
- Please note, that you will not receive payment or reward for your participation in this study.

  Your choice to participate in the study is strictly voluntary.
- The questionnaires will be kept for five years, and the study can be found in the UNISA database.
- If you would like to be informed of the final research findings, require any further information, or want to enquire about any aspect of this study please contact the researcher(s), Nomsa Mvubu on 0739505651 45403163@mylife.unisa.ac.za. Should you have concerns about how the research has been conducted, kindly contact the research ethics chairperson of the Department of Marketing and Retail (Prof. Phineas Mbango on

  012 429 2822 or by email at mbangp@unisa.ac.za)

Please mark the form with an X in the box below to indicate that:

○ *You have read and understand the information provided above.*

○ *You give your consent to participate in the study on a voluntary basis.*

Please mark X if you agree.

Name: Nomsa Mvubu Tel: 0739505651 e-mail: 45403163@mylife.unisa.ac.za

Date ……………….

SECTION A: SCREENING QUESTIONS

Please answer all the questions by placing a cross (✗) in the appropriate block.

There are no right or wrong answers.

Q1. Do you have a transactional bank account?

	Mark (X)
YES	1
NO	2

If NO, thank you for your time unfortunately you do not qualify to answer the rest of the questionnaire.

Q2. Are you above the age of 18

	Mark (X)
YES	1
NO	2

If NO, thank you for your time unfortunately you do not qualify to answer the rest of the questionnaire.

Q3. Which channel do you use to transact or interact with the bank?

Banking Channel	**Mark (X)**
1. Physical channel *(Branch)*	
2.Digital Channel*(Banking App,Internet banking,ATM)*	
3. Both Channels	

Q4. How often do you use Physical channel (Branch)

Mark (X)	***Mark (X)***	***Mark (X)***	***Mark (X)***
Never	Sometimes	Often	For most of my banking transactions

Q5. How often do you use digital channel (App, internet banking)

Mark (X)	***Mark (X)***	***Mark (X)***	***Mark (X)***
Never	Sometimes	Often	For most of my banking transactions

Q6. Type of transactional account

Account	**Mark (X)**
1. Cheque account	
2.Savings account	

SECTION B: DEMOGRAPHIC INFORMATION

Please answer <u>all</u> the questions by placing a cross (X) in the appropriate block.

There are no right or wrong answers.

Q7. Please indicate your gender.

	Mark (X)
Male	1
Female	2
I Prefer not to say	3

Q8. Please indicate your level of education

	Mark (X)
Below Matric	1
Matric	2
Diploma / Degree	3
Prefer not to say	4

Q9. Please indicate your age group.

	Mark (X)
18 - 25 years	1
25 - 35 years	2
35 - 45 years	3
45 - 55 years	4
55 - 60 years	5

Variables used in the study.

SECTION C:

Please indicate the extent to which you disagree/agree with each of the following statements by placing a mark in the appropriate box; 1 being strongly disagree and 6 strongly agree

Please Note:

Digital channel means when using ATM, Banking App and Internet banking.

Physical Channel means when using branch.

Variables	***STATEMENT:*** *As a banking customer,* ***Digital Channel*** *service quality means that:*	**Strongly Disagree**	**Disagree**	**Slightly disagree**	**Strongly agree**	**Agree**	**Strongly agree**
		1	2	3	4	5	6
V1	I can complete my digital transactions with a minimum number of screens and instructions	1	2	3	4	5	6
V2	I am confident that my bank keeps my personal details private and confidential	1	2	3	4	5	6
V3	I feel safe when I make transactions digitally	1	2	3	4	5	6

V^4	I save time when I transact digitally	1	2	3	4	5	6
V^5	My digital banking channels are always upgraded to suit my banking needs	1	2	3	4	5	6
V^6	I can easily navigate and find what I need on digital channels in order to transact	1	2	3	4	5	6
V^7	My bank's digital channels are available 24/7 for me to use	1	2	3	4	5	6
V_8	I can complete my digital transactions without the channel crushing	1	2	3	4	5	6
V^9	I don't require data to use my bank's digital channels	1	2	3	4	5	6
V_{10}	My bank provides a good customer experience when using digital channels	1	2	3	4	5	6
V_{11}	My bank keeps accurate records of all my transactions conducted digitally	1	2	3	4	5	6
V_{12}	My bank quickly solves problems that I encounter with my digital transactions	1	2	3	4	5	6
V_{13}	I can upload needed documents by the bank via my digital channels	1	2	3	4	5	6
V_{14}	I can conduct most transactions digitally without going to the bank	1	2	3	4	5	6
V_{15}	My bank 's digital design is visually appealing	1	2	3	4	5	6
V_{16}	Digital banking charges are affordable	1	2	3	4	5	6
V_{17}	Digital channels must save travelling cost, therefore good value for money	1	2	3	4	5	6
V_{18}	My digital channels have financial tools that I can use to manage my money e.g. financial calculator	1	2	3	4	5	6

V19	I can apply and be granted credit quickly and easily via my digital channels	1	2	3	4	5	6
V20	I must be satisfied with the transactions I make through digital channels	1	2	3	4	5	6
V21	I must be satisfied with the service quality of my bank's digital channels	1	2	3	4	5	6

	<u>STATEMENT:</u> *As a banking customer **Physical Channel** service quality means that*:						
	Tangibility	1	2	3	4	5	6
V22	The bank building be attractive	1	2	3	4	5	6
V23	The bank staff look presentable	1	2	3	4	5	6
V24	The bank equipment function properly	1	2	3	4	5	6
V25	The bank has an appealing ambiance	1	2	3	4	5	6
	Reliability	1	2	3	4	5	6
V26	My bank deliver service as promised	1	2	3	4	5	6
V27	My bank deliver service correctly the first time	1	2	3	4	5	6
V28	I can depend on support teams to handle my query	1	2	3	4	5	6
V29	Support staff is reliable	1	2	3	4	5	6
	Assurance	1	2	3	4	5	6
V30	I must be able to trust my bank	1	2	3	4	5	6
V31	I feel confident in dealing with support staff						
V32	Support staff are polite						

V_{33}	Support staff are knowledgeable in matters where I need support						
	Responsiveness	1	2	3	4	5	6
V_{34}	My bank has a desire and ability to deliver prompt service and solutions	1	2	3	4	5	6
V_{35}	I find support staff always willing to help me with customer queries						
V_{36}	Support staff are willing to accommodate special request and needs						
V_{37}	Communication from support staff is accurate						
	Empathy	1	2	3	4	5	6
V_{38}	My bank branch (the one I often visit) cares for my needs	1	2	3	4	5	6
V_{39}	My bank branch (the one I often visit) gives me special attention	1	2	3	4	5	6
V_{40}	My bank branch (the one I often visit) resolves my query empathetically	1	2	3	4	5	6
V_{41}	My bank branch (the one I often visit) values me as their customer	1	2	3	4	5	6
	Loyalty	1	2	3	4	5	6
V_{42}	I usually share with my peers when I have received bad service quality	1	2	3	4	5	6
V_{43}	I usually share with my peers when I have received good service quality	1	2	3	4	5	6
V_{44}	I am pleased with the experience I receive when using my bank's digital channels	1	2	3	4	5	6
V_{45}	I will recommend to my peers to use my bank's digital channels	1	2	3	4	5	6
V_{46}	When I receive good service quality from a bank, am most likely not to use other banks	1	2	3	4	5	6
V_{47}	When I receive bad service quality from a bank, am most likely to switch and use other banks	1	2	3	4	5	6

V_{48}	I will recommend to my peers to use my bank's physical channels	1	2	3	4	5	6
V_{49}	I use multiple banks because I enjoy their individual service quality	1	2	3	4	5	6

Thank you for taking the time to complete the survey.

Your participation is greatly appreciated.

APPENDIX D: CONFIRMATION FROM LANGUAGE SERVICES

22 Oshe Street

The Reeds

Centurion

0157

30 November 2023

TO WHOM IT MAY CONCERN

This certificate serves to confirm that I have edited NB Mvubu 's dissertation entitled, **The effects of digital and physical service quality on customer loyalty in the South African retail banking industry.**

I found the work easy and intriguing to read. Much of my editing basically dealt with obstructionist technical aspects of language, which could have otherwise compromised smooth reading as well as the sense of the information being conveyed. I hope that the work will be found to be of an acceptable standard. I am a member of Professional Editors' Guild.

Hereunder are my contact details:

Jack Chokwe (PhD)

Contact numbers: 072 214 5489

jackchokwe@gmail.com

Professional EDITORS Guild