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Investigating Structural Relationship Between Service Quality, Satisfaction and Loyalty in Banking Sector of Afghanistan

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Abstract

This study aims to understand the relationship of service quality dimensions, customer satisfaction, and loyalty in the banking sector using data from the Afghanistan banking sector. The study surveyed 269 respondents using a standard SERVQUAL questionnaire to examine the relationship between service quality dimensions, customer satisfaction, and loyalty in the banking sector of Afghanistan. The Structural Equation Modeling approached was used to analyze data. The findings suggest that assurance, empathy, and tangibles have a positive influence on customer satisfaction. Importantly, results revealed that female customers are less satisfied as compared to their counterparts. Furthermore, the findings indicate a positive influence of customer satisfaction on customer loyalty. This paper offers empirical support for bank managers to enhance the physical facilities, assure customer trust, appropriately treat customers and consider gender requirements in providing banking services. The major limitation of this study is that it only includes one private bank customer and only Kabul province. This work illustrates an initial empirical study into service quality, customer satisfaction, and loyalty in Afghanistan using well developed SERVQUAL model.

Keywords: Banking Sector, Customer Loyalty, Customer Satisfaction, Serqual Model, Service Quality

1. Introduction

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system to compete more effectively with global organizations (Malhotra & Mukherjee, 2004).

Afghanistan's banking sector enjoyed strong economic growth in the last decade and was considered one of the strongest sectors that were contributing to the economic growth in the country. Indeed, the success of the banking system supports currency stability, which is the primary objective of the monetary policy in Afghanistan. The banking sector in Afghanistan is significantly contributed to the GDP growth in the first decade of the millennium and slightly became fragile by the collapse of Kabul Bank in 2010 just after the global financial crisis. Currently, 12 (7 private and 5 public) banks are now operating in Afghanistan, which is a relatively small number compared with many international cities (DAB, 2018).

Azizi Bank is one of the leading commercial banks in Afghanistan. The bank was established in 2006 and currently has 80 branches in 30 provinces across the country, headquartered in Kabul. Currently, the bank has about 1200 employees of which 12 percent are female. According to the reports, Azizi Bank is the highest lender in the country, contributing to almost 30% of loans disbursed in the economy in different sectors of the country, especially in the areas of infrastructure lending. Bank has an aggressive policy for Financial Inclusion. It is ranked the highest in the country in terms of the number of depositors. Azizi bank offers conventional banking services to its customers. (Azizi Bank, 2019).

Globalization has altered customer behavior regarding banking services, and the operating environment for the banking industry has become more dynamic and competitive. The emergent of new forms of banking services such as automated teller machines, internet banking, and phone banking as well as the maturing financial market and global competition accelerate the need for bankers to explore the importance of customer satisfaction and customer loyalty.

Delivering quality of services by the banks has a positive influence on the satisfaction of its customers and it directly contributes to the profitability of the banking industry. Customer Satisfaction and Service Quality are leading components in the system of external relations of each organization, good quality of service provides numerous benefits to the banking industry, i.e., better business image, enhancement in customer satisfaction, cross-selling opportunities, decreased customer's defection, increased chances of a word to mouth (WoM) recommendations and facilitates the maintenance of long term and valuable customers (Cronin et al., 2000). In the modern banking system maintaining and developing long-term customer relationships is essential for competitive business.

A great number of studies were aimed to identify the significance of service quality by adopting different models. Good service quality is generally regarded as a way to retain existing customers and acquire new ones, reduce costs, enhance corporate image, generate positive word-of-mouth recommendations, and improve profitability (Kang & James, 2004; Yoon & Suh, 2004). The practice of excellent service quality integrated with consumer products is a powerful generator to cater to customers' needs and engage with them. Considering that many banks offer undifferentiated products in a rival marketplace, banks are paying more attention to service quality to gain a competitive advantage (Kumar et al., 2010).

The main objective of this study is to assess the relationship between service quality dimensions with customer satisfaction and the relationship of customer satisfaction with customer loyalty. Besides, this study is looking to identify the most important attributes of service quality considered by customers in the banking sector which has a significant impact on their satisfaction and ultimately on their loyalty.

This study provides empirical evidence regarding factors that lead to customer satisfaction in the banking services in Afghanistan and its managerial implications. These empirical findings will contribute to re-setting the policies and plans of the commercial banks to keep pace with the growing competitive environment to meet the customers and community satisfaction.

This study has six sections. Section 1, presents the background, objectives, and questions. Section 2 describes the key concepts of the study and section 3 provides an intensive overview of the theoretical and empirical literature review. Section 4 presents the methodological framework and section 5 the results of our study. Finally, the conclusions, managerial implications, and future research directions are presented in section 6.

2. Concepts and Definition

Service quality is crucial to the success of any service organization. Since customers participate in the delivery and consumption of services, they interact closely with various aspects of organizations. Service quality can be defined as the conformance to customer requirements in the delivery of a service (Chakrabarty et al., 2007). Researches have shown that service quality is highly associated with increased profit levels, reduce costs, and increase market shares (Kandampully & Juaheer, 2009; Parasuraman et al., 1985; Lau et al., 2005). Moreover, service quality has been shown to influence purchase intentions (Sullivan & Walstrom, 2001), and is used by some firms to strategically position themselves in the marketplace (Brown & Swartz, 1989). Hence, service quality plays a critical role in adding value to the overall service experience and is a key factor of customer loyalty.

Customers' satisfaction and loyalty are vital in the competitive business environment. This is mainly because customers are scarce resources it is far easier to obtain from an old customer than from a new one. On other hand, customer satisfaction and loyalty have a positive effect on the revenues and profitability of the company (Rosenberg & Czepiel 2017). Customer satisfaction is a dynamic, relative, moving target that may evolve and be influenced by a variety of factors. Particularly when product usage or the service experience takes place over time, satisfaction may be highly variable depending on which point in the usage or experience cycle one is focusing on (Fournier & Mick, 1999).

Satisfaction refers to the customers' state of being appropriately rewarded in purchasing situation for the exchange they have made. Oliver (1997) defines customer satisfaction as their fulfillment response. This definition is extended by Zeithaml and Bitner (2003) as satisfaction is the customer's judgment of a product or service in terms of their needs and expectations. Consequently, failure in meeting customer needs and expectations leads to their dissatisfaction with the product or service. Therefore, customer needs and expectations of a product or service are vital for enhancing customer satisfaction (Fornell et al., 1996).

Product and service quality, price, consumer emotion, situational factors, perception of equity or fairness, product features are some of the factors that influence customer satisfaction. On the other hand, psychological, personal, social, and cultural factors influence the purchasing behavior of the consumer. Service is one of the most complex factors which do not exist before it is consumed. Therefore, understanding what customer needs and what they evaluate is essential for developing services management.

Loyalty means a customer prefers to choose a product or service compare with its competitor. The definition of loyalty has been given in much relevant literature; however, there is no unified view to its definition. Goodman (2009, 85) indicates that "loyalty is best measured by continued buying behavior." According to Reichheld (2001, 44), "loyal is about earning people's enthusiastic commitment to a relationship that will improve their lives over a long term." Similarly, Oliver (1997) defines loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior." Gremler and Brown (1999, 34) claim that "customer loyalty shows a customer's positive attitude for the repeating buying behavior on certain product or service." Thomas and Tobe (2013) emphasize that "loyalty customers are more profitable." Hence, Loyalty customers are the most competitive advantage of an enterprise.

Chen and Wang (2009) consider customer satisfaction an attitude, whereas loyalty is described as a behavior. They suggest that customer satisfaction is a consistent judgment between expectations and perceived service quality. Accordingly, satisfied customers get a positive attitude and it is the main reason to continue a relationship with a company's product and services and is considered an important pillar that upholds loyalty (Abdullah, 2012). The relationship between customer satisfaction is not loyalty is not easily determined.

Based on Coyne (1986) two critical thresholds are affecting the link between customer satisfaction and customer loyalty. This nonlinear relationship consists of two thresholds. There is appeared that when customer satisfaction rose a certain threshold, loyalty increases rapidly, at the same time when satisfaction declines to a certain level, loyalty drops equally dramatically. The role of satisfaction on loyalty largely indicates that the former is a key

determinant of the latter (Dick & Basu 1994). There are other factors besides satisfaction that have a certain impact on customer loyalty (Reichheld & Scheffer 2000).

Measuring customer satisfaction is a key performance indicator within a business and is often part of the balanced scorecard. The main aim of measuring customer satisfaction is to make a prompt decision for the continuous improvement of the business transactions. Measuring customer satisfaction may be different in different organizations since there are different approaches to measure customer satisfaction. The possible dimension to measure customer satisfaction could be quality, price, trust relationship, complaints, problems, and many others.

Numerous researchers have sought to uncover the global services attributes that contribute most significantly to relevant quality assessments (Parasuraman et al., 1985; Pitt et al., 1999). Madu and Madu (2002) proposed 15 dimensions for online services quality according to their study. In 2003 Wolfenbarger and Gilly (2003) through their intensive focus group interviews, content analysis, and online survey have come up with only four factors for online retailing experiences: website design, reliability, security, and customer service. Further, Zeithaml et al. (2002) proposed seven different dimensions for service quality. The most prominent work of Parasuraman et al. (1985 and 1988) initially revealed ten dimensions of service quality and later on condensed to the following five dimensions:

- (1) Tangibles—physical facilities, equipment, staff appearance, etc.
- (2) Reliability—ability to perform service independently and accurately.
- (3) Responsiveness—willingness to help and respond to customers' needs.
- (4) Assurance—the ability of staff to inspire confidence and trust in customers.
- (5) Empathy—the extent to which caring individual service is given.

In turn, these five attributes constitute the base of global measurement devices for service quality, namely, SERVQUAL. It has been widely applied to numerous service industries as a means of measuring service quality and became the workhorse for empirical literature. The primary value of SERVQUAL lies in its powerful benchmarking, diagnostic, and prescriptive tools (Kettinger and Lee, 1997).

This study adapted contextualized SERVQUAL model to assess the relationship between service quality and customer satisfaction and Loyalty in the Afghanistan banking sector. It is believed that the present study of service quality and customer satisfaction and loyalty will provide a platform to discuss the service quality issues in the banking sector of Afghanistan.

3. Literature Review

3.1. Theoretical framework

The issue of customer satisfaction has been explained by numerous theories developed by several authors. Generally, four groups of theories have been used to understand the process through which customers form satisfaction judgments (Adee, 2004). The Four psychological theories are (1) Assimilation theory; (2) Contrast theory; (3) Assimilation-Contrast theory; and (4) Negativity theory (Anderson, 1973).

The assimilation theory was introduced after discovering that the consumer evaluates the products after using them. The theory of assimilation asserts that consumers make some kind of cognitive comparison between expectations about the product and the perceived product performance (Anderson, 1973). Anderson (1973) stated that consumers seek to avoid dissonance by adjusting perceptions about a given product to bring it more in line with expectations. According to this theory, consumers can reduce the tension resulting from poor product performance either by distorting expectations so that they coincide with perceived product performance or by raising the level of satisfaction by minimizing the relative importance of the disconfirmation experienced.

Contrast theory was introduced by Hovland et al., in 1987. The contrast theory states that consumers tend to magnify the discrepancy between their attitudes and the attitudes represented by opinion statements. A discrepancy of experience from expectations will be exaggerated in the direction of the discrepancy. Thus, if a firm under-

promises in advertising while its over-deliver then the customer's experience will be higher than promised leading to positive exaggerated disconfirmation. Conversely, if the firm raises expectations in its advertising, and then the customer's experience is only slightly less than that promised; the product/service would be rejected as totally unsatisfactory.

Anderson (1973) extended the above theories which are known as the Assimilation-contrast theory. His theory is based on the context of post-exposure product performance experience. Assimilation-contrast theory proclaims that if performance is within a customer's range of acceptance, even though it may fall short of expectations, the discrepancy will be disregarded. This is because assimilation will take place and the performance will be deemed acceptable. On the other hand, the theory asserts that if performance falls within the range of rejection, the contrast will prevail and the difference will be exaggerated. As a result, the product or service will be unacceptable (Terry, 1997). Likewise, the negative theory developed by Carlsmith and Aronson (1963) states that when expectations are strongly held, consumers will respond negatively to any disconfirmation (Teery, 1997).

Disconfirmation theory argues that customer satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. According to Ekinici and Sirakaya (2004) disconfirmation paradigm is the best predictor of customer satisfaction. The theory of cognitive dissonance proposes that people have a motivational drive to reduce dissonance by changing their attitudes, beliefs, and behaviors, or by justifying or rationalizing them (Feininger, 1957). Cognitive dissonance is an uncomfortable feeling caused by holding two contradictory ideas simultaneously. The phenomenon of cognitive dissonance has been quickly adopted by consumer behavior research as it is believed to exert high exploratory power in explaining the state of discomfort buyers are often in after they made a purchase (Salzberger and Koller, 2010).

According to adaptation-level theory, customers perceive a product or service according to the adapted standard which is arising from the perceptions of the product or service itself, the context, and psychological and physiological characteristics of the customer. Once created, the 'adaptation level' serves to sustain subsequent evaluations in that positive and negative deviations will remain in the general vicinity of one's original position. Only large impacts on the adaptation level will change the final tone of the subject's evaluation. This theory was originated by Helsen in 1964 and applied to customer satisfaction by Oliver and Hanming (1994).

Hypothesis testing theory developed by Dighton (1983) states that pre-purchase information particularly, advertising plays a substantial role in creating expectations about the products, customers will acquire and use. Customers use their experience with products/services to test their expectations. Second, customers will tend to attempt to confirm (rather than disconfirm) their expectations. The interpretation of this theory is that customers are biased to positivity confirm their product/service experience.

3.2 Empirical Literature

The banking environment is significantly affected by technological, structural, and regulatory factors throughout the world. Banking has integrated globally by implementing regulatory changes (Angur et al., 1999). Banks can perform a wide range of activities by implementing structural changes to become more competitive in the financial market. In recent times, banks are involved to provide quality services by using technological changes in the environment. These rapid changes allow the banking sector to improve service quality and customer satisfaction (Angur et al., 1999; Arasli et al., 2005; Herington & Weaven, 2007; Raza et al., 2015).

Previously, many studies have been conducted in the context of service quality and customer satisfaction across the globe. These studies suggest that service quality and customer satisfaction are key factors of the service industry. Parasuraman et al. (1985) argued that the service quality concept is inconclusive in the context of customer satisfaction. Customer loyalty is another important factor in customer satisfaction.

Wang et al. (2003) support the fact that service quality is an essential factor for the success and reputation of banks. Awan et al.'s (2011) findings suggest the importance of service quality in the banking sector, while Ahmed et al.'s (2010) suggest that bank customers have a superior service quality perception of Islamic banks as compared to

conventional banks. Similarly, other studies' findings confirmed a positive relationship between customer satisfaction and service quality in the banking industry (e.g., Ling et al., 2016, Tan et al. 2016 Sayani 2015).

In Afghanistan, the banking sector can improve service quality dimensions through the active participation of local and foreign stakeholders. This results in competing to increase more customers in the long term by providing better service quality. The Afghanistan banking industry consists of 17 conventional and only one full-fledged Islamic bank where they are involved in a relatively competitive environment with continuous improvement of quality service. Researchers suggest that the banks' customers have a greater perception of service quality.

Despite the existing literature on service quality, fewer studies have been conducted on service quality and customer satisfaction, and customer loyalty in the Afghanistan banking sector. Up till now, to the best of the authors' knowledge, no such studies have been found relative to service quality dimensions and customer satisfaction and loyalty specifically in Azizi bank in Afghanistan. In the present study, we used a modified form of the SERVQUAL model to identify the relationship between service quality and customer satisfaction, and customer loyalty.

4. Methods and Conceptual Model

According to the SERVQUAL model, this study is based on the primary data that is collected through a standard 5-point Likert scaling questionnaire from the banking sector customers in Afghanistan. All items in the instrument were translated carefully into Dari so that our target population can self-complete it. The target population for this study is the legal age local bank customers from Azizi Bank in Kabul city. The present study was conducted in Oct–Nov 2019.

To increase overall precisions of estimates and to make survey administration relatively easier, multiple stratified random sampling methods are used in this study. The interested population (customers) is initially divided into two broad discreet segments, the main branch, and sub-branches of the Azizi Bank. The main branch and six other branches are randomly selected. On average there are about 120-150 transactions per day in each sub-branch of the AZ and around 600 transactions in the main branch. Therefore, based on the share of the customers about 35-40 questionnaires are randomly distributed in each of the sub-branches and 120 to the main branch of the AZ.

Face Validity is used to ensure the construct validity of the instrument through adapting a well-established questionnaire. The reliability of the instrument is tested using the alpha Cronbach statistic. The alpha Cronbach is calculated for each dimension and overall questionnaire. The threshold of 0.7 is used for the acceptance of the concepts.

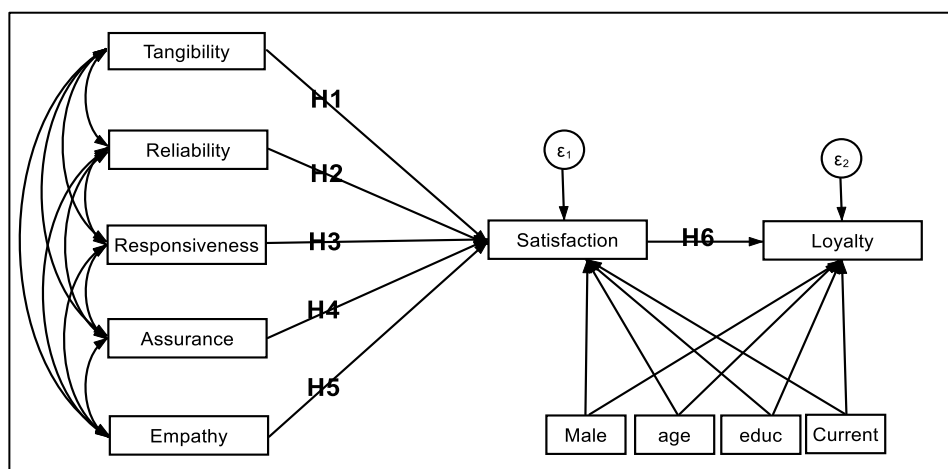


Figure 1: Conceptual Model of the Research

The conceptual model of this study based on the theoretical and empirical model is illustrated in Figure 1. The structural equation model is applied to estimate the parameters of the conceptual model and to analyze the relationship of services quality dimension and customer satisfaction and loyalty.

5. Results and discussion

5.1. Data Description

Table 1 shows the initial distribution of responses among the surveyed customers in the Azizi Bank. In this study in total 350 customers were approached based on the sampling strategy to filled the questionnaire 254 male and 96 females were included. In general, there were no significant differences in the net response rate among the male and female. The main problem after data collection was that almost 49 (15 percent) of the response in the questionnaire were either incomplete or unengaged responses where individuals due to no interest or lack of time or motivation selected almost one Likert scale for all of the questions.

Table 1: Initial Composition of Respondent of the Azizi Bank Customers

Response rate	Male	Female	Total
Number of Questionnaires Distributed	254	96	350
Refusals (no trust, not time, etc.)	9	6	15
Not Returned the Questionnaire	12	5	17
Percentage Refusals and Not Returned	8%	11%	9%
Remaining	233	85	318
Incomplete or Incorrect	13	5	18
Unengaged Responses	24	7	31
Percentage of incomplete and unengaged responses	16%	14%	15%
The net number of questionnaires	196	73	269
Net response rate	77%	76%	77%

Source: Own data (2019)

The result of Table 2 shows that among 269 customers who properly filled the questionnaire there were 190 male and 79 female customers of Azizi Bank. Besides, among them, the type of account they had in the AB were mainly current or salary account, 98 and 99 respectively. Moreover, 61 customers (40 male and 21 female) had saving accounts while only 11 customers (10 male and 1 female) had company account. The salary and company account holder consist less than 40 percent of the responses in the target group of individuals.

Table 2: Account Type and Gender Composition of Respondents

Account Type	Male	Female	Total
Current	76	22	98
Saving	40	21	61
Salary	64	35	99
Company	10	1	11
Total	190	79	269

Source: Own Data

In this study, the distribution of the respondent by their education levels are presented in Figure 2. The figure shows that majority of the participants in this study hold a bachelor's degree (176 individuals, 127 and 49 male and female respectively) that followed by the high school (41 individuals) and master's degree (29 individuals). Besides, other education degrees are modest in this sample where the secondary level is 15 individuals while others are less than 6

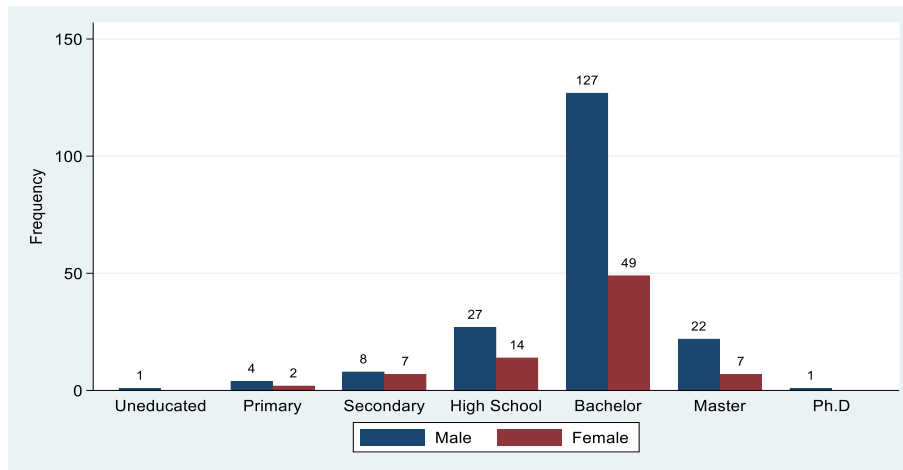


Figure 2: The distribution of the Education of the Respondents

The distribution of the employment type by the gender of the respondents is illustrated in Figure 3. As figure 2 indicates the majority of the surveyed individuals working in the private sector (97 males and 29 females) followed by the Own-account workers (63 males and 33 females) than the public employees (30 males and 17 females).

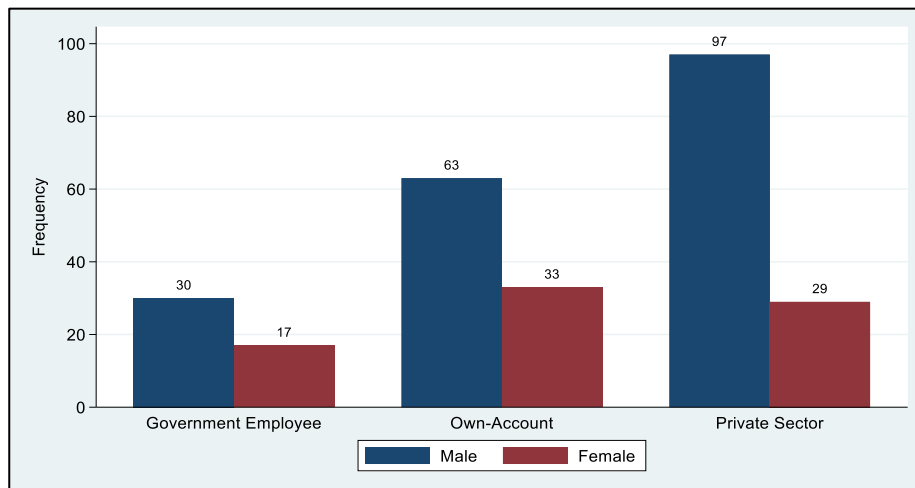


Figure 3: Employment Status by Gender of the Respondents

Before the reliability test, sample adequacy tests are performed to check the sufficiency of the sample size for our analysis. There are mainly two tests that are widely used for such analysis namely, Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity.

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.9558
Bartlett's Test of Sphericity	Approx. Chi-Square	4290.906
	df	365
	Sig.	.000

Source: Author's Estimation

The results of both tests are reported in Table 3. The KMO value of 0.96 and the significance of the Bartlett test of Sphericity indicate that our sample size of (269) is sufficient for performing our multivariate analysis. The result of the Alpha Cronbach tests for service quality dimensions, satisfaction, and loyalty are reported in Table 4.

Table 4: Internal Consistency (Alpha Cronbach) of Constructs with Mean and Standard Deviation

Sex	Mean	Std. Dev.	Alpha Cronbach
Tangibility	3.819	0.750	0.847
Reliability	3.896	0.780	0.856
Responsiveness	3.943	0.772	0.856
Assurance	3.997	0.790	0.830
Empathy	3.894	0.834	0.868
Satisfaction	3.944	0.741	0.815
Loyalty	4.040	0.762	0.850
Total	3.933	0.776	0.966

Source: Own Data

Table 4 shows that all dimensions of service quality according to the SERVQUAL models possess strong internal consistency that indicates all of the customers demonstrated a clear understanding of the questions in the questionnaire. Based on the statistics of the internal consistency, we take the average of each construct variable to convert them into the observed variables. This will allow us to further analyze and assess the association among these variables. The average values of the variable by gender are presented in the following table.

The Pearson coefficient of correlation is estimated for the service quality dimensions, satisfaction, and loyalty and presented in Table 5. The overall results of the correlation analysis indicate that there is a positive and highly significant relationship between service quality dimensions and customer satisfaction and customer loyalty. Besides, the result indicates that there is also a significant positive relationship among service quality dimensions.

Table 5: Pearson Correlation Coefficients for the Service Quality Dimension and Customer Satisfaction and Loyalty.

	1	2	3	4	5	6	7
1. Tangibles	1						
2. Reliability	.7114**	1					
3. Responsive	.7035**	.8443**	1				
4. Assurance	.6089**	.7237**	.7443**	1			
5. Empathy	.6918**	.7815**	.8066**	.7730**	1		
6. Satisfaction	.6543**	.6604**	.7073**	.348**	.7554**	1	
7. Loyalty	.6512**	.6280**	.6658**	0.6571**	0.6765**	0.7924**	1

** . Correlation is significant at the 0.01 level (2-tailed).

5.2. Findings and Discussion

The result of descriptive analysis outlined some relationship among the construct variables and this section outlines the regression results and discusses the main findings of the work. The results of the latent Structural Equation Model is reported in Figure 13 and also summarized in Table 10 and 11. The SEM model is estimated using STATA 15.2. The results of the SEM are reported in figure 13 and also summarized in Tables 6 and 7.

The results indicate a positive association between customers' perception of the tangible aspects of the services and their level of satisfaction. The coefficient is statistically significant at the 0.01 level. The coefficient of this variable shows that one standard deviation increase in the perception of the customers regarding the tangible aspect of the banking services will result in to increase of about 0.189 standard deviations in their satisfaction. As a result, the first hypothesis is supported.

The coefficient of responsiveness is positive, as was expected. However, it is not significant at the 0.05 level. As a result, the second hypothesis is not supported at the 0.05 level. Surprisingly the coefficient of the reliability is negative that indicates a direct effect of responsiveness on customer satisfaction. Though the result is not statistically significant even at 0.1 level and as a result, the third hypothesis is not supported

Table 6: The Results of the SEM Model (Standardized Coefficients) Dependent Variable (Customer Satisfaction)

Variables	Standard Coef.	OIM Std. Err	Z	P> z
Tangibility	0.1896	0.0536	3.5400	0.0000
Reliability	-0.0890	0.0729	-1.2200	0.2220
Responsiveness	0.1287	0.0756	1.7000	0.0890
Assurance	0.3435	0.0589	5.8300	0.0000
Empathy	0.3174	0.0690	4.6000	0.0000
Male	0.0731	0.0365	2.0000	0.0450
Age	0.0434	0.0364	1.1900	0.2320
Current Account	-0.0060	0.0361	-0.1700	0.8670
Education	0.0299	0.0364	0.8200	0.4110
Constant	0.5500	0.2980	1.8500	0.0650
Observation			269	
Log-Likelihood			-2323.56	

Source: Authors Estimation (Dec 2019)

The coefficient of assurance shows a positive and statistically significant impact on customer satisfaction. This is the key findings of this study that assurance has the highest impact on customer satisfaction as compared to the other service quality dimensions. Thus, the fourth hypothesis is supported.

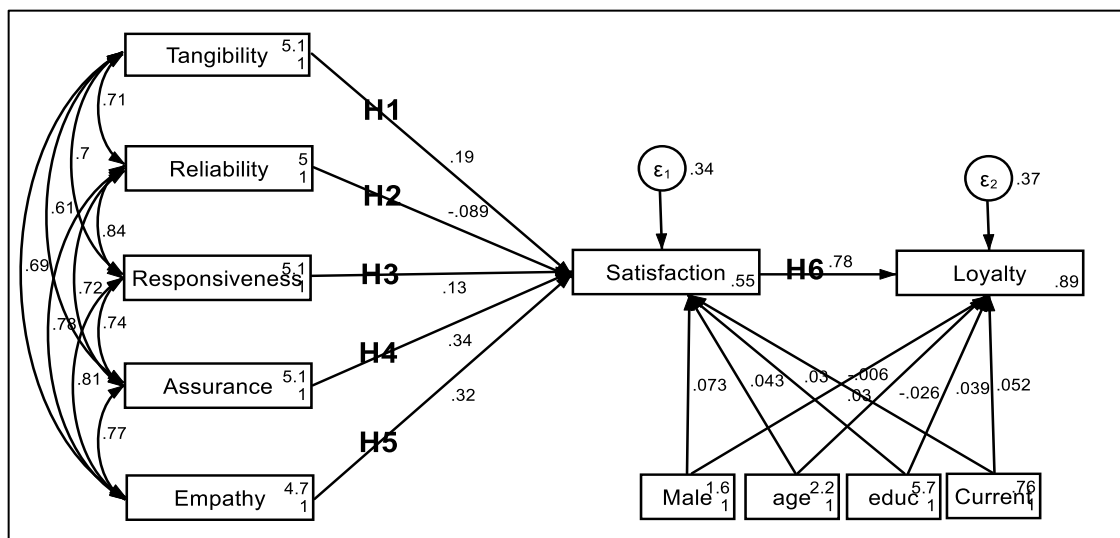


Figure 4: Results of the Structural Equation Model of the Study

The coefficient of empathy is positive and is statistically significant at the 0.01 level. This confirms the positive impact of empathy on customer satisfaction; thus, the fifth hypothesis is also supported. One of the most significant findings relates to the role of gender on customer satisfaction. It shows that male customers are more satisfied as compared to their female counterparts. This finding has significant managerial implications for the banking sector.

The results of customer satisfaction and loyalty are reported in Table 7. The coefficient of satisfaction as was expected is positive that indicates a direct effect of customer satisfaction on customer loyalty. The coefficient of this satisfaction is very high and strong which shows that one standard deviation increase in the customers' satisfaction level from the banking services will bring about a 0.7814 standard deviation in their loyalty level. The effect of customer satisfaction on customer loyalty statistically is significant at the 0.01 level. Thus, the sixth hypothesis of this study is supported.

Table 7: The Results of the SEM Model (Standardized Coefficients) – Dependent Variable (Customer Loyalty)

Variables	Standard Coef.	OIM Std. Err	Z	P> z
Satisfaction	0.7814	0.0245	31.9400	0.0000
Male	0.0297	0.0380	0.7800	0.4350
Age	-0.0265	0.0380	-0.7000	0.4860
Current Account	0.0525	0.0374	1.4000	0.1600
Education	0.0392	0.0376	1.0400	0.2960
Constant	0.8924	0.3075	2.9000	0.0040
Observation			269.0000	
Log-Likelihood			-23233.5600	

Source: Authors Estimation (Dec 2019)

The results of the SEM model indicate that the age, education, and account type of the customers are not significant determinants of their satisfaction and loyalty. Similarly, the gender of the customers is also not a determinant of their loyalty to the banking sector.

4. Conclusion

This study examined the effect of service quality dimensions adopting the SERVQUAL model and the effect of customer satisfaction on customer loyalty in the banking sector of Afghanistan. Using the data of 269 Azizi Bank customers it can easily be deduced from the findings of this study that there is a positive effect of assurance, empathy, and tangibles dimension of the service quality and customer satisfaction. Besides, the noticeable difference in the satisfaction levels between male and female customers indicates that banks should enhance the quality of their services for female customers. Furthermore, results suggest that customer satisfaction strongly increases customer loyalty in the banking sector. The major limitation of this study is that it covers only Kabul-based customers, therefore it is suggested for future researches to extend the sample to cover across Afghanistan. This study provides empirical knowledge for bank managers in improving their service quality by adopting gender-centric strategies that would boost their customer relationships.

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