

Factors Influencing Service Quality and its Impact on Customer Satisfaction and Loyalty: A case Study of the Somali Private Banking Sector

Accepted 10th Oct. 2024Shafie Sharif Mohamed¹*Somali Researchers Association (SRA)*¹*sra@sra.so / shafie@sra.so

Abstract

Purpose – This study aims to explore the key factors influencing customer satisfaction in Somalia's private banking sector. Specifically, it focuses on critical aspects such as reliability, responsiveness, visibility, employee commitment, and access to service, all of which play a pivotal role in shaping customer experiences and perceptions. The study also investigates the relationship between customer satisfaction and loyalty.

Design/methodology/approach The study population specifically focused on customers receiving Somali Private Banking services. In this study, 200 respondents were targeted who are the customers of the private banks in Somalia. Out of 200 distributed questionnaires, we received 160 responses that gave a response rate of 80%. The research data were analyzed using descriptive and structural equation modelling (SEM) approaches.

Findings – According to the findings customer satisfaction was significantly influenced by the variables of responsiveness, visibility, reliability, and staff commitment. The hypothesis was accepted indicating a significant positive influence of responsiveness on customer satisfaction (path coefficient = 0.261, T-value = 2.543, and p-value = 0.011). Similarly, visibility yielded a strong positive path coefficient of 0.534 which was also significant, leading to the acceptance of H3. Consequently, consumer satisfaction greatly enhanced their loyalty. A further study of variance revealed considerable differences in customer satisfaction based on gender, age, and education level.

Research limitations/implications – Since the research was conducted on the private banking market in Somalia, the findings may not be applicable to other service sectors.

Originality/value – This research explores how customers evaluate the services offered by private banks, considering broader service quality standards, customer satisfaction, and loyalty. The findings aim to help Somalia and other nations improve customer satisfaction and loyalty in their private banking sectors.

Keywords: Private banking, Service quality, Customer satisfaction, Customer loyalty.

1.0 Introduction

Somali private banks are crucial to the country's financial sector, offering key services like deposits, loans, and money transfers. Founded to address the increasing demand for financial solutions, these banks have significantly contributed to Somalia's economic growth by promoting entrepreneurship, supporting small businesses, and providing digital banking services. Currently, thirteen commercial banks have received licenses, among them Amal Bank, Amana bank, Dahabshil bank, Daryeel Bank, Galaxy International Bank, IBS Bank, Idman community bank, Mybank, Premier Bank, Salaam Somali Bank, Sombank, Agro Bank, and Bushra Business Bank. Certain banks have branches in neighboring countries or in the East Africa region; however, the majority of these banks have branches throughout the country. To keep customer' trust and loyalty Somali banks constantly strive to improve the quality of their services as result several banks have also been awarded the ISO 9001:2015 certification.

As the banking system develops and expands, it is becoming more crucial for banks to ensure customer satisfaction. Gounaris et al. (2003) explain that differentiation of service providers from their competitors is achieved through the enhancement of profitability, attraction of new customers, improvement of client retention, and consequently, the enhancement of the bank image. According to Oh and Kim (2017), increased customer satisfaction leads to a variety of behavioral outcomes, including increased customer commitment and retention, increased consumer tolerance for service failures, and favorable word of mouth promotion. Fundamentally, the degree of client happiness is strongly correlated with the quality of service provided by the service rendering companies (Kaur and Soch, 2018). On the other hand, according to Wang et al. (2003) argument, clients evaluate the quality of a bank's service based on the level of personal help they receive rather than the level of technical support they receive. Therefore, Considerable effort is required to fully understand the characteristics and aspects of service quality, customer satisfaction, and customer loyalty in the banking service sector.

Thus, it is crucial for Somali banks to have a deeper understanding of customer satisfaction and adapt to the evolving demands of their clients in order to enhance their competitiveness against other service providers. The objective of this study is to evaluate the impact that service quality has on the level of satisfaction and loyalty experienced by customers, as well as to fill a gap in available research.

2.0 Literature review

Customer expectations are what people expect from a service provider during the transaction. Several authors have defined the concept of service quality. Parasuraman et al. (1988) mentioned service quality as the “function of difference between service expected and customer’s perceptions of the actual service delivered”. When the performance of services exceeds the expectations, it is regarded as of satisfactory service quality. Anouze and Alamro, (2019) claim that a service company cannot compete in the market if it does not offer high-quality services. Singla, (2012) mention that consumer satisfaction is the outcome of satisfactory perceived quality, which in turn leads to consumer loyalty. A service provider might gain an advantage in the market by focusing on providing high-quality work that meets or exceeds customer expectations. Pooya et al., (2020) provided evidence that there is a correlation between the quality of service and the level of satisfaction experienced by customers. Furthermore, Kant and Jaiswal (2017) found that a higher level of service quality is more likely to result in a higher level of customer satisfaction. With this in mind, we have a hypothesis that there is a connection between the many aspects of service quality and the level of happiness experienced by customers.

On other hand, customers' expectations for a product or service may differ depending on their level of understanding. Ahrholdtet al., (2017) argue that Customers' expectations can be affected by things that businesses can't change, like how customers have interacted with other businesses and their marketing campaigns in the past, how customers are feeling when they receive services, the customers' norms, values, and backgrounds, and how the products look when they are delivered. Furthermore, the pre-purchase beliefs of customers and the opinions of those around them significantly contribute to the formation of service expectations among customers (Zeithaml et al., 1990).

Within academic literature, two paradigms have been identified for analyzing the aspects of service quality. One school of thought of service quality was Gronroos (1984) suggested a service quality measurement approach that considers two dimensions: technical and functional, and the second school of thought evaluates service quality by utilizing five dimensions: tangibility, reliability, responsiveness, assurance, and empathy, which is widely known as “SERVQUAL” (Parasuraman et al., 1988).

Existing literature has used the SERVQUAL model to analyze service quality in the banking industry. Thus, this study examines the characteristics of service quality, including reliability, responsiveness, visibility, employee dedication, and access to service, and their associated correlations with customer satisfaction and loyalty.

Reliability: When it comes to service quality, reliability is considered to be one of the key characteristics that has a considerable impact on the level of satisfaction experienced by customers. In the first place, it is absolutely necessary for banks to provide the service in an accurate manner. According to Blut (2016), the most important characteristic of a trustworthy service is its accuracy and flawlessness in delivery. The study conducted by Pakurar et al. (2019) revealed a direct correlation between dependability and the happiness of banking clients within the financial environment. A study by Ananda and Devesh (2019) say that service accuracy goes hand in hand with reliability because reliability means being able to give the promised service. If customers believe the service is unreliable, their satisfaction with the quality may suffer (Hamzah et al., 2017). The key determinants for client retention in the banking sector include timely order processing, security of customers' financial records, provision of precise financial information, and delivery of assured services (Peng and Moghavvemi 2015).

Responsiveness: Responsiveness shows the organizational willingness and capability to serve clients and provide prompt customer service. One of the most important aspects of this dimension is the manner in which service providers respond to their consumers through their employees. According to Janahi and Almubarak (2015), the availability of automated teller machines, the proximity of branches, and the presence of trained frontline workers are all examples that can be considered to be appropriate examples of responsiveness in the banking industry. The responsiveness component, as proposed by Endara et al. (2019), encompasses the ability of workers to promptly and satisfactorily give necessary help. In a study conducted by Fida et al. (2020), a favorable correlation was seen between the level of responsiveness and customer satisfaction in Islamic banking services. In summary, the literature strongly supports that notation that responsiveness has been crucial meeting customer expectations and satisfaction in the banking industry.

Customer satisfaction: Customer satisfaction is an important factor for banks to grow and retain customers. After buying something, customers show how satisfied they are, by taking actions that show their satisfaction with the product or service. Ong et al. (2017) define customer satisfaction as the difference between the expectations before a purchase and the actual delivery of the product or

service. While, Kotler and Keller (2013) defined “customer satisfaction” as “a person's feeling of pleasure or disappointment that comes from comparing a product's perceived performance or outcome against his or her expectations.”

To be more specific, customer satisfaction has to do with how well the job is done. If the perception of customers about services exceeds expected levels, it results in positive disconfirmation for which continuous strong relationship can be built. On the other hand, perception of under-performance begets negative disconfirmation which may create discontinuity of the relationship and negative recommendations to others. Mihelis et al. (2001) noticed that satisfaction of bank customers depends mostly on easy access to the facilities and behavior of bank personnel rather than varieties of products and services offered, service dimensions and reputation of the bank.

Customer loyalty: The concept of customer loyalty holds great significance for all organizations, but, the task of establishing and maintaining loyal clients poses a considerable challenge for service corporations. Cost of acquiring new customers is relatively higher compared to retaining the existing customers, hence banks should think loyalty as a concept with many different parts. Fida et al. (2020) state that customers demonstrate their loyalty over time by repeatedly purchasing the same item. Levy and Hino, (2016) say that devoted consumers see the company favorably, make regular purchases from it, and recommend other consumers to buy from it. However, Makanyeza and Chikazhe, (2017) argue that, the level of client loyalty does not always correlate with consumer satisfaction. For example, clients who persist in making repeat purchases from a specific company because there are no alternatives are not considered loyal customers. It's possible for this kind of customer to switch service providers if easier options become available.

Somalia's banks work in a competitive environment in order to attract consumers of all different types, regardless of whether they are small business or corporate customers; thus, banking service quality has recently attracted a lot of interest from academics and researchers. Worthy note: there is a scarcity of targeted research in the context of Somalia that aim to quantify the effects of service quality on customer satisfaction and loyalty in the private banking industry.

3.0 Methodology

A total of 27 items were employed in this study to assess the research variables mentioned in the previous section. All of these items were modified from prior studies. The study survey instrument consists of four portions, specifically labeled as A, B, C, and D. Section A focuses on the demographic characteristics of the respondents, including their gender, age, and level of education. The development of Section B was predicated around the five characteristics of service quality, namely staff dedication, visibility, responsiveness, and accessibility, as outlined in Parasuraman et al. (1988), Choudhury (2014), Kumar et al. (2013), Allen and Grisaffe (2001), and Awan (2011). Customer satisfaction is covered in Section C and were taken from (Amin and Isa, 2008). Meanwhile items in Section D, which address consumer loyalty, were taken from Gustafsson et al. (2005).

Each research variable item in Sections B to D was assessed using a 5-point Likert scale. The present study handled the common method bias by keeping the survey questionnaire short, and all independent and dependent variables are placed in separate sections of the questionnaire according to Podsakoff et al. (2003) and Spector (2006) recommendations. In this study, 200 respondents were targeted who are the customers of the private banks in Somalia. Out of 200 distributed questionnaires, authors received 160 responses that gave a response rate of 80%. According to Hair et al. (2010), the sample size for a research similar to the present one should be at least five times the number of items in the questionnaires. Since the present questionnaires had 27 items, therefore, minimum sample size should be 135. The sample size obtained in the present study fulfilled this minimum requirement. The research data were collected from various places in Somalia and used both online and offline data collection methods. The survey data were analyzed based on descriptive statistics and SEM. Further details of this test have been provided in the findings section.

4.0 Findings

4.1 Demographical profile of the respondents

This study primarily aims to examine the relationship between service quality, customer satisfaction, and customer loyalty in the private banking sector of Somalia, as indicated before. Researcher of the current study surveyed a cross-section of private bank customers in Somalia in order to achieve this goal. Table 1 displays the demographic profile of the respondents, which reveals that male constituted

84.4% (135 respondents) and females 15.6% (25 respondents). When broken down by age group, the largest proportion of participants were in the 20–30 age bracket (45.0%, 72 respondents), with the 31–40 age group coming in second (43.1%, 69 respondents). The age groups of 41–50 years old (8.1%, 13 respondents) and 51–60 years old (3.8%, 6 respondents) were much smaller. In terms of educational attainment, 70 respondents (43.8%) had a master's degree, while 65 respondents (40.6%) had a bachelor's degree. Just a tiny percentage held doctoral degrees (5.0%, 8 replies), while 10.6%, or 17 people, had no formal schooling at all.

Table 1 Demographic information on gender, age, and education of respondents

Demographic variables	Frequency	Percentage
Gender		
Male	135	84.4
Female	25	15.6
Age		
20-30 years	72	45.0
31-40 years	69	43.1
41-50 years	13	8.1
51-60 years	6	3.8
Education		
Bachelor	65	40.6
Master	70	43.8
PhD	8	5.0
Informal	17	10.6

4.2 Descriptive findings

4.2.1 Reliability

The descriptive statistics (Table 2) for the reliability dimension reveal that customer perceptions of the bank's reliability are generally positive, with an overall mean score of 3.44 (on a 5-point scale), indicating moderate agreement with statements related to reliability. The statement "The bank shows a sincere interest in solving my problem" received the highest mean score (3.58), with 51.9% of respondents agreeing, suggesting this is the strongest aspect of perceived reliability. Conversely, "When the bank promised to do something by a certain time, it does so" and "Banks inform me exactly

when services will be performed" had lower mean scores (3.34), with a notable percentage of neutral responses, indicating room for improvement in these areas. The standard deviations, ranging from 0.97 to 1.06, indicate some variability in responses, especially regarding prompt service. These findings imply that while the bank performs relatively well in addressing customer problems, it should focus on enhancing its timeliness and communication to boost overall reliability perception.

Table 2 Descriptive statistics: Reliability

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
1. When the bank promised to do something by a certain time, it does so	Strongly Disagree	10	6.3	3.3438	1.04639
	Disagree	21	13.1		
	Neutral	51	31.9		
	Agree	60	37.5		
	Strongly Agree	18	11.3		
2. Bank shows a sincere interest to solve my problem	Strongly Disagree	4	2.5	3.5750	.96837
	Disagree	23	14.4		
	Neutral	30	18.8		
	Agree	83	51.9		
	Strongly Agree	20	12.5		
3. Banks inform me exactly when services will be performed	Strongly Disagree	7	4.4	3.3438	.99715
	Disagree	28	17.5		
	Neutral	40	25.0		
	Agree	73	45.6		
	Strongly Agree	12	7.5		
4. Bank employees give me prompt service	Strongly Disagree	8	5.0	3.5125	1.06392
	Disagree	23	14.4		
	Neutral	31	19.4		
	Agree	75	46.9		
	Strongly Agree	23	14.4		
Overall				3.4438	0.99248

4.2.2 Responsiveness

The descriptive statistics (see Table 3) for the responsiveness dimension indicate that customer perceptions are mixed, with an overall mean score of 3.14, reflecting moderate satisfaction with the bank's responsiveness. The highest-rated aspect is that "Bank employees are never too busy to respond to my request" (mean = 3.50), with 42.5% of respondents agreeing, suggesting that the bank generally responds to customer requests promptly. However, there are areas of concern, particularly in understanding customer-specific needs (mean = 2.99) and providing individual attention (mean =

2.79), where a significant proportion of respondents either disagreed or remained neutral. These findings imply that while the bank performs adequately in responding to general requests, there is a need for improvement in personalized service and attentiveness to individual customer needs. The variability in responses, with standard deviations ranging from 1.13 to 1.79, indicates that customer experiences with responsiveness are not consistent, underscoring the importance of addressing these gaps to enhance overall service quality.

Table 3 Descriptive statistics: Responsiveness

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
1. Bank employees are never be too busy to respond my request	Strongly Disagree	6	3.8	3.5000	1.79096
	Disagree	29	18.1		
	Neutral	39	24.4		
	Agree	68	42.5		
	Strongly Agree	17	10.6		
2. Bank employees understand my specific needs	Strongly Disagree	17	10.6	2.9875	1.13263
	Disagree	39	24.4		
	Neutral	46	28.7		
	Agree	45	28.1		
	Strongly Agree	13	8.1		
3. Bank has the employees who give me individual attention	Strongly Disagree	20	12.5	2.7938	1.13324
	Disagree	52	32.5		
	Neutral	39	24.4		
	Agree	39	24.4		
	Strongly Agree	10	6.3		
4. Bank has the clients' best interest at heart	Strongly Disagree	10	6.3	3.2625	1.12427
	Disagree	37	23.1		
	Neutral	32	20.0		
	Agree	63	39.4		
	Strongly Agree	18	11.3		
Overall				3.1359	1.11022

4.2.3 Visibility

The visibility dimension of the bank's service quality received generally positive feedback (see Table 4), with an overall mean score of 3.79, indicating that customers are largely satisfied with the bank's physical appearance and presentation. The aspect with the highest satisfaction is the visual appeal of the physical facilities (mean = 3.88), with 53.1% agreeing and 23.8% strongly agreeing, suggesting

that the bank's environment is perceived as attractive and well-maintained. Similarly, the appearance of bank employees is well-regarded (mean = 3.82), reinforcing the professional image of the staff. The lowest-rated item, though still relatively high, is the bank's up-to-date equipment (mean = 3.68), indicating room for improvement in ensuring that the technology and equipment meet modern standards. Overall, the findings suggest that the bank's visibility, including its physical infrastructure and employee presentation, positively contributes to customer satisfaction, with relatively low variation in responses (standard deviation = 0.88), reflecting consistent customer experiences in this area.

Table 4 Descriptive statistics: Visibility

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
1. Bank has up-to-date equipment	Strongly Disagree	4	2.5	3.6750	.87272
	Disagree	10	6.3		
	Neutral	41	25.6		
	Agree	84	52.5		
	Strongly Agree	21	13.1		
2. Physical facilities of the bank are visually appealing	Strongly Disagree	6	3.8	3.8812	.95412
	Disagree	8	5.0		
	Neutral	23	14.4		
	Agree	85	53.1		
	Strongly Agree	38	23.8		
3. Bank employees are well dressed and neat in appearance	Strongly Disagree	3	1.9	3.8187	.88219
	Disagree	11	6.9		
	Neutral	28	17.5		
	Agree	88	55.0		
	Strongly Agree	30	18.8		
Overall				3.7917	0.87815

4.2.4 Employee Commitment

The employee commitment dimension shows generally positive perceptions from customers (see Table 5), with an overall mean of 3.52, indicating that most customers feel satisfied with the professionalism and dedication of bank employees. The highest-rated item is the politeness of employees (mean = 3.57), where over 63% of respondents agreed or strongly agreed that employees consistently demonstrate polite behavior. Similarly, employee professionalism (mean = 3.51) and their willingness to help customers (mean = 3.46) were also well-rated, with the majority of customers

affirming these positive behaviors. Confidence in dealing with the bank due to employee commitment (mean = 3.56) was another strong point, with half of the respondents agreeing that employee dedication enhances their trust in the bank. The relatively low standard deviation (0.92) suggests a consistent level of satisfaction across respondents, highlighting employee commitment as a key factor in fostering customer trust and satisfaction. However, there is some room for improvement, particularly in areas like actively showing interest in helping customers, which had a slightly lower rating.

Table 5 Descriptive statistics: Employee Commitment

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
1. Bank employees are consistently polite with customers	Strongly Disagree	10	6.3	3.5688	1.01945
	Disagree	12	7.5		
	Neutral	36	22.5		
	Agree	81	50.6		
	Strongly Agree	21	13.1		
2. Bank employees are professional to provide services	Strongly Disagree	5	3.1	3.5063	.95164
	Disagree	19	11.9		
	Neutral	44	27.5		
	Agree	74	46.3		
	Strongly Agree	18	11.3		
3. Bank employees show their interest to help the customers	Strongly Disagree	6	3.8	3.4625	.92408
	Disagree	19	11.9		
	Neutral	41	25.6		
	Agree	83	51.9		
	Strongly Agree	11	6.9		
4. Feel confident to deal with bank because of employee commitment in banking service	Strongly Disagree	2	1.3	3.5563	.87413
	Disagree	19	11.9		
	Neutral	43	26.9		
	Agree	80	50.0		
	Strongly Agree	16	10.0		
Overall				3.5234	0.92306

4.2.5 Access to Services

The "Access to Service" dimension reflects a generally favorable customer perception (see Table 6), with an overall mean of 3.68, indicating satisfaction with the availability and convenience of banking services. The most positively rated item is the convenience of the bank's location (mean = 3.81), where 74% of respondents either agreed or strongly agreed that the bank branches are conveniently located. The ease of depending on banking services also received positive feedback (mean = 3.64), with 63.8%

of respondents expressing trust in the reliability of services. Additionally, 66.8% of respondents agreed or strongly agreed that the bank's operating hours are convenient (mean = 3.59). The standard deviation of 0.96 suggests moderate consistency in responses, though there are a few areas where some customers feel improvements could be made, particularly in expanding convenient access hours. Overall, the findings indicate that access to service is a key strength but with room for further enhancement in specific areas like operating hours.

Table 6 Descriptive statistics: Access to Services

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
1. Easily can depend on the banking service	Strongly Disagree	7	4.4	3.6375	1.01242
	Disagree	14	8.8		
	Neutral	37	23.1		
	Agree	74	46.3		
	Strongly Agree	28	17.5		
2. Location of the bank branch is convenient	Strongly Disagree	3	1.9	3.8063	.87233
	Disagree	11	6.9		
	Neutral	28	17.5		
	Agree	90	56.3		
	Strongly Agree	28	17.5		
3. Operating hour of the bank is convenient	Strongly Disagree	9	5.6	3.5937	1.06574
	Disagree	19	11.9		
	Neutral	25	15.6		
	Agree	82	51.2		
	Strongly Agree	25	15.6		
Overall				3.6792	0.96326

4.2.6 Customer Satisfaction

The "Customer Satisfaction" dimension shows generally high satisfaction levels (see Table 7), with an overall mean of 3.89, suggesting that most customers are content with the banking services. The highest satisfaction was observed regarding the bank's membership in the Somali Bank Association, with a mean of 4.13, where 87.5% of respondents agreed or strongly agreed that this association positively influences their satisfaction. Satisfaction with overall banking services had a lower mean of 3.64, with nearly half of the respondents (49.4%) agreeing, while 25.6% remained neutral, indicating some room for improvement. The standard deviation of 0.86 indicates relatively consistent responses,

with customers generally expressing positive attitudes, particularly when it comes to the bank's affiliation with the national banking body.

Table 7 Descriptive statistics: Customer Satisfaction

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
4. Satisfied with banking services	Strongly Disagree	8	5.0	3.6438	.96705
	Disagree	8	5.0		
	Neutral	41	25.6		
	Agree	79	49.4		
	Strongly Agree	24	15.0		
5. Satisfied with the bank as it is a member of Somali Bank Association	Strongly Disagree	3	1.9	4.1313	.82509
	Disagree	5	3.1		
	Neutral	12	7.5		
	Agree	88	55.0		
	Strongly Agree	52	32.5		
Overall				3.8875	0.86321

4.2.7 Customer Loyalty

The "Customer Loyalty" dimension reflects a strong overall sense of loyalty among the respondents (see Table 8), with an average mean score of 3.83, indicating that most customers are inclined to stay with and recommend their bank. The highest mean score (4.08) was observed for future use, where 53.1% of respondents agreed, and only 0.6% strongly disagreed, showing a solid commitment to continue banking with the institution. In terms of recommending the bank to others, 72.5% of respondents were in favour, with a mean score of 3.83. However, the statement about the bank being more interesting than others received a lower mean of 3.63, with a high percentage of neutral responses (35.6%), indicating that while customers are loyal, they may not see their bank as significantly differentiated from others. Overall, the findings suggest that customers are generally loyal, but there may be room for further engagement to strengthen this loyalty.

Table 8 Descriptive statistics: Customer Loyalty

Investigation	Response	Frequency	Percent	Mean	Std. Deviation
1. Recommend to the relatives and friends to use my bank	Strongly Disagree	5	3.1	3.8250	.95529
	Disagree	10	6.3		
	Neutral	29	18.1		
	Agree	80	50.0		
	Strongly Agree	36	22.5		
2. I will continue to use this banking service in the future	Strongly Disagree	1	.6	4.0750	.78147
	Disagree	5	3.1		
	Neutral	22	13.8		
	Agree	85	53.1		
	Strongly Agree	4	2.5		
3. My bank is more interesting than others	Strongly Disagree	15	9.4	3.6250	.99527
	Disagree	51	31.9		
	Neutral	57	35.6		
	Agree	33	20.6		
	Strongly Agree	4	2.5		
4. Feel delighted for choosing the service of the bank	Strongly Disagree	5	3.1	3.7937	.98477
	Disagree	10	6.3		
	Neutral	37	23.1		
	Agree	69	43.1		
	Strongly Agree	39	24.4		
Overall				3.8297	0.89784

Overall, the descriptive findings across the seven dimensions—reliability, responsiveness, visibility, employee commitment, access to service, customer satisfaction, and customer loyalty—highlight a generally positive customer experience in Somali private banking services. The highest satisfaction is seen in visibility and customer loyalty, indicating that modern facilities and strong personal recommendations are key strengths. While customer satisfaction is moderately high, areas like responsiveness and employee commitment, particularly in understanding and meeting individual needs, show room for improvement. The implications suggest that while customers are generally satisfied and loyal, further enhancing service personalization, staff engagement, and convenience could significantly strengthen overall satisfaction and loyalty, leading to long-term success for private banks in Somalia.

4.3 Measurement Model

It is critical to validate the measurement model before using the structural equation model (SEM) to see whether the latent variables are suitable. Two fit indices, the Standardized Root Mean Square Residual (SRMR) and the normed fit index (NFI), were used to evaluate the measurement model's competency in Smart PLS's confirmatory factor analysis (CFA). According to Hair et al. (2020) and Pavlov et al. (2021) an SRMR value below 0.08 and an NFI value above 0.90 indicate a good model fit. In this study, the CFA results showed that both dimensions exhibited adequate model-to-data fit, with an SRMR value of 0.022 (well below the 0.08 threshold) and an NFI value of 0.908 (above the 0.90 threshold).

The study further evaluated convergent validity using factor loadings and average variance extracted (AVE). Convergent validity assesses the extent to which items that are theoretically related to the same construct are indeed related in practice. To ensure internal consistency and reliability, the study examined Cronbach's alpha and composite reliability (CR). Cronbach's alpha measures the consistency of items within a construct, while CR evaluates the overall reliability of the construct, with values exceeding 0.7 indicating strong reliability. For validity, the factor loadings and AVE were examined, where factor loadings above 0.5 and an AVE greater than 0.5 suggest that the constructs are valid and adequately explain the variance in their respective items. The constructs of the study's reliability and validity are shown in Table 9. The internal consistency of all constructions is in acceptable range, as seen by their high Cronbach's alpha values (above 0.9). Additionally, their composite reliability (CR) ratings are higher than the suggested cutoff of 0.7. Simultaneously, the average variance extracted (AVE) values for all constructs surpass the recommended value of 0.5, confirming the convergent validity of the constructs. Standardized loadings are also robust, with most items loading well above 0.7, further supporting the constructs' validity.

Table 9 Construct reliability and validity

Variable	Item	Standard loadings	Cronbach alpha	Composite reliability (CR)	AVE
Reliability	REL1	0.973	0.982	0.987	0.948
	REL2	0.971			
	REL3	0.969			
	REL4	0.982			
Responsiveness	RES1	0.599	0.900	0.934	0.785
	RES2	0.968			
	RES3	0.963			
	RES4	0.958			
Visibility	Vis1	0.963	0.971	0.981	0.946
	Vis2	0.972			
	Vis3	0.982			
Employee Commitment	EC1	0.972	0.986	0.990	0.960
	EC2	0.985			
	EC3	0.979			
	EC4	0.982			
Access to service	AS1	0.982	0.978	0.986	0.959
	AS2	0.974			
	AS3	0.981			
Customer satisfaction	CS1	0.966	0.922	0.962	0.927
	CS2	0.960			
Customer Loyalty	CL1	0.976	0.976	0.982	0.932
	CL2	0.947			
	CL3	0.958			
	CL4	0.980			

4.3 Structural equation modeling (SEM) and hypotheses testing

In this study, the researcher followed Kline's (2011) methodology and used structural equation modelling (SEM) to look at the connections between the variables. Figure 1 shows the results of the study, which used a structural model with six hypotheses to estimate the effects of customer satisfaction on customer loyalty within the context of private banking services in Somalia. The dimensions of service quality that were considered were reliability, responsiveness, visibility, employee commitment, and access to service. Table 9 displays the outcomes of the hypothesis testing.

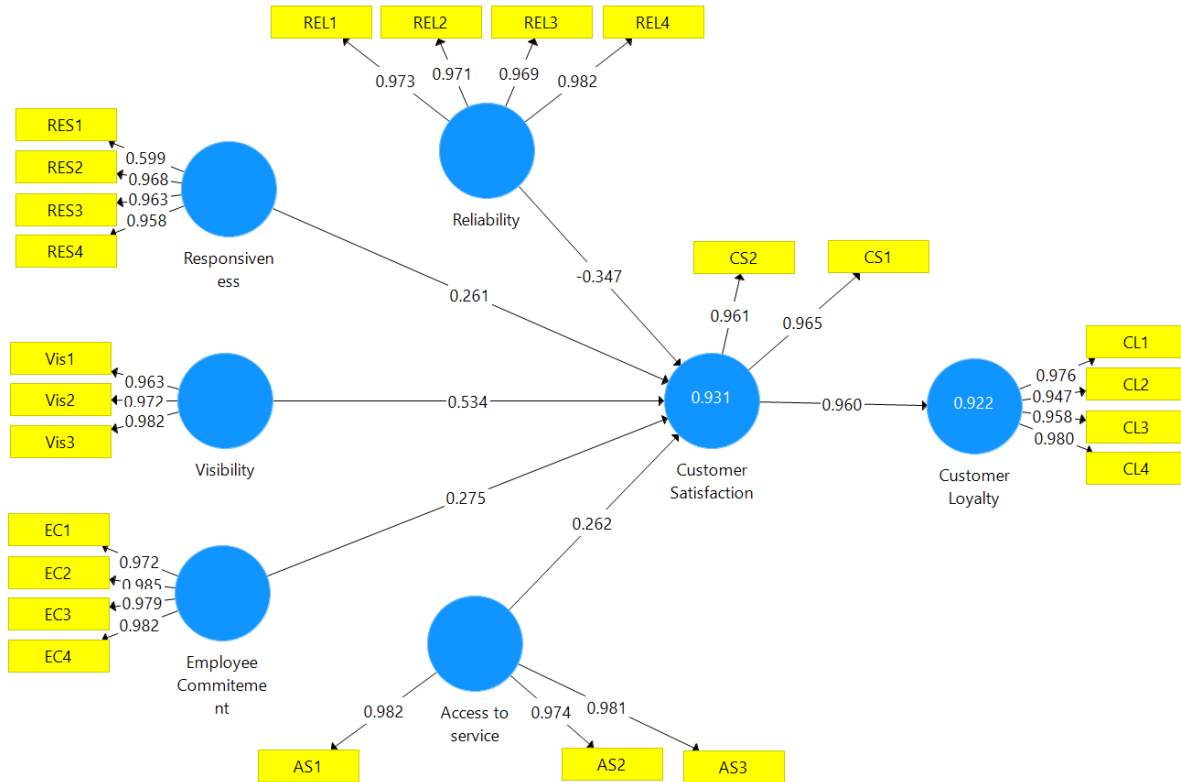


Figure 1 Structural model of the study

Hypothesis 1 (H1) explored the impact of reliability on customer satisfaction. Although the relationship was negative, with a path coefficient of -0.347, the T-value of 2.375 and p-value of 0.018 confirmed the significance of the finding, thus H1 was accepted. Simultaneously, hypothesis 2 (H2) was accepted indicating a significant positive influence of responsiveness on customer satisfaction (path coefficient = 0.261, T-value = 2.543, and p-value = 0.011). Likewise, visibility yielded a strong positive path coefficient of 0.534 which was also significant, resulting in H3 being accepted. Additionally, hypothesis 4 (H4) was accepted that revealed a significant effect of employee commitment on customer satisfaction.

However, Hypothesis 5 (H5) was rejected indicating an insignificant relationship between access to service and customer satisfaction. Finally, Hypothesis 6 (H6) investigated the direct effect of customer satisfaction on customer loyalty. The output (path coefficient = 0.96, T-value = 140.06, p-value = 0.000) confirmed a highly significant positive relationship. Overall, the study demonstrated that most of the dimensions of service quality significantly influence customer satisfaction, which in turn has a strong positive impact on customer loyalty in the context of Somali private banking services.

Table 10 Results of hypothesis tests

	Relationships	Path Coefficient	T- Value	P- Value	Decision
H1	Reliability -> Customer Satisfaction	-0.347	2.375	0.018	Accepted
H2	Responsiveness -> Customer Satisfaction	0.261	2.543	0.011	Accepted
H3	Visibility -> Customer Satisfaction	0.534	4.11	0	Accepted
H4	Employee Commitment -> Customer Satisfaction	0.275	2.6	0.01	Accepted
H5	Access to service -> Customer Satisfaction	0.262	1.913	0.056	Rejected
H6	Customer Satisfaction -> Customer Loyalty	0.96	140.06	0	Accepted

5.0 Conclusion and Recommendation

The findings indicated that customer satisfaction was significantly influenced by the variables of responsiveness, visibility, reliability, and staff commitment, but not by access to service. Therefore, the satisfaction of consumers greatly enhanced their loyalty. A further study of variance revealed considerable differences in customer satisfaction based on gender, age, and education level. By improving service quality metrics such as visibility and responsiveness, private banks in Somalia have the potential to increase client satisfaction and loyalty. It is important for banks to consider strategies for accommodating different demographic groups, since customer satisfaction exhibits significant variations based on age, gender, and educational attainment. By using this customized approach, banking institutions may enhance their relationships with consumers and secure their long-term sustainability.

Funding

I extend my gratitude to the Somali Bankers Association (SBA) for their financial support in enabling the presentation of this paper

Conflict of Interest

The author asserts that he has no conflict of interest.

Acknowledgement

The author would like to express his gratitude to the respondents who willingly and actively participated in the survey. I would also like to express gratitude to Yasin M. Ibar CEO of the Somali Bankers Association and my colleague from the Somali Researchers Association (SRA) for providing helpful feedback to enhance the paper's quality.

Reference

- Ahrholdt, D.C., Gudergan, S.P. and Ringle, C.M. (2017), "Enhancing service loyalty: the roles of delight, satisfaction, and service quality", *Journal of Travel Research*, Vol. 56 No. 4, pp. 436-450.
- Allen, N.J. and Grisaffe, D.B. (2001), "Employee commitment to the organisation and customer reactions: mapping the linkages", *Human Resource Management Review*, Vol. 11 No. 3, pp. 209-236.
- Amin, M. and Isa, Z. (2008), "An examination of the relationship between service quality perception and customer satisfaction: a SEM approach towards Malaysian Islamic banking", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 1 No. 3, pp. 191-209.
- Ananda, S. and Devesh, S. (2019), "Service quality dimensions and customer satisfaction: empirical evidence from retail banking sector in Oman", *Total Quality Management and Business Excellence*, Vol. 30 Nos 15-16, pp. 1616-1629.
- Anouze, A.L.M. and Alamro, A.S. (2019), "Factors affecting intention to use e-banking in Jordan", *International Journal of Bank Marketing*, Vol. 38 No. 1, pp. 86-112.
- Blut, M. (2016), "E-service quality: development of a hierarchical model", *Journal of Retailing*, Vol. 92 No. 4, pp. 500-517.
- Endara, Y.M., Ali, A.B. and Yajid, M.S.A. (2019), "The influence of culture on service quality leading to customer satisfaction and moderation role of type of bank", *Journal of Islamic Accounting and Business Research*, Vol. 10 No. 1, pp. 134-154.
- Fida, B.A., Ahmed, U., Al-Balushi, Y. and Singh, D. (2020), "Impact of service quality on customer loyalty and customer satisfaction in Islamic banks in the sultanate of Oman", *Sage Open*, Vol. 10 No. 2, pp. 1-10.
- Gounaris, S., Stathakopoulos, V. and Athanassopoulos, A. (2003), "Antecedents to perceived service quality: an exploratory study in the banking industry", *International Journal of Bank Marketing*, Vol. 21 No. 4, pp. 168-190.
- Gronroos, C. (1984), "A service quality model and its marketing implication", *European Journal of Marketing*, Vol. 18 No. 4, pp. 38-44.

- Gustafsson, A., Johnson, M.D. and Roos, I. (2005), “The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention”, *Journal of Marketing*, Vol. 69 No. 4, pp. 210-218.
- Hamzah, Z.L., Lee, S.P. and Moghavvemi, S. (2017), “Elucidating perceived overall service quality in retail banking”, *International Journal of Bank Marketing*, Vol. 35 No. 5, pp. 781-804.
- Hair, J.F., Black, W.C., Babin, B.J. and Anderson, R.E. (2010), *Multivariate Data Analysis: A Global Perspective*, 7th ed., Pearson Prentice Hall, New Jersey.
- Hair, J. F., Howard, M. C., & Nitzl, C. (2020). Assessing measurement model quality in PLS-SEM using confirmatory composite analysis. *Journal of Business Research*, 109(August 2019), 101–110. <https://doi.org/10.1016/j.jbusres.2019.11.069>
- Janahi, M.A. and Almubarak, M. (2015), “The impact of customer service quality on customer satisfaction in Islamic banking”, *Journal of Islamic Marketing*, Vol. 8 No. 4, pp. 595-604.
- Kline, R.B. (2011). *Principles and Practice of Structural Equation Modelling*, 3rd ed., Guilford Press, New York.
- Kant, R. and Jaiswal, D. (2017), “The impact of perceived service quality dimensions on customer satisfaction: an empirical study on public sector banks in India”, *International Journal of Bank Marketing*, Vol. 35 No. 3, pp. 411-430.
- Kaur, H. and Soch, H. (2018), “Satisfaction, trust and loyalty: investigating the mediating effects of commitment, switching costs and corporate image”, *Journal of Asia Business Studies*, Vol. 12 No. 4, pp. 361-380.
- Kotler, P. and Keller, K.L. (2013), *Marketing Management*, 14th ed., Pearson Education, Upper Saddle River, New Jersey.
- Levy, S. and Hino, H. (2016), “Emotional brand attachment: a factor in customer–bank relationships”, *International Journal of Bank Marketing*, Vol. 34 No. 2, pp. 136-150.
- Makanyeza, C. and Chikazhe, L. (2017), “Mediators of the relationship between service quality and customer loyalty: evidence from the banking sector in Zimbabwe”, *International Journal of Bank Marketing*, Vol. 35 No. 3, pp. 540-556.
- Mihelis, G., Grigoroudis, E., Siskos, Y., Politis, Y. and Malandrakis, Y. (2001), “Customer satisfaction measurement in the private bank sector”, *European Journal of Operational Research*, Vol. 130 No. 2, pp. 347-360.
- Oh, H. and Kim, K. (2017), “Customer satisfaction, service quality, and customer value: years 2000–2015”, *International Journal of Contemporary Hospitality Management*, Vol. 29 No. 1, pp. 2-29.
- Ong, K.S., Nguyen, B. and Syed Alwi, S.F. (2017), “Consumer-based virtual brand personality (CBVBP), customer satisfaction and brand loyalty in the online banking industry”, *International Journal of Bank Marketing*, Vol. 35 No. 3, pp. 370-390

- Pakurar, M., Haddad, H., Nagy, J., Popp, J. and Olah, J. (2019), "The service quality dimensions that affect customer satisfaction in the Jordanian banking sector", *Sustainability*, Vol. 11 No. 4, pp. 1-24.
- Peng, L.S. and Moghavvemi, S. (2015), "The dimension of service quality and its impact on customer satisfaction, trust, and loyalty: a case of Malaysian banks", *Asian Journal of Business and Accounting*, Vol. 8 No. 2, pp. 91-122.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988), "SERVQUAL: a multi-item scale for measuring consumer perceptions of service quality", *Journal of Retailing*, Vol. 64 No. 1, pp. 12-40
- Podsakoff, P.M., MacKenzie, S.B., Lee, J.Y. and Podsakoff, N.P. (2003), "Common method biases in behavioral research: a critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.
- Pooya, A., Abed Khorasani, M. and Gholamian Ghouzhd, S. (2020), "Investigating the effect of perceived quality of self-service banking on customer satisfaction", *International Journal of Islamic and Middle Eastern Finance and Management*, Vol. 13 No. 2, pp. 263-280
- Singla, V. (2012), "Role of service quality and customer satisfaction in predicting customer loyalty", *Journal for Global Business Advancement*, Vol. 5 No. 3, pp. 248-259.
- Spector, P.E. (2006), "Method variance in organisational research truth or urban legend?", *Organisational Research Methods*, Vol. 9 No. 2, pp. 221-232.
- Wang, Y., Lo, H. and Hui, Y.V. (2003), "The antecedents of service quality and product quality and their influences on bank reputation: evidence from the banking industry in China", *Managing Service Quality*, Vol. 13 No. 1, pp. 72-83.
- Zeithaml, V.A., Parasuraman, A. and Berry, L.L. (1990), *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, The Free Press, New York. NY