



The Impact of Reputational Risk, Service Quality and Satisfaction on RetailShop Owners Loyalty towards Private Banks in Chennai: A PLS-SEM Approach.

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Abstract

This Study focuses on business banking with a specific segment targeted shop owners who rarely act as a catalyst for sustaining and growing their banking relationship. Typically, holding accounts for daily banking of funds transfer is needed for shop retailers to manage their capital. The main concern of this study is to test the impact of reputational risk and the influence of Quality, Satisfaction on the loyalty of retail shop owners in the Chennai region concerning private banks. The method of Study applied is Probability sampling with a purposive sampling technique. The Study is done with primary data collection with a sample size of 210 respondents, especially the retail shop owners. The data analysis is done with the SEM method with the tool SmartPLS 4 software to test the significance of the variable interrelationships and their impact. The Study determines the lackluster attitude of bankers towards sustaining quality service and maintaining existing business banking customers to turn around for a short period.

Keywords: *Reliability, Banking Business, Loyalty, Service Quality, Customer Satisfaction*

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1. Introduction

One of the factors of intangible assets affecting financial institutions is reputational risk. *Reputation* is a social construct that rests on individuals' beliefs and perceptions (Gaultier-Gaillard & Louisot, 2006). Among financial institutions banking business is a lean, streamlined operation where a lack of trust and loyalty will hamper the progress of the services to be provided to the bank's customers. The inherent crisis is a tremendous threat to the banking business, especially business banking. Even the service-based psychological factors are the leading indicator variables such as Quality, Satisfaction, and loyalty that affect the financial institutions managing a small set of retail individuals. The bank's primary purpose is to provide the best customer service where loyalty can be achieved. (Sasono et al., 2021) This Study combines reputational risk factors and tests the interrelationships of inherent factors such as Quality, Satisfaction, and Loyalty among the

specific set narrowed towards the segment of respondents involved in business banking with private banks. The Earlier study was constricted towards the independent Study of inherent factors only.

2. Literature Review

The earlier studies were more concerned with the variables altering perception, Quality, and trust toward banking services. The theoretical construct with reputational theory and Service quality model is considered for this research work.

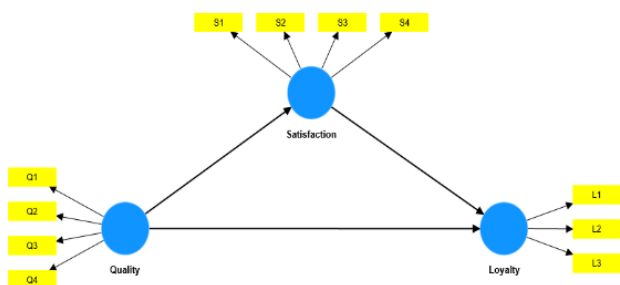
Two factors under the reputational risk to be concerned is the delivering customer promise and communication management (Gaultier-Gaillard et al., 2009). The study of direct effects and indirect effects of variables are taken for studies such as service quality, Satisfaction, and trust towards Islamic banks (Wahyoedi et al., 2021). Reputation risk factors that act as nascent risks



will be a negative spill over toward banks (Zaby & Pohl, 2019) Service quality leads to customer satisfaction .(Negi, R. (2009). *Determining Customer Satisfaction through Perceived Service Quality A Study of Ethiopian Mobile Users. International Journal of Mobile Marketing,4, 31. - References - Scientific Research Publishing, n.d.*)The research gap concerns adding risk variables to the psychological factors related to banking services. The earlier studies focused on trust but ignored the reputational risk factor, which is the key concern of dumped banking operations at a low stretch.

2.1 Conceptual Framework

The research study has analyzed the inherent component of one of the indicators of reputational risk with the impact of service quality on Loyalty.



Based on the Earlier studies, the Hypothesis is as follows.

H1: Quality (Inherent risk factor) has a significant positive effect on Loyalty. H2: Quality(Inherent risk Factor) has a significant positive effect on Satisfaction

H3: Satisfaction (Reputational risk factor) has a significant positive effect on Loyalty

H4: Satisfaction (Reputational risk Factor) mediates the influence of Quality (Inherent risk Factor) on Loyalty

*The inherent risk factor and the reputational risk factor is taken has one of the indicators for the constructs' Quality and Satisfaction.

3. Research Methodology

3.1 Independent and Dependent variable with constructs

The use of method for this study is a quantitative approach. Data is collected by

framing a questionnaire with more specificity towards retail shop owners who maintain bank accounts in

private sector banks in the Chennai region. The data is collected keeping the Construct variables Quality, satisfaction, and loyalty with eleven indicator variables. The conceptual framework of the above construct is made where the independent variable is Quality, the Satisfaction construct act both have independent and dependent variable, and loyalty has the dependent variable. The indicators are considered from earlier studies regarding the Service quality measure concerning technology-based indicators. These variables are the common grounds for the reputational risk for banks.

The observed variable and Latent variable for the study include

Table 1: Latent variables and Indicators

Latent	Indicators
Quality	OpeRisk
	Innovate
	Speed
	Convenience
Service	Consistent
	Maintenance
	Relation
Loyalty	Sysrisk
	Refer
	Retain
	Time

3.2 Sample size and population

The Sampling method adopted is purposive sampling with a sample size of 210 in the Chennai region, where the retail shop owner has an account in private banks a total of ten private banks. The validated samples with proper responses come to 150 with corrected bias.

The applied tool is PLS-SEM to test the variable's interrelationship and impact factor loads on the end variable. i.e., loyalty



4. Results and Discussion

4.1 Descriptive Results

The questionnaire was validated with 150 samples from retail shop owners within the Chennai region for further analysis. The main concern of descriptive analysis is the holding of current accounts in private banks; the data in the given table shows about 28.7 % held current accounts in a private bank for 2-4 years, with plummeting percentage coming to 19.3%, where the decline of holding accounts restrict not more than ten years. The second table reveals the age-wise frequent visits by retail shop owners to the bank for documentation, with 74% age less than 25, and there is a rapid drop in visits to the bank of 8.7% throwing the sign of operationalrisk, with age above 45 visits to bank comes down to 7.3%.

Table 2: Holding Current Account

Number of Years	%
2 Years	28
2-4 years	28.7
5-10 Years	24
More than 10 Years	19.3

Table 3 : Frequent Visits by Retail shop Owners to the bank -Age Wise

Age	%
Less than 25 years	74
25-34	8.7
35-44	10
More than 45 Years	7.3

4.2 Results of Reliability and Validity

The Conceptual model is tested to determine the reliability and validity of the variables and their interrelationship. The result of the model fit has to be interpreted with a loading factor for the measurement model and the convergent and discriminant validity of the constructs with its manifest variables.

The model fit is given below, including operational risk measure variables in both construct'sQuality and Satisfaction.

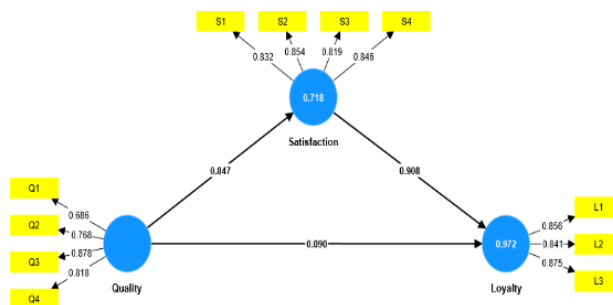


Figure 2 : Model Fit

4.3 Convergent validity

Factor loading determines the correlation between the construct and the manifest variable or the observed variables. As the above model is a reflective construct, the AVE should be greater than equal to 0.5, and the CR should be greater than equal to 0.7. The minimum factor loading, in this case, for every construct is more significant than 0.5

Table :4 Item Loadings

Items	Loadings
LREFER <- Loyalty	0.841
LRETAIN <- Loyalty	0.875
LTIME <- Loyalty	0.856
OPERISK <- Satisfaction	0.832
QCONVINENCE <- Quality	0.768
QINNOV <- Quality	0.818
QSPEED <- Quality	0.878
SCONSISTENT <- Satisfaction	0.846
SERVICE <- Quality	0.686
SMAINTENANCE <- Satisfaction	0.854
SRELATION <- Satisfaction	0.819

Authors Working



Table: 5 Result of Model fit

Variables	Cronbach's alpha	Composite reliability	AVE
Loyalty	0.820	0.820	0.735
Quality	0.799	0.836	0.625
Satisfaction	0.859	0.866	0.702

4.4 Discriminant Validity

It analysis the relationship between the constructs , cross-loading of variable is determined with the Fornell-Larcker-criterion(1981) were discriminant validity is assessed. In the given table the constructs have a high correlation value which is above AVE in the result model fittable .

Table :6 Discriminant Validity

Variables	Loyalty	Quality	Satisfaction
Loyalty	0.857		
Quality	0.860	0.791	
Satisfaction	0.984	0.847	0.838

4.6 Hypothesis

Table 9:Hypothesis and Paths

Hypothesis	Paths	SE	T-Statistics	P-Values	Result
H1	Quality -> Loyalty	0.028	3.703	0.00	Reject
H2	Quality -> Satisfaction	0.026	3.842	0.00	Reject
H3	Satisfaction -> Loyalty	0.396	4.110	0.068	Fail to Reject
H4	Quality -> Satisfaction -> Loyalty	0.120	3.96	0.083	Fail to Reject

4.7 Discussion

Based on the First indicator and hypothesis testing, the significant value of p is 0.00 with two variables, Quality, and Loyalty, and there is a significant impact on the Quality of the dependent variable, loyalty. It means the retail shop owners are more persistent towards quality service from banks, which sustains them to hold the account for such a long period, a moderate of two to four

Table :7 R Square Value

	R-square	R-square adjusted
Loyalty	0.572	0.571
Satisfaction	0.718	0.716

Table :8 Collinearity (VIF)

	Loyalty	Quality	Satisfaction
Loyalty	-	-	-
Quality	1.549	-	1
Satisfaction	1.549	-	-

As the collinearity is less than equal to 3, the model has met discriminant validity.

4.5 Construct Reliability

It can be assessed by the value of Cronbach alpha and Composite reliability from each of the constructs. In the table, all the constructs are more than 0.7; overall they have met the reliability test.

years. It means if the Quality of service gets increased, the retail shop owners will retain their banking services at the most sustainable period. The data further reveals that private banks have to innovate their service and product design as that is a rapid fall in business banking, with retail shop owners a small constraint symbolizing operational risk. In this case, the hypothesis gets rejected.



Based on the Second Indicator and Hypothesis testing, the significant value of p is 0.00 with variables Quality and Satisfaction, in which Quality service leads to good satisfaction, from the indicator shows there is a strong positive correlation where the variable satisfaction act as an exogenous and dependent variable at the same time. The further interpretation reveals that the decay affects the visits to banks from retail shop owners gets decreases, which shows the relationship with the bankers is questionable. It means the banks have to minimize the timing of providing service to individual service receivers. As the positive influence of variable interprets, if quality increases, the satisfaction of retail owners towards banks gets increases. In this case, the hypothesis gets rejected.

Based on the third indicator and Hypothesis testing, the significant value of p is 0.068, which is more than two-tailed tests of 0.05, the variable relationship points towards the reputational prospects of the banks, which is an inherent risk associated with the satisfaction variable, that was considered in the indicator variable testing through the construct. The bank should crop up proper risk management plans for reducing to sustain the existing business banking operations towards retail shop owners in the Chennai region. In this case, the hypothesis cannot be rejected.

Based on the fourth indicator and Hypothesis testing, the significant value of P is 0.083, which is more than a two-tailed test of 0.05. The indirect effect relationship from Quality to loyalty depends on how satisfied the retail shop owners who regularly bank with the bankers continuously. The reputational and operational risk comes into consideration where the variability becomes high with not botching up the existing retail shop owners to maintain their accounts with new schemes by bankers. The indicator convenience, a factor of loyalty, gets reduced with the loading of 0.768 compared with other items. There are slight constricts in which bankers throw their front-end operations carefully, which act as an inherent risk factor for them. The indirect effect is lost as the satisfaction gets decreases, which is revealed by the frequent visits by retail shop owners, and their business account holdings plummet from 28% to 19.3% with a keen deviation of 31.07%. In this case, the hypothesis cannot be rejected.

5. Conclusion

The research study and its data analysis and discussion results show that an increase in Quality related to operational risk elements has a significant positive impact on satisfaction. With an increase in quality service, there is a considerable impact of satisfaction towards retail shop owners in the Chennai region to carry their long-drawn business banking with the private banks. Similarly, there is a significant positive impact of Quality on loyalty; the loyalty is drawn towards reputational risk prospects of the bank where the indicators were a referral from existing retail shop owners in Chennai, creating a new path for new customers to do banking. At last, the importance of satisfaction toward loyalty needs to address the continuation of business banking from existing retail shop owners for a certain period. The relationship acts as a lagged indicator and puts an inherent risk toward private banks, a characteristic of operational risk. The full results indicate that the impact of reputational and operational risk is one of the inherent factors which drag down the Quality and sustaining loyalty among retail owners who hold accounts in private banks in the Chennai region.

This research is narrowed down to a specific southern zone region where selective private banks are for a specific set of respondents; mostly, bank users are shop owners. The psychological factors could be broadened towards people's failures, branding, and bankers' beliefs. Further study can be extended towards the factors pertaining mostly towards

reputational risk with satisfaction level as an ingredient instead of building a relationship of technology-based relative variables.

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