

Retention Behaviour and Service-Quality Dimensions: A Study of Rural Customers of Public-Sector Banks

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Abstract: Customer retention is strategically important for public-sector banks (PSBs), particularly in rural areas where banks play a central role in financial inclusion and where customers may depend substantially on branch-based services. This study examines the association between perceived service quality and retention behaviour among rural customers of PSBs in Tiruchirappalli district, Tamil Nadu. The study uses the SERVQUAL framework comprising tangibility, reliability, responsiveness, assurance, and empathy. A structured questionnaire was administered to rural PSB customers with at least one year of banking relationship. Of 170 questionnaires collected, 156 usable responses were retained after data cleaning. Descriptive statistics, Pearson correlation, and multiple regressions were used for analysis.

Respondents reported moderately positive perceptions across the service-quality and retention-related dimensions. Assurance ($M = 3.5123$) and reliability ($M = 3.5045$) received comparatively higher ratings, whereas tangibility received the lowest rating ($M = 3.4310$). The regression model containing the five SERVQUAL dimensions was not statistically significant, $F(5,149) = 1.579$, $p = .169$, and explained 5.0% of the variance in retention behaviour. Reliability was the only individual predictor reaching statistical significance ($B = -0.155$, $p = .040$), although its negative coefficient requires cautious interpretation. A second model including satisfaction, trust, and banking experience was also not statistically significant, $F(3,151) = 2.015$, $p = .114$, and explained 3.8% of the variance. Customer satisfaction showed a positive, near-significant association with retention behaviour ($B = 0.149$, $p = .057$).

The findings indicate that rural customer retention is multidimensional and cannot be adequately explained by service-quality perceptions alone. PSBs should combine dependable service delivery with customer-satisfaction initiatives, accessible grievance redressal, staff support, and context-appropriate digital assistance.

Keywords: Customer Retention, Service Quality, SERVQUAL, Rural Banking, Public-Sector Banks, Customer Satisfaction

1. INTRODUCTION

Public-sector banks (PSBs) remain important providers of formal financial services in rural India. Their role extends beyond transaction processing to supporting financial inclusion, facilitating access to government-linked banking services, and building confidence among customers who may have limited familiarity with formal or digital financial systems. In this context, retaining existing customers is an important organisational objective. Retention behaviour refers to the customer's continued intention and practice of maintaining a relationship with a bank over time.

The banking sector has become increasingly customer-focused and technology-enabled. However, rural customers may continue to rely heavily on branch visits and direct interaction with bank employees because of variation in digital access, digital literacy, connectivity, and confidence in self-service channels. Consequently, service encounters at the branch can influence customers' overall evaluation of their banking relationship. Delays, unclear procedures, inadequate facilities, or weak grievance handling may reduce satisfaction; conversely, dependable and respectful service may reinforce the willingness to continue with the bank.

Service quality is commonly assessed through the SERVQUAL framework developed by Parasuraman, Zeithaml, and Berry (1988). It comprises five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. Tangibility concerns physical facilities and the appearance of staff and equipment. Reliability refers to performing promised services dependably and accurately. Responsiveness reflects willingness to help customers and provide prompt service. Assurance includes employee knowledge, courtesy, and the ability to inspire confidence. Empathy denotes caring and individualised attention.

Although SERVQUAL has been widely applied in banking research, the relative relevance of its dimensions can differ across settings. In rural banking, trust, personal interaction, clear communication, and dependable routine service may be especially salient. At the same time, retention is unlikely to be determined by service quality alone. Customer satisfaction, trust, banking experience, perceived value, convenience, switching barriers, and access to alternative providers may also shape a customer's decision to remain with a bank.

This paper investigates service quality and retention behaviour among rural customers of PSBs in Tiruchirappalli district. It focuses on whether the five SERVQUAL

dimensions predict retention behaviour and whether customer satisfaction, trust, and banking experience provide additional explanatory power. The study offers evidence from a rural PSB context that is comparatively less represented in banking-service research.

2. REVIEW OF LITERATURE

2.1 Service Quality in Banking

Parasuraman, Zeithaml, and Berry (1988) introduced SERVQUAL as a multi-item scale for assessing customers' perceptions of service quality. The five-dimensional framework—tangibility, reliability, responsiveness, assurance, and empathy—has become a major reference point in service-management research. In banking, the framework is useful because customers evaluate both the outcome of a service transaction and the manner in which it is delivered.

Arasli, Mehtap-Smadi, and Katircioglu (2005) applied service-quality analysis in banking and showed that service delivery attributes can identify operational areas requiring improvement. Ladhari (2009), in a review of SERVQUAL research, observed that the scale has been widely used across service contexts while also noting that researchers should assess its suitability for the specific setting under study. These studies support using SERVQUAL as a structured basis for evaluating banking service quality, while recognising that the importance of each dimension may vary by customer segment and context.

2.2 Customer Retention and Loyalty

Customer retention concerns the continuation of a customer relationship and is closely related to loyalty, satisfaction, perceived value, and trust. Reichheld and Sasser (1990) argued that customer retention has important consequences for organisational performance. Oliver (1999) conceptualised loyalty as a deeply held commitment to repurchase or continue patronage despite situational influences and marketing efforts that may induce switching. Kumar and Reinartz (2006) further emphasised that retention management requires delivering consistent value and reducing service-related problems over the customer life cycle.

In banking, retention may be influenced by functional performance as well as relationship factors. Service reliability, transparent procedures, employee courtesy, complaint resolution, and trust can affect whether customers perceive an ongoing relationship as worthwhile. However, satisfaction does not automatically result in retention, particularly when customers have alternative banking options or face changing financial needs. Therefore, retention should be examined as a distinct outcome rather than treated as equivalent to satisfaction.

2.3 Rural Public-Sector Banking Context

Rural customers may experience banking differently from urban customers because branch access, infrastructure, financial literacy, and availability of digital or alternative channels can vary considerably. Bansal and Sharma (2012) highlighted the relevance of service quality in rural banking and drew attention to the importance of employee behaviour and service delivery. Prabhavathi and Tennyson (2016) reported that customer satisfaction in banking is

associated with dimensions such as assurance and empathy. Singh and Arora (2011) also identified service quality and relationship management as important for banking customer satisfaction.

In rural PSB settings, personal interaction can be particularly important. Customers may need assistance with account procedures, forms, digital transactions, government-benefit transfers, and grievance resolution. Therefore, the reliability of transactions, the clarity of communication, and the willingness of employees to provide individual assistance may shape customer perceptions. Nonetheless, PSBs may also face operational constraints, including workload pressure, limited staff, infrastructure limitations, and procedural complexity. These conditions can affect the quality and consistency of the customer experience.

2.4 Research Gap and Objectives

Existing banking research has frequently examined service quality and satisfaction in urban, private-sector, or mixed-bank samples. Comparatively fewer studies focus specifically on rural customers of PSBs and assess the separate influence of SERVQUAL dimensions on retention behaviour. Further, service quality, satisfaction, trust, and banking experience are often studied independently rather than evaluated as potential predictors of retention in the same rural context.

Accordingly, this study addresses the following objectives:

1. To describe rural PSB customers' perceptions of service-quality and retention-related dimensions.
2. To examine the correlation between SERVQUAL dimensions and retention behaviour.
3. To assess whether SERVQUAL dimensions predict retention behaviour.
4. To assess whether customer satisfaction, customer trust, and banking experience predict retention behaviour.

3. RESEARCH METHODOLOGY

3.1 Research Design and Study Area

The study used a descriptive, cross-sectional research design. It examined the relationship between perceived service quality and retention behaviour among rural customers of public-sector banks in Tiruchirappalli district, Tamil Nadu.

3.2 Population, Sampling, and Data Collection

The target population comprised rural customers who maintained an active account with a public-sector bank. Purposive sampling was used to select respondents who had maintained a relationship with their bank for at least one year. Data were collected through direct visits to rural bank branches and customer interaction points. A total of 170 questionnaires were collected. After data cleaning, 156 valid questionnaires were retained for analysis.

3.3 Instrument and Variables

A structured questionnaire was used. Service quality was measured through items based on the SERVQUAL dimensions: tangibility, reliability, responsiveness, assurance, and empathy. Additional items measured retention

behaviour, customer satisfaction, customer trust, banking experience, commitment, and brand engagement. Responses were measured using a five-point Likert-type scale, where higher scores represent more favourable perceptions.

3.4 Data Analysis

Descriptive statistics were used to summarise the mean and standard deviation of the composite dimension scores. Pearson correlation analysis was conducted to examine bivariate relationships. Two multiple-regression models were estimated with retention behaviour as the dependent variable:

Model 1: Tangibility, reliability, responsiveness, assurance, and empathy.

Model 2: Customer satisfaction, customer trust, and banking experience.

The results should be interpreted as associations from a cross-sectional survey and do not establish causality.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Table 1 presents the descriptive statistics for the service-quality and retention-related dimensions. Mean values range from 3.4310 to 3.5213, indicating moderately positive perceptions on the five-point scale. Among the service-quality dimensions, assurance ($M = 3.5123$) and reliability ($M = 3.5045$) received the highest ratings. Tangibility recorded the lowest rating ($M = 3.4310$), indicating comparatively greater scope to improve physical facilities, equipment, or the visible service environment.

Among the retention-related measures, brand engagement had the highest mean ($M = 3.5213$), followed by retention behaviour and commitment ($M = 3.4700$ each). Customer satisfaction recorded the lowest mean among the retention-related measures ($M = 3.4413$). Standard deviations ranged from 0.5776 to 0.6500, indicating moderate variation in respondents' views.

Table 1. Descriptive statistics of service-quality and retention-related dimensions (n = 156)

Dimension	Mean	Standard deviation
Tangibility	3.4310	0.5776
Reliability	3.5045	0.6184
Responsiveness	3.4700	0.6500
Assurance	3.5123	0.5829
Empathy	3.4700	0.6100
Retention behaviour	3.4700	0.6000
Customer satisfaction	3.4413	0.5933
Customer trust	3.4700	0.6100
Banking experience	3.4700	0.6200
Commitment	3.4700	0.6100
Brand engagement	3.5213	0.6105

Note: Values are composite scores calculated from the study questionnaire. The source data supplied for the manuscript reported exact values for tangibility, reliability, assurance, customer satisfaction, and brand engagement; remaining values are retained as reported composite-score summaries and should be verified against the original statistical output before journal submission.

4.2 Correlation Analysis

The correlation analysis indicates generally weak relationships between the service-quality dimensions and retention-related variables. The reported statistically significant bivariate relationship between reliability and retention behaviour was small and negative ($r = -0.163$, $p < .05$). Retention behaviour had a small positive correlation with customer satisfaction ($r = 0.167$, $p < .05$).

The results suggest that customers' stated retention behaviour was only weakly associated with the individual service-quality dimensions in this sample. This does not imply that service quality is unimportant; rather, it indicates that retention may be influenced by multiple factors beyond the dimensions included in the present models.

Table 2. Selected Pearson correlations with retention behaviour (n = 156)

Variable	Correlation with retention behaviour (r)	Significance
Reliability	-0.163	$p < .05$
Customer satisfaction	0.167	$p < .05$
Other reported service- quality dimensions	Not statistically significant	$p > .05$

Note: The original output reported that other service-quality dimensions did not show statistically significant relationships with retention-related variables. A complete correlation matrix should be inserted from the original SPSS/Excel output if required by the target journal.

4.3 Regression Model 1: SERVQUAL Dimensions and Retention Behaviour

The first regression model examined whether tangibility, reliability, responsiveness, assurance, and empathy jointly predicted retention behaviour. The model produced $R = 0.224$ and $R^2 = 0.050$, indicating that the five service-quality dimensions explained 5.0% of the variance in retention behaviour. The adjusted R^2 was 0.018. The overall model was not statistically significant, $F(5,149) = 1.579$, $p = .169$.

At the individual-predictor level, reliability was reported as statistically significant ($B = -0.155$, $p = .040$). Tangibility, responsiveness, assurance, and empathy were not statistically significant. The negative coefficient for reliability is counterintuitive relative to common service-quality theory and should not be interpreted as evidence that reliable service reduces retention. It may reflect measurement direction, omitted variables, sample-specific characteristics, or a suppressor effect. The result requires verification of item coding and additional investigation with a larger sample or qualitative follow-up.

Table 3. Multiple regression: SERVQUAL dimensions predicting retention behaviour (n = 155)

Model statistic / predictor	Value	Significance
R	0.224	—
R^2	0.050	—
Adjusted R^2	0.018	—
$F(5,149)$	1.579	0.169

Tangibility (B)	0.068	0.399
Reliability (B)	-0.155	0.040
Responsiveness (B)	-0.022	0.765
Assurance (B)	0.123	0.119
Empathy (B)	0.056	0.457

Note: The model is not statistically significant at the .05 level. Collinearity diagnostics reported tolerance values from 0.964 to 1.000 and VIF values from 1.000 to 1.037, indicating no material multicollinearity concern.

4.4 Regression Model 2: Satisfaction, Trust, Banking Experience, and Retention Behaviour

The second regression model assessed the influence of customer satisfaction, customer trust, and banking experience on retention behaviour. The model produced $R = 0.196$, $R^2 = 0.038$, and adjusted $R^2 = 0.019$. Thus, the predictors explained 3.8% of the variance in retention behaviour. The model was not statistically significant, $F(3,151) = 2.015$, $p = .114$.

Customer satisfaction showed a positive, near-significant relationship with retention behaviour ($B = 0.149$, $\hat{\alpha} = 0.154$, $p = .057$). Customer trust showed a negative but non-significant coefficient ($B = -0.083$, $p = .243$), and banking experience showed a positive but non-significant coefficient ($B = 0.046$, $p = .541$). These findings suggest that satisfaction may warrant further investigation as a potential retention driver, but the present sample does not provide sufficient evidence for a definitive conclusion.

Table 4. Multiple regression: Attitudinal and banking-experience variables predicting retention behaviour (n = 155)

Model statistic / predictor	Value	Significance
R	0.196	—
R^2	0.038	—
Adjusted R^2	0.019	—
Standard error of estimate	0.56771	—
$F(3,151)$	2.015	0.114
Customer satisfaction (B)	0.149	0.057
Customer satisfaction (β)	0.154	0.057
Customer trust (B)	-0.083	0.243
Banking experience (B)	0.046	0.541

Note: The model is not statistically significant at the .05 level. Collinearity diagnostics reported tolerance values from 0.984 to 0.990 and VIF values from 1.010 to 1.016, indicating no material multicollinearity concern.

4.5 Discussion

The study found moderate overall perceptions of service quality among rural PSB customers. The comparatively higher ratings for assurance and reliability suggest that customers generally value employee competence, courtesy, transaction dependability, and consistent service. The lower rating for tangibility suggests that physical service conditions merit attention. Improving seating, signage, queue management, accessibility, and the

condition of banking equipment may strengthen the customer experience at rural branches.

However, the regression analyses show that the measured variables explained only a small proportion of variance in retention behaviour. This indicates that retention in rural banking is likely shaped by a wider set of circumstances than the present measures capture. Possible influences include proximity to the branch, availability of alternative providers, account purpose, benefit-transfer requirements, perceived value, switching costs, family influence, financial literacy, digital-service usability, and the quality of complaint resolution.

The negative reliability coefficient should be treated cautiously. Because it conflicts with conventional expectations, it may signal a data or measurement issue rather than a substantive negative effect. Researchers should review reverse-coded items, scale construction, missing-data treatment, and the direction of the retention-behaviour scale. Future research could combine a larger probability-based survey with interviews to understand why customers reporting higher reliability may nevertheless express lower retention intentions in this specific sample.

5. FINDINGS, IMPLICATIONS, AND CONCLUSION

5.1 Major Findings

- Rural PSB customers reported moderately positive perceptions of both service quality and retention-related variables.
- Assurance and reliability received the highest service-quality ratings, while tangibility received the lowest.
- Reliability had a small negative correlation with retention behaviour ($r = -0.163$, $p < .05$), whereas customer satisfaction had a small positive correlation with retention behaviour ($r = 0.167$, $p < .05$).
- The SERVQUAL regression model was not statistically significant and explained 5.0% of retention-behaviour variance.
- The satisfaction, trust, and banking-experience regression model was not statistically significant and explained 3.8% of retention-behaviour variance.
- Customer satisfaction was positively related to retention behaviour at a near-significant level ($p = .057$), indicating a useful direction for further study.

5.2 Managerial Implications

- PSBs serving rural customers should adopt a customer-retention approach that extends beyond routine transaction accuracy. The following measures are recommended:
- Improve branch tangibility through clear signage, adequate seating, clean facilities, functional equipment, and queue-management practices.
- Strengthen frontline employee training in communication, empathy, product explanation, grievance handling, and assistance for customers with limited digital literacy.
- Establish simple feedback and complaint-resolution mechanisms that rural customers can access through branches, telephone support, and assisted digital channels.

- Provide practical digital-banking support, including demonstrations of ATM, mobile-banking, and safety practices, without excluding customers who prefer branch-based service.
- Monitor customer satisfaction and service complaints regularly at the branch level and use the findings to identify retention risks.
- Examine retention using a broader framework that includes perceived value, commitment, switching barriers, accessibility, and financial-literacy factors.

5.3 Limitations and Future Research

The study is limited to rural PSB customers in Tiruchirappalli district and uses purposive sampling; therefore, the findings cannot be generalised to all rural bank customers. The cross-sectional design captures perceptions at one point in time and does not establish causal relationships. The models explain a limited proportion of retention behaviour, indicating omitted variables. Future studies should use larger and more geographically diverse samples, test measurement reliability and validity explicitly, report the complete correlation matrix and coefficient tables, and use mixed methods to explore the unexpected negative reliability result.

5.4 Conclusion

This study examined the relationship between service quality and retention behaviour among rural customers of public-sector banks. Although respondents evaluated service quality moderately positively, the SERVQUAL dimensions did not jointly provide a strong explanation of retention behaviour in the present sample. Customer satisfaction showed a promising positive association with retention, but further evidence is needed.

The results suggest that retaining rural customers requires an integrated strategy: dependable core service, supportive employee interaction, accessible branch facilities, effective complaint resolution, and inclusive assistance with digital banking. For researchers, the findings reinforce the need to study rural customer retention through broader models that combine service-quality perceptions with attitudinal, behavioural, and contextual factors.

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