Antecedents and Impact of Consumer Trust in Business to Business Markets

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Abstract

There is a significant increase in consumer defection and a consequent negative influence on profitability of firms which has emerged as a major concern for business. The retention of customers is thus a priority for most firms particularly for business to business firms because of the partnership and high value relationship of the customers. Building consumer loyalty appears to be solution to all these. While there are numerous studies in consumer markets, there is a dearth of literature regarding loyalty and the factors that influence it in business to business markets. This study is in the context of bank lending to small and medium enterprises and thus in a business to business setting. Bringing in small and medium enterprises to the fold of organised funding is also a priority for the Government. The study has posited trust as a very important element that addresses the challenges arising out of risk perception in financial transactions. Perceived service quality (PSQ) as an antecedent of trust has been studied and the constructs perceived service quality, trust and loyalty have been studied in a hierarchical relationship. Two major banks, SBI and ICICI have been considered for the study. Both the banks have significant lending to small and medium enterprises. The hypothesised relationships have been tested using structural equation modeling. The findings provide significant insights to the industrial marketer by identifying specific areas and suggesting ways through which loyalty issues could be addressed.

Keywords: B2B services, Loyalty, consumer trust, perceived service quality

JEL Classification: M31, G21, L19, L89

Paper Classification: Research Paper

Introduction

With an increase in competition, customer defection is also increasing and the companies need to keep or retain the customers (Kotler, Keller, Koshi & Jha, 2009). This has a major financial dimension as well. It has been suggested by numerous authors that customer retention is profit making and thus investing on customer loyalty is worth an investment. Different authors have forwarded quantitative arguments in support of this. A five percent reduction in customer defection rate can increase profits by twenty five to eighty five percent depending on the industry (Kotler ibid). Gupta and Zeithaml (2006) have also commented on similar lines quoting similar
statistics. Their study specifically forwards that one percent improvement in retention can improve and increase profitability by five percent. The study further quotes that in business to business perspective, a twenty five percent underspending may reduce return on investment by about fifty five percent.

Consumer loyalty in B2B markets thus has been attracting significant attention by the marketers. It is in the context of this that the role of trust in influencing consumer loyalty and the antecedent of trust is evaluated in this study. Trust plays a heightened role in services. Trust, in the context of trade and business, also has numerous benefits. Hofstede, Fritz, Canavare, Oosterkamp, and van Sprundel (2010) have cited that trust significantly reduces perception of risks in transaction thus saving on costs incurred in control and therein saves money.

Organizational buyers differ in many ways, including what they perceive to be important, the decision processes they follow, and the purchases they make” (Mudambi, 2002). It is more than established that the decision process in industrial buying, the market characteristics and its influences, buyer seller relationships etc all are unique in business to business markets and are different to that in consumer markets (Avlonitis & Gounaris, 1997; Coviello & Brodie, 2001). It is thus important to look at consumer markets and business markets separately. While a lot has been studied about influence factors on consumer buying in consumer markets, there is still a gap regarding this influence in business to business markets.

The role of trust in consumer decision making is an area that has not been worked extensively in business to business markets, particularly B2B services. For industrial services which is becoming an important and almost inevitable part of any industrial business activity, the empirical evidence is even less. Even the antecedents of trust are factors that have not been thoroughly worked (Gounaris, Stathakopoulos, & Athanassopoulos, 2003). However trust as a construct has received reasonable attention from the managers in the context of their general perception regarding its importance primarily its relationship to loyalty and its ability to help understand business relationships (Rauyruen, Miller & Groth, 2009).

**Literature Review**

“Trust is a belief that one’s partner will stand by its words, fulfil promised role, obligations, is sincere, interested in the firm’s welfare and will not take part in unexpected actions that would have a negative impact on the firm” (Doney, Barry & Abratt, 2007). In complex and uncertain situations, trust plays a heightened and positive role for the organisations and therefore needs to be focussed more by the organisations (Shih, Lin & Ke, 2013).

In the context of B2B service, Doney et al (ibid), have posited that the uncertainty associated with service consumption and the corresponding perceived risk is largely and positively addressed through the trust element. In their study on consumers of aircraft repair services across forty two countries, they have empirically examined the antecedents of trust. Social interaction, open communication, perceived value and overall service qualities have been identified as antecedents of trust. The role of the social factors in building trust and trust in building loyalty has been empirically validated. Spiros and Venetis (2002) have been more specific in saying that trust is critical in facilitating B2B exchanges. The study of the authors carried out in the context of B2B service presents different antecedents of trust and specifically points to service quality being an important antecedent of trust. Similar relationships have also been reported by Sirdeshmukh, Singh and Sabol (2002) where trust has been presented as an antecedent of loyalty with value as
a mediating variable. In their study on retail clothing and non-business airline, the authors have focused on the factors of trust building and trust depletion and pinpoint differences between the two service sectors picked up for the study. On similar lines, Ramaseshan, Rabbanee and Tan Hsin Hui (2013) in their study in the context of B2B telecommunication services have examined the role of trust and its positive moderating relationship with loyalty and have empirically established it.

Specific to the financial sector with bank loan as a product category, the area under consideration in the present study, Chol and Hu (2009) have examined the specific influence of the perceived quality dimensions on consumer trust. Taking loan is a risky decision and poor decision can be very damaging. Therefore, trust gains in importance by ensuring reduction of risk. Risk reduction also has a positive relationship to consumer loyalty (Chol & Hu, ibid). In a study carried out by Tyler and Stanley (2007) some very interesting dimensions of trust have come up. The study has found that the bank relationship to medium and bigger enterprises and their corresponding trust perception for banks is more guided by the institutional framework for lending for the banks. On the contrary, the bank adherence to funding norms in providing finances to the small enterprises is perceived to be originating out of mistrust by the banks for the small enterprises. It is thus up to the banker or the human elements that apparently have a greater role to play in the bank – client trust relationship and influence on loyalty. This study examines the role of perceived service quality on trust. Perceived service quality is essentially a composite of five sub dimensions which are largely related to employees and the employee response and thus it quite comprehensively evaluates the relationship in its totality.

The Antecedents of Consumer Trust

Trust and business relationships are areas that have been related through many studies. Brar, Sharma and Khurmi (2013) have found a number of elements as antecedents of trust, notably, perceived trustworthiness, perceived security and perceived privacy.

It has been suggested that perceived service quality (PSQ) is central to services and any effort to reach out to the consumers by service firms has to be through an effective address of this. However effective communication with the business managers have been suggested as an important factor that nurtures trust and thus must be focused upon. Thus effective communication, satisfaction and relationships have also been identified as antecedents of trust (Oly Ndubisi, Kok Wah & Ndubisi., 2007; Caceres & Paparoidamis, 2007). Privacy also has been identified as an antecedent of trust, which positively influences behavioural intentions (Liu, 2005).

Perceived Service Quality

The initial studies regarding service quality were not very structured and were influenced by a number of diversified factors. The feelings of difficulty involved in judging service quality or the belief that quality perception is a function of a number of secondary factors are things that shaped quality perception previously (Parashuraman, Zeithaml & Berry, 1985). Several studies have found a number of dimensions of service quality. The key determinants of service quality that have been forwarded were access, communication, compliance, courtesy, credibility, reliability, responsiveness, security, tangibles, understanding and knowing the customer in making assessment of service quality. Originally the authors presented SERVQUAL comprised of ten sub dimensions which were part of the SERVQUAL scale that was proposed. Subsequently Parashuraman, Zeithaml and Berry (1988) proposed the modified SERVQUAL wherein it was suggested that perceived service quality consists of additional dimensions of tangibility, reliability, responsiveness. Perceived quality as a concept and it being at the core of any service consumption
and experience has been studied extensively. (Gronroos, 1982; Parashuraman et al, 1985; Zeithaml, 1988; Aaker, 1991, 1996; Michell, King & Reast, 2001; He Yan, 2011; Altuntas, Dereli & Yilmaz, 2012; Chen & Cheng, 2012; and Garcia & Caro, 2010). It is thus reflected that perceived service quality is at the core of any kind of service and needs to be an integral part of any study on services.

**Perceived Quality in B2B Context**

Service quality for B2B service is still an under researched area particularly in respect of its relationship to perceived value and loyalty intentions (Janita & Miranda, 2013). Perceived quality as an antecedent of trust has been studied by Gounaris (2003). While a lot has been said about perceived service quality in the context of the end consumer, there is a significant gap in the context of B2B. While the consumer service companies are concerned about the customers service needs, the B2B service marketer does not put in similar kind of effort in finding out the need of the organisational consumer (Stewart, 2005). The present study is in the context of bank lending to small and medium enterprises (SMEs) and is thus in a business to business setting. The need for bank lending to SME’s has been introduced as an important requirement that relates to growth of the sector. Yavas, Babakus & Eroglu (2004) in their study to examine the bank choice behaviour among the homebuilders have tried to identify the factors that influence choice of banks in the B2B sector. Knowledge of the employees; timeliness; speed of decision making etc all have been identified as crucial factor. All of these factors largely relates to the elements of the perceived quality composite. Therefore, studying the influence of perceived service quality thus comprehensively addresses the purpose with which the study has been carried out.

The small and medium enterprises (SMEs) have a significant contribution towards the GDP of the country, exports, employment generation and general growth of the country (Inter Ministerial Committee Report, 2013). The Reserve Bank of India has observed a gap in the context of availability of funds to the small and medium enterprises from the banks and has forwarded the opinion that bringing in small and medium enterprises to the fold of organised funding (bank credit) could be an effective way to growth. RBI has directed the commercial banks to try and effectively fill up this gap (Business Standard, 2013).

The banks/institutional lenders are likely to contribute significantly to growth of small and medium businesses and thus it is a win- win situation both for the banks and the small and medium enterprises.

**Loyalty**

The role of brand loyalty in reducing marketing costs has been pointed out by Aaker (1991). Similar opinion has also been put forward by Dick and Basu (1994) where the author has said that loyalty provides certain distinct benefits in developing positive word of mouth and creates a difficulty for the competitors because it makes the loyal consumers hold on to their respective brands.

Chaudhuri and Holbrook (2005) in their study on users of goods and services as well as product and brand managers of different products have explored the brand trust and loyalty hierarchical relationship. The relationship of trust to both purchase and attitudinal loyalty has been supported through the findings of the author. Brand loyalty has herein been identified as the link chain between brand trust and market performance.
Ramaseshan et al (2013) in their study in B2B service setting have also found a specific relationship between service quality, trust and loyalty. The study carried out in the telecommunication sector has specifically presented uniqueness of the B2B situation and posited that in business situations where the risk perception is high and where the degree of consumer involvement and service encounter is greater, the drivers of loyalty are different compared to B2C encounters. The different assumptions regarding the relationships have been supported through empirical results. The hierarchical relationships between value equity (quality of service) trust and loyalty have been supported.

Pamies (2012) in his study on travel agencies has also identified a hierarchical relationship between service quality, trust and behavioural loyalty; and found that firms would derive definitive benefits of customer loyalty like increased profitability, reduced cost, positive word of mouth and sustainable competitive advantage among others. The study is more specific in putting forward the relation between consumer trust and loyalty as also between satisfaction and loyalty. Positive relationships have been reported in both the cases but satisfaction is presented as having a stronger relationship with loyalty.

Yieh, Yu and Ya (2007) have also empirically established the relationship between perceived quality, trust and consumer loyalty, and have evaluated the specific relationship between the sub dimensions of perceived quality and trust.

**PSQ, Trust and Consumer Loyalty in a Hierarchical Relationship**

While the concepts have attracted significant attention individually, their interrelationships have not been thoroughly evaluated (Hurley, Gong & Waquar, 2014). For the marketers, it is important to explore the relationship between PSQ, trust, consumer loyalty, sustainable competitive advantage and the ultimate profitability of service firms.

The importance and validity of similar relationship has been studied by authors notably (Spiros & Venetis, 2002; Hsieh & Hiang, 2004; Caceres & Paparoidamis, 2007; Rauyruen & Miller, 2007; Akbar & Parvez, 2009; Kassim & Abdullah, 2010; Chaudhuri & Holbrook, 2005; Ramaseshan et al, 2013; Pamies, 2012; Yieh et al, 2007).

**Research Objective**

The objectives of the study is to examine the influence of perceived service quality regarding credit/loan disbursal of banks on trust of the consumers (SME’s) and their ultimate brand (bank) choice (loyalty of SME’s) in a hierarchical relationship.

**Research Hypothesis**

Based on study of literature, and other observations the following hypotheses are proposed which have been tested through empirical study.

H₁: Perceived service quality is positively related to consumer trust and significantly influences it.

H₂: Consumer trust is positively related to consumer loyalty and significantly influences it.
The proposed model

![Diagram of the conceptual model]

Figure 1. The conceptual model

PSQ= perceived service quality; loyalty=consumer loyalty; trust= consumer trust

Figure 1 explains hypothesised relationship between the different constructs in the form of proposed model.

Research Methodology

Loan as a product category was picked up for the study and respondents were the key people from the organisations who seek loans from banks. More specifically, the respondents were the loan seekers from different small enterprises of Ranchi, Jharkhand. Two banks have been picked up for the study namely the State Bank of India (the largest PSU bank of the country with a huge loan exposure particularly to the small and medium enterprises) and ICICI Bank (the largest private bank in India with total assets of INR 6,461 billion and a profit after tax of INR 111.75 billion as on march 31, 2015. ICICI Bank has a network of 4,450 Branches and 13,886 ATM’s across India.

The growing importance of SME lending is evident from the following excerpt. “SME Business Group had a portfolio of nearly 1,81,474 crores as of March 31, 2015, equal to 13.59% of the Bank’s total advances. The Bank is the pioneer and market leader in financing SMEs, with nearly 9 lakh SME borrowers. Within SME Business Group risk-mitigated product portfolio which comprises of supply chain financing, bill discounting facility, asset backed loan over draft against security etc. has grown at the rate of 28.14%. The newly introduced asset backed loan (ABL) has been very popular and portfolio under ABL has grown by 6,813 crores within a year from a near zero base.”(SBI Annual report, 2014-15).

The importance of SME lending is highlighted through the fact that SBI has nearly 600 branches which have been labelled as centres of excellence for SME lending. Among the new private sector banks, ICICI bank is in the lead position with more than 52 million customers.

Data and Sample

The study is restricted to the city of Ranchi, Jharkhand. ICICI Bank has ten branches in the city and State Bank of India has forty branches. Proportional allocation technique has been adopted to maintain uniformity and ensure homogeneity in sampling and make it representative.

Twenty respondents per branch were connected for both the banks. The number was arrived at on the basis of opinion provided by bankers of both the banks during the preliminary discussions. The sampling elements were the loan seekers from these banks for businesses judged
through a qualifying question. Respondents were connected from all the ten bank branches of ICICI and ten branches of SBI from the city limits of Ranchi. A target to connect 20 respondents per branch cumulated to a total proposed sample size of 400. However, of the total 400 people who were connected, 239 responses were received, thus having a response rate of 59.75 percent. Of these 239 filled in questionnaires, only 208 were usable. The response rate of respondents was slightly higher for the loan seekers from SBI. Out of 200 people who were connected from SBI, 128 valid responses were received and of the 200 respondents whose response was sought from ICICI bank 80 valid responses were received. Thus the response rate for SBI was higher at 64 percent compared to 40 percent for ICICI bank. The loans have been categorised as working capital loans, term loans and others.

The data was collected through a single structured questionnaire which was prepared on the basis of literature study. The questionnaire is based on the constructs and the hypothesised relationships. The questionnaire has been administered on loan seekers and the mall intercept survey technique was adopted. Mall intercept survey technique is an efficient technique of data collection. It has been argued that this method or technique consumes less resource, lower refusal rates and that the response quality is better than any other method, particularly, telephonic interviewing. This technique results in less omission of items while answering by the respondents and yields lower refusal rates (Bush & Hair, 1985).

The Scale(s)

The study has used the five point Likert scale against which response has been sought from the respondents with response values ranging from 1 to 5. The numerical value 1 corresponds to strongly disagree and value 5 corresponds to strongly agree.

Standard previously used scales have been adopted after pretesting for validity and reliability in the context of the present study. To measure perceived service quality the study has used the scale developed by Parasuraman, Berry and Zeithaml (1991). All the twenty two SERVQUAL items have been used. However though the SERVQUAL items have been adopted the performance only approach to measurement (SERVPERF) has been adopted which reduces the number of items by fifty percent thus making it more convenient. The SERVPERF approach has found many advocates, notably, Cronin and Taylor (1992); Finn and Lamb (1991) among others.

To measure consumer trust, the scale used by Rameshan et al (2013) to evaluate trust in the telecommunications sector has been adopted with minor modifications.

To measure loyalty the study has used the scale used by Pamies (2012) which is specific to the service sector involving the travel agencies. The scale is largely derived from the scale that has been proposed by Zeithaml, Berry and Parashuraman (1996) which was proposed to measure the first dimensions of behavioural intentions. Behavioural loyalty has been focussed upon in the study by Pamies (ibid) and the present study, in referring to loyalty, has also considered behavioural loyalty presuming this to be the most suited to evaluate and test the proposed relationships.

Results and Analysis

Measure of Scale Reliability

Descriptive data analysis has been carried out using SPSS 20 and the structural model has been tested using LISREL 8.8 (Jöreskog & Sörbom, 2006). The scale has been subjected to reliability
test based on the pilot study carried out. Cronbach’s alpha score has been used to assess the suitability of the constructs and the items. In measuring consumer loyalty, all the five items have been retained and in measuring consumer trust, from a total of eight items, three items have been deleted due to low Cronbach’s alpha score. The final Cronbach’s alpha and Guttman’s split half coefficient score of the items and the constructs show an acceptable value.

Table 1: Scale Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>No. of items</th>
<th>Cronbach's alpha</th>
<th>Guttman's split half coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Loyalty</td>
<td>5</td>
<td>0.851</td>
<td>0.831</td>
</tr>
<tr>
<td>Consumer Trust</td>
<td>5</td>
<td>0.853</td>
<td>0.814</td>
</tr>
<tr>
<td>Tangibility (Perceived service quality- PSQ)</td>
<td>4</td>
<td>0.849</td>
<td>0.885</td>
</tr>
<tr>
<td>Reliability (PSQ)</td>
<td>5</td>
<td>0.809</td>
<td>0.736</td>
</tr>
<tr>
<td>Responsiveness (PSQ)</td>
<td>4</td>
<td>0.759</td>
<td>0.868</td>
</tr>
<tr>
<td>Assurance (PSQ)</td>
<td>4</td>
<td>0.801</td>
<td>0.862</td>
</tr>
<tr>
<td>Empathy (PSQ)</td>
<td>5</td>
<td>0.766</td>
<td>0.785</td>
</tr>
</tbody>
</table>

Skewness and Kurtosis of Constructs

According to Bagozzi (1981), in evaluation of a structural model the input data must be tested for normality. The normal distribution model has become the most important probability distribution model in statistical analysis (Gupta & Gupta, 1996). Skewness and kurtosis are good measures through which normality of data can be ascertained. Skewness should be within the +2 to -2 range for the data to be normally distributed and in most cases is acceptable value. Kurtosis also should be within the +2 to -2 range when the data is normally distributed (George & Mallery, 2008). The skewness and kurtosis tests revealed the following values.

Table 2: Skewness and Kurtosis

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Loyalty</td>
<td>-.101</td>
<td>-.584</td>
</tr>
<tr>
<td>Consumer Trust</td>
<td>-.312</td>
<td>-.633</td>
</tr>
<tr>
<td>Perceived Service Quality</td>
<td>-.315</td>
<td>-.112</td>
</tr>
</tbody>
</table>

The values point to the data being normally distributed.

Cross Tabulation

Certain distinct trends were noticed when cross tabulation was carried out. These are interesting revelation and could be appropriately used by the marketer.
Table 3: Bank-Loan type Cross Tabulation

<table>
<thead>
<tr>
<th>Working Capital</th>
<th>LOAN TYPE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Term loan</td>
<td>Others</td>
</tr>
<tr>
<td>BANK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SBI</td>
<td>44</td>
<td>58</td>
</tr>
<tr>
<td>ICICI</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>77</td>
</tr>
</tbody>
</table>

Figure 2. Bank – Loan Cross tabulation Bar Chart

Table 4: Age-Loan type-Bank Cross tabulation

<table>
<thead>
<tr>
<th>BANK</th>
<th>LOAN TYPE</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Working capital</td>
<td>Term loan</td>
</tr>
<tr>
<td>SBI</td>
<td>less than 20</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>20 to 29</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>30 to 39</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>40 to 49</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>50 and above</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>58</td>
</tr>
<tr>
<td>ICICI</td>
<td>less than 20</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>20 to 29</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>30 to 39</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>40 to 49</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>50 and above</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>19</td>
</tr>
</tbody>
</table>

(Continued...)
### Figure 3. Age-Loan type cross tabulation for SBI Bank

<table>
<thead>
<tr>
<th>AGE</th>
<th>less than 20</th>
<th>20 to 29</th>
<th>30 to 39</th>
<th>40 to 49</th>
<th>50 and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2</td>
<td>9</td>
<td>1</td>
<td>12</td>
<td>82</td>
</tr>
<tr>
<td>20 to 29</td>
<td>27</td>
<td>28</td>
<td>11</td>
<td>66</td>
<td>112</td>
</tr>
<tr>
<td>30 to 39</td>
<td>35</td>
<td>25</td>
<td>18</td>
<td>78</td>
<td>142</td>
</tr>
<tr>
<td>40 to 49</td>
<td>6</td>
<td>3</td>
<td>11</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>50 and above</td>
<td>12</td>
<td>12</td>
<td>8</td>
<td>32</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>77</td>
<td>49</td>
<td>208</td>
<td>490</td>
</tr>
</tbody>
</table>

### Figure 4. Age-Loan type cross tabulation for ICICI Bank
For customers of SBI, the maximum disposition is towards term loan and the maximum term loan seekers are from the age group of 20-29. The inference that could be drawn is that there is a general disposition for SBI as a long term relationship partner. The Government backing SBI could be an important reason influencing public disposition of this kind. For customers of ICICI bank the maximum disposition is for working capital loan and the seekers of this loan type are from the age group 30-39.

**Structural Equation Modelling**

In carrying out structural equation modelling, before trying to establish causal relationship, confirmatory factor analysis has been carried out using the measurement model. Confirmatory factor analysis enables us to test how well the measured variables represent the constructs.

**Confirmatory Factor Analysis**

The study has a total of three latent constructs. Since perceived service quality is a highly diversified construct, second order CFA has been carried out and item parceling has been adopted. The standard classification of Parasuraman et al. (1991) is considered in adopting the five dimensions of service quality namely tangibility, reliability, responsiveness, assurance and empathy.

**Competing Models of Perceived Service Quality (CFA).**

Table 5: CFA values for different models of PSQ

<table>
<thead>
<tr>
<th>Model</th>
<th>Chi square(df)</th>
<th>Chi square/df</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five first order factors</td>
<td>311.15 (199)</td>
<td>1.95</td>
<td>0.88</td>
<td>0.85</td>
<td>0.052</td>
</tr>
<tr>
<td>Five first order and one second order factor</td>
<td>400.45(205)</td>
<td>1.56</td>
<td>0.85</td>
<td>0.82</td>
<td>0.068</td>
</tr>
<tr>
<td>One first order factor</td>
<td>1014.69 (209)</td>
<td>4.85</td>
<td>0.69</td>
<td>0.63</td>
<td>0.136</td>
</tr>
</tbody>
</table>

Table 5 presents values of the different competing models part of confirmatory factor analysis as a build up to item parceling.

Five first order factors and one second order factor has a strong theory base and the calculated statistics also are within the recommended values. The model is thus adopted to be part of the overall measurement model.

**Parameter estimates for the measurement model.**

Table 6: Measurement Model Values (CFA)

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Standardised loadings</th>
<th>T values</th>
<th>Squared multiple correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loyalty</td>
<td>Customer loyalty 1</td>
<td>63</td>
<td>9.48</td>
<td>0.40</td>
</tr>
<tr>
<td></td>
<td>Customer loyalty 2</td>
<td>80</td>
<td>12.97</td>
<td>0.63</td>
</tr>
<tr>
<td></td>
<td>Customer loyalty 3</td>
<td>71</td>
<td>11.12</td>
<td>0.51</td>
</tr>
<tr>
<td></td>
<td>Customer loyalty 4</td>
<td>80</td>
<td>13.03</td>
<td>0.64</td>
</tr>
<tr>
<td></td>
<td>Customer loyalty 5</td>
<td>73</td>
<td>11.40</td>
<td>0.53</td>
</tr>
</tbody>
</table>

(Continued...)
Table 6 authenticates the appropriateness of the items and the constructs. The analysis results for this study indicate that all items were loaded highly on their corresponding construct and the t-value of those items was greater than 2.0 which is an acceptable statistic (Segars & Grover, 1993; Bollen & Lennox, 1991). The analysis of the squared multiple correlations demonstrate that, except for a few items, most of the items met the recommended criteria of 0.40.

**Fit Statistics for the Measurement Model.**

<table>
<thead>
<tr>
<th>Fit Statistic</th>
<th>Recommended value</th>
<th>Value calculated</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi square</td>
<td>P&gt;=0.05</td>
<td>153.32 (p=0.00)</td>
<td>Not Fit</td>
</tr>
<tr>
<td>Chi square/df</td>
<td>&lt;=3</td>
<td>153.32/87=1.76</td>
<td>Fit</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt;=0.9</td>
<td>0.91</td>
<td>Fit</td>
</tr>
</tbody>
</table>

(Continued...)
The fit indices for the measurement model are suggestive of the acceptability of the model. In line with the measurement model, the fit indices for the structural model also vindicate the proposition of perceived service quality, consumer trust and consumer loyalty in a hierarchical relationship (refer Table 9). The structural model is fit in all indices except the chi square value.
The chi-square value, however, is not considered to be the best measure in all situations and is strongly related to the sampling dynamics.

**Path diagram of the basic model/structural model**

Hypothesis 1 that proposes a positive and significant relationship between perceived service quality and consumer trust has been very strongly supported with a standardised coefficient 0.71 and corresponding t value of 9.80 (refer Table 8). Specific to bank lending, the present study is in line with the findings of Chol and Hu (2009). The present study assumes special significance because it is possibly the first of its kind in the context of bank lending to SMEs validated through sample data from the state of Jharkhand. The revelation is the strength of perceived service quality in influencing consumer trust. Marketers have, therefore, every reason to build on influencing perceived service quality to positively influence consumer trust. The different dimensions of perceived service quality are tangibility, reliability, and responsiveness. Assurance and empathy are to some extent within the control of the marketer and thus the marketer can purposefully move towards influencing trust. Since most of the dimensions of PSQ are employee centric, a focus on employee through training could be an appropriate strategy.

Hypothesis 2 which proposes a relationship between consumer trust and consumer loyalty is also supported. The standardised coefficient value of 0.47 with a corresponding t value of 5.45 supports the proposed hypothesis (refer Table 8). This is in line with similar other studies by Spiros and Venetis (2002); Sirdeshmukh, Singh and Sabol (2002) where the specific influence of trust on loyalty has been empirically established. The hierarchical relationship between perceived service quality, trust and loyalty has also been vindicated in studies by Pamies (2012), Yieh et al (2007), among others.

The study specifically points to the need for building trust to generate consumer loyalty.

While perceived service quality evidently emerges as an area through which trust could be influenced, there could be other areas that could be evaluated to build on consumer loyalty. These have been proposed by some authors notably Doney et al (2007) where social interaction and open communication has been identified as antecedents of trust. Similarly in the study by Spiros and Venetis (2002) along with service quality, customer bonding (length of relationship) has been identified as an antecedent of consumer trust.
Thus it appears that there are other antecedents that could be evaluated in future studies.

**Significance of the Study**

The study provides valuable insights to the banks and other financial institutions regarding the influence of perceived service quality on trust and thereby on consumer loyalty in B2B settings. This empirical evidence also points to the commercial benefit that may be derived from investing on consumer trust (Hofstede et al, 2010).

The study also points to the need for providing credit to small businesses thus helping improve institutional lending. Institutional lending is likely to bring in the SMEs to the fold of organised lending and improve their competitiveness. The study will also significantly contribute to the service marketing literature in having identified new domains like the need for investing in consumer trust in business to business setting. This could emerge as focus areas that could be addressed by the B2B service marketers.

**References**


Author’s Profile

Somnath Mukherjee is an Assistant Professor in Department of Management, Birla Institute of Technology, Mesra (City campus, Ranchi), India. A PhD from Birla Institute of Technology, Mesra, he has a number of publications in national and international journals. He has nearly fifteen years of experience which includes industry, exclusive research in the area of IT localisation and e-governance and teaching. Special interest areas include services and industrial brand management, behavioural dynamics of organisations and individuals, management of medium and small businesses.