



**THE MEDIATING EFFECT OF CUSTOMER SATISFACTION
ON THE RELATIONSHIP BETWEEN SERVICE QUALITY
AND CUSTOMER RETENTION OF JAIZ BANK PLC IN THE
NORTHWEST, NIGERIA**

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ABSTRACT

As more conventional banks in Nigeria get license for operating non-interest windows as seen in the case of Sterling Bank PLC and Suntrust Bank Nigeria Limited, Nigerian banks operating strictly non-interest banking like Jaiz bank and Taj bank therefore have a stiffer competition to face from conventional banks in the country unlike before. A lot of studies have attempted to investigate the impact of service quality on customer retention in non-interest banking in Nigeria. However, existing studies rarely considered the possible mediating role of customer satisfaction in this nexus. Consequently, this study investigated the relationship between service quality reposed in the CARTER-servqual framework and retention of customers of Jaiz Bank Plc in northwest, Nigeria. To diverge from most of the existing Nigerian studies on the subject, this study considered the mediating role of customer satisfaction as an indirect factor in the service quality-customer retention nexus. 520 structured questionnaire was designed to elicit information on the perception of Jaiz bank's customers about their services in northwest Nigeria. The retrieved questionnaires were analyzed using Partial Least Squares (PLS)-Structural Equation Model (SEM), PLS-SEM. The empirical results of the study revealed that while service quality - measured by compliance, assurance, reliability, tangibles, empathy and responsiveness (CARTER) - has a significant impact on retention of Jaiz bank customers in northwest Nigeria, customer satisfaction mediated the relationship between service quality and customer retention and had a much more significant impact. Based on its findings, the study, recommends, among other things, that management of Jaiz bank Plc extends its coverage to other parts of Nigeria while paying important attention to CARTER as a

fundamental service quality framework for ensuring that they continue to retain their existing customers and attract new ones.

Keywords: Service Quality, Customer Satisfaction, Customer Retention, Non-interest banking, Northwestern Nigeria, PLS-SEM.

Introduction

Following the 2008 global financial crisis that hit most financial markets world-wide, actors in the banking industry have seen the need to diversify their services and financial products from the conventional operations which are largely based on interest-yielding activities (Ilieva et al., 2017). Consequently, several number of non-interest banking services including the so-called Islamic banking have since emerged. As many conventional financial institutions around the world now operate non-interest banking windows so as to diversify their operation and expand their revenue base (Abubakar et al., 2020; Sapovadia, 2015), the rising trends of full-fledged and partial non-interest based banking imply that the scramble for market shares in the global banking industry now lies between conventional and interest-free banks from which the banking public can choose.

Non-interest banking, otherwise known as Islamic banking, principally operates on the principles of profit/loss sharing and the prohibition of interest (whether paid or received on cash deposits and loans) according to the dictates of the Shariah or Islamic law (Ogiji, 2021). The Muslims, especially, have been calling for the establishment of non-interest banks bearing in mind their strong belief that the interest/usury on which conventional banking operates is strongly prohibited in Islam. The Qur'an forbids the charging of riba (interest) on money lent by or deposited in the bank

As a result of this, countries like Iran, Pakistan and Sudan employed the non interest financial system as the fulcrum for their economic and banking activities while other countries such as Bahrain, Malaysia, Saudi Arabia, Egypt, Algeria, including Nigeria adopted both conventional and non-interest banking systems (Badara et al., 2013). The provisions for the establishment and operation of non-interest banking through what is conceptualized as "Non-Interest Financial Institutions" (NIFI) was enacted by the Central Bank of Nigeria (CBN) in section 33(1) (b) of the CBN ACT 2007 and also section 4 (1) (c) of the regulation regarding the scope of banking activities and ancillary matters under this Act. The first non-interest banks to be granted approval by the CBN

to operate as full-fledged Islamic banks in Nigeria include Jaiz bank and Taj bank; while two existing conventional banks, namely Sterling bank and Stanbic IBTC, got approval to operate Islamic banking windows (Ogiji, 2021).

With their approval on ground, non-interest banks in Nigeria had to struggle with gaining new customers and retaining the existing ones in the beginning years of their operation due to the keen competition they face from rival conventional banks which mostly operate on interest-based policy. For instance, according to Jaiz bank's former managing director and chief executive officer, Hassan Usman, despite the fact that Jaiz bank Plc provided multitude of Shariah-compliant products/services to meet their customers' needs they still face serious competition in terms of patronage from the already established conventional banks (Premium Times, 2017).

Ilieva et al. (2017) contended that to attract as much customers as possible in the banking industry, the products/services offered by non-interest banks must, at least, be of the same quality as that of the ones offered by the conventional banks. Thus, the public must be convinced about the superiority of service quality and products available from non-interest banks. Furthermore, the findings of recent empirical studies have shown that the preference for one type of banking system over the other depends largely on service quality, which in turn influences consumer satisfaction, as well as, customer retention (e.g. Olannye et al., 2017; Solangi et al., 2019).

Service quality, SERVQUAL, is a significant factor in improving banks performance and determines their success, particularly in terms of their market share and profitability (Khan & Fasih, 2014). Banks, being service providers, view quality service as a veritable tool in maintaining competitive advantage at markets. Since financial services like banking operations varies in the market using differentiated products, such services are basically regarded as a competitive tool (Logasvathi & Haitham, 2015). In order to measure service quality empirically, the CARTER dimension to service quality introduced by Othman and Owen (2001), which acronyms compliance, assurance, reliability, tangibility, empathy and responsiveness has been applied in several studies investigating service quality and customer retention in non-interest banking (e.g. Abdullah & Robson, 2017; Ali & Raza, 2015; Osman et al., 2009).

However, there have been issues around whether service quality of non-interest banks is largely driven by the foregoing indicators of service quality alone or whether the role of other factors such as customer satisfaction as documented in the empirical findings of recent studies can mediate the influence of CARTER dimension to service quality on

customer retention (e.g. Sulaiman et al., 2021). Given this, the objective of this study is therefore to examine the effect of service quality on retention of customers with the customer satisfaction playing a mediating role in non-interest banks in Nigeria drawing evidence from Jaiz bank's customers in northwest Nigeria. Jaiz Bank Plc has been so chosen bearing in mind its long time of operation as a full-fledged non interest bank, and its spread within the region of interest. The remainder of the paper is structured as follows. Section 2 deals with the review of literature. Section 3 focuses on methodology and sources of data used in the study. Section 4 presents and analyse the data. Lastly section 5 concludes the study.

Literature Review

Non interest banking

The Institute of Islamic Banking and Insurance, IIBI, (2022) defines non interest banking, otherwise known as Islamic banking, as a system of banking or banking activity that is consistent with the principles of the Shari'ah (Islamic ruling)and its practical application through the development of Islamic economics. These principles are believed to have moral and ethical values and are of the universal appeal.

Similarly, Adeniyi (2018) defined interest free banking as a banking practice that is based on Islamic principles of Shariah which forbids collection of interest. In other words, it is a kind of banking system strictly guided by principles of Islam

Customer Satisfaction

Customer satisfaction in services has been defined as the degree to which service performance meets or exceeds the customer's expectations (Kumar, 2012; Lombard, 2009; Santouridis & Trivellas, 2010). Hui and Zheng (2010) defined satisfaction as an evaluative judgment of a specific transaction resulting from perceived quality.

In the words of Taghizadeh (2012), customer satisfaction is the result of a comparison between customer purchase of the expected performance with actual performance and perceived and payment expenses. This means difference a customer feels from comparing what is actual derived from a product/service and what was the expectation before

Service Quality

Service quality has been regarded as an antecedent of customer satisfaction (Kim, Hertzman, & Hwang, 2010), which in turn results in customer retention (Boonlertvanich, 2011).

Service quality has also been defined by Agyapong, (2011) as customer perception of how well a service meets or exceeds their expectations. That is, if a service so rendered is able to meet with what the consumer had earlier envisaged (or even exceeded his expectations), then, such a service is seen as having a quality which is satisfactory.

In the same vein, Kaura et al (2012) concluded that the quality of a service positively influences customer satisfaction and as such, service quality is of vital importance to customer satisfaction.

David & Baker (2013) are of the view that if a company gives quality service to its customers, it means that it has performed excellently since it is what promotes its reputation as an organization.

Othman and Owen (2001) developed CARTER model to measure quality of service in the Islamic banks. CARTER model is developed by adding compliance with the SERVQUAL model which had been earlier developed by Parasuraman et al. (1985) to measure service quality. Compliance is the Islamic principle dimension which captures items such as running on Islamic law/principles, no interest taken on savings and/or loans, provision of an Islamic products/services, providing interest free loans and provision of profit/loss-sharing investment products (Othman & Owen, 2001). Hence, CARTER model consists of six dimensions which are assurance, compliance, reliability, tangibles, empathy, and responsiveness.

Customer Retention

Retention of customer is the ability to retain customers and preventing them from switching to other service providers. It involves maintaining a long-term relationship with customers.

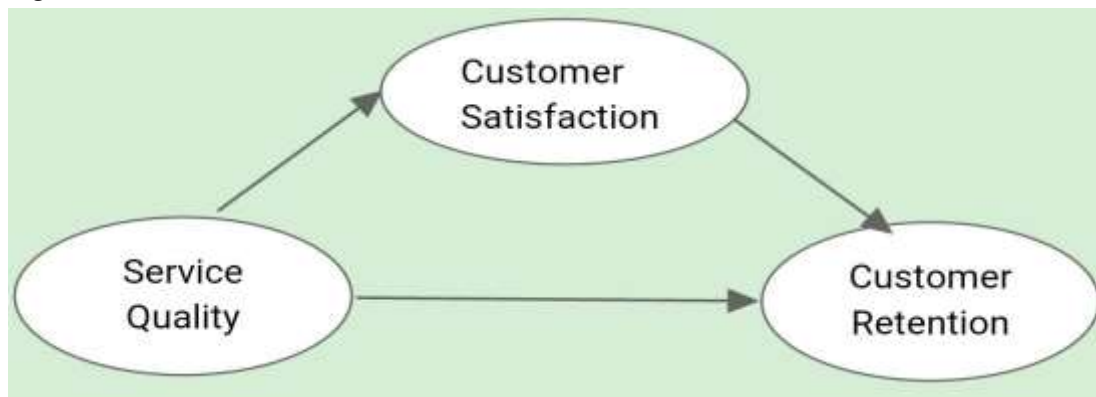
Kemal and Murat (2017) opined that customer retention (CR) is the set of activities an organization undertakes in order to reduce customer defections. Danesh, Nasab and Ling (2012) defined customer retention as “the future propensity of a customer to stay with the service provider. These definitions suggest that an organization is expected to put some measures in place to make sure their customers are made to remain in patronizing its products/service

Theoretical Framework

Theories explaining the link between service quality and customer satisfaction and customer retention in organisations can be identified in several literature of management science. However, the theoretical framework that is adopted in this work

is based on the holistic approach to trust, satisfaction and switching barriers by Ranaweera and Prabhu (2003). According to this theory, customer retention is viewed as the propensity for customers to stay with their service providers. Two sets of functional relationships are identified in this theory, namely (i) the effects of the three variables (namely trust, satisfaction and switching barriers) on customer retention, and (ii) the effects of switching barriers and trust on customer retention through customer's satisfaction.

Ranaweera and Prabhu (2003) observed that the more the level of satisfaction, the higher is the rate of customer retention. The authors observed that sometimes even after satisfying the customer, companies fail to retain the customers. This indicates that satisfaction is not the single factor influencing the long-term customer commitment with the organisation. Furthermore, the theory assumes that if the costs connected with leaving one service provider for another (switching barrier cost) is high, then the probability for customers to remain loyal with the current service provider remains high.



Conceptual Framework

Source: Developed by the Author based on Literature

Review of Empirical Studies

A great number of studies have investigated the link among service quality, customer satisfaction and customer retention across various organisations. In what follows, we provide a review of empirical literature on this link in the banking industry including both conventional and non-interest banks.

MohdKassim and Souiden (2007) investigated the factors that determine retention of customers of retail banks in the United Arab Emirates (UAE) using structural equation model. Variables employed to capture the independent variables include bank's image,

perceived service quality and satisfaction. Specifically, these variables included bank's responsiveness and empathy in service delivery; billing integrity, which include accuracy and procedures of handling customer account; banking environment, which represents the degree of the bank's efficiency and accessibility; and the degree of banks' effectiveness in providing updated information about their products/services. The findings of the study showed that bank's image directly and indirectly influenced customer retention through satisfaction while perceived service quality had no direct influence on customer retention. In a similar study by Jing-bo et al. (2008) on the factors that are responsible for customer retention in bankcard business of Chinese commercial banks using structural equation model, customer satisfaction, customer value, switching cost and trust were identified as the driving factors of customer retention. All the identified factors were found to have significant positive impact on customer retention, with customer value being the most important factor.

Badara et al. (2013) investigated the effect of service quality on customer satisfaction and customer loyalty in the Nigerian non-interest banks using 440 sample of Nigerians who were studying at Universiti Utara Malaysia (UUM). Six dimensions of service quality, namely tangibility, reliability, responsiveness, assurance, empathy and compliance were used to proxy service quality. Structural equation model and confirmatory factor analysis were employed for the study to analyse the responses elicited from the study sample on the perceived quality of service rendered by non-interest banks in Nigeria in terms of the six dimensions to service quality measure. Results of the study showed that responsiveness along with assurance are the main factors of service quality in Islamic banks in Nigeria. These factors are also significantly linked to customer satisfaction and customer loyalty.

Khalid et al. (2013) investigated the impact of quality service, relationship marketing, customer value, customer satisfaction and switching cost on customer retention using a sample of 180 customers purposively drawn from three branches of Bank NTT in Indonesia. The findings showed that quality service, relationship marketing, customer satisfaction and switching cost all had significant positive impact on customer retention, while the impact of customer value on customer retention was not significant. The study also found that the impact of relationship marketing to be most significant in driving customer retention. In the study by Ibojo (2015) which investigated the effect of customer satisfaction on customer retention with case study of commercial bank in Oyo State, Nigeria it was found that there was a significant positive relationship

between customer satisfaction and customer retention. It was also found that effective customer satisfaction had the capability to influence customer retention.

Daniel (2016) investigated the effect of service quality on customer retention among some banks in Kenya, using a descriptive cross-sectional research design. Primary data was collected from the selected banks' customers using a Likert type scale questionnaire. The dependent variable (customer retention) was measured using six indicators namely customer trust, customer satisfaction, level of involvement, communication effectiveness, switching barriers and price; while the explanatory variables (service quality) was proxies by servqual dimensions measure of service quality - namely, reliability, assurance, tangibility, empathy and responsiveness. Responses collected from the survey were analyzed using descriptive statistics and regression model. The findings of the study revealed that there was a significant positive relationship between the indicators of service quality and customer retention.

Ridho et al. (2016) investigated the impact of relations-marketing, service quality, customer orientation of service employees towards customer satisfaction and behavior intention (independent variables) on customer retention (dependent variable), using a sample of 400 customers of commercial banks and rural banks in Lampung Province, Indonesia. The findings revealed all the included independent variables had a significant positive impact on customer retention. Didit et al. (2017) investigated the role of service quality, customer satisfaction and corporate image (independent variables) on customer loyalty (dependent variable) using a sample of 250 customers of Indonesia's five largest banks in East Java. The sampled customers responded to a set of question items in the questionnaire designed to measure the relationship between the dependent and independent variables. It was found that service quality had significant positive effects on customer loyalty through customer satisfaction and corporate image. It was also found that customer satisfaction and corporate image had direct significant positive impacts on customer loyalty. The findings of the study further revealed that impact of corporate image on customer loyalty when compared with both service quality and customer satisfaction was more significant.

Olannye et al. (2017) investigated the role of electronic delivery service channels on customer retention in the Nigerian banking industry using a sample of 235 employees of selected banks in the Delta State metropolitan city of Asaba. The study adopted a cross sectional survey while statistical tools including correlation, multiple regression analysis and simple percentage were used in the analysis. The study found that Point of

Sales (POS) had a high positive impact on customer retention. The findings also showed a significant positive relationship between customer retention and effective mobile banking.

Darzi and Bhat (2017) investigated the role of personnel capability on customer satisfaction and customer retention of banks in India using structural equation modeling (SEM). The explanatory variables used in the study are personnel capability and customer satisfaction; while customer retention served as the explained variable. The findings showed that personnel capability and customer satisfaction have positive and significant relationships with customer retention. However, impact of personnel capability on customer retention is stronger than that of customer satisfaction. Furthermore, it was found that personnel capability had significant direct and indirect impact on customer retention. The impact of personnel capability on customer retention is mediated by customer satisfaction. The findings also showed that gender plays a moderating role in strengthening the relationship between personnel capability and customer satisfaction in the banks studied.

Mustapha et al. (2017) investigated the effect of service quality of non-interest bank on customers' satisfaction drawing a case-study evidence from a sample of 147 customers of Jaiz bank in Kaduna. The selected customers of the bank were asked to respond to a set of questions bordering on Jaiz bank's service quality. The quality of the bank's service was gauged in terms of CARTER dimension to service quality, namely compliance, assurance, reliability, tangibility, empathy and responsiveness. The selected bank's customers perception on the quality of Jaiz bank's service were analyzed using correlation and multiple regression. The findings of the study revealed that compliance with Islamic laws is highly correlated with customer satisfaction; followed respectively by assurance, reliability, tangibility, responsiveness and empathy dimensions. It was also found that that the six service quality dimensions significantly influenced the satisfaction of Jaiz bank in its Kaduna branch.

Baba et al. (2018) investigated the level of customer satisfaction on one of Jaiz bank's products, known as *Wadi'ah*, to identify the relationship between the product's characteristics and customer satisfaction using the Kano theory of customer satisfaction; which assesses a product's quality based on four criteria, namely perceived quality, cost, convenience and compliance. *Wadi'ah* is a Jaiz bank's service that allows a customer to deposit cash or other assets in the bank for safe keeping, while the bank may charge a fee for the safety of the customer's asset. As part of the contract in the

service, the customer is free to claim their asset anytime they wish. Using a structural equation modelling approach to analyse the responses elicited from a sample of 303 valid respondents on their perceived satisfaction with *Wadi'ah*, the findings of the study revealed that customers were satisfied with the product in terms of four criteria. In other words, the customers of Jaiz bank surveyed in the study found *Wadi'ah* to provide high quality service, cost effective, convenient to maintain and in compliance with Islamic non-interest and profit/loss sharing principle.

Solangi et al. (2019) investigated the relationship between marketing orientation and customer retention using a sample of 20 banks operating in Larkana, Pakistan. The items used to proxy the independent variables (namely, marketing orientation) include trust, commitment, communication and conflict handling. Responses were collected through close-ended questionnaire, and were measured on a 5-point Likert scale. The findings showed that there is a positive and significant relationship between marketing orientation and customer retention.

Bello et al. (2020) investigated the impact of Islamic bank services on customers' satisfaction drawing a case study evidence from Ja'iz bank Plc, using the logistic regression model. Using a cross-sectional survey data generated through structured questionnaire administered to a sample of 400 customers of Jaiz bank in Sokoto, Nigeria, the findings of the study revealed a significant positive relationship between bank services and customers' satisfaction. The study also found that customers were satisfied with the quality of services rendered by Ja'iz bank in its Sokoto branch.

Obananya (2020) investigated the impact of servqual dimension to service quality (namely assurance, reliability, tangibles, empathy and responsiveness) on customer loyalty of three famous commercial banks in south-east Nigeria, using a sample of 353 patrons of the banks. Relying on simple percentage analysis and regression model in analyzing the relationship, it was found out that tangibility, reliability, responsiveness and assurance have significant influence on customer loyalty in the banking industry. In a similar study by Sulaiman et al. (2021) which examined the mediating role of customer satisfaction in the relationship between service quality and customer loyalty in non-interest bank (Jaiz Bank) in Nigeria, using SEM technique, it was found that while service quality positively and significantly influenced customer satisfaction and customer loyalty, customer satisfaction did not significantly mediate the relationship between service quality and customer loyalty among customers of the Jaiz bank.Plc.

As seen in the foregoing literature, a lot of studies are abound in the literature on the relationship between service quality and customer satisfaction, or between service quality and customer retention, or between service quality and customer retention via the channel of customer satisfaction in non-interest banking using the CARTER framework; studies investigating the latter relationship in the context of Nigeria are still relatively scarce. Some of the Nigerian studies that have attempted to investigate these relationships including Baba et al. (2018), Badara et al. (2013), Bello et al. (2020) and Mustapha et al. (2017) have focused majorly on the direct relationship between service quality and customer satisfaction or between service quality and customer retention/loyalty without giving consideration for the dynamics of these relationships via the channel of customer satisfaction as a mediating factor. Yet the few studies that did consider the role of customer satisfaction as a mediating factor in these relationships as at the time of carrying out this research (such as Badara et al., 2013 and Sulaiman et al., 2021) either neglected the role of compliance described in the CARTER dimension to service quality (e.g. Sulaiman et al., 2021) or made generalization about CARTER dimension to service quality across all licensed non-interest banks in Nigeria (e.g. Badara et al., 2013). Currently, there are two licensed fully-fledged non-interest banks in Nigeria, namely Jaiz bank and Taj bank.

To diverge from these studies, this present study investigated the tri-patriate relationship amongst the three variables, namely service quality, customer satisfaction and customer retention using customer satisfaction as a mediating factor in the service quality-customer retention nexus, and with focus on Jaiz bank customers in Northwest Nigeria.

Methodology

To investigate the roles of service quality and customer satisfaction on customer retention of non-interest banks in Nigeria drawing evidence from Jaiz bank's customers, this study employed the positivist research philosophy. According to Saunders et al. (2019), positivist research philosophy follows the systematic approach to research as common in natural science, and it is based on observations of data that are aimed at building new theory or testing an existing one. Consequently, in applying the research philosophy, a deductive approach was developed based on the study's theoretical framework. Deductive approach is particularly relevant to this study since its purpose is to test a known theory (such as the CARTER dimension to SERVQUAL

as used in the present study) using the observed data on the phenomenon being investigated (Saunders et al., 2019). Lastly, as part of its methodology, a quantitative method of data collection and analysis was adopted. Specifically, structured questionnaire and Partial Least Squares Structural Equation Model (PLS-SEM) were used as the instrument and method of data analysis respectively.

Data used in the study were collected from a primary source using survey research strategy. Specifically, data was collected using structured questionnaire. The population of the study comprised all the customers of Jaiz bank in northwest Nigeria, which made up 40% (according to the operation manager of Jaiz Bank, Ali Akilu branch, Kaduna) of the total 1,280,380 Jaiz bank customers in Nigeria as at the time (October, 2022) of conducting this study. In other words, the population of Jaiz bank customers in northwest Nigeria as at the time of carrying out this research was 512,152. Northwest Nigeria comprises seven states including Jigawa, Kaduna, Kano, Katsina, Kebbi, Sokoto, and Zamfara states. From the target population, a sample size of 400 respondents was arrived at using the formula for sample size calculation by Dillman et al. (2014).

$$n = \frac{(N \times p \times q)}{(N - 1) \left(\frac{MoE}{2}\right)^2 + (p \times q)}$$

However, at the end of the exercise, a total of 520 respondents participated in the study, which is 120 more participants in excess of the sample size calculated for the study. The reason for this increase was to offset the shortage that could arise in three envisaged scenarios, namely: (i) some participants later declining to take part in the survey, (ii) some participants failing to return their questionnaires, and (iii) some participants recording invalid responses (i.e. missing, incomplete and/or multiple responses). Israel (2013, page 4) said “the sample size is often increased by 30% to compensate for non response. Thus, the number of mailed surveys or planned interviews can be substantially larger than the number required for a desired level of confidence and precision. To this end, a convenience sampling technique was adopted since the target sample were readily accessible at the various branches of the bank in the study area

All question items used to proxy the latent dependent and independent variables were on a 5-point Likert scale, namely: Strongly disagree=1, Disagree=2, Neutral=3, Agree=4, and Strongly Agree=5. The procedure for the data collection was through self-administration of the questionnaires.

Model Specification

The empirical PLS-SEM model adopted in this study follows similar specifications by Sulaiman et al. (2021) and Venturini and Mehmetoglu (2019). In its general econometric specification, the PLS-SEM model for this study is given as:

$$RT = \alpha + \beta SQ + \lambda SQ.(CU) + E.RT \quad 1$$

Where equation 1 expresses customer retention (RT) as a direct function of service quality (SQ), interaction between service quality and customer satisfaction (CU) and some random error term associated with customer retention (E.RT). Observe that equation 1 is a compact matrix representation of the latent dependent and independent variables (namely service quality, customer satisfaction and customer retention) proxies by their respective indicators. α , β and λ vectors of parameters to be estimated. Equation 1 was estimated using the Partial Least Squares Structural Equation Model (PLS-SEM) documented by Hair et al. (2014) and Kline (2016). Measures of the variables specified in equation 1 as well as their indicators (or proxies) were adapted from past and recent theoretical/empirical literature including Parasuraman et al. (1994), Zeithaml et al. (1996), Othman and Owen (2001) and Sulaiman et al. (2021). Each of the latent independent variables (namely customer satisfaction and service quality) and the latent dependent variable (namely customer retention) are estimated using their empirical measures as suggested in the foregoing studies. The validity and reliability of latent variables' measures as well as the robustness of their estimation results will be carried out using the Cronbach alpha's test, Composite Reliability, Average Variance Extracted (AVE), among others, as discussed in subsequent sections.

Results and Discussion

This section begins with the descriptive statistics of the variables and their robustness tests. As seen in Table 1, the mean values of service quality (measured by CARTER), customer satisfaction and customer retention are about 3.52, 3.70 and 3.76 with corresponding standard deviations of about 0.85, 0.84 and 0.79 respectively. The total

observation for the study is 432 - with 32 additional responses in excess of the calculated sample size.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic
<i>Assurance</i>	432	1.00	5.00	3.5787	.91238
<i>Compliance</i>	432	1.00	5.00	3.4134	.87850
<i>Tangibles</i>	432	1.00	5.00	3.8341	.78104
<i>Empathy</i>	432	1.00	5.00	3.6484	.87667
<i>Reliability</i>	432	1.00	5.00	3.2943	.81854
<i>Responsiveness</i>	432	1.00	5.00	3.3656	.82321
<i>Retention</i>	432	1.00	5.00	3.7641	.79466
<i>Satisfaction</i>	432	1.00	5.00	3.7015	.84662

Source: Author (2023)

The estimated PLS-SEM output results for the model specified in equation 1 are depicted in Figures1 and 2 below. The estimations were carried out using the *SmartPLS* statistical software.

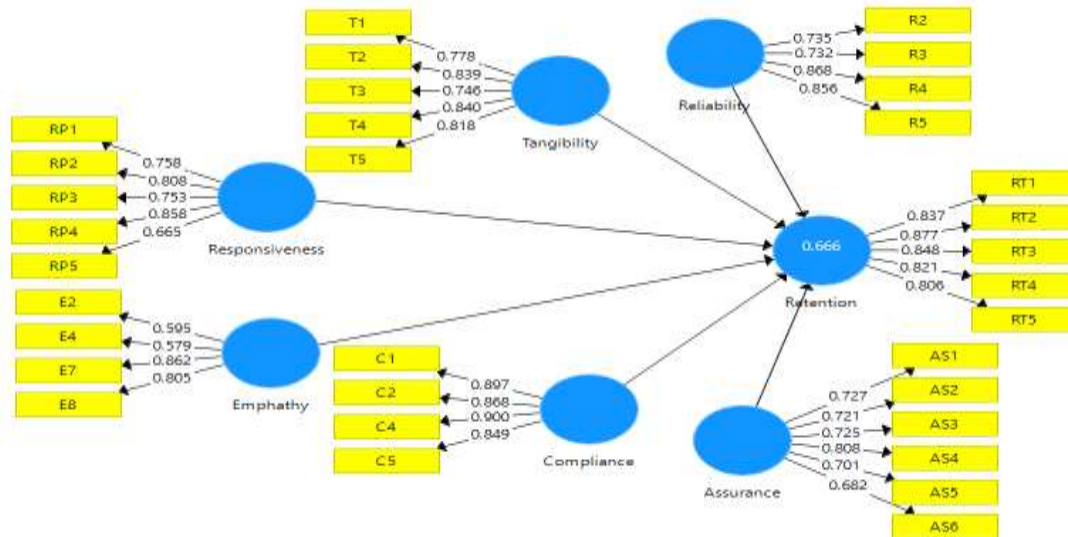


Figure 1: Path Diagram of Measurement (Outer) Model

Source: Author (2023)

Measurement (or Outer) Model

In order to evaluate the significance of the measurement model presented in Figure 1 in relation to the stated objective of this study, some standard assessment criteria were considered following Yahaya et al. (2019). These evaluation criteria include individual item (or indicator) reliability, internal consistency (or composite) reliability, convergent validity (average variance extracted, AVE) and discriminant validity (Yahaya et al., 2019). Each of these assessment criteria are discussed in sub-sections 4.4.1.1 through 4.4.1.4

Individual Item Reliability

Individual item reliability is usually evaluated by considering the value of the outer factor loading of each item or indicator measuring a particular latent construct (Hair et al., 2014). Manifest or observed variables (indicator variables) with an outer load of 0.7 or greater are considered to be highly acceptable. However, indicators with outer loadings between 0.40 and 0.70 may be considered for removal only if the deletion leads to an increase in composite reliability (CR) and AVE above their threshold values – which is expected to be higher than 0.50 for AVE and 0.70 for CR (Hair et al, 2014). As seen in Figure 1 and Table 2, more than 50 percent of the variance of the indicator is explained by the structure, and therefore giving acceptable item reliability.

Internal Consistency Reliability

To measure the internal consistency of the measurement model, the study employed two measurement reliability tests, namely: Cronbach's alpha and composite reliability (CR) statistics. Cronbach's alpha assumes that all indicators are equally reliable (Hair et al., 2014). In other words, it assumes that the indicators have equal outer loadings for the construct they measure - in our case, CARTER. CR statistics, on the other hand, assumes differences among the outer loadings. Consequently, as a result of this discrepancy both Cronbach's alpha and composite reliability are used together to check internal consistency (Hair et al., 2014). The rule of thumb requires that the value of CR be higher than 0.708 to be acceptable while that of the Cronbach's alpha must exceed 0.70 (Hair et al., 2014). As seen in Table 2, all these criteria for internal

consistency and measurement reliability are satisfied for the constructs. However, it should be observed that the Cronbach's alpha for "Reliability" is lower than 0.70, but this is compensated for by the value of its CR statistics, namely: 0.767.

Table 2 Individual Item Reliability, Internal Consistency Reliability, Convergent Validity and Discriminant Validity

	Factor loadings	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<i>Assurance</i>		0.828	0.853	0.879	0.594
<i>AS1</i>	0.727				
<i>AS2</i>	0.721				
<i>AS3</i>	0.725				
<i>AS4</i>	0.808				
<i>AS5</i>	0.701				
<i>AS6</i>	0.682				
<i>Compliance</i>		0.820	0.849	0.880	0.649
<i>C1</i>	0.897				
<i>C2</i>	0.868				
<i>C4</i>	0.900				
<i>C5</i>	0.849				
<i>Empathy</i>		0.777	0.827	0.850	0.543
<i>E2</i>	0.595				
<i>E4</i>	0.805				
<i>E7</i>	0.579				
<i>E8</i>	0.862				
<i>Reliability</i>		0.574	0.578	0.767	0.523
<i>R2</i>	0.735				
<i>R3</i>	0.732				
<i>R4</i>	0.868				
<i>R5</i>	0.856				

<i>Responsiveness</i>		0.842	0.897	0.874	0.537
<i>RP1</i>	0.758				
<i>RP2</i>	0.808				
<i>RP3</i>	0.753				
<i>RP4</i>	0.858				
<i>RP5</i>	0.665				
<i>Retention</i>		0.876	0.880	0.915	0.730
<i>RT1</i>	0.837				
<i>RT2</i>	0.877				
<i>RT3</i>	0.848				
<i>RT4</i>	0.821				
<i>RT5</i>	0.806				
<i>Tangibles</i>		0.833	0.843	0.899	0.748
<i>T1</i>	0.778				
<i>T2</i>	0.839				
<i>T3</i>	0.746				
<i>T4</i>	0.840				
<i>T5</i>	0.818				

Source: Author (2023)

Convergent Validity

Convergent validity, measured using the Average Variance Extracted (AVE) of each latent construct, was calculated by squaring the mean of indicators for constructs to confirm the convergent validity of the factors. The rule of thumb for acceptable AVE is that its value be higher than 0.50 (Hair et al., 2014). Table 2 shows that all AVE values were more than 0.50. Thus, model convergent validity was confirmed for the included constructs. The findings confirmed that the structure explains at least 50 percent of the variance in the indicators.

Discriminant Validity

Discriminant validity shows the extent to which a construct is truly distinct from other constructs by empirical standards. In other words, the discriminant validity implies that a construct is unique and captures phenomena not represented by other constructs in the model. Two measures of discriminant validity have been proposed in the literature, namely: cross loadings and the Fornell-Larcker criterion (see Hair et al, 2014). However, the discriminant validity approach adopted in this research is the latter test which is more conservative (Hair et al., 2014). The Fornell-Larcker criterion compares the square root of the AVE values with the latent variable correlations. This requires the square root of each construct's AVE to be greater than its highest correlation with any other constructs. The output of the Fornell-Larcker Criterion analysis is reported in table 3.

Table 3 Discriminant validity using Fornell and Larcker Criterion

	Assurance	Compliance	Empathy	Reliability	Response	Retention	Satisfaction	Tangibility
<i>Assurance</i>	0.771							
<i>Compliance</i>	0.703	0.805						
<i>Empathy</i>	0.565	0.566	0.737					
<i>Reliability</i>	0.661	0.554	0.462	0.723				
<i>Response</i>	0.507	0.549	0.715	0.473	0.733			
<i>Retention</i>	0.410	0.430	0.404	0.380	0.511	0.854		
<i>Satisfaction</i>	0.527	0.536	0.488	0.402	0.659	0.714	0.838	
<i>Tangibility</i>	0.701	0.638	0.631	0.610	0.595	0.373	0.419	0.865

Source: Author's Computation, using SmartPLs.

As seen in Table 3, correlations of a construct with every other construct is lower relative to the average square root variance extracted (AVE) along the diagonals, suggesting adequacy of discriminant validity of the statistically significant constructs. Consequent upon the foregoing evaluation criteria in sub-sections 4.4.1.1 through 4.4.1.4, the suggested conceptual model depicted in Figure 4.1 is therefore acceptable for the discussion of the objectives of this study, with confirmation of its adequate reliability, convergent validity and discriminant validity.

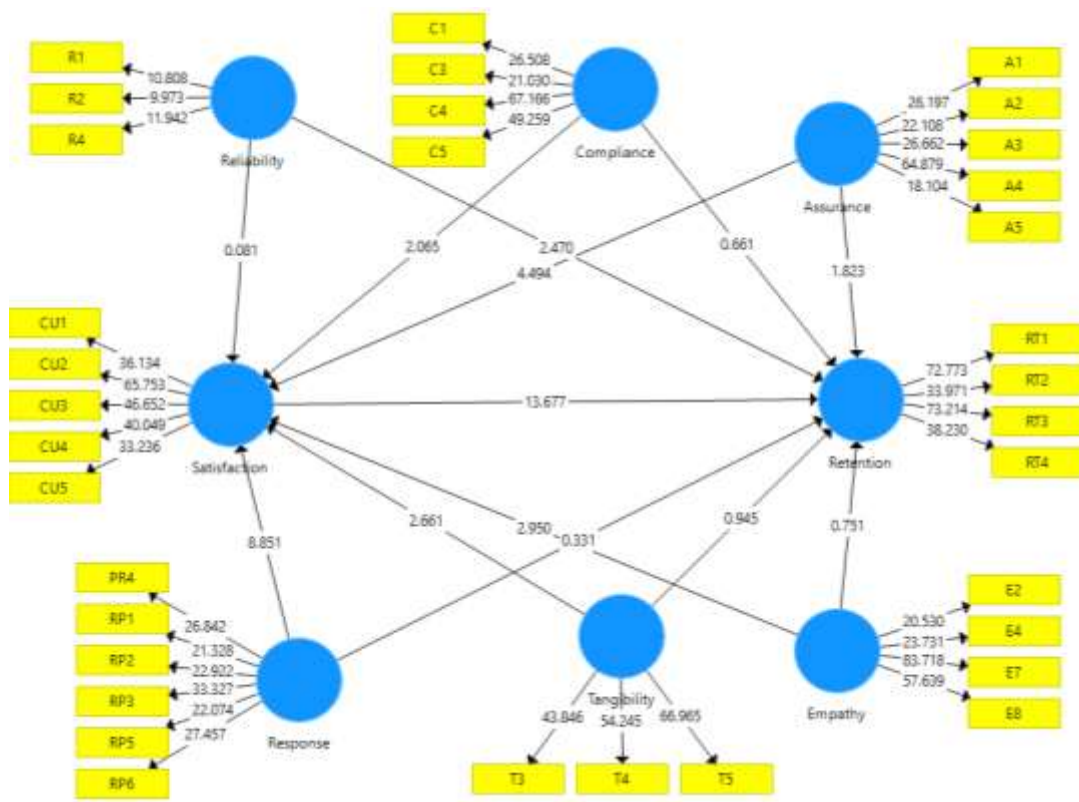


Figure 2: Path Diagram of Structural (Inner) Model {Source: Author ,2023}

Structural (or Inner) Model

Having confirmed the validity and reliability of the statistically significant items of the measurement model as discussed in sub-sections 4.4.1.1 through 4.4.1.4, the next stage assessed the results of the internal structural model. This includes observing the predictive relevance of the model and the relationships between the constructs; that is,

the latent endogenous variable (i.e. Customer Retention or Retention) and the latent exogenous variables [i.e. Customer satisfaction (or satisfaction) and service quality (proxies by CARTER)]. Basically, in line with the objective of this research, the inner model is analyzed in terms of direct and indirect relationships (or effects) between the latent exogenous variables (CARTER-servqual and satisfaction) and the latent endogenous variable (retention); as well as the total effect between them.

Furthermore, the significance of the inner model was gauged using assessment standards suggested by Yahaya et al. (2019). These include assessments of the significance of the path coefficients of the inner model (β -value) and T-statistic value, the coefficient of determination (R^2), the relevant probability value (P-value), the model's predictive relevance (Q^2) and effect size (f^2) - all of which are explained by the model.

Direct Effects

The direct effects examine the direct relationship or effects running from the latent exogenous variables (namely, CARTER-servqual) to the latent endogenous variable (namely, customer retention or retention). In line with the hypotheses advanced in this study, the path coefficients of these direct effects and their corresponding T-statistic and p-value are presented in Table 4. The null hypothesis (H_0) being tested here is that the path coefficient (β or Beta) depicting the direct effects between CARTER-servqual (namely, compliance, assurance, reliability, tangibles, empathy and responsiveness) and customer retention are not statistically significant.

Table 4 Path Coefficients for Direct Effects in the Inner Model

<i>Hypotheses</i>	<i>Direct Effects</i>	<i>Beta(β)</i>	<i>St. Dev.</i>	<i>T-Statistics</i>	<i>P-Values</i>	<i>Sig.</i>
<i>H01</i>	Compliance ->Retention	0.436	0.035	12.642	0.000	Yes
<i>H02</i>	Assurance ->Retention	0.512	0.062	8.206	0.000	Yes
<i>H03</i>	Reliability->Retention	0.196	0.051	3.843	0.000	Yes
<i>H04</i>	Tangibles->Retention	0.062	0.058	1.073	0.284	No

<i>H05</i>	Empathy ->Retention	-0.028	0.045	0.615	0.539	No
<i>H06</i>	Responsiveness->Retention	0.186	0.058	3.188	0.002	Yes

Source: Author (2023)

From the output of table 4, we anticipated that service quality (servqual) proxies by CARTER (compliance, assurance, reliability, tangibles, empathy and responsiveness) would influence customer retention (retention) significantly and positively (i.e. H_1) against H_0 . While the findings of Table 4 provide empirical support that service quality - via compliance, assurance, reliability and responsiveness - did have significant positive impact on customer retention; same conclusion, however, cannot be made for the impacts of empathy and tangibles aspects of CARTER-servqual on customer retention. Hence, H_{01} , H_{02} , H_{03} and H_{06} are rejected while their alternative hypotheses (H_{01} , H_{02} , H_{03} and H_{06}) are upheld. However, H_{04} and H_{05} are not rejected based on the empirical evidence presented in Table 4. The findings of the direct effects in the model provide empirical support for the significant and positive impact of the relationship between the latent endogenous variable (namely, customer retention) and the latent exogenous variables (namely, compliance, assurance, reliability and responsiveness).

Indirect Effects

According to Hair et al (2014), an indirect effect exists between the two constructs via a mediating construct. The mediating construct helps establish whether the independent variable's impact on the mediating variable can be extended to the dependent variable. Thus, the mediation in the present study is to ascertain the indirect effect of service quality (servqual) - proxies by CARTER - on customer retention (retention) through the possible mediating impact of customer satisfaction (satisfaction). The model representation of this effect is depicted by equation 1 and the inner structural model of Figure 2. The indirect effect according to Hair et al (2014) can be calculated as the product of the two direct effects. In our case, this is represented by the product of the estimated path coefficients of the CARTER-servquality->satisfaction and satisfaction -> retention path diagrams of Figure 2. The

null hypothesis (H_0) being tested here is that "there is no indirect or mediating relationship" in the path model depicted in Figure 2; or, better still, that "CARTER-servquality -> satisfaction -> retention" is not statistically significant. The outcome of this test is presented in Table 5.

Table 5 Path Coefficient for Indirect Effects in the Inner Model

<i>Hypotheses</i>	Indirect Effects	Lambda(λ)	St. Dev.	T-Statistics	P-value	Sig
<i>H07a</i>	Assurance - >Satisfaction - >Retention -	0.194	0.065	2.985	0.000	Yes
<i>H07b</i>	Compliance - >Satisfaction - >Retention -	0.094	0.068	1.382	0.100	No
<i>H07c</i>	Empathy - >Satisfaction - >Retention -	0.141	0.072	1.963	0.021	Yes
<i>H07d</i>	Reliability - >Satisfaction - >Retention -	0.003	0.057	0.053	0.253	No
<i>H07e</i>	Response - >Satisfaction - >Retention -	0.466	0.079	5.899	0.000	Yes
<i>H07f</i>	Tangibility - >Satisfaction - >Retention -	0.101	0.057	1.772	0.034	Yes

Source: Author (2023)

As seen in table 5, all the path coefficients, but Compliance ->Satisfaction ->Retention and Reliability->Satisfaction ->Retention, are strong and meet their a priori expected positive signs, suggesting statistical significance of their path coefficients for indirect

effects. This is further evidenced by their corresponding p-values and T-Statistics as can be seen in Table 5.

Total Effect

The total effect measures the sum of direct and indirect effects in the inner structural model (Hair et al, 2014). For the objective of this study, the total effect includes the sum of the path coefficients β in Table 4 and λ in Table 5. As seen in Table 6, the total effect of CARTER-service quality and customer satisfaction on customer retention is highest for the Assurance->Satisfaction ->Retention path followed by the Response ->Satisfaction ->Retention path. As expected, a weak total effect is found in both the Tangibles->Satisfaction ->Retention path and the Empathy->Satisfaction->Retention path due to their statistical non-significance in the direct path. Further empirical evidence on the significance of total effect is presented in Figure 3.

Table 6 Path Coefficient for Total Effects in the Structural Model

Path	Indirect	Direct	Total
<i>Assurance ->Satisfaction ->Retention</i>	0.194	0.512	0.706
<i>Compliance ->Satisfaction ->Retention</i>	0.094	0.436	0.530
<i>Empathy ->Satisfaction ->Retention</i>	0.141	-0.028	0.113
<i>Reliables ->Satisfaction ->Retention</i>	0.003	0.196	0.199
<i>Response ->Satisfaction ->Retention</i>	0.466	0.186	0.652
<i>Tangibility ->Satisfaction ->Retention</i>	0.101	0.062	0.163

Source: Author (2023)

Considering the disaggregated importance of CARTER-servqual proxies for establishing customer retention relative to the importance of customer satisfaction, it was observed that customer satisfaction is not only of primary importance; it also outperforms all the CARTER-servqual measures when they are considered in isolation. Again, the importance and performance of empathy and tangibles in establishing customer retention are lowest.

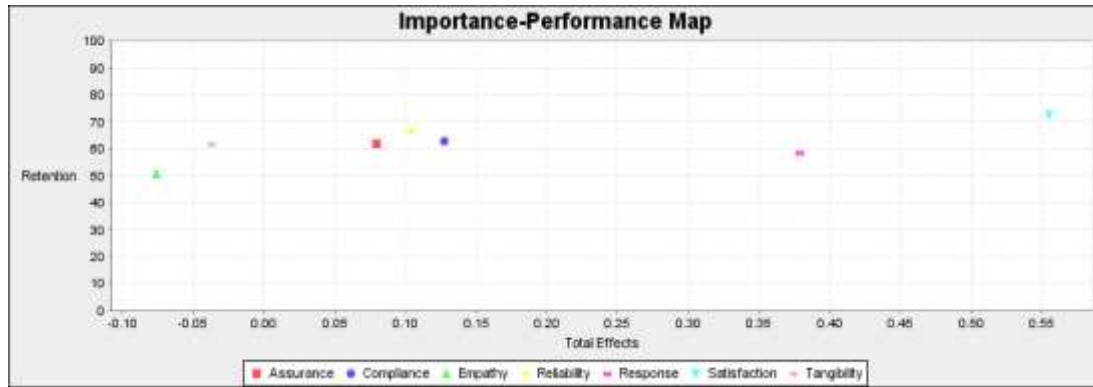


Figure 3 Importance Performance Matrix Analysis (IPMA)

Source: Author (2023)

Post-estimation Diagnostics/Model Overall Fit of the Structural Model

This sub-section examines the structural model's coefficient of determination (R^2), the effect size (f^2), and the model's predictive relevance (Q^2).

Coefficient of determination (R^2)

The coefficient of determination (R^2) measures the overall variance explained in the endogenous construct for the structural model and is thus a measure of the model's predictive accuracy. The R^2 value ranges from 0 to 1 with higher value (i.e. value close to 1) indicating higher level of predictive accuracy. According to Hair et al. (2012) and Henseler and Sarstedt (2012), R^2 values of 0.75, 0.50, or 0.25 for endogenous latent variables can be respectively described as substantial, moderate, or weak in scholarly research that focuses on marketing issues. In this current study, the R^2 for the inner path model was 0.524 (Table 7) for retention. This suggests that about 52.4% of the variance in customer retention is explained by the latent exogenous constructs CARTER-servquality and customer satisfaction. Similarly, the R^2 of 0.517 for satisfaction suggests that about 51.7% of the variance in customer satisfaction is explained by the latent construct service quality.

Table 7 Variance Explained (R^2) in the Endogenous Latent Variables

Construct	R Square(R^2)
Satisfaction	0.517
Retention	0.524

Source: Author (2023)

Measuring the Effect Size (f^2)

The f^2 is the degree of the impact of each exogenous latent construct on the endogenous latent construct. When an independent construct is deleted from the path model, it changes the value of the coefficient of determination (R^2) and defines whether the removed latent exogenous construct has a significant influence on the value of the latent endogenous construct. Guidelines for assessing f^2 according to Cohen (1988) are that values of 0.02, 0.15, and 0.35, respectively; representing small, medium, and large effects. The average effect sizes for service quality and customer satisfaction on customer retention was 0.07 each (Table 8). Hence, the values were relatively small.

Table 8 Effect size (f^2)

	Satisfaction	Effect Size	Retention	Effect Size
<i>Assurance</i>	0.045	Small	0.006	None
<i>Compliance</i>	0.014	Small	0.001	None
<i>Empathy</i>	0.028	Small	0.001	None
<i>Reliability</i>	0.000	None	0.013	Small
<i>Response</i>	0.337	Medium	0.000	None
<i>Satisfaction</i>	-	-	0.454	Medium
<i>Tangibility</i>	0.019	None	0.003	None

Source: Author (2023)

Assessment of Predictive Significance of the Model (Q^2)

According to Hair et al. (2014), model's predictive significance should be ascertained using stone-Geisser's (Q^2). Q^2 is only used relative to endogenous reflective constructs to ascertain its predictive significance in the model. The process of this test requires that the value of Q^2 be greater than zero. Table 9 presents the results of the Q^2 test.

Table 9 Blindfolding Predictive Relevance (Q^2) test

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
<i>Retention</i>	1988	1244.204	0.374
<i>Satisfaction</i>	2485	1593.769	0.359

<i>CARTER-servqual</i>			
<i>Assurance</i>	2485	2485	
<i>Compliance</i>	1988	1988	
<i>Empathy</i>	2485	2485	
<i>Reliability</i>	1491	1491	
<i>Response</i>	2982	2982	
<i>Tangibility</i>	1491	1491	

Source: Author (2023)

As seen in Table 9, the blindfolding Q^2 result for direct and indirect relationship in the model is $Q^2=0.374$ and $Q^2=0.359$ respectively, suggesting that for all the models i.e. direct and indirect models, Q^2 is above zero; hence, an indication which suggests predictive relevance of the model.

Discussion of Findings of the Study

The aim of this research was to investigate the mediating role of customer satisfaction (satisfaction) in the relationship between service quality (servquality) and customer retention (retention) of Jaiz bank Plc in Northwestern Nigeria. Service quality was measured by compliance, assurance, reliability, tangibles, empathy and responsiveness (CARTER). The findings of the study showed that the mediating role of customer satisfaction in the relationship between service quality and customer retention in Northwestern Nigeria was positive and statistically significant. This empirical finding agrees in part with the findings of the study by Badara et al. (2013) and Sulaiman et al. (2021) who found that customer satisfaction mediate the relationship between service quality and customer loyalty among customers of non-interest banking (namely, Jaiz bank) in the Northwest Nigeria. Furthermore, previous existing foreign studies such as Darzi and Bhat (2017), Ibojo (2015) and Teeroovengadum (2020) also found a significant positive relationship between customer satisfaction and customer retention, but without accounting for the mediating role of customer satisfaction in the service-quality-customer-retention nexus.

The significant factors leading to customer retention at Jaiz bank plc were identified through the CARTER dimension of service quality (servqual) or CARTER-servqual, and subsequently in the structural equation model. The findings of the study with respect to this direct impact of the indicators for the latent exogenous variable (CARTER-servqual) revealed that customers of Jaiz bank are willing to maintain their future patronage with the bank as long as the CARTER service quality and customer satisfaction currently driven by the bank subsists. Essentially, the impact of service quality is made manifest through customer satisfaction in the framework considered for this study. Furthermore, the CARTER service quality dimension including Compliance with Shariah namely, non-interest banking service and mutually shared profit and loss; Assurance, in terms of polite and friendly staff as well as financial advisory services; Reliability, in terms of security of transactions and quick service delivery; and Responsiveness, in terms of prompt and efficient customer services as well as credit facilities are of significant importance for retaining customers of Jaiz bank Plc.

The CARTER loadings driving the service quality (servqual) provides some considerable evidence on the significance of service quality on customer retention with significant impact found for compliance, assurance, reliability and responsiveness. The significance of these factors indicates their relative importance in terms of service quality on customer retention of non-interest banking in Northwestern Nigeria. According to the empirical findings of the studies by Abdullah and Robson (2017), Ali and Raza (2015), Badara et al. (2013) and Khan and Akhter (2017), CARTER dimensions to service quality, namely compliance, assurance, reliability and responsiveness each plays a significant positive role on customer retention or satisfaction as indicated by the empirical findings of this study. As seen in the empirical findings of this study, similar significant positive role of CARTER service quality dimension is also established.

Given the foregoing, attention of the management of non-interest banks (Jaiz Bank in particular) has to be paid to how to sustain their compliance with non-interest banking service, credible and reliable banking service, accessible information, good customer service and mutually beneficial advisory services in order to maintain continued future patronage from their customers. Moreover, special attention must also be paid to

pursuing good customer satisfaction to achieve such result. Based on its findings, it can be concluded that compliance, assurance, reliability, tangibility, empathy and responsiveness through the channel of the mediating role of customer satisfaction have positive significant weights on customer retention of non-interest banking in Northwestern Nigeria.

Conclusion/Recommendations

To investigate the effect of service quality and customer satisfaction on customer retention of non-interest banks drawing empirical evidence from Jaiz bank Plc in northwest Nigeria, the outcome of this study has no doubt helped provide scientific explanations on the impacts of service quality on customer retention of Jaiz bank Plc in Northwestern Nigeria. The findings of the study also revealed that customer satisfaction played a positive mediating role in how service quality impact customer retention in Jaiz bank. Particularly, the findings of the study tell us that attention be paid to CARTER dimension to service quality and customer satisfaction as both play significant positive roles in the service quality-customer retention relationship of Jaiz bank Plc in Northwestern Nigeria. The study's findings further established a significant relationship running from service quality to customer retention and from customer satisfaction to customer retention of Jaiz bank Plc in Northwestern Nigeria. The empirical findings of this study suggest that in order to maintain their customers' future and continual patronage, the management of Jaiz bank Plc in the Northwestern Nigeria must consistently pursue their non-interest objective while maintaining unparalleled customer service experience that adequately satisfies their customers from time to time. Doing this as suggested by the findings of this study will greatly enhance customer retention capacity of the bank.

In light of the foregoing, the following recommendations are made:

Adequate attention be given by the management of Jaiz Bank Plc to customer service. This is to help to build an excellent between the bank and its customers. This can be achieved by assigning experienced customer service representatives to handle their front office and customer service units.

Moreover, the management of the bank should make provision of mutually beneficial financial advisory services for their customer from time to time a priority. This will help customers get positive returns on their deposits in and loans from the bank, among others.

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