

Research Article

Assessing How Service Quality Influences Customer Trust in the Banking Sector

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Abstract: This conceptual study examines the critical role of service quality in fostering customer trust within the banking sector. As banks operate in an environment characterized by increased competition, digital transformation, and rising customer expectations, service quality has emerged as a fundamental determinant of trust. Drawing from established service quality models and trust-building theories, this paper explores how key dimensions such as reliability, responsiveness, assurance, empathy, and tangibles, shape customers' trust perceptions. The study underscores that consistent, transparent, and customer-focused service delivery enhances trust, which in turn contributes to stronger relationship commitment, customer loyalty, and positive behavioural intentions. The review further identifies the mediating influence of customer satisfaction and perceived value in strengthening the link between service quality and trust. This conceptual analysis provides a theoretical foundation for future empirical investigations and offers insights for banking institutions aiming to improve service performance and trust-building strategies.

Keywords: Service Quality, Customer Trust, Banking Services, Customer Satisfaction, Relationship Marketing, Perceived Value, Trust-Building Strategies.

INTRODUCTION

In today's highly competitive and digitally evolving financial landscape, banks face increasing pressure to deliver superior service experiences that not only satisfy customers but also cultivate long-term trust. As customers interact with banks through multiple service channels—including physical branches, online platforms, and digital banking applications—the quality of service they perceive becomes a decisive factor in shaping their overall trust in the institution. Trust has emerged as a crucial intangible asset for banks, influencing customer loyalty, retention, and positive behavioural intentions. Consequently, service quality stands at the core of banking success, playing a pivotal role in establishing credibility, reliability, and confidence among customers. Service quality, as conceptualized through dimensions such as reliability, assurance, responsiveness, empathy, and tangibles, provides a comprehensive framework to evaluate customers' perceptions of banking performance. These dimensions capture the essence of how well a bank meets customer expectations, addresses service-related concerns, and ensures a smooth and consistent service experience. Given the high-risk and high-involvement nature of financial transactions, customers tend to base their trust on cues related to service reliability, transparency, security, and professional competence. Thus, banks must continuously enhance service quality to reinforce trust and maintain a competitive edge. Customer trust in banking services is not merely a behavioural outcome but a psychological state rooted in positive experiences,

perceived fairness, and confidence in the bank's expertise and integrity. The interplay between service quality and trust becomes especially significant as customers increasingly rely on technology-based services, where human interactions are replaced or supplemented by automated systems. In such contexts, consistent communication, timely service, personalized attention, and robust security measures contribute significantly to building and sustaining trust. This study aims to conceptually explore the relationship between service quality and customer trust in the banking sector by synthesizing existing literature and theoretical perspectives. It highlights how service quality influences trust formation and identifies factors that strengthen or weaken this connection. By offering a comprehensive understanding of the service quality–trust nexus, this research provides valuable insights for banks seeking to enhance customer experience, strengthen trust-based relationships, and achieve sustainable growth in a dynamic service environment.

REVIEW OF LITERATURE

Theoretical foundations of service quality and trust. Service quality has been conceptualized as a multi-dimensional construct that captures customers' evaluations of service delivery against expectations. Early foundational work differentiated technical/what (outcome) and functional/how (process) dimensions of quality (Grönroos, 1984) and introduced the gap-based SERVQUAL framework—tangibles, reliability, responsiveness,

assurance and empathy—as a parsimonious way to measure perceived service quality (Parasuraman, Zeithaml, & Berry, 1988). Alternative measurement approaches such as SERVPERF emphasized performance-based measurement of the same dimensions (Cronin & Taylor, 1992). Trust in exchange relationships is treated in relationship marketing as a central relational construct—a customer's willingness to rely on a service provider based on expectations of benevolence, competence and integrity (Morgan & Hunt, 1994). The theoretical linkage between service quality and trust rests on the idea that consistent, competent and honest service cues reduce perceived risk and uncertainty, thereby enabling trust formation (Sir Deshmukh, Singh, & Sabol, 2002).

Service quality dimensions and their relevance to banking. Banking is a high-involvement, high-risk service context where reliability (accurate transaction processing), assurance (competence and security), and responsiveness (timely problem resolution) are especially salient. Studies adapting SERVQUAL and related instruments for banking consistently find that reliability and assurance are primary drivers of favourable customer evaluations and relational outcomes in financial services (Parasuraman et al., 1988; Cronin & Taylor, 1992; Grönroos, 1984). Empirical research in retail banking further shows that service quality dimensions explain substantial variance in customer satisfaction and relationship quality—precursors to trust and loyalty (Ndubisi, 2006).

Pathways from service quality to trust: mediators and mechanisms.

Several studies argue that the effect of service quality on trust is often indirect, operating through mediators such as customer satisfaction, perceived value, and relationship quality. For example, high perceived service quality increases customer satisfaction and perceived value, which then strengthen customers' confidence in the bank and willingness to rely on it (Sir Deshmukh et al., 2002). Relationship-marketing research frames trust and commitment as outcomes of quality interactions and communication; thus, service quality fosters trust when it consistently signals competence, fairness and dependable conduct (Morgan & Hunt, 1994; Ndubisi, 2006).

Empirical evidence from banking studies.

Empirical investigations in multiple banking contexts support a positive association between service quality and trust (Ndubisi, 2006; Ngo Vu Minh & Nguyen Huan Huu, 2016). Ndubisi's structural equation modelling in the Malaysian banking sector found that service quality and communication significantly influence relationship quality—an umbrella construct that includes trust and commitment (Ndubisi, 2006). Cross-national and sectoral studies similarly report that dimensions such as responsiveness and assurance are strong predictors of trust and loyalty in retail banking (Cronin & Taylor, 1992; Parasuraman et al., 1988).

Measurement and construct issues.

Measurement of trust in the brand/firm context has been operationalized by scales developed for brand trust and

relational trust; scale validity across contexts has been tested with mixed results, suggesting cautious adaptation when moving from product to service and from general brands to financial institutions (Delgado-Ballester, 2004). In banking research, scholars advocate combining service quality instruments with validated trust scales and testing mediation (satisfaction, perceived value) and moderation (technology adoption, perceived risk) effects to capture the full causal chain.

Research gaps and directions.

While the extant literature establishes a robust link between service quality and trust, gaps remain. First, rapid digitalisation of banking suggests the need to re-examine which service quality dimensions matter most in omnichannel settings (branch, online, mobile). Second, there is limited consensus on the relative roles of direct versus indirect (mediated) effects from quality to trust across cultural contexts. Third, longitudinal and experimental studies are sparse; most evidence is cross-sectional, limiting causal inference. Addressing these gaps will help refine theory and offer actionable prescriptions for banks aiming to build trust through service quality.

Objective of the Study

To examine the influence of key service quality dimensions, reliability, responsiveness, assurance, and empathy on building customer trust in banking services.

Statement of the Problem

In the rapidly evolving banking sector, customers increasingly expect high levels of service quality, transparency, and reliability. However, growing competition, digital transformation, and service inconsistencies often lead to reduced customer confidence and perceived risk in financial transactions. Many banks struggle to maintain consistent service standards across physical and digital platforms, resulting in weakened trust and dissatisfaction. Since trust is a critical factor influencing customer loyalty and long-term relationships, understanding how service quality contributes to trust formation becomes essential. This study addresses the gap by examining how key service quality dimensions, reliability, responsiveness, assurance, and empathy—collectively shape customer trust in banking services.

Research Gap

Although numerous studies have examined service quality in the banking sector, limited research has specifically focused on how individual service quality dimensions collectively influence customer trust, especially in a conceptual context. Most existing studies primarily emphasize customer satisfaction or loyalty as outcomes, leaving trust—an essential psychological determinant, less explored. Additionally, prior research often concentrates on either traditional banking or digital banking, without integrating both service environments to understand trust formation holistically. Many studies are empirical and context-specific, lacking a unified theoretical explanation of how reliability, responsiveness, assurance, and empathy contribute to trust building. Furthermore, rapid digital transformation has altered customer expectations, yet the

impact of these evolving service quality factors on trust remains under-discussed in the literature. This study addresses these gaps by developing a comprehensive

conceptual framework that links service quality dimensions directly to customer trust, offering deeper theoretical insights and guiding future empirical investigations.

RESEARCH METHODOLOGY

This study adopts a conceptual research design to explore the relationship between service quality and customer trust in banking services. The methodology is based on an extensive review of existing literature, theoretical models, and prior empirical studies related to service quality dimensions and trust-building mechanisms. Secondary data were collected from academic journals, books, and credible online databases. The study synthesizes insights from established models, relationship marketing, and trust theories to develop a conceptual framework linking reliability, responsiveness, assurance, and empathy with customer trust. This methodology enables the development of theoretical propositions and provides a foundation for future empirical validation.

Variable Type	Variable Name	Description
Independent Variable	Reliability:	Ability of the bank to provide accurate, consistent, and dependable services, including error-free transactions and timely service delivery.
Independent Variable	Responsiveness:	Promptness and willingness of bank staff to assist customers, respond to queries, and resolve issues quickly.
Independent Variable	Assurance:	Competence, courtesy, knowledge, and credibility of employees that build customer confidence and a sense of security in financial dealings.
Independent Variable	Empathy:	Personalized attention, understanding customer needs, and providing caring and individualized service.
Dependent Variable	Customer Trust:	Customers' confidence in the bank's integrity, reliability, and ability to deliver safe, transparent, and dependable services.

Conceptual Framework

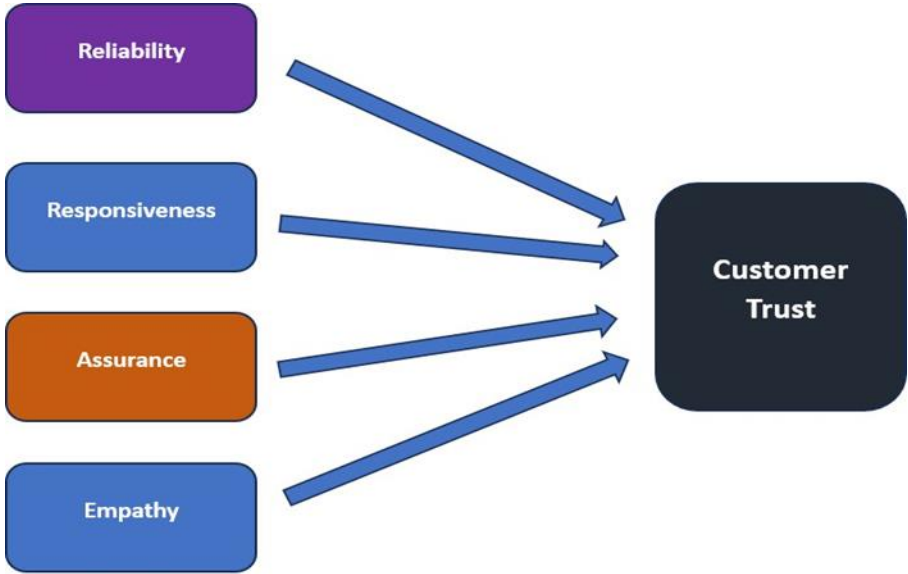


Fig 1 – Conceptual Framework

Explanation for Conceptual Framework

The conceptual framework of this study is built on the premise that service quality plays a crucial role in shaping customer trust in banking services. Drawing from some established model, the framework identifies four core dimensions of service quality—reliability, responsiveness, assurance, and empathy, as the primary independent variables that influence customer trust, the dependent variable. Reliability reflects the bank’s ability to deliver accurate and dependable services, while responsiveness captures the promptness with which customer needs and issues are addressed. Assurance encompasses the competence, courtesy, and credibility of banking staff, which help instil confidence in customers. Empathy highlights the importance of personalized attention and

understanding individual customer needs. Collectively, these dimensions form the foundation of perceived service quality, which, when delivered consistently, enhances customers’ confidence and reduces perceived risk, ultimately strengthening their trust in the bank. This framework provides a theoretical basis for understanding how service quality drives trust-based relationships in the banking sector.

RESEARCH DISCUSSION

Service quality is widely recognised as a fundamental driver of customer trust in the banking sector, where financial transactions involve high perceived risk and require strong relational confidence. Each dimension of service quality contributes uniquely to trust formation.

Reliability, is one of the strongest predictors of trust because customers depend on banks for accurate transactions, consistent service delivery, and fulfilment of promises. When banks demonstrate reliability, such as processing transactions correctly, ensuring system uptime, and providing predictable outcomes—customers perceive the institution as dependable and credible. This stability reduces uncertainty and strengthens trust (Parasuraman *et al.*, 1988; Cronin & Taylor, 1992). In contrast, service failures or inconsistencies can quickly erode trust due to the sensitive nature of financial dealings.

Responsiveness, also plays a crucial role in enhancing trust. In situations where customers require immediate assistance, quick responses and timely problem resolution indicate the bank's commitment to customer welfare. A responsive service environment—whether at the branch, call centre, or digital platform—signals attentiveness and customer orientation, which builds trust by assuring customers that their needs will be addressed promptly (Ndubisi, 2006). Delays or unaddressed complaints, however, may create dissatisfaction and weaken trust in the bank's intentions.

Assurance, which captures employees' competence, courtesy, and ability to instil confidence, is particularly significant in a high-risk sectors like banking. Customers rely on knowledgeable staff to provide accurate information, professional guidance, and secure handling of sensitive data. The perception of employee expertise and integrity fosters a sense of safety and reduces anxiety in financial decision-making (Sir Deshmukh *et al.*, 2002). In addition, assurance related to data privacy and secure digital transactions further strengthens trust in an era where cyber risks are growing.

Empathy, contributes by personalizing the service experience and addressing customers' emotional needs. When banks show understanding, provide individual attention, and treat customers with care, they build relational closeness and emotional security. Empathy signals that the bank values the customer beyond transactional interactions, which enhances trust and long-term attachment (Grönroos, 1984). This dimension is especially important in stressful financial situations, such as loan approvals, dispute resolution, or investment guidance, where emotional support influences trust. Overall, the interplay of reliability, responsiveness, assurance, and empathy collectively shapes customer trust by reducing perceived risk, enhancing satisfaction, and strengthening relationship quality. These findings align with relationship marketing theory, which posits that trust emerges from consistent quality interactions and credible behaviour (Morgan & Hunt, 1994). Hence, banks that prioritize service quality across these dimensions are more likely to build strong, long-term trust-based relationships with their customers.

Limitations

This study is conceptual in nature and relies solely on secondary data, which may limit the depth of practical insights. Since no primary data were collected, the findings

cannot be generalized to specific banking populations or market contexts. The study depends on previously published literature, which may contain contextual or methodological biases. Variations across countries, customer segments, and digital banking adoption levels are not fully captured. Additionally, the study does not empirically test the proposed relationships between service quality dimensions and customer trust. These limitations highlight the need for future empirical research to validate and refine the conceptual framework.

Future Scope of the Study

Future research can empirically test the proposed conceptual framework using primary data from customers across different banking segments. Studies may compare traditional and digital banking environments to examine how service quality dimensions influence trust in tech-driven contexts. Longitudinal research can explore how trust evolves over time with service improvements. Future work can also incorporate moderating variables such as customer perception of risk, digital literacy, and service innovation. Cross-cultural studies can analyse how service quality expectations differ across regions. Additionally, advanced analytical techniques like structural equation modelling can be used to validate and enhance the theoretical relationships proposed in this study.

CONCLUSION

This study highlights the vital role of service quality in building and sustaining customer trust in the banking sector. By conceptually examining the key dimensions of service quality—reliability, responsiveness, assurance, and empathy, the study demonstrates how each component contributes to creating positive customer perceptions and reducing uncertainty in financial interactions. Trust emerges as a crucial outcome of consistent and customer-centric service delivery, acting as the foundation for long-term relationships, loyalty, and favourable behavioural intentions. Although conceptual in nature, the study provides a strong theoretical base for understanding the service quality–trust relationship and underscores the need for banks to continuously enhance their service standards. The insights offer a meaningful direction for future empirical research, enabling banks to develop strategies that strengthen customer trust in an increasingly competitive and digitalized banking environment.

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