Service Quality, Customer Attitude, and Satisfaction as Determinants of Patronage Intention in the Nepalese Banking Sector

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Abstract

This study examines the effects of service quality, service attitude, and service satisfaction on patronage intention in Nepalese commercial banks. Using the cross-sectional research design, data were collected conveniently from 300 retail banking customers, and five direct structural paths were tested using CB-SEM. The findings show that service quality positively shapes customers' service attitude and enhances their service satisfaction, consistent with service quality (SERVQUAL) and attitude formation theories which argue that customers' evaluations of service performance influence their psychological responses. Service attitude was also found to significantly increase satisfaction. Furthermore, both service attitude and satisfaction emerged as strong predictors of patronage intention. By extending the SERVQUAL framework, this study highlights how functional evaluations (service quality) and affective responses (attitude and satisfaction) jointly drive customers' long-term behavioural intentions in the banking sector of developing economies such as Nepal.

Keywords: bank patronage intention, service attitude, service quality, service satisfaction

INTRODUCTION AND STUDY OBJECTIVES

In today's competitive banking sector, customer loyalty is largely driven by service quality rather than products alone (Kotler & Keller, 2006). As banking services are often similar, superior service delivery has become the key differentiator shaping customer attitudes, satisfaction, and subsequent patronage intentions (Holbrook & Chaudhuri, 2001). Service quality is typically conceptualised across dimensions of reliability, responsiveness, assurance, empathy, and tangibles (Parasuraman et al., 1988), each of which contributes to

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favourable customer evaluations. Recent studies further emphasise the role of multi-channel experiences, across in-branch, digital, and mobile platforms, in sustaining loyalty (Lemon & Verhoef, 2016).

Although Nepal's banking sector has expanded rapidly with regulatory reforms and technological adoption, banks continue to face challenges in meeting evolving customer expectations (Lama et al., 2025; Thakuri et al., 2023). Inconsistencies in reliability and responsiveness, particularly in digital channels, have widened the gap between expectations and perceptions (Ghimire & Gupta, 2020). While prior studies highlight a strong quality–loyalty linkage (Heskett et al., 1990; Parasuraman et al., 1988; Reichheld, 1993), evidence from Nepal shows that customer retention remains inconsistent despite improvements in service offerings (Bhattarai & Sharma, 2019; Shakya & Karki, 2025). This contradiction highlightsv the need to identify which aspects of service quality most strongly influence loyalty within Nepal's distinct blend of digital and traditional banking. However, few studies (Bhattarai & Sharma, 2019; Shakya & Karki, 2025) have examined patronage intention specifically, as most research in Nepal has focused on service quality's impact on satisfaction or loyalty rather than behavioural outcomes.

Despite extensive research on service quality and customer satisfaction, limited attention has been paid to how service attitude and satisfaction jointly influence patronage intention, which represents the core behavioural outcome for banks (Sah, 2023). While customer satisfaction is widely recognised as a key determinant of patronage intention (Oliver, 1997; Zeithaml et al., 1996), most studies have focused on developed economies, leaving a gap in understanding these relationships in emerging markets like Nepal. Similarly, examining these relationships in Nepal is necessary because its banking sector combines rapid digital expansion with ongoing reliance on traditional services, creating varying customer expectations and inconsistent service experiences. These unique conditions make it essential to understand how service attitude and satisfaction jointly shape patronage intention in an emerging-market context.

Prior research works (Parasuraman et al., 1988; Shakya & Karki, 2025) often isolate functional or attitudinal dimensions of service quality rather than integrating them to explain how these factors collectively drive customers' long-term banking behaviour. Addressing this gap is critical for identifying the pathways through which both functional and emotional service elements influence loyalty formation in emerging financial markets. This study addresses these gaps by examining how service quality shapes service attitudes and satisfaction, and how these constructs subsequently influence patronage intention in Nepalese commercial banks. By highlighting satisfaction as a determinant of behavioural intention, the study clarifies the mechanisms through which functional and emotional service elements drive customer loyalty.

This study extends the literature by providing empirical evidence from developing countries like Nepal and significant contribution in the domain of service quality and bank patronage. Furthermore, by incorporating the service quality (SERVQUAL) model, this study provides a fresh micro-foundational perspective by emphasising the importance of functional and emotional pathways for
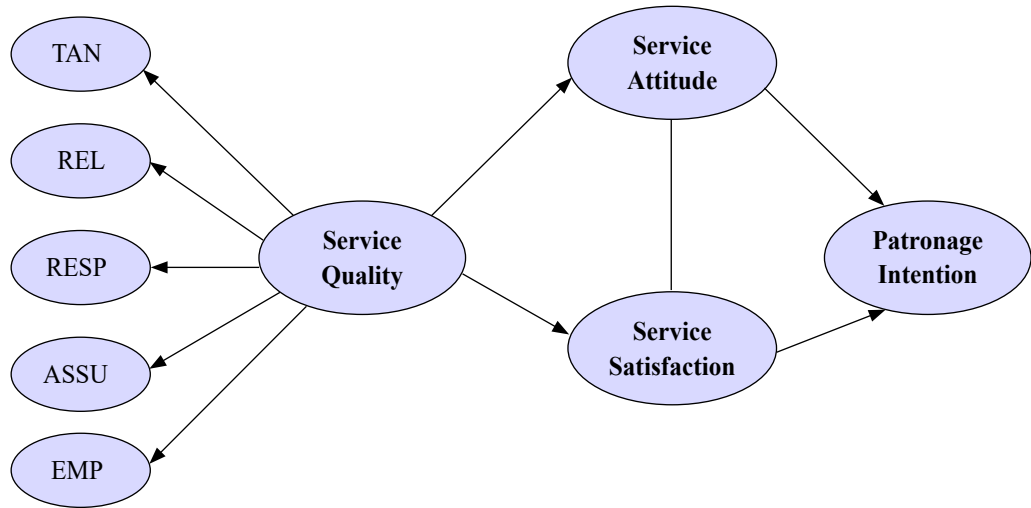
Figure 1. *Research Framework*
Note. From authors' creation

fostering service quality, customer loyalty, and long-term behavioural intentions.

LITERATURE REVIEW

Service quality is a multidimensional construct encompassing reliability, responsiveness, assurance, empathy, and tangibles, which significantly influence customer satisfaction and attitudes (Bitner et al., 1990; Parasuraman et al., 1985) and ultimately patronage intention, which represents the key behavioural outcome for banks. Customer satisfaction arises when service performance (SERVPERF) meets or exceeds expectations, shaping future behaviours such as bank patronage and loyalty (Oliver, 1980; Zeithaml et al., 1996). A recent Nepalese study by Sthapit et al. (2025) examining SERVPERF dimensions in the public transportation sector indicates that intangible service factors-such as empathy, assurance, responsiveness, and cultural alignment-exert a stronger influence on customer (commuter) satisfaction than tangible elements. Similarly, positive service attitudes, driven

by employee professionalism, empathy, and responsiveness, strengthen emotional connections with the bank, fostering trust and engagement. In addition, theoretical models such as SERVQUAL, Expectancy-Confirmation, and Satisfaction-Loyalty explain how service quality and attitudes translate into repurchase intentions and long-term loyalty. Likewise, empirical studies in banking consistently show that high service quality leads to higher satisfaction (Chitty et al., 2007; Saha & Theingi, 2009). In the contemporary banking context, especially with digital services, ensuring both functional and emotional service quality is crucial to enhancing customer retention and loyalty.

The research model incorporates five dimensions (i.e., tangibility, reliability, responsiveness, assurance, and empathy) of service quality developed by Parasuraman et al. (1985) as an independent variable. Likewise, the model incorporates service attitude and service satisfaction as a mediating variable. Bank patronage intentions have

been used as a dependent variable. This holistic and integrated research model has been developed based on the eminent studies of Parasuraman et al. (1988) and Zeithaml et al. (1996). Customer satisfaction is treated as a mediator because it has been consistently shown to drive patronage intentions, while service attitude is included to capture the emotional response component of service quality.

Service Quality and Service Attitude

Service quality is a multidimensional concept that reflects the ability of a service provider to meet or exceed customer expectations (Parasuraman et al., 1985). It consists of five key dimensions: reliability, responsiveness, assurance, empathy, and tangibility. Reliability refers to the ability of the service provider to deliver promised services consistently, while responsiveness is the willingness to assist customers promptly. Assurance encompasses the competence and courtesy of employees and their ability to inspire trust. Empathy involves understanding and addressing the unique needs of customers, and tangibility relates to physical facilities, equipment, and communication materials (Parasuraman et al., 1985, 1988).

Service attitude is the overall mind-set and behaviour of service employees during interactions with customers. This includes friendliness, professionalism, helpfulness, and willingness to assist, which significantly influence customer perceptions (Bitner et al., 1990). High service quality shapes positive customer attitudes by creating favourable experiences. When employees consistently demonstrate reliability, responsiveness, and empathy, customers perceive the service provider more positively (Zeithaml et al., 1996). Positive service attitudes also

reinforce trust and emotional engagement with the service provider, which in turn encourages long-term relationships (Saha & Theingi, 2009).

H_1: Service quality is positively associated with service attitude.

Service Quality and Service Satisfaction

Service satisfaction refers to the emotional response resulting from a customer's evaluation of the service experience (Oliver, 1980). It emerges when service performance meets or exceeds customer expectations. The five dimensions of service quality are critical determinants of service satisfaction. Reliability ensures consistent service delivery, responsiveness addresses customer needs promptly, assurance builds confidence, empathy fosters personalised attention, and tangibility communicates professionalism and quality (Parasuraman et al., 1985; Zeithaml et al., 1996).

Customers who perceive high service quality experience both functional and emotional satisfaction. In the banking context, reliability and responsiveness are particularly significant, as they ensure timely and accurate service, which directly influences satisfaction (Saha & Theingi, 2009). Satisfaction, in turn, strengthens the emotional bond between customers and the bank, creating loyalty and positive behavioural intentions. The Expectancy-Confirmation Theory suggests that when service meets or exceeds expectations, customers feel satisfied, which reinforces positive perceptions of the service provider (Oliver, 1980; 1997). These positive experiences not only generate satisfaction but also translate into stronger patronage intentions, reinforcing customers' likelihood to continue using the bank's services.

H_2: Service quality is positively associated with service satisfaction.

Service Attitude and Service Satisfaction

Service attitude plays a crucial role in determining service satisfaction. Employees' friendly, attentive, and helpful behaviour enhances customers' perception of service quality, shaping emotional responses that lead to satisfaction (Bitner et al., 1990; Tsai, 2011). The Attitude-Behaviour Theory posits that customers' attitudes towards the service provider influence their evaluation of service experiences (Ajzen & Fishbein, 1980). Cognitive Dissonance Theory further explains that when customer expectations align with the service received, satisfaction increases; if expectations are unmet, dissatisfaction occurs (Festinger, 1957).

In banking, employees' empathy, professionalism, and attentiveness strongly affect customer satisfaction. Positive service attitudes generate trust, reduce perceived risk, and increase the likelihood that customers will evaluate their service experience favourably (Boulding et al., 1993; Dick & Basu, 1994). By fostering positive interactions, banks can enhance customers' emotional attachment and overall satisfaction with services. By shaping satisfaction, positive service attitudes indirectly influence patronage intention, highlighting the importance of employees' behaviour in long-term customer retention.

H_3: Service attitude is positively associated with service satisfaction.

Service Attitude and Patronage Intention

Patronage intention refers to a customer's likelihood to continue using a service or repurchase in the future (Zeithaml et al., 1996). Positive service attitudes influence patronage intention by shaping favourable perceptions and emotional engagement. When employees demonstrate attentiveness, professionalism, and helpfulness, customers are more likely to trust the service provider and develop a sense of loyalty (Chitty et al., 2007; Gustafsson et al., 2005).

In banking, service attitudes foster long-term behavioural intentions, including repeat visits and recommendations to others. High service attitude enhances the overall experience, reinforcing trust and customer satisfaction. Customers with favourable attitudes are more inclined to engage in repeated transactions, thereby increasing patronage intention and contributing to the bank's long-term growth (Boulding et al., 1993; Dick & Basu, 1994). Thus, while service attitudes directly affect patronage intention, their effect is also reinforced through the satisfaction they help generate.

H_4: Service attitude is positively associated with patronage intention.

Service Satisfaction and Patronage Intention

Service satisfaction is a critical predictor of patronage intention. Satisfied customers are more likely to continue using services, remain loyal, and recommend the provider to others (Dick & Basu, 1994; Oliver, 1997). Satisfaction arises when service quality meets or exceeds expectations, and when employees exhibit positive attitudes towards customers (Chitty et al., 2007; Zeithaml et al., 1996).

In banking, service satisfaction strengthens emotional bonds, trust, and commitment, which directly influence patronage intention. Customers who feel satisfied with functional (accuracy, efficiency)

and emotional (empathy, trust) aspects of service develop loyalty and are motivated to maintain a long-term relationship with the bank (Gustafsson et al., 2005; Saha & Theingi, 2009). Positive service experiences act as a buffer against potential service failures, ensuring that satisfied customers continue their engagement with the service provider. This confirms that satisfaction is a key determinant of patronage intention, supporting its mediating role in the proposed model.

H_5: Service satisfaction is positively associated with patronage intention.

RESEARCH METHODS

Research Design and Data Collection

A cross-sectional research design was adopted, administering a five-point Likert scale survey instrument among individuals using banking services from diverse demographics. Total 350 (intended sample size) survey questionnaires were administered online using Kobo toolbox and returned with response rate of 86%, 300, and the exclusion of the missing data along with responses having constant, binary, high low, increasing and decreasing scale -unengaged responses-using Stats Tool Packages provided 297 (achieved sample size), which were finally incorporated in the sample for analysis.

Data Analysis Tools

Second-order CFA can be used to test the assumption that the correlations among a set of first-order factors are accounted for by one or more higher-order factors (Brown, 2006, p. 323), and this study assumed that correlations among TANG, REL, RESP, ASSU, and EMP (First-order factors) are accounted for by SQ (second-order factor).

The structural path was proposed as suggested by scholars (e.g., Chuang & Liao, 2010; James et al., 2006; MacKinnon et al., 2002), using the covariance based structural equation modelling (CB-SEM) in six steps (Malhotra & Dash, 2022): (1) Define the individual constructs (2) Specify the measurement model (3) Assess measurement model reliability and validity (4) Specify the structural model (5) Assess structural model validity (6) Draw conclusions. SEM is different from other multivariate analyses due to its unique feature of integrating the multiple and interconnected dependence relationships in a single model (Kline, 2023). Similarly, "SEM provides a better balance of Type I error rates and statistical power by simultaneously testing both paths from an independent variable to a mediator and from the mediator to the dependent variable" (MacKinnon et al., 2002, p.83). Given the sample size, as suggested by Hair et al. (1998), this study used the Maximum likelihood estimation procedure, suitable for a smaller sample size. The individual steps are presented and explained in subsequent sections.

Measurement and Instrumentation

Five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Service quality was conceptualised as having five dimensions (Parasuraman et al., 1988). SQ (second-order factor) includes five dimensions (first-order factors) - tangibility, reliability, responsiveness, assurance, and empathy. Tangibility includes four items (TANG1, TANG2, TANG3, and TANG4); a sample item includes "The modern equipment of my bank is sufficient."

Similarly, reliability includes four items (REL1, REL2, REL3, and REL4); a sample item includes "My bank provides service at

the promised time." Responsiveness includes three items (RESP1, RESP2, and RESP3); a sample item includes "My bank gives prompt service to customers." Assurance included four items (ASSU1, ASSU2, ASSU3, and ASSU4); a sample item includes "My bank's employees are consistently courteous to customers." Empathy included four items (EMP1, EMP2, EMP3, and EMP4); a sample item includes "My bank has my best interests at heart."

Furthermore, Service attitude includes four items (ATT1, ATT2, ATT3 and ATT4); a sample item includes "My overall attitude towards my bank is positive" (Malhotra & Dash, 2022). Service satisfaction includes four items (SAT1, SAT2, SAT3, and SAT4); a sample item includes "I am satisfied with my bank's services" (Malhotra & Dash, 2022). Patronage intention includes three items (PAT1, PAT2, and PAT3); a sample item includes "I will continue to patronise the services of my bank in the future" (Malhotra & Dash, 2022). The psychometric properties of measurement model are presented in Table 1.

Study Limitations

This study is subject to several limitations. First, the use of covariance-based SEM may have restricted the analysis of formative constructs and non-normal data distributions; future studies could adopt other advanced statistical tools to address these methodological constraints and enhance model robustness. Second, reliance on Likert scale questionnaires may introduce response biases and limit the depth of respondents' attitudes, as such scales treat ordinal data as interval. Incorporating qualitative methods such as interviews or focus groups could complement quantitative findings and provide richer insights. Third,

the cross-sectional design restricts the ability to capture temporal changes in customer attitudes and satisfaction. Finally, the study model can be advanced by empirically validating studies mediating the roles of service attitude and satisfaction to better explain how service quality translates into patronage intention. Future research could conduct longitudinal studies in Nepal to capture changes in customer attitudes over time and explore additional mediating factors such as trust or perceived value in digital banking contexts.

DATA ANALYSIS AND DISCUSSION

This subsection presents the results of the data analysis and discusses them in relation to the study objectives.

Socio-Demographic Profile

Among the socio-demographic profile, education level is distributed as follows: = +2 level education accounts for 15.5%, bachelor level education for 77.8%, master level education for 6.4%. Bachelor's level education holds the highest proportion. In terms of age, the age group of 15-25 years accounts for 85.5%, 26-35 years comprises 12.1%, and 36 years and above comprises 2%. Among these, 15-25 years hold the highest proportion. In terms of gender, males account for 54.9% and females account for 44.8% with which highest proportion being of females.

Measurement Model Reliability and Validity

To validate the scales, the researcher configured and tested an eight-factor measurement model by conducting the confirmatory factor analysis (CFA). Results showed that the hypothetical eight-factor

Table 1
Service Quality Model: Psychometric Properties of Measurement Model

When it comes to…	Loadings	Measurement Error Variance
TANG1: Modern equipment	0.68	0.54
TANG2: Visual appeal of physical facilities	0.67	0.55
TANG3: Neat, professional appearance of employees	0.65	0.58
TANG4: Visual appeal of materials associated with the service	0.78	0.39
REL1: Keeping a promise by a certain time	0.63	0.60
REL2: Performing service right the first time	0.76	0.42
REL3: Providing service at the promised time	0.70	0.51
REL4: Telling customers the exact time the service will be performed	0.60	0.64
RESP1: Giving prompt service to customers	0.71	0.49
RESP2: Willingness to always help customers	0.72	0.48
RESP3: Responding to customer requests despite being busy	0.69	0.52
ASSU1: Employees instilling confidence in customers	0.62	0.62
ASSU2: Customers' safety feelings in transactions (e.g., physical, financial, emotional, etc.)	0.56	0.69
ASSU3: Consistent courtesy to customers	0.74	0.45
ASSU4: Employees' knowledge to answer customer questions	0.61	0.63
EMP1: Giving customers individual attention	0.75	0.44
EMP2: Dealing with customers with care	0.76	0.42
EMP3: Having customer's best interests at heart	0.77	0.41
EMP4: Understanding specific needs of customers	0.72	0.48
Overall attitude towards your bank (items reverse coded):	0.79	0.38
ATT1: Favourable 1—2—3—4—5 Unfavourable	0.79	0.38
ATT2: Good 1—2—3—4—5 Bad	0.81	0.35
ATT3: Positive 1—2—3—4—5 Negative	0.83	0.31
ATT4: Pleasant 1—2—3—4—5 Unpleasant	0.77	0.41
SAT1: I believe I am satisfied with my bank's services	0.83	0.31
SAT2: Overall, I am pleased with my bank's services	0.75	0.44
SAT3: Using services from my bank is usually a satisfying experience	0.77	0.41
SAT4: My feelings towards my bank's services can be best characterised as	0.69	0.52
PAT1: The next time my friend needs the services of a bank I will recommend my bank	0.76	0.42
PAT2: I have no regrets of having patronised my bank in the past	0.77	0.41
PAT3: I will continue to patronise the services of my bank in the future	0.79	0.38

Note. TANG refers to tangibility; REL refers to reliability; RESP refers responsiveness; ASSU refers to assurance; EMP refers to empathy; EMP refers to empathy; ATT refers to service attitude; SAT refers to service satisfaction; and PAT refers to patronage intention.
Note. Calculations based on the data from authors' field survey, 2025

Table 2
Descriptive Statistics, Reliability, and Validity

Construct	Mean	St. Dev	Construct Reliability	Average Variance Extracted	Correlation Matrix			
					1	2	3	4
1. SQ	3.42	0.60	0.73	0.84	0.92			
2. ATT	3.60	0.75	0.81	0.75	0.78***	0.87		
3. SAT	3.50	0.69	0.76	0.70		0.83***	0.84	0.81
4. PAT	3.56	0.73	0.82	0.65		0.84***	0.87***	

Note. ***P < 0.001. *P < 0.05; Value on the diagonal of the correlation matrix is the square root of AVE.

Note. SQ refers to service quality; ATT refers to service attitude; SAT refers to service satisfaction; and PAT refers to patronage intention. Authors' calculations based on field survey data, 2025.

Note. Calculations based on the data from authors' survey, 2025

measurement model fits the data well. (377, N=300) =757.21, p<0.001, CFI = 0.92, IFI =0.92, RMSEA = 0.05, which is acceptable except for the chi-square, which is significant. Assessing the overall model fit merely based on chi-square is not appropriate because the chi-square value is sensitive to sample size (Bentler & Bone, 1980; Jöreskog & Sorbom, 1993). The measurement model produced a chi-square to DF ratio of 2, which was below 5, indicating the "reasonable fit" of the model (Jöreskog & Sorbom, 1993).

The study assessed other psychometric properties, in addition to modification indices, of the scales, like composite reliability and validity, as shown in Table 1. Regarding the composite reliability (CR), the scales outstripped the recommended critical level of 0.70; thus, the researcher reasonably concluded the scales are reliable. To test the convergent validity, average variance extracted (AVE) was calculated in terms of completely standardised loadings, and results showed all values of AVE meeting the critical level of 0.5, so the measures exhibited sufficient convergent validity. Likewise, as indicated in Table 1, the study

disconfirmed discriminant validity because the square roots of the AVE were less than the correlation coefficients in one case.

Specifying the Structural Model

Based on the prior research studies, the study hypothesised that SQ would be positively related to ATT and SAT. Similarly, ATT would be positively associated with SAT, and ATT and SAT are positively associated with PAT. The underlying mechanism of the structural relationships is presented in Figure 2.2, where five dimensions were indicators of SQ, and SQ itself was a second-order construct and therefore the arrow flowed out from SQ to ATT and SAT (Figure 2.2). On the right-hand side of Figure 2.2, ATT was linked with SAT, as hypothesised that ATT would be positively associated with SAT. Similarly, ATT and SAT were linked with PAT, as hypothesised that ATT and SAT would be positively associated with PAT. This study emphasised the relationships between latent constructs and observed variables to be shifted from the nature and magnitude of relationships among the constructs (Malhotra & Dash, 2022). Then, the study tested the structural model by
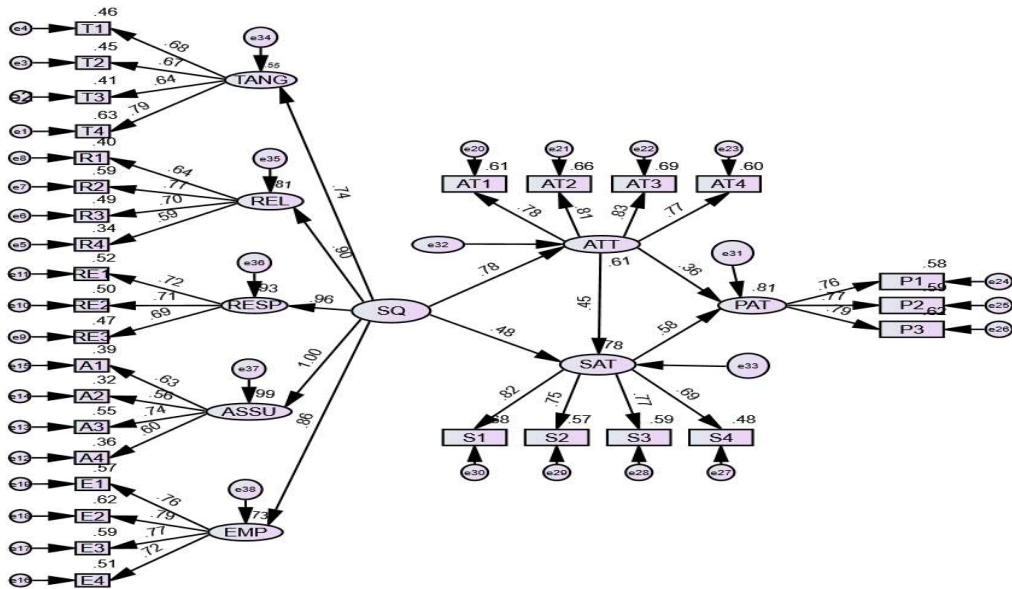
Figure 2. *Second-order Factor Structural Model*

Note. Calculations based on the data from authors' survey, 2025

freeing the structural linkages and fixing the factor loading of one indicator per construct to a value of unity. Similarly, I permitted all the measured indicators to be loaded on only one construct each and did not allow the error terms to be correlated with each other. Then, factor loadings and error variances were estimated together with the structural parameters in the specified structural model. Finally, the standardised estimates were compared with the parallel estimates produced in the measurement model to trace any inconsistencies (differences > 0.05), and such a comparison did not show any inconsistencies, as no estimates were found having differences larger than 0.05. Thus, this approach also takes the fit indices of the measurement model as bases for evaluating the fit indices of the structural model.

Assessing Structural Model Validity

The validity of the structural model was tested using (1) examining the fit and (2) testing structural relationships and hypotheses.

Assessing Fit: As indicated in Table 2.2, the estimation of the structural model with the same sample (N = 300) yielded the fit indices that were more of the same as the fit indices of the measurement model [(377, N=300) =757.21, p<0.001, CFI = 0.92, IFI =0.92, RMSEA = 0.05] providing a better model fit.

Testing Structural Relationships and Hypotheses: The Structural relationships between SQ, ATT, SAT, and PAT were converted into five direct hypotheses. The findings revealed that significant association between SQ and ATT (Standardised $\beta = 0.78$; $p < 0.001$), as well as SQ and SAT ($\beta = 0.48$; $p < 0.001$). Thus, H_1 and H_2 were supported.

Similarly, findings revealed a significant association between ATT and SAT ($\beta = 0.45$; $p < 0.001$); thus, H_3 was supported.

Table 3
Structural Model Coefficients

Dimensions of Service Quality	Second-Order Loading Estimates	Error
TANG	0.74***	0.45***
REL	0.89***	0.21***
RESP	0.96***	0.08***
ASSU	0.99***	0.02***
EMP	0.85***	0.28***
Consequences of Service Quality	Structural Coefficient Estimates	
H_1: SQ→ATT	0.78***	0.39***
H_2: SQ→SAT	0.48***	0.77***
H_3: ATT→SAT	0.45***	0.80***
H_4: ATT→PAT	0.36***	0.87***
H_5: SAT→PAT	0.58***	0.66***

Note. Calculations based on the data from authors' survey, 2025

Likewise, H_4 emphasises that service attitude positively affects patronage intention. As indicated in Table 2, the influence of ATT on PAT was significant ($\beta = 0.36$; $p < 0.001$), thus establishing H_4. Finally, H_5 hypothesised that service satisfaction results in higher patronage intention of customers. The finding revealed that SAT positively influences PAT ($\beta = 0.58$; $p < 0.001$), supporting Hypothesis 5.

Discussions

This empirical study examined the influence of service quality (SQ) on service attitude (ATT), service satisfaction (SAT), and patronage intention (PAT) in Nepalese commercial banks, where rapid digital adoption coexists with traditional branch-based services. Understanding these relationships is crucial for banks seeking to retain customers in a competitive and evolving market.

Hypothesis 1 proposed that service quality is positively associated with service attitude, and the results provide strong empirical support for this relationship. This finding aligns with Parasuraman et al. (1988), who argued that higher levels of service quality consistently generate more favourable attitudes among customers and service employees. Their work emphasizes that improved service performance enhances customer satisfaction, which subsequently shapes more positive attitudes towards the service provider. Similarly, Bitner (1990) showed that a high-quality service environment plays a direct role in shaping customer perceptions and attitudinal evaluations of a brand or service. Together, these studies highlight that service quality operates not only as a functional assessment of service performance but also as an emotional and cognitive driver of customer attitudes. Applied to the Nepalese banking

context, where customers interact frequently with both frontline staff and emerging digital channels, enhanced service quality plays a crucial role in shaping perceptions of reliability, responsiveness, and trust. Improvements in tangibles, empathy, and system efficiency help reinforce positive emotional responses and strengthen customers' overall service attitudes. This suggests that banks that invest in consistent service quality-across physical branches and digital platforms-can meaningfully influence customer attitudes, ultimately supporting stronger customer-bank relationships and long-term loyalty.

Hypothesis 2 proposed that service quality is positively associated with service satisfaction, and the findings of this study provide strong empirical support for this relationship. This outcome is consistent with Parasuraman et al. (1988); its SERVQUAL framework demonstrates that higher levels of perceived service quality reliably enhance customer satisfaction by ensuring that service performance meets or exceeds customer expectations. Likewise, Anderson and Sullivan (1993) found that perceived service quality acts as a key antecedent of customer satisfaction, shaping customers' overall evaluations of their service experiences. Taken together, these studies underscore that service quality is not merely a functional assessment of service delivery but a critical determinant of how satisfied customers feel with the service provider. In the Nepalese banking context, where customers increasingly interact with both physical branches and digital platforms, improvements in reliability, responsiveness, and assurance can significantly elevate satisfaction levels. By ensuring smooth digital transactions, timely support, trustworthy interactions,

and consistent service performance across touch-points, banks can better align with evolving customer expectations, thereby strengthening overall customer satisfaction.

Hypothesis 3 posited that service attitude is positively associated with service satisfaction, and the results of this study provide strong empirical support for this relationship. This finding aligns with Bitner (1990) that emphasised that positive service attitudes-expressed through friendliness, courtesy, and a willingness to help-play a central role in shaping customers' satisfaction with the overall service experience. Similarly, Schneider and White (2004) argued that employees' attitudes significantly influence customers' perceptions of service quality, which subsequently drive satisfaction outcomes. These insights reinforce the idea that service attitude functions as both an emotional and interpersonal dimension of service delivery, affecting how customers evaluate both the process and the outcome of their interactions. In service settings such as Nepalese banks-where customers value personalised attention, respectful communication, and responsive behaviour-positive employee attitudes can meaningfully elevate satisfaction levels. Thus, investing in staff training, motivation, and customer-centric service practices can help cultivate favourable attitudes among employees, ultimately enhancing customer satisfaction and fostering stronger long-term customer relationships.

Hypothesis 4 proposed that service attitude is positively associated with patronage intention, and the results offer strong empirical support for this relationship. This aligns with Davidow (2003), who demonstrated that positive service attitudes-reflected in courteous and genuinely helpful

behaviour-play a critical role in fostering customer loyalty and increasing the likelihood of repeat patronage. Similarly, Zeithaml et al. (1996) argued that favourable employee attitudes enhance customers' overall evaluations of the service encounter, which in turn shape future behavioural intentions, including their willingness to return and recommend the service provider. These findings highlight that service attitude functions as a behavioural signal that customers use to assess the dependability and customer orientation of the service provider. In the Nepalese banking context, where trust, personal interaction, and reassurance remain important even amid increasing digitalisation, promoting consistently courteous, professional, and responsive staff behaviour can significantly strengthen patronage intentions. By cultivating positive service attitudes through training, motivation, and service culture initiatives, banks can build stronger emotional connections with customers, encouraging repeat business and long-term loyalty.

Hypothesis 5 posited that service satisfaction is positively associated with patronage intention, and the results provide robust empirical support for this relationship. This aligns with Oliver (1997), who argued that customer satisfaction serves as a fundamental driver of future behavioural intentions, with satisfied customers demonstrating a greater likelihood of returning and engaging in repeat purchases. Similarly, Homburg and Giering (2001) found that higher levels of service satisfaction significantly enhance customer loyalty, thereby increasing the probability of customers maintaining long-term relationships with the service provider. These findings collectively reinforce the notion that satisfaction acts as a crucial emotional and cognitive evaluation that

shapes customers' ongoing commitment and repeat-use behaviour. In the Nepalese banking context-where customers increasingly expect seamless digital services alongside attentive branch-level support-consistently high satisfaction can translate into stronger patronage intentions, including repeat transactions, cross-buying, and positive word-of-mouth. Therefore, continuous monitoring and enhancement of satisfaction drivers such as reliability, responsiveness, and service assurance remain essential for banks seeking to build lasting customer relationships and sustain competitive advantage.

CONCLUSION AND IMPLICATIONS

This study contributes to micro-foundational research by exploring the service quality (SQ) of banks in Nepal. The results indicate that SQ plays a significant role in predicting patronage intention. Additionally, SQ positively influences service attitude, as evidenced by the significant structural coefficients between these variables. Service attitude, in turn, has a notable positive impact on service satisfaction, further supported by significant structural coefficients. The findings also show that SQ has a direct positive effect on service satisfaction, highlighting its importance in shaping customers' perceptions. Furthermore, both service attitude and service satisfaction exhibit a positive influence on bank patronage intention, underscoring their critical roles in driving future customer behaviour. These insights advance our understanding of the mechanisms through which service quality affects customer patronage in the banking sector. The results indicate that combining functional service quality with emotional engagement strategies can enhance both

satisfaction and patronage intention. For managers, this underscores the need to integrate digital service improvements with personalised customer interactions to retain customers in the competitive Nepalese banking environment.

This study offers several theoretical, practical, and policy implications, as outlined below:

The study reinforces and extends the SERVQUAL framework by confirming service quality as a key driver of customer attitude and satisfaction and by establishing the dual mediation effects of these variables on patronage intention. This provides a more complete understanding of how service quality shapes long-term loyalty and repurchase behaviours.

The findings enrich CRM theory by highlighting that emotional and relational aspects of service delivery-such as empathy and affective responses-are just as influential as functional performance in sustaining customer loyalty.

The study suggests that banks should focus on continuous staff training, improved service processes, and technology integration to strengthen customer attitudes and satisfaction. Developing empathetic, professional, and customer-centric employees is especially crucial, as service attitude significantly shapes behavioural intentions.

Practical steps such as collecting regular customer feedback, improving complaint-handling mechanisms, and offering personalised engagement can further enhance satisfaction and long-term customer retention.

Policymakers and regulators should support customer service excellence frameworks, encourage investment in digital infrastructure, and promote industry-wide service quality benchmarks to foster trust, competitiveness, and consistency in the banking sector.

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