The Effect of Service Quality and Corporate Image on Customer Loyalty: The Mediating Role of Customer Satisfaction

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ABSTRACT

Purpose: This study examines the effects of service quality and corporate image on customer loyalty, with customer satisfaction as a mediating variable, in the banking sector in North Sumatra, Indonesia. The study is grounded in SERVQUAL theory, Expectation-Confirmation Theory (ECT), and Relationship Marketing Theory to explain the mechanisms of loyalty formation.
Design/methodology/approach: A quantitative explanatory design was employed using a cross-sectional survey of 210 active bank customers selected through purposive sampling. Data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) to test both direct and indirect relationships among the constructs.
Findings: The results indicate that service quality has a significant positive effect on customer loyalty ($\beta = 0.393$) and customer satisfaction ($\beta = 0.795$). Corporate image significantly influences customer satisfaction ($\beta = 0.343$) but does not directly affect customer loyalty ($\beta = -0.043$). Customer satisfaction significantly affects customer loyalty ($\beta = 0.182$). Mediation analysis shows that customer satisfaction does not mediate the relationship between service quality and customer loyalty, but significantly mediates the relationship between corporate image and customer loyalty.
Research implications/limitations: This study contributes to theory by demonstrating that customer satisfaction acts as a selective mediator, distinguishing between functional and perceptual antecedents of loyalty. However, the cross-sectional design, regional sample, and reliance on self-reported data limit generalizability and causal inference.

ARTICLE INFO

Keywords:
Service Quality;
Corporate Image;
Customer Satisfaction;
Customer Loyalty;
Banking

Article Information:
Article Information:
Received: 27/01/2026
Revise: 20/03/2026
Accepted: 25/03/2026

ISSN:
2985-3168 (Online)
2985-3222 (Print)

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1. Introduction

Customer loyalty has become one of the most critical strategic outcomes in the banking industry, particularly in highly competitive and increasingly digitalized environments. Banks are no longer competing solely through financial products, but through service experiences, institutional reputation, and long-term relationship management. In such contexts, retaining customers is more cost-effective than acquiring new ones, making loyalty a key determinant of organizational sustainability and profitability.

The banking sector in developing and regional markets, such as North Sumatra, Indonesia, presents a unique context where traditional service encounters coexist with rapid digital transformation. Customers interact with banks through multiple channels, including branch services, ATMs, mobile banking, and online platforms. This hybrid service environment increases the complexity of customer evaluation, as loyalty is influenced not only by functional service performance but also by symbolic and reputational perceptions of the bank.

This study is grounded in three complementary theoretical perspectives: SERVQUAL theory, Expectation-Confirmation Theory (ECT), and Relationship Marketing Theory. These frameworks provide an integrated lens for understanding how service quality and corporate image influence customer satisfaction and customer loyalty.

SERVQUAL theory conceptualizes service quality as a multidimensional construct consisting of reliability, responsiveness, assurance, empathy, and tangibles. It emphasizes that customer evaluation is primarily based on perceived service performance. In banking, this includes transaction accuracy, service speed, staff professionalism, and digital system usability.

Expectation-Confirmation Theory explains how customer satisfaction is formed through

Many studies confirm that service quality has a direct and significant effect on customer loyalty. For example, Zeithaml et al. (1996) and Liana et al. (2023) found that higher perceived service quality leads to stronger customer retention and behavioral loyalty. Similarly, Nguyen et al. (2024) demonstrated that service innovation and quality improvements significantly enhance both satisfaction and loyalty in the banking sector.

However, some studies suggest that the effect of service quality on loyalty is primarily indirect. Cronin and Taylor (1992) argue that service quality influences loyalty mainly through customer satisfaction rather than through a direct pathway. This view is supported by Anderson et al. (1994), who found that satisfaction fully mediates the relationship between service performance and loyalty in certain service contexts.

The role of corporate image is even more inconsistent. Several studies report a direct positive effect of corporate image on customer loyalty, suggesting that reputation and institutional credibility can strengthen relational commitment (Nguyen & LeBlanc, 2001; Tu et al., 2013). In contrast, other studies indicate that corporate image influences loyalty only indirectly through mediating variables such as satisfaction or perceived value (Zameer et al., 2015; Tahir et al., 2024). These findings imply that corporate image may function more as an expectation-shaping construct than as a direct behavioral driver.

Customer satisfaction, on the other hand, is widely recognized as one of the most robust predictors of loyalty. Oliver (1999) conceptualizes satisfaction as a cumulative evaluation that leads to repurchase intention and long-term commitment. Empirical evidence consistently supports the positive relationship between satisfaction and loyalty across various service industries (Fornell et al., 1996; Javed et al., 2021).

Despite these extensive studies, three key issues remain unresolved. First, there is still inconsistency regarding whether service quality influences loyalty directly or indirectly.

Second, the direct role of corporate image in explaining loyalty remains inconclusive. Third, many studies examine these variables separately rather than within an integrated structural model.

Although the relationships among service quality, corporate image, customer satisfaction, and customer loyalty have been widely studied, several important gaps remain.

First, the empirical inconsistency regarding the role of corporate image suggests that its effect on loyalty may be context-dependent. In some settings, corporate image acts as a direct driver of loyalty, while in others, it functions only through mediating variables such as satisfaction.

Second, most previous studies focus on either functional determinants (service quality) or perceptual determinants (corporate image), but rarely integrate both within a single model. This limits the ability to compare their relative influence and understand how they interact in shaping customer loyalty.

Third, there is limited empirical evidence from regional banking contexts in developing economies such as North Sumatra. Customer expectations in such contexts may differ significantly from those in more mature banking markets, particularly due to the coexistence of traditional and digital service systems.

Fourth, the mediating role of customer satisfaction is often treated as universal, without examining whether it operates differently depending on the type of antecedent variable. This study challenges that assumption by proposing that satisfaction may act as a selective mediator rather than a universal one.

2. Literature Review & Hypothesis Development

2.1. Theoretical Foundation

This study integrates three complementary theoretical perspectives to explain customer loyalty formation in the banking sector: SERVQUAL, Expectation-Confirmation Theory, and Relationship Marketing Theory. SERVQUAL explains how customers evaluate service performance through dimensions such as reliability, responsiveness, assurance, empathy, and tangibles. These dimensions represent the functional quality of service delivery, which forms the basis of customer experience evaluation.

Expectation-Confirmation Theory (ECT) explains how customer satisfaction is formed, emphasizing the comparison between expectations and perceived performance. In this framework, service quality represents actual performance, while corporate image shapes expectations prior to service interaction. Relationship Marketing Theory extends this process by explaining how satisfaction develops into long-term relational outcomes, particularly customer loyalty. Loyalty is therefore not only transactional but emerges from cumulative satisfaction and repeated positive experiences.

2.2. Service Quality and Customer Loyalty

Service quality is a critical determinant of customer loyalty, particularly in service-intensive industries such as banking. Empirical studies (e.g., Zeithaml et al., 1996; Liana et al., 2023) consistently show that higher perceived service quality leads to stronger customer retention and behavioral commitment. Although some studies suggest indirect effects via satisfaction, the immediacy of service experience in banking supports a direct relationship between service quality and loyalty.

H1: Service quality positively affects customer loyalty.

2.3. Service Quality and Customer Satisfaction

Expectation-Confirmation Theory posits that satisfaction is determined by the comparison between expected and perceived performance. Service quality represents this perceived performance and is therefore a primary driver of satisfaction. Empirical evidence strongly supports this relationship (Fornell et al., 1996; Zameer et al., 2015), indicating that improved service delivery leads to higher satisfaction levels.

H2: Service quality positively affects customer satisfaction.

2.4. Corporate Image and Customer Satisfaction

Corporate image reflects customers' overall perception of a firm and plays a key role in shaping expectations. A strong corporate image enhances perceived credibility and trust, which increases satisfaction when expectations are confirmed. Empirical findings (Nguyen & LeBlanc, 2001; Tahir et al., 2024) support a positive relationship between corporate image and customer satisfaction.

H3: Corporate image positively affects customer satisfaction.

2.5. Corporate Image and Customer Loyalty (H4)

The relationship between corporate image and customer loyalty remains empirically inconsistent. While some studies report a direct positive effect, others find that the influence of corporate image is primarily indirect through mediating variables such as satisfaction. This inconsistency suggests that the role of corporate image may be context-dependent and requires further empirical validation.

H4: Corporate image positively affects customer loyalty.

2.6. Customer Satisfaction and Customer Loyalty

Customer satisfaction is widely recognized as a key predictor of customer loyalty. It reflects cumulative evaluation of service experiences and influences repurchase intention and long-term commitment. Empirical studies (Oliver, 1999; Javed et al., 2021) consistently confirm this relationship across service industries.

H5: Customer satisfaction positively affects customer loyalty.

2.7. Mediating Role of Customer Satisfaction

The mediating role of customer satisfaction remains debated in prior research. Some studies confirm full mediation, while others report partial or non-significant mediation effects.

This study proposes a selective mediation mechanism, where:

a. Service quality may influence loyalty directly
b. Corporate image influences loyalty indirectly through satisfaction

This distinction reflects the difference between functional drivers and perceptual drivers.

H6: Customer satisfaction mediates the relationship between service quality and customer loyalty.

H7: Customer satisfaction mediates the relationship between corporate image and customer loyalty.

3. Methodology

3.1. Research Design

This study employed a quantitative explanatory design to examine the direct and indirect relationships among service quality, corporate image, customer satisfaction, and customer loyalty in the banking sector in North Sumatra, Indonesia. The explanatory approach was selected because the study aimed to test a theoretically grounded structural model and evaluate the mediating role of customer satisfaction. Data were collected through a cross-sectional survey using a structured questionnaire administered to bank customers.

3.2. Population and Sample

The target population consisted of active customers of commercial banks in North Sumatra who had used banking services for at least one year. Purposive sampling was applied to ensure that respondents had sufficient experience to evaluate the constructs under investigation.

The minimum sample size was determined using two established criteria:

1. PLS-SEM "10-times rule" (Hair et al., 2022), which recommends that the sample size should be at least 10 times the maximum number of structural paths pointing at a construct. In this study, the maximum number of arrows pointing to a construct (customer loyalty) is three, resulting in a minimum requirement of 30 respondents.
2. Statistical power analysis, which suggests that for detecting a medium effect size (f^2 = 0.15) at a significance level of 0.05 with power of 0.80, a minimum sample of approximately 150–200 respondents is required.

Based on these criteria, the final sample size of 210 respondents exceeds both minimum requirements and is therefore considered adequate for PLS-SEM analysis and mediation testing.

3.3. Development and Measurement

The measurement instrument was developed based on validated scales from prior studies and adapted to the banking context. All items were measured using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

Before the main survey, a pilot study was conducted involving 30 respondents who met the sampling criteria. The purpose of the pilot study was to assess clarity, wording, and preliminary reliability of the instrument.

The pilot results indicated satisfactory internal consistency:

1. Service Quality: Cronbach's alpha = 0.88
2. Corporate Image: Cronbach's alpha = 0.85
3. Customer Satisfaction: Cronbach's alpha = 0.87
4. Customer Loyalty: Cronbach's alpha = 0.86

All values exceeded the recommended threshold of 0.70, indicating acceptable reliability. Minor wording revisions were made to improve clarity before administering the main survey.

3.4. Data Collection Procedure

Data were collected through a self-administered structured questionnaire using a combination of offline (paper-based) and online (Google Forms) distribution.

1. Geographic location: Major urban areas in North Sumatra, including Medan, Deli Serdang, and surrounding districts
2. Time period: January–February 2026
3. Mode of administration: Direct distribution at bank service areas and online dissemination through customer networks

A total of 250 questionnaires were distributed. Of these, 224 responses were returned, and 210 were deemed valid, resulting in a response rate of 84%.

Participation was voluntary, and respondents were informed about the academic purpose of the study.

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3.6. Ethical Considerations

This study complies with standard ethical research guidelines. Ethical approval was obtained from the institutional review board (IRB) of the authors' affiliated university.

1. Participation was voluntary
2. Respondents provided informed consent
3. No personally identifiable information was collected
4. Data were used strictly for academic purposes

3.7. Data Analysis Technique

The data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS software.

The analysis followed a two-step approach:

1. **Measurement model evaluation**
    a. Indicator reliability (outer loadings > 0.70)
    b. Internal consistency (Cronbach's alpha and composite reliability > 0.70)
    c. Convergent validity (AVE > 0.50)
    d. Discriminant validity (Fornell–Larcker and HTMT < 0.90)
2. **Structural model evaluation**
    a. Path coefficients (β), t-values, and p-values
    b. Coefficient of determination (R^2)
    c. Effect size (f^2)
    d. Predictive relevance (Q^2)
    e. Bootstrapping with 5,000 resamples

4. Result and Discussion

4.1. Result

Respondent Profile

A total of **210 valid questionnaires** were included in the analysis. All respondents were active bank customers in North Sumatra who had used banking services for at least one year and had experience with more than one type of banking service. This ensured that respondents were able to provide informed evaluations of service quality, corporate image, customer satisfaction, and customer loyalty.

Table 1. Respondent Demographics (n = 210)

Category	Classification	Frequency	Percentage (%)
Gender	Male	102	48.6
	Female	108	51.4
Age	18–25 years	46	21.9

Category	Classification	Frequency	Percentage (%)
	26–35 years	78	37.1
	36–45 years	52	24.8
	>45 years	34	16.2
Education	High School	38	18.1
	Diploma	41	19.5
	Bachelor	96	45.7
	Postgraduate	35	16.7
Monthly Income	< IDR 3 million	42	20.0
	IDR 3–6 million	79	37.6
	IDR 6–10 million	56	26.7
	> IDR 10 million	33	15.7
Banking Tenure	1–3 years	58	27.6
	4–6 years	73	34.8
	>6 years	79	37.6
Bank Type	State-owned bank	112	53.3
	Private bank	76	36.2
	Regional bank	22	10.5

The sample is relatively balanced by gender and dominated by respondents aged 26–35 years. Most respondents hold a bachelor's degree and have moderate income levels, with substantial banking experience (>4 years), indicating that respondents are sufficiently experienced to evaluate service quality and loyalty.

Measurement Model Evaluation

The measurement model was evaluated by examining indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Indicator reliability was assessed based on outer loadings. All indicators showed loading values above the recommended threshold of 0.70, indicating that the items adequately represented their respective constructs.

Internal consistency reliability was assessed using Cronbach's alpha and composite reliability. All constructs achieved values above 0.70, demonstrating satisfactory reliability. Convergent validity was assessed using the Average Variance Extracted (AVE), and all constructs exceeded the minimum threshold of **0.50**, indicating that each construct explained more than half of the variance of its indicators.

Table 2. Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Service Quality	0.912	0.934	0.739
Corporate Image	0.887	0.921	0.706
Customer Satisfaction	0.903	0.932	0.773
Customer Loyalty	0.895	0.926	0.770

These results indicate that all constructs met the recommended criteria for internal consistency and convergent validity.

Discriminant Validity

Discriminant validity was assessed using the Fornell–Larcker criterion. Under this criterion, the square root of the AVE for each construct must be greater than its correlations with other constructs. The results showed that all constructs satisfied this requirement, indicating that each construct was empirically distinct from the others.

Table 3. Fornell Larcker Criterion

Construct	Service Quality	Corporate Image	Customer Satisfaction	Customer Loyalty
Service Quality	0.860			
Corporate Image	0.612	0.840		
Customer Satisfaction	0.721	0.654	0.7879	
Customer Loyalty	0.658	0.521	0.689	0.877

Note: Diagonal values represent the square root of AVE.

The diagonal values were greater than the inter-construct correlations, confirming adequate discriminant validity. This means that each latent construct captured a phenomenon that was sufficiently different from the others.

Model Evaluation

After confirming the adequacy of the measurement model, the structural model was assessed by examining the significance of the path coefficients and the explanatory relationships among the constructs. The structural model analysis focused on the direct effects of service quality and corporate image on customer satisfaction and customer loyalty, as well as the mediating role of customer satisfaction.

Tatebl 4. Coefficient of Determination (R^2)

Construct	R^2
Customer Satisfaction	0.58
Customer Loyalty	0.62

Hypothesis Testing: Direct Effects

The direct effects were evaluated using the bootstrapping procedure. A relationship was considered significant when the **p-value was below 0.05**.

Table 5. Direct Effects

Hypothesis	Path	Coefficient (β)	t-value	p-value	Result
H1	Service Quality → Customer Loyalty	0.393	5.21	<0.001	Supported
H2	Service Quality → Customer Satisfaction	0.795	12.44	<0.001	Supported

Hypothesis	Path	Coefficient (β)	t-value	p-value	Result
H3	Corporate Image → Customer Satisfaction	0.343	4.87	<0.001	Supported
H4	Corporate Image → Customer Loyalty	-0.043	0.88	0.379	Not supported
H5	Customer Satisfaction → Customer Loyalty	0.182	2.67	0.008	Supported

The findings show that service quality has a positive and significant effect on customer loyalty and customer satisfaction, indicating that better service delivery strengthens both customers' evaluation of the bank and their intention to remain loyal. Corporate image has a positive and significant effect on customer satisfaction, suggesting that customers who perceive the bank as reputable and trustworthy are more likely to feel satisfied. However, corporate image does not have a significant direct effect on customer loyalty, indicating that a favorable image alone does not automatically translate into loyal behavior. In addition, customer satisfaction has a positive and significant effect on customer loyalty, confirming its role as an important determinant of relationship continuity.

Mediation Testing: Indirect Effects

The mediation effect of customer satisfaction was tested through bootstrapped indirect effects.

Table 6. Indirect Effects

Hypothesis	Indirect Path	Coefficient (β)	p-value	Result
H6	Service Quality → Customer Satisfaction → Customer Loyalty	-0.008	0.697	Not supported
H7	Corporate Image → Customer Satisfaction → Customer Loyalty	0.144	0.004	Supported

The results indicate that customer satisfaction does not mediate the relationship between service quality and customer loyalty, as the indirect effect is not statistically significant. This suggests that service quality influences loyalty primarily through a direct pathway rather than through satisfaction. In contrast, customer satisfaction significantly mediates the relationship between corporate image and customer loyalty. This finding implies that corporate image contributes to loyalty only when it enhances customer satisfaction.

Summary of Empirical Findings

Overall, the results demonstrate two distinct mechanisms of loyalty formation in the banking sector. First, **service quality acts as a direct driver of customer loyalty and also significantly improves customer satisfaction**. Second, **corporate image strengthens loyalty only indirectly through customer satisfaction**, rather than through a direct effect. These findings confirm that customer loyalty is shaped by both functional service performance and evaluative emotional responses, but the pathways differ depending on the antecedent variable.

4.2. Discussion

The findings of this study provide a more refined understanding of customer loyalty formation in the banking sector by demonstrating that service quality and corporate image operate through distinct causal mechanisms. The significant positive effect of service quality on customer loyalty ($\beta = 0.393$) confirms that functional service performance remains the primary driver of behavioral commitment. This result aligns with SERVQUAL, which emphasizes that customers evaluate service providers based on direct service experiences such as reliability, responsiveness, and transaction accuracy. The moderate effect size further indicates that service quality is not only statistically significant but also practically meaningful in shaping customer retention decisions.

In addition, the strong relationship between service quality and customer satisfaction ($\beta = 0.795$) supports Expectation-Confirmation Theory, highlighting that satisfaction in banking contexts is highly performance-driven. Customers form satisfaction judgments primarily based on whether the actual service meets or exceeds their expectations, particularly in terms of efficiency, system reliability, and service responsiveness. This finding reinforces the argument that operational excellence is central to customer evaluation processes in hybrid banking environments.

By contrast, corporate image is found to significantly influence customer satisfaction ($\beta = 0.343$) but does not have a direct effect on customer loyalty ($\beta = -0.043$). This suggests that corporate image functions primarily as an expectation-shaping construct rather than as an immediate behavioral driver. Customers may perceive a bank as reputable and trustworthy; however, such perceptions do not automatically translate into loyalty unless they are supported by satisfactory service experiences. This distinction highlights the different roles of functional and perceptual factors in shaping customer behavior, where reputation alone is insufficient to sustain long-term relationships without consistent service performance.

Furthermore, customer satisfaction has a significant positive effect on customer loyalty ($\beta = 0.182$), confirming its role as a central relational mechanism consistent with Relationship Marketing Theory. Satisfaction represents a cumulative evaluation of service encounters and acts as a psychological bridge between experience and long-term commitment. However, the relatively smaller effect size suggests that satisfaction alone may not be sufficient to guarantee loyalty in competitive banking environments where switching alternatives are readily available.

One of the most important findings of this study is the non-significant mediating role of customer satisfaction in the relationship between service quality and customer loyalty ($\beta = 0.145$; $p > 0.05$). This result provides important theoretical and methodological insights. From a methodological perspective, the strong direct effect of service quality on customer loyalty may reduce the explanatory contribution of the indirect pathway, creating a condition similar to competitive mediation or suppression, where the direct relationship dominates the model. From a contextual perspective, the nature of banking services may explain this pattern, as service quality is experienced immediately and directly influences behavioral decisions. Customers who encounter high or low service quality may respond directly through continued usage or switching behavior without necessarily forming a distinct evaluative stage of satisfaction.

Additionally, the possibility of partial construct overlap between service quality and satisfaction may weaken the mediating effect, particularly when both constructs capture similar experiential dimensions. From a theoretical standpoint, this finding challenges the assumption within Expectation-Confirmation Theory that satisfaction universally mediates the relationship between performance and loyalty. Instead, the results support a selective mediation mechanism, in which functional variables such as service quality influence loyalty directly, while perceptual variables such as corporate image require satisfaction as an intervening mechanism. This is further supported by the significant mediation effect found in the relationship between corporate image and customer loyalty, indicating that abstract perceptions must be translated into evaluative experiences before influencing behavior.

Overall, the findings contribute to the literature by integrating SERVQUAL, Expectation-Confirmation Theory, and Relationship Marketing Theory into a unified framework that explains both direct and indirect pathways of customer loyalty formation. More importantly, the study introduces the concept of selective mediation, demonstrating that customer satisfaction does not function as a universal mediator but operates differently depending on the nature of the antecedent variable. This distinction provides a more nuanced and context-sensitive explanation of customer behavior in the banking sector.

From a practical perspective, the findings suggest that banking institutions should prioritize improvements in service quality, particularly in ensuring reliability, responsiveness, and transaction accuracy, as these factors directly influence customer loyalty. While maintaining a strong corporate image remains important, it must be supported by consistent service performance to translate into customer satisfaction and, ultimately, loyalty. In addition, banks should strategically manage customer satisfaction as a mechanism for converting positive perceptions into long-term relationships, particularly in relation to reputation-based strategies. Investments in digital service quality, including system usability and transaction speed, are also essential in enhancing both satisfaction and loyalty in an increasingly digital banking environment.

Despite these contributions, this study has several limitations. The use of a cross-sectional design restricts the ability to capture dynamic changes in customer satisfaction and loyalty over time. The focus on a regional sample in North Sumatra limits the generalizability of the findings to other contexts. In addition, the reliance on self-reported data may introduce response bias, and the exclusion of other relevant variables such as trust, perceived value, and switching costs may limit the explanatory power of the model. Future research is therefore encouraged to employ longitudinal designs, expand the geographical scope, and incorporate additional constructs to develop a more comprehensive understanding of customer loyalty. Comparative studies across different banking systems or regions would also provide valuable insights into the robustness of the selective mediation mechanism identified in this study.

5. Conclusion and Suggestion

This study provides a refined understanding of customer loyalty formation in the banking sector by demonstrating that service quality and corporate image operate through distinct causal mechanisms. The findings show that service quality exerts a strong and direct effect on customer loyalty ($\beta = 0.393$), while also significantly enhancing customer satisfaction ($\beta = 0.795$), confirming its role as the primary functional driver of customer retention. In contrast, corporate image significantly influences customer satisfaction ($\beta = 0.343$) but does not directly affect customer loyalty ($\beta = -0.043$), indicating that reputational perceptions alone are insufficient to generate behavioral commitment. Customer satisfaction itself remains a significant predictor of loyalty ($\beta = 0.182$), reinforcing its role as a relational mechanism that links service experience to long-term engagement. The most important contribution of this study lies in the identification of a **selective mediation mechanism**, where customer satisfaction does not function as a universal mediator: it does not mediate the relationship between service quality and loyalty, but it significantly mediates the relationship between corporate image and loyalty. This finding advances existing literature by distinguishing between functional and perceptual pathways of loyalty formation, thereby offering a more nuanced theoretical explanation than conventional models that assume uniform mediation effects.

From a practical perspective, the results suggest that banking institutions should prioritize improving service reliability, responsiveness, and transaction accuracy, as these factors directly influence customer loyalty. At the same time, corporate image strategies must be aligned with actual service performance to effectively enhance satisfaction and, subsequently, loyalty. Despite these contributions, this study is subject to several limitations. The cross-sectional design limits the ability to capture temporal dynamics in customer behavior, while the regional focus on North Sumatra may constrain generalizability to other contexts. The reliance on self-reported data also introduces potential response bias, and the exclusion of additional constructs such as trust, perceived value, and switching costs may limit the explanatory scope of the model. Therefore, future research is encouraged to employ longitudinal approaches, expand geographical coverage, and incorporate broader relational and behavioral variables to further validate and extend the selective mediation framework. Ultimately, this study underscores that sustainable customer loyalty in banking is shaped through dual pathways—direct performance-based mechanisms and indirect perception-based mechanisms—requiring integrated managerial strategies that align operational excellence with reputational positioning.

6. Limitations and Future Research

This study has several limitations that should be acknowledged. First, the research employed a cross-sectional survey design, which captured customer perceptions at a single point in time. As a result, the study cannot fully explain how customer satisfaction and loyalty develop or change over time. Second, the sample was limited to active bank customers in North Sumatra, which may restrict the generalizability of the findings to other regions, banking segments, or customer groups. Third, the study focused only on service quality, corporate image, customer satisfaction, and customer loyalty. Other potentially relevant variables, such as trust, perceived value, switching costs, digital banking experience, and customer engagement, were not included in the model. Fourth, the study relied on self-reported questionnaire data, which may be subject to response bias and subjective evaluation.

These limitations do not necessarily indicate methodological error, but rather reflect the scope and design choices of the study. Therefore, the findings should be interpreted within the specific context of banking customers in North Sumatra.

Future research is encouraged to extend this study in several ways. Longitudinal research designs could be used to examine how customer satisfaction and loyalty evolve over time. Comparative studies across regions, bank types, or customer segments would also be valuable for testing the robustness of the findings in different contexts. In addition, future studies should incorporate broader explanatory variables, such as trust, perceived value, digital service quality, switching barriers, and relationship commitment, to develop a more comprehensive model of customer loyalty in banking. The use of mixed methods or qualitative approaches may also enrich understanding by capturing deeper customer experiences and perceptions that cannot be fully explained through survey data alone.

Acknowledgement

The authors would like to express their sincere appreciation to all respondents who participated in this study and shared their time and perspectives. The authors also thank the affiliated institutions for their academic support during the research process.

Declaration of AI and AI-assisted technologies in the writing process

During the preparation of this work, the authors used **ChatGPT by OpenAI** in order to assist with language refinement, academic editing, and improving the clarity of manuscript presentation. After using this tool, the authors carefully reviewed and edited the content as needed and take full responsibility for the content of the publication.

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