



## External exigencies and customer loyalty nexus in Nigeria retail banks

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### ABSTRACT

Customer loyalty is crucial in the retail banking sector, given the increasing competition within the industry and the emerging non-traditional players. This paper examines the influence of external exigencies on customer loyalty of retail banks in Nigeria. Data used in this study was collected from 424 customers of eight (8) selected banks located in Ibadan, a metropolitan city in Nigeria. The main statistical tool used was Partial Least Square Structural Equation Modelling (PLS-SEM) in analysing data collected. The findings of the study revealed that external exigencies as a construct, has a positive influence on customer loyalty with internal appearance of bank and attractive advertisement accounting for the main factors contributing to loyalty. Similarly, External Exigencies were found to have positive influence on Customer Loyalty to their banks, at significant level. The managerial implication of this study is the consideration of non-core banking factors that can enhance customer loyalty in retail banking.

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## Introduction

Customer loyalty is recognised as crucial and an important outcome in marketing literature. “Its role in the services industry in particular has gained more prominence, due to the higher human involvement in comparison to transactions in goods” (Rai & Srivastava, 2012). According to Hafiz et al., (2015, p. 240), this acknowledgment “resonates globally in the retail banking sector, which is characterised by serious rivalry amongst competitors and high customer expectations. Customers are becoming more knowledgeable and sophisticated in their approach to banking transactions, demanding for greater flexibility, personal service and value.” Rai and Srivastava (2012) assert that “globalized markets and borderless flow of information have resulted in intense competitive pressures and increased customer expectations.” Adding to this complexity is the nature of banking products and services which are relatively similar across retail banks. Devlin (2001), opined that “customers perceive only very little difference in the services offered and any new offering is matched by competitors.” This perception coupled with the ease provided by digital technology has empowered customers to transfer their allegiance to competitors. This view is corroborated by Afsar et al. (2010) who aver that the current technological advanced world and the arrival of the internet has made it much more difficult to retain a customer.

The associated advantages from loyal customers include amongst others, “the likelihood to spend and buy more, positive word-of-mouth promotion and recommending of the service provider to other potential customers” (Petruzellis, 2008). These serve as catalyst for sustainable growth and profit in the form of increased revenue and decreased costs. This recognition of benefits from longer customer tenure by businesses is what largely informed the evolution from transactional orientation to customer orientation that focuses on building long-term relationship with customers or clients in the services industry (Hafiz et al. 2015). Taleghani et al. (2011) avers that “banking represents a service provider category with high interaction opportunities and customer-service provider contact.” The customer is described as central to all marketing activities of banks the world over and as such, customer loyalty and retention play a key role in the success of retail banks. Marketing literature suggest that the previous provider-focused approach in

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obtaining competitive advantage is no longer effective as prioritising customer experience (Klaus & Maklan, 2013). They argue that “customer experience is assessed through a longer process of company-customer relationship interaction, which is consistent with the conceptualisation offered by the relationship marketing theory.” Following this notion, it has become pertinent for retail banks to have a good understanding of the drivers of customer loyalty so that proper marketing strategies can be formulated for long-term relationship building, thereby securing opportunities for growth and increased profitability. Gummerson (1998), notes that “banks have undertaken several initiatives to enhance customer fidelity, such as implementing value chain analysis, customer satisfaction and loyalty programmes in addition to instituting mechanisms to minimise switching behaviour” (Petruzzellis, 2008). Notwithstanding these ingenuities, there have been criticisms on their effectiveness and capability to alter market structures.

The Nigerian retail banking sector has undergone rapid changes in the last few years arising from reform policies set by government to address the debilitating state of banks, described as weak and fragile due to persistent illiquidity, unprofitable operations, poor asset base, gross insider abuse and poor corporate governance (CBN Annual Report, 2006). The outcome of the reform exercise indicated that banks had to either satisfy the requirement of a specified capital base, merge with other banks, be acquired by other healthy banks or face outright liquidation. This exercise placed structural pressure on the banking industry, especially in the area of retail banking in Nigeria, in addition to a general loss of confidence in the banking system by customers, demonstrated by increased activism and switching of banks in search of more reliable options. Given the general high involvement of customers in retail banks and the adverse effect of defection on sustainability, it has become necessary for banks to move beyond the usual marketing factors or core activities and consider other potential factors that may impact on customer loyalty as a way to engender a long term relationship with customers.

The remainder of this paper is structured as follows. First, the research problem and objectives of the study are provided. Next, an overview of the literature on the selected external exigencies, the hypothesis as well as the theoretical orientation of the study are presented. Furthermore, the research methodology selected for this study is discussed followed by a presentation of the results and the empirical findings that resulted from the questionnaire administered to bank customers. In the next part, the findings are analyzed and discussed in relation to the reviewed literature. Finally, the last part contains the conclusion of the study.

Given the importance of customer loyalty in retail banking, there is a need for further investigation into various facets, internally within the firm and externally, that may influence it or contribute to its enhancement. This study therefore examines the influence of external exigencies on customer loyalty in the retail banking sector in Nigeria. External Exigencies include aspects that are not technically part of the core banking activities, and therefore may not be controlled by bank management (for example, a bank’s proximity to homes and offices, internal ambience, friendliness of staff, recommendation by friends, mass media projection etc.). This investigation is hinged on the observation of the general loss of confidence in banks as a result of the instability in the banking sector occasioned by recurrent bank failures. The scenario suggests that there is a need to focus on factors that will engender customer loyalty issues beyond the usual marketing strategies. This position is substantiated by Cronin et al. (2000) who aver that “retailers generally have little knowledge of the antecedents of customer loyalty.” Also, Brady et al. (2005) argued that “despite various studies focusing on drivers of loyalty, scholars as well as practitioners are still lacking in the understanding of loyalty determinants and their relative importance.” Further, Kandampully (2015) is of the view that “despite several studies done on customer loyalty, practitioners and researchers have not clearly identified a theoretical framework, which could identify the factors that can lead to the development of customer loyalty.” In the same vein, Magasi (2016), maintain that “there is no consensus among researchers on the main factors that underpin customer loyalty.” From the foregoing, it is clear that factors influencing customer loyalty are still not clear. Rai and Srivastava (2012) opine that “unearthing various drivers of customer loyalty can lead to a significant understanding of customer loyalty formation.” With this in mind, empirical evidence is needed to better understand how other factors, outside the core banking activities, influence customer loyalty in retail banks.

Subsequent to the research problems, the main focus of this study is to determine the influence of other factors, outside core operations (external exigencies), on customer loyalty in the Nigerian banking sector. The main objectives of the study are therefore to examine the influence of selected external exigencies on customer loyalty; to rank these factors in their order of influence on customers’ willingness to remain with the bank and to proffer recommendations on enhancing loyalty of banking customers.

## **Literature Review**

### **Conceptual and Theoretical Background**

#### **Antecedents of Customer Loyalty from previous studies**

In explaining the willingness or intention of customers to remain with their banks, several drivers of customer loyalty have been discussed in literature, namely customer satisfaction, switching cost, customer trust, perceived service quality, corporate image, customer relationship management, complaint handling amongst others (Magasi, 2016; Mokhtar & Yusr, 2016). Johnson, et al. (2006), argue that “these antecedents of customer loyalty are convoluted and dynamic, changing and evolving over time.” Of all the antecedents of customer loyalty identified in marketing literature, the most extracted correlates are service quality and customer satisfaction.

Service quality is identified as one of the most attractive areas for researchers over the last decade in the retail banking sector (Gounaris et al, 2003; Choudhury, 2008). Siddiqi (2011) asserts that 'it is one of the ways a bank can differentiate itself from competitors.' Service quality is defined as "a global judgement or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services." (Foggli, 2006). In other words, customers form an opinion based on their expectation of the service to be received and their actual experience of the level of service offered by the organisation. Assessment of service quality is identified from marketing literature as the first step in attaining customer loyalty (Magasi, 2016). Previous studies confirmed a strong relationship between customer loyalty and service quality (Anderson & Mittal, 2000; Bloemer & De Ruyter, 1999; Heskett et al., 1997; Oliva et al., 1992). Similarly, Brady et al. (2001), Boohene and Agyapong (2011) found that "high degree of service quality translates into loyalty." However, Aydin et al. (2005), are of a contrary opinion, advancing the view that "service quality is a necessary but not a sufficient condition to obtain customer loyalty."

Satisfaction is also recognised in literature as one of the main antecedents of customer loyalty (Cronin & Taylor, 1992; Cronin, Brady & Hult, 2000; McDougall & Levesque, 2000; Chiou, Droge & Hanvanich, 2002). It is regarded as "a fundamental determinant in maintaining long term relations with customers" (Anthanassopoulos et al., 2001). In the context of the services industry, satisfaction is defined as a "cognitive or affective reaction" that manifests in the form of a response to a single or prolonged set of service encounters (Rust & Oliver, 1994). This cognitive component consists of expectations and perceived performance which is later manifested into positive or negative satisfaction (Chokol'akova et al., 2015). This implies a conscious decision-making process by a customer from a comparison of a products performance with some pre-purchase criteria during or after consumption (Halstead et al., 1994). Literature suggests that customer satisfaction generates revenue and customer base growth. According to Chokol'akova et al., (2015), "satisfied customers tend to buy more products, serve as a good advertising agent, are willing to pay higher prices for bank services and increased cross- selling at branch levels." He further asserts that "additional purchases made by satisfied customers lead to profits which, in the medium and long term, is more valuable than profits from other usual banking activities, like trading, cutting costs or increasing net interest income" (Grigoroudis et al. 2013; Terpstra & Verbeeten, 2014). Although there is a general assumption that satisfied customers are loyal customers, there are arguments around the sufficiency of satisfaction alone in fostering customer loyalty. Srinivasan (2007) corroborates this position by stating that "despite a correlation between satisfied and loyal customers, satisfaction is not an essential requirement for loyalty." Satisfied customers can migrate to a competitor if they perceive a better quality in products and services there, than what is offered in their current bank. Jones and Saaser (1995) substantiates this view by stating that "the satisfaction-loyalty link is not linear as satisfied customers may still defect to a rival company." On the other hand, "a dissatisfied customer can still decide to maintain a long-term relationship with a bank as a result of hurdles or obstacles, referred to as switching costs" (Aydin & Ozer, 2005), and lack of viable alternatives, that make it difficult for them to change to other banks. These mixed views about the satisfaction-loyalty link necessitate a wider search for other factors that may influence the decision by customers to remain with their banks.

### **External Exigencies as correlates of Customer Loyalty**

External exigencies refer to issues that are not professionally and technically part of the banking transaction. They are not part of the core activities and operations expected to be exercised in banks, nor do they form part of banking transactions from a professional or technical perspective. Furthermore, external exigencies are not part of what the bank's board, management team and officials are tasked to do on day-to-day basis. These elements include the bank's interior and exterior ambience, location, what people said about the bank and other facilities, such as the customer parking. One important characteristic common to all the external exigencies is the understanding that the bank management has very little or no control over them, despite the influence they may have, both as individual or collective elements on banking outcomes, including customer loyalty to their bank. This study focuses on five of such external exigencies, namely, proximity of bank to customer, internal ambience of the banks, recommendation by friends or relatives, mass media advertisements and availability of parking space for customers.

### **Proximity of bank to customers**

One of the main motivations by retail banks for increasing their branch network is to increase market exposure, visibility, easy access to open accounts and improve deposit growth of customers. There are ongoing debates about the relevance of traditional banks in the current dispensation characterised by an increase in digital technology. The advent of online and alternative distribution channels, evidenced by the proliferation of automated teller machines (ATMs) and call centres by banks, appear to make geographical distance of the traditional bank branches no longer important. However, there are arguments that notwithstanding the convenience of electronic and multiple channels, customers still prefer face-to-face interaction with the banks for such reasons as opening new accounts, applying for loans and conclusion of complex transactions. Notwithstanding the mode of access to a bank, physical or digital, empirical studies suggest that there are positive outcomes associated with nearness of banks to customers. Olotu and Olopete (2010) found bank proximity as one of the factors that attract customers to banks. Abdulmumin et al. (2012) also found proximity of banks as a significant factor influencing customer loyalty to banks. Similarly, Kranias and Bourlessa (2013), in their study found that proximity of banks impact positively on loyalty of customers in Greek banking sector. Further, Alidadi and Nazari (2013) conducted a study in the Iranian banking sector. They found proximity of banks to customers as one of the effective strategies for customer satisfaction. Notwithstanding these similar findings, there are divergent views by some academics and practitioners that it is convenience, rather than proximity, that motivates a customer to remain with a bank. In the current study, the effect of proximity of bank on customer loyalty will be investigated.

### **Bank Internal appearance**

Researchers have investigated the significance of internal appearance on customer related outcomes, especially in the services industry (Ariffin et al., 2012; Ha & Jang, 2010; Heide & Gronhaug, 2009; Liu & Jang, 2009; Reimer & Kuehn, 2006). Internal appearance or atmosphere generally refers to the ambience, character or mood of a particular space. "It relates to the effort to design buying environment in order to produce specific emotional effect in the buyer which influence his purchase probability" (Brady & Conin, 2001). Hence, it considers aspects like light, smell, outlay, décor and related layouts of a particular facility. Bitner (1992) states that the physical setting of a place includes visual aspects like color and texture as well as sensory elements like noise, odors and temperature. According to him, the physical setting is capable of altering customer expectations and influencing consumer responses and expectations. Similarly, Wakefield and Blodgett (1996) maintain that the internal appearance of a place such as the "layout, aesthetics, electronic displays, seating, and cleanliness on consumers' perceptions of service quality influences customers' overall assessment of the services and has relatively consistent and strong effect on customer retention and their repatronage intentions." This view was also reiterated by Kalcheva and Weitz (2006), who found that the interior environment of business settings had an impact on consumer purchasing behavior, particularly on re-patronage intentions. Apart from the effect on repeat buying behaviour, the internal appearance of the bank also influences consumer experience in extended service interactions (Auka et al., 2013). Thus, the negative emotions from customers in waiting times can be eliminated where the interior environment has "lower lighting levels, temperatures within a comfort range, soft and slow music, light and cool colours, and comfortable seating" (Baker & Cameron, 1996).

### **Recommendation by friends and relatives**

Previous studies have investigated the linkage between the influence of referrals or recommendation and customer outcomes (Berman, 2016; Xu et al., 2015; Cantalops & Salvi, 2014; Curras-Perez et al., 2014; Goorich & De Mooij, 2014). Recommendations or referrals by friends or relatives about the products or services of organisations are recognised in marketing literature as important means to influence purchasing decisions and fostering customer loyalty. Almossawi (2001), in his study to investigate factors that influence banks selection, found referral as an important factor amongst young male and female customers, despite their preference to act independently. The finding from this study is in line with Kinard and Capella (2006), who assert that in the banking services especially, customers put a lot of weight on the advice and suggestion from others who have experience the service. This indicates that personal communications are usually based on knowledge about products or services available and the experiences obtained from encounters with the organisation which when relayed to other close acquaintances or relatives, tend to be given more attention because of the greater level of credibility placed on these sources about the product or service, in comparison to advertisements and other channels of information (Mckinsey, 2010; Berman, 2016). Family members generally, significantly, influence the orientation of a person towards life issues and choices. Awan and Azhar (2014) opine that this influence still persists even where there are no longer interactions with family. Similarly, they aver those social interactions with friends also largely affect consumers' decision making process. These findings suggest that banks ought to focus their attention on the aspects that can create positive recommendations which can ultimately attract more customers who will be loyal to their banks.

### **Mass media advertisement**

Advertising through mass media is one of the commonly used marketing strategies employed by businesses to communicate information to the public about its products and services. It is used basically to influence a particular target market to purchase a company's product or services and also to develop the image of the company. Previous studies suggest a positive link between advertising and consumer outcomes like purchasing behaviour and loyalty (Monfared, 2015). Raj (1982) opine that advertising may persuade those not currently loyal to a brand to purchase more of it whereas, currently loyal customers may be protected from drifting to competitors. Traditional media include the use of television, radio, printed newspapers and magazines to sensitise the public about the company and its offerings. With the advent of digital technology such as mobile phones and the internet, new media channels such as, Facebook, Twitter, Google and You tube, are increasingly being used by customers because of their interactive features which are absent in the traditional channels. Kornfeld (2009, p. 4) substantiates this development by stating that "the digital innovations of the last decade made it effortless, indeed second nature, for audiences to talk back and talk to each other." Mukerjee (2018) aver that easy access to information by customers through a variety of media sources also indicate that customers are gaining expertise in financial matters. Thus, customers are better informed about the general economic health of the bank in their decision to be loyal or not. There is a need therefore, for banks to further understand the role of mass media advertisement in drawing customer loyalty.

### **Availability of parking space**

Availability of facilities outside core banking operations have been investigated to influence customer choices and willingness to remain with banking institutions (Dahari, 2015; Okpara & Onuoha, 2013; Sharma & Rao, 2010). Organised parking areas in a city generally tend to attract shoppers to the central business district (CBD), where retailers and other businesses are located. Given that automobiles are the major means of transportation, parking facility represents an aspect of convenience, which has been identified as a motivator for bank patronage by customers. Saber et al. (2017) aver that parking convenience influences customers to repeat purchase and informs their decision to remain with one business. Any inconvenience in the form of shortage or lack of parking space can potentially deter a customer from visiting a particular organisation and alternatively search for similar businesses with available

parking space. Apart from the expectation of an ample and well-maintained parking space, the aspect of safety is also very crucial to customers. Customers want to be assured of the safety of their vehicles whilst parked outside a business premises they have visited to transact business.

**Study Hypothesis**

Following the discussion on the selected five external exigencies, namely, proximity of bank to customer, internal ambience of the banks, recommendation by friends or relatives, mass media advertisements and availability of parking space for customers, the hypothesis for this study is put forward as follows:

H1: External Exigencies have a positive influence on customer loyalty to banks.

**Theoretical Orientation**

The relevant theoretical framework that foregrounds this study is the Relationship Marketing theory. This theory emphasises building and maintaining long-term relationships between sellers and buyers to create a sustainable competitive advantage and sustainable value-added products that favour the firm and its customers respectively (Gronroos, 1990). Given the nature of retail banking services where customers can exercise choice with regard to bank selection, scholars state that relationship marketing can be used as a tool to enhance customer retention and loyalty (Lemon et al., 2002; Verhoef, 2003). This suggests that relationship-marketing concepts are highly relevant in the context of retail banking industry.

Berry (1983) developed the Relationship Marketing theory to explain the importance of enhancing customer relationships in marketing endeavours. His emphasis was that in a relationship view of marketing, it is implied that retention and development were of equal or even greater importance to the organisation in the long term than customer acquisition. This theory involves using event-driven tactics in customer retention marketing to reposition marketing as an on-going multi-transactional relationship with customers (Veloutsou et al, 2002; Berry, 1993). Thus, Taleghani et al. (2011) states that a key principle of relationship marketing is the retention of customers through various means and practices to ensure repeated trade from pre-existing customers by satisfying requirements above those of competing companies through a mutually beneficial relationship.

**Research Methodology**

The extent to which the External Exigencies influenced Customer Loyalty is not certain. In order to establish the linkage, the study used the quantitative research methodology. The data for this study were collected independently from retail bank customers who reside in Ibadan, Nigeria. The questionnaire instrument was used which was designed after a review of literature, theories and existing instruments used for similar studies. External exigencies domain was measured by the sum of response on the indicators that respondents provided within the four-point Likert scale range of 1-4 ranging from ‘Strongly Agree’ to ‘Disagree.’ A total sampling size of four hundred and ninety-six (496) respondents affiliated to the eight banks were used for this study. Consequently, 424 questionnaires were found complete and usable for the analysis, which represented 85% response rate. The selection criteria for the sample were individuals who had a bank account maintained for at least one month, with ability to read and write. At the end of the data collection, 424 questionnaires were found complete and usable for the analysis, which represented 85% response rate. The relationship proposed in the theoretical model were estimated through a Partial Least Square Equation Model (PLS – SEM) 3 (version 3.2.6). The questionnaire was pretested for validity in a pilot study of 30 selected respondents who were customers to the respective retail banks in Nigeria. The process of pre-testing helped the researcher to identify areas where the questionnaire needed corrections. The Cronbach’s alpha was used as the measure of reliability with alpha coefficient ranging in value from 0 to 1. The acceptable Cronbach alpha’s benchmark value is  $\geq 0.70$  (Cooper & Schindler, 2003), however, value  $\geq 0.60$  to 0.7 are considered to be within acceptable limit (Hair *et al.*, 2010: 92). The result of the reliability test (Tables 1 and 2) conducted on all the items in the two constructs show that each of the items has acceptable reliability score.

**Table 1:** All (5) item Cronbach’s alpha reliability score: External Exigencies

<b>Indicators</b>	<b>Cronbach’s Alpha</b>
I will remain with my bank because it is located near my office/home.	0.80
I will remain with my bank because it has a good internal appearance.	0.75
I will remain with my bank because it was recommended by friends/relatives.	0.75
I will remain with my bank because it has attractive advertisement (billboards, tv, radio, internet )	0.73
I will remain with my bank because it has a good parking space in its compound.	0.75

**Table 2:** All (9) item Cronbach’s alpha reliability score: Customer Loyalty

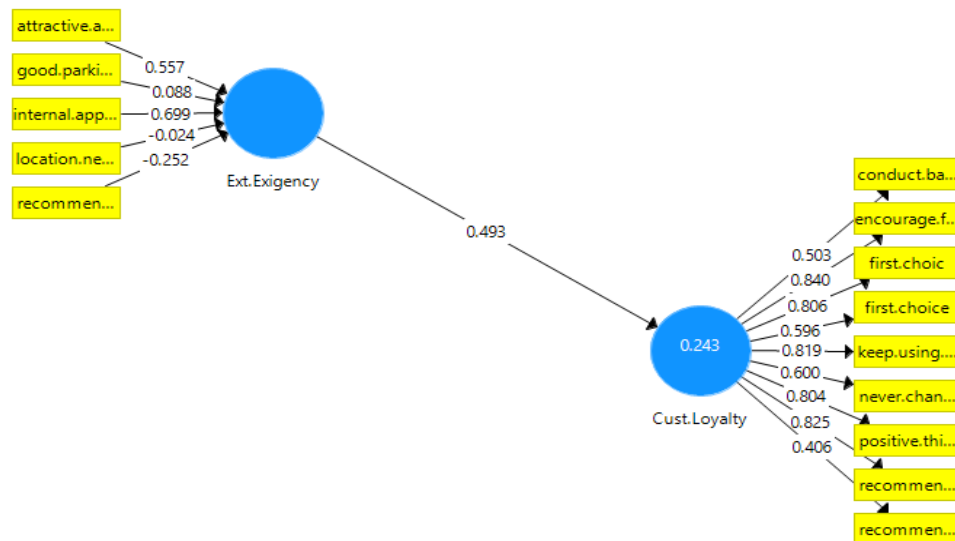
Indicators	Cronbach’s Alpha
My current bank is the first choice in banking service.	0.81
I conduct all my banking affairs with my bank.	0.82
I will never seriously change my bank.	0.81
I will say positive things about my bank to other people.	0.79
I will recommend my bank to someone who seeks my advice.	0.79
I will recommend my bank products to other people.	0.87
I will encourage friends and relatives to use my bank.	0.79
I will definitely keep using this bank.	0.79
My current bank will be my first choice in the future.	0.79

Having conducted the reliability test with acceptable outcome (result), final substantive analyses were performed to capture the objectives and research questions and to verify the research hypotheses. The Smart Partial Least Square – Structural Equation (SmartPLS-SEM 3.0) by Ringle et al. (2015) was used to ascertain the influence of External Exigencies on Customer Loyalty.

## Results and Findings

### The interactive Influence of External Exigencies on Customer Loyalty

Bank External Exigencies are activities, operations and issues that are not professionally and technically part of the banking transaction. They were not part of the Corporate Governance practices expected to be exercised in banks, nor did they form part of banking transactions from a professional or technical perspective. Furthermore, external exigencies were not part of what the bank’s board, management team and officials were tasked to do on day-to-day basis. These elements included the bank’s interior and exterior ambience, location, what people said about the bank and other facilities, such as the customer parking. One important characteristic common to all the external exigencies was the understanding that the bank management had very little or no control over them, despite the influence that they may have both as individual and collective elements on banking outcomes, including Customer Loyalty to their bank. The extent to which the External Exigencies influenced Customer Loyalty was not certain. Therefore, in order to establish the linkage, a mini-Partial Least Square Equation Model (PLS – SEM) was conducted, with the result of the structure provided in Figure 1.



**Figure 1:** PLS-SEM model indicating the influence of External Exigencies on Customer Loyalty

#### Key: Variables

*location.nearhome.office:* Location of bank near home/office; *internal.appearance:* Internal appearance of bank;*recommended.friends:* Recommendation by friends or relative; *attractive.advertisements:* Mass media advertisement ; *good.parking.space:* Availability of parking space

The Model Fitness and Quality Indices summary (Table 3) shows that all the parameters were statistically significant and accepted (R square = 0.243, P = 0.00; F square = 0.321, P = 0.00; AVE = 0.498, P = 0.00; Composite Reliability = 0.895, P = 0.00; rho – A = 0.901, P = 0.00, SRMR = 0.052, P = 0.000.

**Table 3: Model Fitness and Quality Indices**

	R Square	R Squared Adj	F Squared	Average Variance Extracted (AVE)	Composite Reliability	Rho-A	Cronbach's Alpha	SRMR	D-ULS	d_G	T Statistics	P Values
R-Squared Custloyl	0,243										6,225	0,000
R-Squared Adjusted Custloyl		0,241									6,164	0,000
<b>F-Squared</b>												
Extexige -> Custloyl			0,321								4,425	0,000
<b>Construct Reliability and Validity</b>												
Custloyl				0,498							14,118	0,000
Custloyl					0,895						65,088	0,000
Custloyl						0,901					72,242	0,000
Custloyl							0,865				43,905	0,000
<b>Model Fit Summary</b>												
SRMR Saturated Model								0,052			22,689	0,000
D- ULS Saturated Model									0,287		15,334	0,000
D_G Saturated Model										0,093	5,991	0,000

The Path Coefficient ( $\beta = 0.493$  and Total Effect ( $\beta = 0.493$ , P = 0.00) in Table 4 revealed that External Exigencies domain had a significantly positive effect on Customer Loyalty.

**Table 4: Path Coefficients and Total Effects**

FACTORS	Path Coefficients	Total Effects	T Statistics	P Values
Extexige -> Custloyl	0,493	0,493	12,768	0,000

This meant that, as a collective, External Exigencies influenced or determined whether or not bank customers would be loyal to their banks. As such, banks with a good rating on External Exigency attributes tend to attract and retain more customers than those that do not possess these features. Advancement in the External Exigencies of a particular bank will result in an increase in customer loyalty. External exigencies, which include other areas that are not controlled directly by bank management, such as laws, have been found to influence customer loyalty. For instance, Rathinam & Raja (2010), Ang, (2008), Levine (2005) and Rioja & Valev (2004) highlighted the role legal foundations play in the financial and general development of the financial sector. In the context of Corporate Governance, La Porta et al., (1998) reiterates the important role law and legal enforcement plays in the governance of firms, which leads to improved customer confidence. Amongst the External Exigencies attributes (Table 5), ‘internal appearance’ (interior ambience) of the banks had the highest positive effect on or contribution to the External Exigencies domain ( $\beta = 0.699$ , P = 0.00). This was followed by ‘attractive advertisements about the bank’ ( $\beta = 0.800$ , P = 0.00). On the other hand, ‘recommendation by friends’ ( $\beta = -0.252$ , P = 0.03) had a significant negative contribution on External Exigencies domain.

**Table 5: Outer loadings and outer weights of External Exigencies attributes**

External Exigencies Attributes	Outer Loadings	T Statistics	P Values	Outer Weights	T Statistics	P Value
attractive.advertisements	0,800	14,558	0,000	0,557	4,547	0,000
good.parking.space	0,540	6,383	0,000	0,088	0,757	0,449
internal.appearance	0,889	19,977	0,000	0,699	7,162	0,000
location.nearhome.office	0,414	3,888	0,000	-0,024	0,208	0,835
positive.things.bank	0,414	4,186	0,000	-0,252	2,177	0,030

\* Significant at  $P \leq 0.05$

Generally, while the External Exigencies domain is substantiated by the ‘internal appearance of the banks’, ‘attractive advertisements’ and ‘good parking space on the bank’s premises’, other variables, such as location, ‘nearness to home or office’ and ‘recommendation by friends about banks’, deflect and do not contribute positively to the domain. However, high and positive co-variance was found between External Exigencies and all its attributes at a statistically significant level (P = 0.00). ‘Internal appearance’ had the highest covariance with External Exigencies, followed by ‘attractive advertisements about the banks’ and ‘good parking space on the bank’s

premises. Interestingly, the Cross-loadings Covariance (correlation) between External Exigencies attributes and Customer Loyalty revealed a positive correlation at significant level for all the attributes (Table 6).

**Table 6:** Cross-loadings (Correlations) of External Exigencies attributes on Customer Loyalty

External Exigencies Attributes	Customer Loyalty	External Exigency
attractive.advertisements	0,394	0,800
good.parking.space	0,266	0,540
internal.appearance	0,438	0,889
location.nearhome.office	0,204	0,414
positive.things.bank	0,804	0,389

\* Significant at  $P \leq 0.05$

## Discussion

This study found, from the general perspective and the hypothesis tested, that bank external exigencies exert significant positive influence in driving customer loyalty in Nigeria retail bank. Further analysis, focusing on the relative strengths and contributions of specific indicators of external exigencies revealed that bank customers were loyal to their banks mostly for the interior settings. This finding confirmed the importance of the ‘internal appearance’, though not part of the core activities of the bank, but potent in enhancing customer loyalty. It validates empirical studies by Emir (2016), who found a positive significant relationship between internal components of a hotel atmosphere, namely illumination, decoration and choice of appropriate music, on customer loyalty. Similarly, Omar et al. (2015) found a positive, significant relationship between interior ambience and customer satisfaction in restaurants, as a subset of the hospitality industry. Even though the interior ambience of a bank was not part of the technical aspect of banking transactions, it had the potential to attract and retain customers’ loyalty. Thus, when banks’ interiors, such as the banking hall, are unattractive, customers will be less likely to visit such banks. As such, a well-ventilated banking hall, ample seating for customers, clean and fresh environment are necessary to attract customers.

Similarly, loud, expressive and generally rated good advertisement, especially on billboards, posters, radio, television and other media links can play a positive role in attracting and retaining customer loyalty to their banks. The result also confirmed the value of attractive advertisement in influencing customer’s willingness to remain with their banks. Bank customers feel proud and convinced when their banks present competitive, acceptable advertisements. Therefore, banks with attractive advertisements have a better potential to attract customer loyalty.

Good parking space for customers was also found to be an important attribute of External Exigencies that correlated positively with Customer Loyalty. Although this was not as important as ‘internal (interior) appearance’ and ‘attractive advertisement’, it had a strong bearing and correlation with Customer Loyalty. Banks have to ensure there is a parking facility within their premises in order to attract and retain potential and existing customers since quite a large number of them use automobiles as a major mode of transportation.

Contrary to previous studies, location near home/office as well as recommendation by friends and family members have no bearing on customer loyalty in the context of retail banking customer in Nigeria (Mckinsey, 2010; Kranias & Bourlessa, 2013; Berman, 2016). This finding indicated the decreasing importance of proximity and recommendation by friends and family with regard to securing long-term banking relationship from a customer perspective. It implies that bank customers are becoming more independent and rational in their economic choices and that they place priority on what will be most beneficial to them than sentimental values. Notwithstanding the lack of contribution of these variables to customer loyalty, banks should be mindful of making banking services nearer to customers in addition to providing quality products and services that will engender word of mouth advocacy for banks.

## Conclusions

This study makes important contribution to the body of literature on antecedents of customer loyalty in the retail banking sector, from the Nigerian perspective. Given the intense competitive pressure confronting banks in Nigeria and increasing high expectations from customers in their banking relationship, it has become pertinent for banks to consider a variety of factors that could enhance customer loyalty. Banks must be mindful of factors beyond the core banking activities that can enhance customer loyalty which will contribute to positive economic returns. Empirically, the study identified five antecedents of customer loyalty which are outside of core banking activities, namely, nearness to home or office, internal appearance, recommendation by friends or family, mass media advertisement and availability of parking space. Based on the findings of this study, the following recommendations are accordingly proffered: Banks have to invest more in creating and maintaining an attractive and comfortable interior for customers in order to garner their loyalty to their banks. A pleasant interior would make customers feel at home in their banks and waiting times inconsequential to them. Also, banks should use more mass media advertisements to create awareness about their services and products to the general public. Apart from attracting new customers, it will also inform the existing customers of the various products and services available to them. This would further strengthen their relationship with the bank. Further, banks should devote resources to creating and maintaining good, safe parking spaces for customers. This would improve access of customers to banks and assurance of safety while transacting business within the bank premises. There should be continuous improvement in the quality of services and products



offered to customers in retail banks, this will motivate existing customers to recommend bank's product and services to other potential customers. Bank branches must also be equipped with facilities that will address customer needs. It is not enough to establish more bank branches without careful consideration of serving customer needs within the communities they are located. This will facilitate a lucrative long-term relationship between customers and their banks.

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