EPH-International Journal of Business & Management Science

EMPATHY AND CUSTOMER LOYALTY IN PUBLIC AND PRIVATE BANKS: EVIDENCE FROM BANKING CUSTOMERS

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Article History
Received: *2026-05-12*
Revised: *2026-06-20*
Accepted: *2026-06-28*
Published: *2026-07-10*

Abstract
This study examines the effect of empathy-related service behaviours on customer loyalty in public and private banks. Empathy is seen as a service quality aspect in relations, which is manifested in personalized attention, knowing the customer's needs, caring communication, handling customer complaints with empathy, and listening and follow-up. The survey design was an empirical one and the data were collected from 220 respondents comprising 110 public banks and 110 private banks, of adult banking customers in India. This questionnaire was based on the SERVQUAL tradition and literature on customer loyalty was analysed using reliability analysis, Pearson correlation, multiple regression, ANOVA, model summary statistics, multicollinearity diagnostics and independent-samples comparisons. The results indicate that the bivariate level of all empathy dimensions is positively and significantly related to the customer loyalty. In the regression model, the dimensions of understanding customer needs, empathetic complaint handling, personalised attention, and caring communication still have a strong predictive power, which means that they are still significant factors in predicting the customer's reaction. This is because these dimensions of empathy are not completely explained by other dimensions, and they are independent from them. Listening and follow-up is not significant when the other empathy dimensions are included in the model, which means that it is not an independent predictor of the customer's reaction. Customers of private banks also show slightly higher loyalty scores than do customers of public banks accounting for their type, which also has a significant positive effect. The overall model accounts for 61.9% of the variation in customer loyalty. The research findings indicate that empathy is not just a soft interpersonal skill but a quantifiable service characteristic which boosts retention, recommendation and resistance to switching. In practice, banks should focus on customer understanding, recovering complaints, maintaining continuity of the relationship and providing human support in digital service systems, in order to meet customers' needs.

Keywords: *Banking sector, customer loyalty, empathy, private banks, public banks, SERVQUAL, service quality*

Vol. 12 Issue 6 (July, 2026)
ISSN: 2208-2190 Pages- 37-47
DOI: https://doi.org/10.69980/mmttj851

1. Introduction

Banks are important players in all economies since they connect the saving, credit, investment, and payment systems. Financial products, interest rates or the ease of access to branches are no longer the only factors that draw customers in. In a competitive banking system, customers also assess the human quality of service transactions, their attitude towards customers in service delivery, the extent to which employees listen to their complaints and how much the bank understands the individual's needs. The relationship aspect in banking is also crucial in both public and private banks as customers often have a banking relationship partly because of their treatment, the quality of communication and the way complaints are handled.

The issue of service quality has been a longstanding topic of discussion that has been linked to both customer satisfaction and customer loyalty. Parasuraman, Zeithaml and Berry (1988) have identified six key dimensions of service quality: Tangibility, Reliability, Responsiveness, Assurance, Empathy. There is a need to give special consideration to empathy in the banking sector, as banking is a personally sensitive sector and is associated with income, credit, savings, family needs, business uncertainty, and financial risk. With the employees taking time to understand a customer and respond to them with care, the customer is more likely to build trust, rapport and emotional connection with the bank. From this point of view, empathy can be seen as a service mechanism that can help to achieve satisfaction and sustain long-term loyalty.

Customer loyalty is a customer's commitment to use a service provider, to recommend the service to others and to not switch to another service provider. Oliver (1999) suggests that loyalty is more than satisfaction as it has elements of commitment, repeated behaviour, and relational attachment. In the banking sector, loyal customers assist banks in retaining deposits, growing cross-sell rate, decreasing switching rate, and creating positive word of mouth. But, with digital banking and soaring competition along with evolving customer expectations, loyalty is now easier to lose than to keep. Customers can easily switch to service alternatives, and can alter financial activities if they find poor communication, weak support, and mechanical complaint handling.

This issue is more relevant in the public-private banking context. Public banks typically ensure a wider reach, a deeper level of familiarity and a more expansive social mandate, but are subject to tortoise criticism they move slowly, are less personalised and take time to process. While private banks may be seen as more sales-driven, more transactional, more fast and convenient and more responsive to digitalization, they are also seen as faster. The concept of empathy can thus be applied differently to banks. For public-bank customers, patience, guidance, documentation support and respectful treatment are preferable, while for private-bank customers, immediate responses, personalised advice, and proactive recovery are more important. Hence, this study is centering on the role of empathy in customer loyalty in both public and private banks.

The effects of personalized attention, customer needs, caring communication, empathetic complaint handling, listening, follow-up and bank type on customer loyalty are discussed. It has a clear empirical structure of problem statement, research questions, objectives, literature review, research gap, conceptual framework, hypotheses, methodology, statistical analysis, discussion, conclusion, recommendations, limitations and references.

1.1 Problem Statement

Technology, architecture, product development and digital systems are major investments made by banks, but if customers don't feel appreciated, understood, or supported, they are only loosely attached. In a lot of bank relationships, the customer gripe is not just about a technical mistake, but additionally the failure to listen, communicate mechanically, next follow-up, and be impersonal. Previous studies on the quality of the banking services often focus on the entire SERVQUAL model, which may obscure the empathy component. The present study thus focuses on the empathy related service behaviors and investigates the relationship between empathy related service behaviors and customer loyalty among the public and private banks. Is it possible to offer customers more empathy and more likely to retain them, get them to refer others and to not leave?

1.2 Research Questions

- What is the relationship between empathy-related service behaviours and customer loyalty in public and private banks?
- Which empathy-related dimensions are most strongly associated with customer loyalty?
- Does bank type, public or private, show a meaningful difference in customer loyalty?

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ISSN: 2208-2190 Pages- 37-47
DOI: https://doi.org/10.69980/mmttj851

- To what extent do empathy dimensions and bank type jointly explain variation in customer loyalty?

1.3 Research Objectives

- To examine the influence of empathy-related service behaviours on customer loyalty in public and private banks.
- To analyse the effect of personalised attention, understanding customer needs, caring communication, empathetic complaint handling, and listening and follow-up on customer loyalty.
- To compare empathy and customer loyalty scores across public and private bank customers.
- To provide practical recommendations for banks seeking to improve customer retention through empathetic service delivery.

1.4 Significance of the Study

This study makes a contribution to practice in the banking industry and the literature on customer-loyalty by demonstrating that empathy is a service quality construct and not simply a generic emotional measure. For managers, the findings are used for staff training, communicating with customers, resolving complaints and designing the services around relationships. Empathy in public banks can help mitigate the impact of process delays by expressing respect, guidance and patience. Empathy can help ease the idea of sales pressure and foster trust in private banks. The study brings specific evidence to the researchers' field since the emotions are distinguished from the SERVQUAL model, and the relationship between empathy and loyalty is investigated directly in a public-private banking case study.

2. Literature Review

2.1 Empathy in Service Quality

Empathy is the ability of the service provider to provide caring, personalised service to customers. In SERVQUAL model, empathy involves personal attention, understanding of customer needs and treating customers as individuals (Parasuraman et al., 1988). Empathy in a bank involves listening, attempting to explain things to customers, respecting the elderly and less tech-savvy customers, spending more time with customers, and dealing with complaints with care. Empathy is not as tangible or reliable as tangibility or reliability, but is instead relational, and is influenced by the employees' actions, organisational culture and the bank's desire to see the service experience through the customer's eyes.

Empathizing is particularly vital in situations where customers are uncertain or in danger. Information asymmetry, complexity in documentation and fear of loss and security concerns are some common financial services issues. Customers might not be aware of loan terms, account procedures, service costs or risks associated with digital banking. An understanding staff member who discusses the choices in a straightforward and straightforward manner can assist in minimizing stress and boosting self-assurance. Cronin and Taylor (1992) believe that one of the most important factors in customer assessment of service is perceived service performance, especially in high-stress service situations. Empathy is the perception that is created by the service process but it can affect customers' perception of the bank even if the process itself is complex.

The relational dimensions are also important as demonstrated in recent service research, notwithstanding digitalisation. While internet and mobile banking makes things easier for customers, it does not eliminate their expectations of assurance, responsiveness and personal support (Amin, 2016; Hammoud et al., 2018; Shankar & Jebarajakirthy, 2019). Empathy can take the form of personalised communication, timely human intervention, guiding and responsive communication during service failure, etc., in a digital service environment. This is relevant because customers could pick up the phone for a routine issue, but still want empathy when it comes to dealing with money, identity, family needs and risk.

2.2 Customer Loyalty in Banking

Customer loyalty can be expressed in terms of behaviour and attitude. Behavioural loyalty is defined as frequent use of a bank whereas attitudinal loyalty is defined as preference, commitment, recommendation, and emotional attachment. Heskett et al. (1994) connect service quality with satisfaction, retention and profitability via the service-profit chain. Oliver (1999) describes satisfaction as a prerequisite for loyalty, but not enough as it needs commitment and repetition of positive behaviour as well. Caruana (2002) also demonstrates that customer satisfaction is a channel through which service quality impacts on loyalty.

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In the Banking sector, it is not enough to simply measure the loyalty of a bank account holder by the simple fact that he or she still has an account with the bank. There are a number of reasons customers may not change banks, including salary-account restrictions, pension linkages, branch location, documentation inconvenience and switching costs. True loyalty is demonstrated when customers choose to remain with the bank even when they have other options, talk about the bank to their friends and family and are less likely to change bank. Empathy can be a key element in this stronger sense of loyalty as it makes customers feel valued, heard and protected. It can also enhance the level of trust and perceived value which are crucial in the relationship between the service encounters and relationship quality over time (Makanyeza & Chikazhe, 2017).

2.3 Empathy, Trust, Satisfaction and Retention

Service quality has been found to have positive relationship with customer satisfaction and customer loyalty in banking as indicated in the literature. Khan and Fasih (2014) found a positive relationship between the dimensions of service quality, customer satisfaction and customer loyalty in banking. Makanyeza and Chikazhe (2017) discovered that service quality influence loyalty via satisfaction and corporate picture. The same has been confirmed by Shetty et al. (2022) who found that the service quality dimensions in public sector banks in India are still relevant. The results of these studies indicate that service quality is still a key channel for customer retention in financial services.

Empathy is crucial because it links trust, satisfaction and retention to service quality. A sense of need understanding translates to trust of recommendations, forgiveness of minor errors, and recommendations to others. Complaint Handling is also at the core since it is very rare that one does not have a complaint when there is a failure in the services. Trust can be compromised by any form of delay in transactions, errors in documentation, and digital outages or miscommunication. But satisfying, respectful, and timely repatriation can minimize dissatisfaction and re-establish loyalty (Tax et al., 1998; Maxham, 2001). Thus, empathetic complaint handling not only resolves problems but also serves as a repair to the relationship.

Banking and financial-service studies in recent studies further emphasise the importance of relational and experiential service quality. Although access and efficiency are enhanced through digital banking, customer experience, trust and perceived support are still critical to retention (Mbama & Ezepue, 2018; Shankar & Jebarajakirthy, 2019). In the banking context, Abror et al. (2020) and Dandis et al. (2022) proved that service quality can impact loyalty by means of satisfaction and involvement. The findings back up the view that empathy can be viewed as a strategic relationship capability for banks, particularly in an environment where competition is making product differentiation a challenge.

2.4 Public and Private Bank Context

The conditions of organisations of public and private banks are different. Public banks may have greater and more varied customer base such as rural customers, pensioners, small businesses and the lower income groups. Their trust and reach might be good, but low volume of customers and procedures may make personalisation challenging. Often times, private banks will do everything they can to outpace each other when it comes to speed, the convenience of digital banking, and branch atmosphere and relationship management, but they will also have to ensure that customers do not perceive the interaction as transactional. Comparing the public and private banking sector is thus helpful as the feeling of empathy can take many forms depending on the setting. It is manifested in public banks by patience and guidance, and in private banks by personalisation and proactive service recovery.

2.5 Research Gap

While the importance of service quality and customer loyalty has been examined in numerous ways, the evidence on empathy as a unique predictor of customer loyalty in public and private banks is still in its infancy. Numerous studies focus on the entire SERVQUAL model with empathy as one of several dimensions. This is a problem for determining the contribution of specific empathetic actions to the creation of loyalty, for example, understanding customers' needs, caring communication, handling complaints and following up. Also, it is important to see if there is more clarity comparing the public and private banks as these may influence service expectations and consequences of service loyalty. This study aims to fill the gap by creating a focused empathy and customer loyalty model and taking bank type as a predictor in the regression model and a comparative variable in independent-samples analysis.

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2.6 Conceptual Framework
The conceptual framework treats five empathy-related behaviours as independent variables and customer loyalty as the dependent variable. Bank type is included as a predictor in the regression model and is also used for public-private comparison. Figure 1 presents the framework.

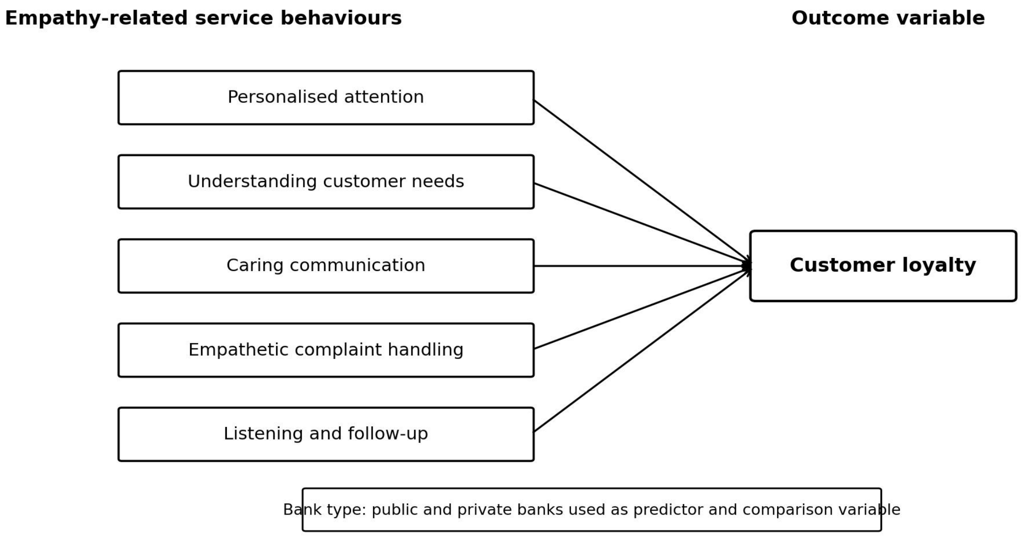

Figure 1. Schematic diagram of empathy and customer loyalty

2.7 Hypotheses
- H1. Personalised attention has a significant positive effect on customer loyalty.
- H2. Understanding customer needs has a significant positive effect on customer loyalty.
- H3. Caring communication has a significant positive effect on customer loyalty.
- H4. Empathetic complaint handling has a significant positive effect on customer loyalty.
- H5. Listening and follow-up has a significant positive effect on customer loyalty.
- H6. Bank type has a significant effect on customer loyalty.

3. Methodology
3.1 Research Design
The study adopted the quantitative approach with a cross sectional survey design. This design was suitable because the purpose of the study was to examine statistical relationships between the empathy related service behaviors and customer loyalty at only one point in time. The study adopted a deductive approach as variables and hypotheses were taken from SERVQUAL and customer-loyalty literature and tested with the survey data. This analysis was not conducted in a controlled environment but depended on perceptions of customers, and so is interpreted as associations and predictive relationships, not as cause-and-effect relationships.

3.2 Study Location, Population and Sample
The study was conducted in the empirical environment of India and respondents were the customers of public and private banks. The data were gathered in March-April 2026 in two different contexts, the branch and the digital, by using a structured questionnaire. The target population included banking customers aged 18 years or older who had a banking relationship and had interacted with a bank branch or customer-care or the digital-bank support services within the last six months. These criteria ensured respondents recent experience of empathy related service behaviour.

The final sample was 220 customers, 110 from public and 110 from private banks. A stratified purposive sampling approach was used. The stratification process ensured that the public and private bank customers were represented equally, while purposive selection allowed respondents to have recent experience with banking services and a way to rate empathy and loyalty. A balanced public and private distribution enabled the study to compare scores of empathy and loyalty between types of banks.

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3.3 Questionnaire Source and Measurement of Variables

The questionnaire was adapted from the empathy dimension of SERVQUAL and from customer-loyalty measures used in service marketing and banking research (Parasuraman et al., 1988; Oliver, 1999; Caruana, 2002). Empathy was assessed across five areas: personalised attention, understanding customer needs, caring communication, empathetic complaint handling, and listening and follow-up. Customer loyalty was measured through willingness to continue using the bank, likelihood of recommending the bank, preference for the bank over alternatives and resistance to switching. Each item was measured on a five-point Likert scale, where 1 represented a very low level of agreement and 5 represented a very high level of agreement.

3.4 Data Analysis Procedure

Reliability statistics, descriptive statistics, Pearson correlations, multiple regression, ANOVA, model summary statistics, multicollinearity diagnostics and independent-samples comparisons were used to analyse the data. The bivariate analysis between the empathy dimensions and the customer loyalty was measured by the Pearson correlation method. The combined effect of the above mentioned factors on customer loyalty was tested using multiple regression. The type of bank was coded as 0 for public bank and 1 for private bank. Independent-samples t-tests were performed to compare the empathy dimensions and customer loyalty of public bank customers with private bank customers.

3.5 Ethical Considerations

Ethical principles for conducting research were followed. Participants were told the educational goal of the survey, and their participation was voluntary and consent was ensured before recording their answers. The analysis did not report any personally identifying information. All the answers were treated confidentially and analysed in an anonymous form. There was no requirement for respondents to complete the survey or to withdraw from the survey.

4. Analysis and Interpretation

This section presents the statistical findings. The analysis begins with reliability and descriptive statistics, followed by correlation results, regression estimates, model fit, multicollinearity checks and public-private bank comparisons. Each table is introduced before presentation and interpreted immediately after presentation.

Table 1 reports the reliability and descriptive statistics for the two main scales. Reliability was assessed through Cronbach's alpha, while mean and standard deviation values describe the overall level of customer perceptions.

Table 1. Reliability and descriptive statistics

Construct	No. of items	Cronbach's alpha	Mean	Std. deviation
Empathy	5	0.926	3.246	0.579
Customer loyalty	4	0.945	3.248	0.717
Overall scale	9	0.945	-	-

The Cronbach's alpha values for empathy and customer loyalty are above the accepted threshold of 0.70, indicating strong internal consistency. The mean values are slightly above the neutral point of 3.00, showing that respondents reported moderately positive perceptions of bank empathy and loyalty. These values provide a reliable basis for the subsequent correlation and regression analysis.

Table 2 presents the Pearson correlation matrix for the five empathy dimensions and customer loyalty. The analysis shows the strength and direction of the bivariate relationships among the variables.

Table 2. Correlation matrix

Variable	EPA	EUN	ECA	ECH	ELS	CLOY
EPA	1					
EUN	0.596**	1				
ECA	0.603**	0.616**	1			
ECH	0.564**	0.598**	0.539**	1		
ELS	0.559**	0.610**	0.587**	0.555**	1	
CLOY	0.636**	0.686**	0.609**	0.635**	0.556**	1

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*Note. EPA = personalised attention; EUN = understanding needs; ECA = caring communication; ECH = empathetic complaint handling; ELS = listening and follow-up; CLOY = customer loyalty. ** p < .01.*

All empathy dimensions are positively and significantly correlated with customer loyalty. Understanding customer needs has the strongest relationship with loyalty ($r = 0.686$, $p < .01$), followed by personalised attention ($r = 0.636$, $p < .01$) and empathetic complaint handling ($r = 0.635$, $p < .01$). Caring communication and listening and follow-up also show meaningful positive relationships. These results support the general expectation that customers become more loyal when banks understand their needs, communicate with care and respond to problems empathetically.
Table 3 presents the multiple regression coefficients. The model includes all five empathy dimensions and bank type. Tolerance and VIF values are reported to assess multicollinearity.

Table 3. Multiple regression coefficients

Predictor	B	Std. error	Beta	t	p	Tolerance	VIF
Constant	0.240	0.174	-	1.382	.169	-	-
Personalised attention (EPA)	0.210	0.060	0.208	3.510	< .001	0.507	1.972
Understanding needs (EUN)	0.280	0.065	0.276	4.342	< .001	0.443	2.258
Caring communication (ECA)	0.130	0.062	0.126	2.090	.038	0.488	2.048
Complaint handling (ECH)	0.233	0.058	0.233	4.047	< .001	0.539	1.855
Listening and follow-up (ELS)	0.044	0.059	0.044	0.745	.457	0.511	1.955
Bank type (0 = public, 1 = private)	0.192	0.064	0.134	2.997	.003	0.891	1.122

Note. Dependent variable = customer loyalty. Bank type was coded 0 for public banks and 1 for private banks.

The regression results show that understanding customer needs is the strongest predictor of customer loyalty (Beta = 0.276, $p < .001$). Complaint handling (Beta = 0.233, $p < .001$), personalised attention (Beta = 0.208, $p < .001$) and caring communication (Beta = 0.126, $p = .038$) also have significant positive effects. Listening and follow-up is positively related to loyalty in the correlation analysis, but it is not a significant independent predictor in the full regression model ($p = .457$). This suggests that its effect overlaps with other empathy dimensions, especially understanding needs and caring communication. Bank type is also significant ($p = .003$), indicating that private-bank customers reported higher loyalty after controlling for empathy dimensions. The VIF values range from 1.122 to 2.258, which is below the common threshold of 5.00, indicating that multicollinearity is not a serious concern.
Table 4 presents the ANOVA results for the regression model. This test assesses whether the full set of predictors significantly explains variation in customer loyalty.

Table 4. ANOVA for regression model

Model	Sum of squares	Df	Mean square	F	P
Regression	69.691	6	11.615	57.690	< .001
Residual	42.885	213	0.201		
Total	112.575	219			

Note. Dependent variable = customer loyalty. Predictors = EPA, EUN, ECA, ECH, ELS and bank type.

The ANOVA result is significant, $F(6, 213) = 57.690$, $p < .001$. This confirms that the full regression model explains a statistically significant amount of variance in customer loyalty. The result supports the overall model linking empathy-related service behaviours and bank type with loyalty outcomes.
Table 5 reports the model summary. These statistics show the explanatory power of the regression model.

Table 5. Model summary

Model	R	R square	Adjusted R square	Std. error of estimate
1	0.787	0.619	0.608	0.449

Note. Predictors = EPA, EUN, ECA, ECH, ELS and bank type.

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The model explains 61.9% of the variance in customer loyalty. The adjusted R square value of 0.608 is close to the R square value, which indicates that the model is not inflated by unnecessary predictors. The residual diagnostics were also reviewed. The scatter of residuals did not suggest a major violation of linearity or homoscedasticity, and the normal probability pattern was acceptable for survey-based analysis. These checks support the use of the regression model for hypothesis testing.

Table 6 compares public and private bank customers across empathy dimensions and customer loyalty. The independent-samples t-test results indicate whether the group differences are statistically meaningful.

Table 6. Public and private bank comparison

Variable	Public mean	Public SD	Private mean	Private SD	t	df	P
Personalised attention	3.084	0.690	3.409	0.698	-3.477	218	< .001
Understanding needs	3.026	0.648	3.463	0.695	-4.820	218	< .001
Caring communication	3.060	0.654	3.428	0.699	-4.031	218	< .001
Complaint handling	3.106	0.722	3.391	0.688	-2.992	218	.003
Listening and follow-up	3.123	0.711	3.373	0.701	-2.627	218	.009
Customer loyalty	2.994	0.691	3.502	0.652	-5.605	218	< .001

Note. Public banks were coded 0 and private banks were coded 1. Negative t-values show higher private-bank means.

Private-bank customers reported higher mean scores on all empathy dimensions and customer loyalty. The largest difference appears in customer loyalty, followed by understanding customer needs. The results suggest that private-bank customers perceive stronger personalisation, need understanding and communication, while public-bank customers report comparatively lower scores. However, the findings should not be interpreted as evidence that public banks are ineffective. Rather, they show areas where public banks can improve customer experience, especially through guided support, complaint handling and follow-up.

Figure 2 visually summarises the public-private comparison in empathy and loyalty scores.

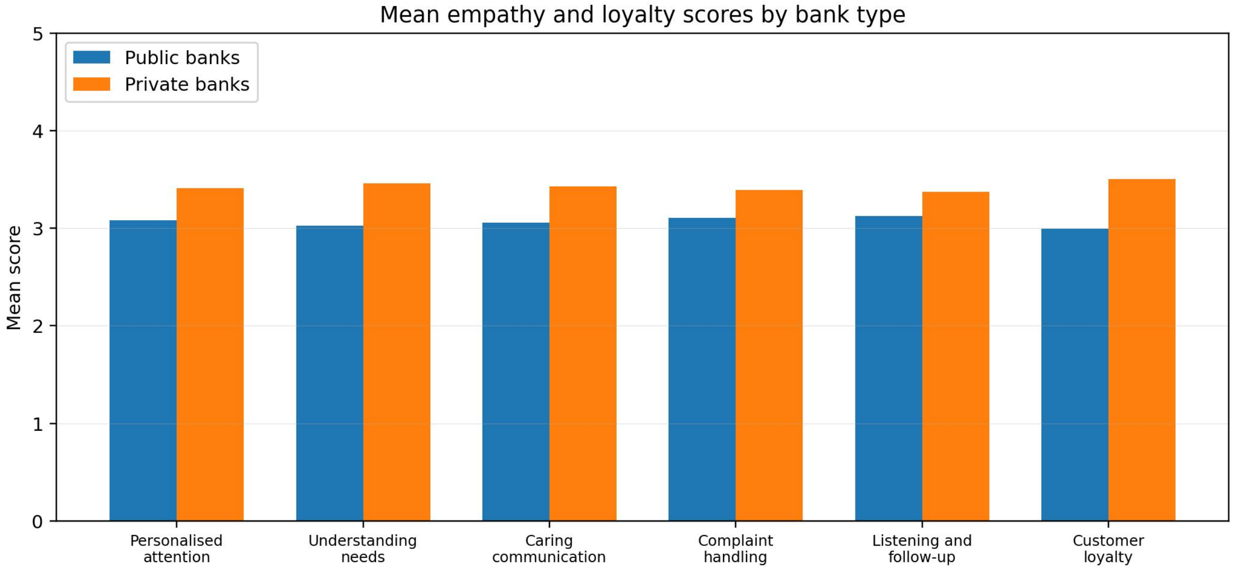

Figure 2. Mean empathy and customer loyalty scores by bank type

4.1 Hypothesis Summary

Table 7. Hypothesis testing summary

Hypothesis	Statement	Decision
H1	Personalised attention has a significant positive effect on customer loyalty.	Supported
H2	Understanding customer needs has a significant positive effect on	Supported

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	customer loyalty.	
H3	Caring communication has a significant positive effect on customer loyalty.	Supported
H4	Empathetic complaint handling has a significant positive effect on customer loyalty.	Supported
H5	Listening and follow-up has a significant positive effect on customer loyalty.	Not supported in the full regression model
H6	Bank type has a significant effect on customer loyalty.	Supported

The hypothesis summary shows that the core empathy dimensions are mostly supported. The only exception is listening and follow-up, which has a positive bivariate relationship with loyalty but does not remain significant when other empathy variables are included. This does not make listening unimportant; rather, it indicates that its independent contribution is weaker once need understanding, communication and complaint handling are considered together.

5. Discussion

The results indicate that empathy is an acceptable predictor of customers' loyalty in private and public banks. The best score is found for the ability to respond to customer needs. This reinforces the idea that customers of banks do not want to be just numbered accounts. Knowing needs means asking the right questions, interpreting products in terms of the customer's needs, providing appropriate financial advice, and not giving mechanical answers. This is in line with the SERVQUAL perception of caring and individualised attention (Parasuraman et al., 1988), and with customer-loyalty theory, which suggests that quality of the relationship leads to customer retention and recommendation (Oliver, 1999; Caruana, 2002).

The ability to deal with complaints with empathy is also a good indicator of brand loyalty. The significance of this finding is that it is hard to make failure of service total in banking. The length of time, potential for digital errors, documentation issues, and transaction issues can lead to frustration. It's all about how the bank reacts when a problem arises. The result is consistent with the service-recovery literature that indicates that if the complaints are handled in a fair, respectful, and timely manner, the satisfaction of the complainant can be restored and his/her loyalty preserved (Tax et al., 1998; Maxham, 2001). The complaint resolution process should thus not be viewed as an operational procedure by banks. It's also a relational occasion to reestablish trust.

One-on-one care and caring communication makes a big difference, too. This is evidence of the importance of communication quality in banking relationships from these dimensions. Technical correctness is important, but not sufficient if the customer feels ignored or rushed. When customers interact with loans and savings, digital issues or financial risk, caring communication could heighten their sense of respect and lower anxiety. This finding is consistent with the latest banking research on service quality and customer experience that have found that service quality and customer experience still have an impact on customer satisfaction, engagement and loyalty in digitally enabled environments (Amin, 2016; Mbama & Ezepue, 2018; Shankar & Jebarajakirthy, 2019; Abror et al., 2020).

However, there is a positive correlation between listening and follow-up and customer loyalty, but it is not significant in the complete regression model. This might be due to the fact that listening is a part of personalised attention, caring communication and understanding needs. These behaviours might not be clearly defined for the customers, and if the bank is attentive then the customers might sense that the bank is caring and need oriented. The outcome in this way indicates that follow-up should be part of a wider empathy training instead of standalone.

The public/private comparison shows that customers of private banks had higher empathy and loyalty values. This could be an indicator of increased investment in relationship management, quicker service systems and more individualistic customer-contact habits in private banks. The difference, however, should be read with care as the study is cross-sectional and based on perceptions of the customers. Customer-facing processes, particularly handling complaints and communicating and guiding customers, need to be improved to regain

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the ground lost by public banks in customer reach, familiarity and social trust. Private banks should make sure that speed and sales orientation are not detrimental to ethical care and the continuity of relationships.

6. Conclusion

The study involved an investigation of the relationship between empathy related service behaviors and customer loyalty of the public and private banks. The findings indicate that empathy is highly related to loyalty, and that the model accounts for a significant proportion of the variance in loyalty. Knowing what customers want and/or how to deal with complaints and respond to customers personally and with caring communication are the best predictors. Listening and follow-up are positively associated with loyalty, but are not significant independent variables in the complete model. However, the type of banks also played a role, as customers of private banks are more likely to rate their loyalty high. All in all, the results indicate that empathy is a useful service capability that could enhance repeat use and resistance to switching and recommendation.

7. Recommendations

- Banks should train frontline employees in active listening, respectful questioning and customer-specific problem solving, with special emphasis on understanding customer needs.
- Complaint-handling systems should include empathy-based service recovery, including acknowledgement, explanation, timely resolution and follow-up.
- Public banks should strengthen guided support for customers who struggle with digital procedures, documentation and complex financial products.
- Private banks should balance speed and sales targets with relationship continuity, transparent advice and ethical customer care.
- Banks should measure empathy regularly through customer feedback surveys and include empathy scores in service-quality dashboards.
- Digital banking platforms should include human escalation options so that customers with sensitive or complex issues are not trapped in automated service channels.
- Customer follow-up should be linked with complaint handling and need-based service rather than treated as a separate routine call.

8. Limitations and Future Research

There are some limitations to the study. It is derived from data of cross sectional survey and not the results should be considered as causal effect. The sample is not unbalanced and it only includes 220 customers in India, but that's still not enough. Analysis is done on the basis of customer perceptions and not bank records. Future studies should replicate with a larger multi-city sample, incorporate rural–urban comparisons, explore the mediation of satisfaction and trust, and incorporate longitudinal data to test for the potential of a relationship between empathy and loyalty over time. A future study will also study and compare branch-based empathy with digital-service empathy to gain insight into the nature of human care in technology-supported banking.

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Appendix A: Questionnaire Items

Table A1. Main questionnaire items

Construct	Sample item
Personalised attention	My bank gives me individual attention when I need help.
Understanding customer needs	Bank employees understand my specific financial needs.
Caring communication	Bank employees communicate with care and respect.
Complaint handling	My bank handles my complaints with concern and fairness.
Listening and follow-up	Bank employees listen carefully and follow up when required.
Customer loyalty	I intend to continue using this bank in the future.
Customer loyalty	I would recommend this bank to others.
Customer loyalty	This bank would be my first choice for future banking services.
Customer loyalty	I am unlikely to switch to another bank if similar services are available.