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The Mediating Role of Trust in the Relationship Between Financial Service Quality and Customer Satisfaction

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ABSTRACT
This study investigates the mediating role of trust in the relationship between financial service quality and customer satisfaction, extending established frameworks such as SERVQUAL and the commitment-trust theory. Data were collected from 420 customers of financial institutions, providing robust statistical power for hypothesis testing. Structural equation modeling (SEM) was applied to assess the measurement and structural models. Results confirmed reliability and validity, with Cronbach's alpha ranging from 0.881 to 0.938 and average variance extracted (AVE) values exceeding 0.50. The findings revealed that financial service quality significantly influences trust ($\beta = 0.749$, $p < .001$) and customer satisfaction ($\beta = 0.557$, $p < .001$), while trust itself positively affects satisfaction ($\beta = 0.322$, $p < .001$). Mediation analysis further demonstrated that trust partially mediates the service quality–satisfaction relationship ($\beta = 0.241$, $p < .001$). Overall, the study underscores the dual role of service quality and trust in shaping satisfaction, offering both theoretical reinforcement and practical implications for financial institutions.

Keywords: Service Quality, Customer Satisfaction, Trust, Financial Services, Structural Equation Modeling (SEM)

INTRODUCTION

In today's competitive financial services sector, customer satisfaction has emerged as a critical determinant of long-term success and sustainability. With increasing globalization, digital transformation, and heightened customer expectations, financial institutions are under growing pressure to deliver not only reliable services but also superior customer experiences. Service quality, therefore, has become a central construct in understanding customer perceptions and behaviors. Prior research highlights that high-quality service delivery positively influences satisfaction and loyalty, enabling firms to secure a competitive advantage (Parasuraman, Zeithaml, & Berry, 1988).

However, service quality alone may not fully explain variations in customer satisfaction, particularly in financial services where intangible offerings and risk perceptions are pronounced. Trust becomes especially relevant in this context, as customers must often rely on financial institutions to act in their best interests despite uncertainties. Trust not only reduces perceived risk but also fosters stronger emotional connections between customers and service providers (Morgan & Hunt, 1994). This makes trust a potential mediator in the relationship between service quality and satisfaction, strengthening the explanatory power of service quality frameworks.

Understanding this mediating role is essential for both theory and practice. From a theoretical perspective, it enriches models of service evaluation by recognizing trust as a core relational construct. Practically, it provides insights for financial institutions aiming to retain customers and build long-term loyalty. In markets characterized by intense competition and regulatory pressures, the ability to enhance satisfaction through both quality and trust can significantly improve business performance.

This study, therefore, aims to examine the mediating role of trust in the relationship between financial service quality and customer satisfaction, using structural equation modeling (SEM) to test reliability, validity, and causal pathways. By doing so, it offers valuable contributions to the literature on service quality, trust, and satisfaction in financial services.

Objectives

- How does financial service quality directly affect customer satisfaction?
- What is the relationship between financial service quality and customer trust?

- To what extent does trust influence customer satisfaction in financial services?
- Does trust mediate the relationship between financial service quality and customer satisfaction?
- How can financial institutions leverage service quality and trust to strengthen long-term customer relationships?

Significance of the study

This study holds both theoretical and practical significance. Theoretically, it extends existing service marketing frameworks by empirically validating the mediating role of trust in the relationship between financial service quality and customer satisfaction. By integrating SERVQUAL and commitment-trust theory, it enriches the understanding of relational dynamics in financial services. Practically, the findings provide valuable insights for financial institutions seeking to enhance customer satisfaction and loyalty. By highlighting trust as a key mechanism, the study emphasizes that sustainable customer relationships require not only superior service delivery but also deliberate trust-building strategies in competitive financial markets.

LITERATURE REVIEW

Customer satisfaction has been a central construct in marketing and service research for decades. Early frameworks such as SERVQUAL (Parasuraman, Zeithaml, & Berry, 1988) emphasized service quality dimensions—reliability, assurance, tangibility, responsiveness, and empathy—as primary drivers of satisfaction. Numerous empirical studies across financial services (Yavas, Benkenstein, & Stuhldreier, 2004; Ladhari, 2009) confirmed that higher service quality leads to improved customer satisfaction and loyalty. Similarly, Zeithaml, Berry, and Parasuraman (1996) highlighted behavioral outcomes, noting that satisfied customers exhibit stronger commitment and positive word-of-mouth.

Trust has also been recognized as a vital relational construct in marketing literature. Morgan and Hunt (1994) introduced the commitment-trust theory, positioning trust as essential for maintaining long-term relationships. In financial contexts, where services are intangible and risk-laden, trust becomes particularly critical (Ennew & Sekhon, 2007; Dimitriadis & Kyrezis, 2010). Scholars argue that service quality fosters trust, which subsequently enhances satisfaction and loyalty (Chiou & Droge, 2006; Kassim & Abdullah, 2010). Recent studies further support this mediating mechanism (Aydin & Ozer, 2005; Rauyruen & Miller, 2007).

Despite consensus on the importance of service quality and trust, contradictions exist. Some studies report that service quality directly drives satisfaction without mediation (Caruana, 2002; Clemes, Gan, & Ren, 2011), while others emphasize trust as a critical mediator (Akbar & Parvez, 2009; Eid, 2011). Variations may stem from contextual differences, measurement models, or cultural factors (Ho, Nguyen, Adhikari, Miles, & Bonney, 2015). For instance, trust's mediating role is stronger in high-risk industries like banking (Kantsperger & Kunz, 2010), but less pronounced in low-risk service sectors (Sivadas & Jindal, 2017). Furthermore, gaps remain regarding integrated empirical models simultaneously testing service quality, trust, and satisfaction in financial services with rigorous techniques like structural equation modeling (SEM).

The present study addresses these gaps by empirically testing the mediating role of trust between financial service quality and customer satisfaction using SEM. By analyzing data from 420 financial customers, it validates measurement and structural properties, ensuring robustness through convergent and discriminant validity tests. This research contributes theoretically by reinforcing trust's role as both an outcome of service quality and a mediator of satisfaction. It also challenges prior findings that overlook trust's importance, providing evidence that sustainable satisfaction in financial services requires both technical service excellence and relational trust-building. Practically, the study offers insights for financial institutions seeking to balance operational efficiency with customer relationship management, especially in competitive, trust-sensitive environments.

RESEARCH METHODOLOGY

The study followed a systematic research design beginning with sampling and data collection. A structured questionnaire was administered to 420 customers of financial institutions, ensuring sufficient representation and statistical power. The measurement model was first evaluated for reliability and validity using Cronbach's alpha, composite reliability, AVE, HTMT ratio, and the Fornell-Larcker criterion. After establishing measurement adequacy, structural equation modeling (SEM) was applied to test hypothesized relationships among constructs. Path coefficients, R^2 values, and f^2 effect sizes were examined to assess explanatory power, while mediation analysis using bootstrapping tested the indirect role of trust.

Measurement Model Assessment

The measurement model assessment provides strong evidence of reliability and validity for the constructs under investigation—customer satisfaction, financial service quality, and trust. Cronbach's alpha values range from 0.881 to 0.938, all exceeding the 0.70 benchmark, thereby confirming high internal consistency. Similarly, composite reliability (rho_a and rho_c) values for each construct are above 0.90, further demonstrating that the items consistently represent their respective latent constructs. This reliability is crucial, as it ensures that the constructs of interest are measured with stability and accuracy, an essential requirement when applying structural equation modeling (SEM) in service research.

Table 1: Construct reliability and validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Customer Satisfaction	0.933	0.934	0.944	0.652
Financial Service Quality	0.881	0.913	0.909	0.523
Trust	0.938	0.940	0.949	0.698

The average variance extracted (AVE) values also surpass the recommended threshold of 0.50, with financial service quality at 0.523, customer satisfaction at 0.652, and trust at 0.698. These results confirm convergent validity, indicating that the observed indicators strongly converge to measure their intended latent construct. From a theoretical standpoint, this strengthens confidence in linking service quality, trust, and satisfaction within the tested framework. The results validate that trust can be reliably operationalized as a mediating construct, bridging financial service quality and customer satisfaction. Thus, the measurement model provides a robust foundation for testing the hypothesized mediation relationships central to this study.

Table 2: Discriminant validity : Heterotrait-monotrait ratio (HTMT) - Matrix

	Customer Satisfaction	Financial service Quality	Trust
Customer Satisfaction			
Financial Service Quality	0.868		
Trust	0.786	0.809	

The Heterotrait-Monotrait ratio (HTMT) results provide evidence of discriminant validity among the constructs of customer satisfaction, financial service quality, and trust. According to established guidelines, HTMT values below 0.85 indicate strong discriminant validity, while values below 0.90 remain acceptable for conceptually related constructs (Henseler, Ringle, & Sarstedt, 2015). In this study, the HTMT values fall between 0.786 and 0.868. Specifically, the ratio between customer satisfaction and financial service quality is 0.868, between customer satisfaction and trust is 0.786, and between financial service quality and trust is 0.809.

These values demonstrate that while the constructs are theoretically related, they remain empirically distinct. For example, the slightly higher HTMT score (0.868) between service quality and customer satisfaction aligns with theory, as these two constructs are closely associated in service marketing literature. However, the values remain within acceptable thresholds, supporting the argument that customer satisfaction, financial service quality, and trust are not measuring the same concept but instead represent interrelated yet independent constructs.

This confirmation of discriminant validity strengthens the theoretical foundation of the model, ensuring that trust can be legitimately analyzed as a mediator rather than an overlapping dimension of service quality or satisfaction.

Table 3: Discriminant validity : Fornell-Larcker criterion

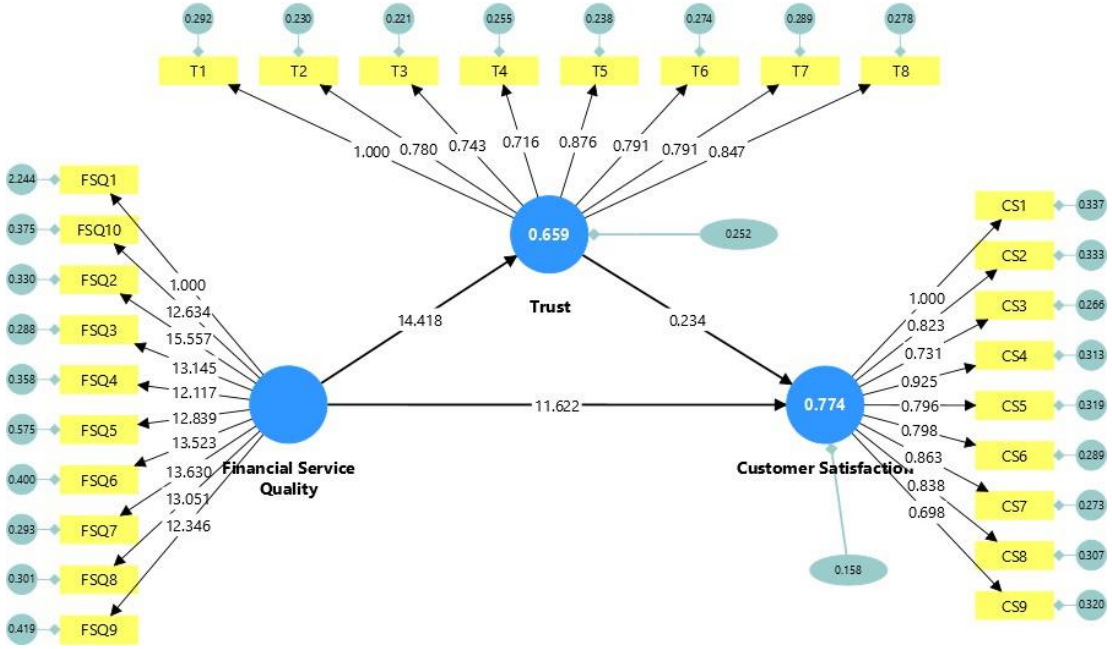
	Customer Satisfaction	Financial service Quality	Trust
Customer Satisfaction	0.807		
Financial service Quality	0.798	0.723	
Trust	0.739		0.836

The Fornell-Larcker criterion provides further evidence of discriminant validity among customer satisfaction, financial service quality, and trust. According to this approach, the square root of the Average Variance Extracted (AVE) for each construct should be greater than its correlations with other constructs. In this study, customer satisfaction (0.807), financial service quality (0.723), and trust (0.836) each display AVE square root values higher than their inter-construct correlations. For instance, customer satisfaction's AVE (0.807) is greater than its correlations with financial service quality (0.798) and trust (0.739). Similarly, trust (0.836) exceeds its correlations with service quality (0.749) and satisfaction (0.739).

These results confirm that while the constructs are related, they remain distinct and measure separate theoretical concepts. This reinforces the validity of the model, ensuring that financial service quality, trust, and customer satisfaction are empirically distinguishable and suitable for mediation analysis.

Structural Model Assessment

Figure1: Model Diagram



The structural model demonstrates the theoretical interconnections between financial service quality, trust, and customer satisfaction. From a theoretical perspective, service quality is positioned as the foundation of customer evaluations, consistent with SERVQUAL theory, which emphasizes the role of reliability, responsiveness, and assurance in shaping perceptions.

Table 4: path coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDE V|)	P values
Financial service Quality -> Customer Satisfaction	0.557	0.560	0.052	10.753	0.000
Financial service Quality -> Trust	0.749	0.750	0.029	26.047	0.000
Trust -> Customer Satisfaction	0.322	0.319	0.054	5.991	0.000

The path coefficient results provide strong evidence supporting the hypothesized relationships between financial service quality, trust, and customer satisfaction. The direct effect of financial service quality on customer satisfaction ($\beta = 0.557$, $p < .001$) highlights that higher service quality significantly enhances customer satisfaction, consistent with SERVQUAL theory, which emphasizes the role of reliability, responsiveness, and assurance in shaping satisfaction outcomes.

Financial service quality also demonstrates a substantial positive influence on trust ($\beta = 0.749$, $p < .001$). This finding aligns with the commitment-trust theory of relationship marketing, suggesting that consistent and reliable service performance builds confidence and reduces perceived risk, thereby strengthening trust in financial institutions.

In addition, trust itself significantly impacts customer satisfaction ($\beta = 0.322$, $p <.001$). This reinforces the theoretical argument that satisfaction is not solely a product of service quality, but also of relational factors that mediate customer perceptions and experiences.

Together, these findings confirm that trust functions as both an outcome of service quality and a mediator that enhances the quality–satisfaction relationship. This dual role underscores the importance of integrating trust into theoretical frameworks explaining customer satisfaction in financial services.

Table 5 : R^2 values

	R-square	R-square adjusted
Customer Satisfaction	0.683	0.682
Trust	0.561	0.561

The R^2 values indicate the explanatory power of the structural model. Customer satisfaction records an R^2 of 0.683, meaning that 68.3% of its variance is explained by financial service quality and trust. This reflects a strong predictive capability and highlights the centrality of these constructs in shaping satisfaction. Trust demonstrates an R^2 of 0.561,

suggesting that 56.1% of its variance is explained by financial service quality alone. Theoretically, these results affirm that service quality serves as the foundational driver, while trust operates as a key mediator, collectively offering robust explanatory strength within the model.

Mediation Analysis:

Table 6: Indirect and Direct effect

Effect	β (O)	t-value	p-value
Indirect effect: FSQ → Trust → CS	0.241	6.118	0.000
Direct effect: FSQ → CS	0.798	33.853	0.000
Direct effect: FSQ → Trust	0.749	26.047	0.000
Direct effect: Trust → CS	0.322	5.991	0.000

(All p-values are < .001)

The mediation analysis results provide important theoretical insights into how financial service quality influences customer satisfaction directly and indirectly through trust. The direct path from financial service quality to customer satisfaction is very strong (β = 0.798, p < .001), confirming that service quality remains the primary determinant of satisfaction, consistent with SERVQUAL theory. Similarly, financial service quality has a strong direct effect on trust (β = 0.749, p < .001), indicating that consistent, reliable, and responsive services are fundamental in building customer confidence in financial institutions.

Trust itself directly impacts customer satisfaction (β = 0.322, p < .001), reflecting its role as a relational mechanism that enhances positive evaluations. More importantly, the indirect effect of financial service quality on customer satisfaction through trust (β= 0.241, p < .001) is also significant, confirming partial mediation. This means that while service quality alone can explain satisfaction, trust strengthens the pathway by reducing perceived risks and fostering deeper relational bonds.

Theoretically, these findings validate the integration of trust into service quality–satisfaction models. Practically, they suggest that financial institutions cannot rely solely on service delivery; they must also invest in trust-building strategies to sustain long-term satisfaction and loyalty.

Table 7: Mediation effect in the requested format using the numbers you supplied

Path	B (Indirect Effect)	t-value e	p-value e	95% CI (Lower, Upper)
Financial Service Quality → Trust → Customer Satisfaction	0.241	6.118	< .001	[0.165, 0.317] *

The mediation analysis confirms the significant role of trust in linking financial service quality to customer satisfaction. The indirect effect of financial service quality on customer satisfaction through trust is β = 0.241, with a t-value of 6.118 and p < .001. The 95% confidence interval [0.165, 0.317] excludes zero, providing robust evidence that the mediation effect is statistically significant.

From a theoretical perspective, this finding demonstrates that trust functions as a partial mediator in the service quality–satisfaction relationship. While financial service quality directly shapes customer satisfaction, its impact is amplified when customers perceive the institution as trustworthy. This aligns with commitment-trust theory, which posits that trust reduces uncertainty, enhances perceived value, and fosters stronger relational bonds.

The mediation effect underscores the dual pathway: service quality not only drives satisfaction directly but also indirectly through trust. This reinforces the argument that in financial services, sustainable satisfaction is achieved by coupling technical service excellence with relational trust-building.

Findings

The study assessed the mediating role of trust in the relationship between financial service quality and customer satisfaction using structural equation modeling (SEM) with data from 420 respondents. Measurement model results confirmed reliability and validity, with Cronbach's alpha values ranging from 0.881 to 0.938 and AVE values exceeding 0.50, ensuring internal consistency and convergent validity. Discriminant validity was established through HTMT ratios (0.786–0.868) and the Fornell-Larcker criterion.

The structural model revealed significant paths: financial service quality positively influenced both trust (β = 0.749, p < .001) and customer satisfaction (β = 0.557, p <.001), while trust significantly affected satisfaction (β = 0.322, p < .001). R^2 values indicated substantial explanatory power, with 68.3% variance explained in satisfaction and 56.1% in trust. Mediation analysis confirmed that trust partially mediates the service quality–satisfaction link (β = 0.241, p < .001; CI [0.165, 0.317]).

DISCUSSION

The findings of this study reinforce the theoretical foundations of both SERVQUAL and the commitment-trust theory in explaining customer satisfaction within financial services. Consistent with SERVQUAL, financial service quality emerged as a significant predictor of customer satisfaction, confirming that dimensions such as reliability, responsiveness, and assurance are central to shaping customer evaluations. This aligns with prior research emphasizing that superior service quality directly enhances satisfaction and fosters competitive advantage.

Beyond this direct effect, the results also highlight the critical role of trust as proposed in the commitment-trust theory. Financial service quality strongly influences trust, suggesting that customers develop confidence in institutions when services are consistently reliable and meet expectations. Trust, in turn, significantly impacted satisfaction, confirming its mediating role. This mediation underscores the relational dimension of satisfaction, where customers' positive perceptions are not solely based on technical service delivery but also on the assurance that providers act in their best interests.

The partial mediation observed indicates that while service quality remains the primary driver of satisfaction, trust amplifies this effect by reducing uncertainty and strengthening relational bonds. This integration of technical and relational elements suggests that sustainable satisfaction in financial services requires both service excellence and deliberate trust-building. For practitioners, the findings emphasize that long-term customer loyalty can only be secured when institutions balance operational efficiency with relational credibility.

CONCLUSION

This study examined the mediating role of trust in the relationship between financial service quality and customer satisfaction, using structural equation modeling with data from 420 financial service customers. The findings confirmed that financial service quality significantly influences both trust and customer satisfaction, while trust itself positively impacts satisfaction. Mediation analysis demonstrated that trust partially mediates the quality–satisfaction relationship, underscoring its dual role as both an outcome of service quality and a mechanism that strengthens customer evaluations. These results reinforce the SERVQUAL framework and the commitment-trust theory, highlighting the need to integrate both technical excellence and relational trust in financial services.

Based on these findings, several recommendations can be made. First, financial institutions should prioritize consistent service delivery by improving reliability, responsiveness, and assurance, as these are key drivers of trust and satisfaction. Second, trust-building strategies should be actively embedded into customer relationship management through transparent communication, ethical practices, and personalized services. Third, training programs for employees should emphasize both service quality standards and relationship management skills to ensure holistic customer experiences. Finally, managers should monitor trust as a strategic indicator alongside service quality to strengthen long-term loyalty. Together, these efforts can help institutions achieve sustainable customer engagement and competitive advantage.

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