Service Quality, Transaction Cost and Customer Satisfaction: An Empirical Evaluation of Customers of Cooperative Rural Banks in Sri Lanka

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ABSTRACT

The banking sector plays a vital role in meeting the growing demand for financial services. However, sometimes rural people are reluctant to deal with financial institutions due to several reasons. Rural banks play a vital role to attract the rural masses to the financial system and they aim to satisfy the rural household's financial needs. Although there has been a lot of research on service quality and customer satisfaction associated with different banks, little attention has been paid to the relationship among transaction cost of customers, service quality and customer satisfaction particularly in Cooperative Rural Banks (CRBs) in Sri Lanka. The purpose of this study was to explore the impact of service quality of CRBs on transaction costs of customers and customer satisfaction. Adapting convenient sampling techniques, data were gathered from 121 customers in Kandy district. Data were analyzed using Partial Least Squares Structural Equation Model (PLS-SEM). Results exposed a significant positive association between service quality and customer satisfaction. It also declared that service quality has a negative impact on transaction costs of customers and a negative association between transaction cost of customers and customer satisfaction. Further, the study revealed that the transaction cost of customers plays a complementary mediation role between service quality and customer satisfaction. Adaptation of new technologies and equipment, improve staff skills, competencies, attitudes, will enhance the service quality, reduce the transaction cost of customers, and improve customer satisfaction.

KEYWORDS : Co-operative Rural Bank, Customer Satisfaction, Service Quality, Transaction Costs.

I.   INTRODUCTION

The majority of people in developing countries fulfill their financial needs through informal lenders [1]. In developing countries, Small Financial Institutions (SFIs) have made numerous contributions to poverty alleviation and rural development. Because an organized sector refuses to provide financial services for rural households due to several reasons, such as high risk and high cost, etc. Therefore, rural villages focus on getting financial services from SFIs and other informal institutions (Jayamaha and Ariyarathna Mula, 2010). Financial services (savings, borrowings) provide by SFIs allow rural masses to expand their consumption. Globalization, technological advancement and deregulation have revolutionized the Sri Lankan financial sector over the past 3 decades [3]. An efficient, strong and healthy financial system always leads to faster economic development [4]. Sri Lankan financial service sector consisted of two sectors as an organized sector and an unorganized sector. An organized sector includes Licensed Commercial Banks (LCBs), Licensed Specialized Banks (LSBs), Registered Finance Companies (RFCs) and Specialized Leasing Companies (SLCs). Among them, LCBs play a vital role, because they have permission to provide all the banking services [5]. The second part of the financial service sector is an unorganized sector and it includes Small Financial Institutions (SFI) like Cooperative Banks, individual money lenders and pawn holders. Those banks are provided limited financial services such as insurance services, microfinance services, etc. [5]. Cooperative Rural Banks (CRBs) are major SFIs in Sri Lanka (SL) and they provided a significant contribution to the rural finance sector [2]. CRB was established in 1964 in Menikhinna, Kandy district with the view of providing micro-credit facilities for households who live in remote areas [6]. Initially, there was an association between People's Bank and cooperatives. Also, management of CRBs holds by the People's Bank [6]. CRBs accounting and finance system was introduced by People's bank [2]. CRBs focus to satisfy rural household's financial needs such as credit requirements, savings mobilization and so on. CRBs deal with a large number of customer's funds and provide a significant contribution to the financial sector in SL. There were only 3 branches of CRBs were operated at the end of 1964 [5].

Customers are the base of each organization. Satisfied customers positively impact on particular organization's profitability. As well as stimulate others to deal with those organizations [7]. If the base is strong, organizations can be survived for a long time in the industry. Service quality is an essential tool for maximize customer satisfaction. When customers demand better quality, services generate competition among business ventures and consequently, they stimulate for delivering quality services to gain competitive advantage [7]. If it is not, they unable to satisfy the customer needs and compete with other institutes. As far as available literature is considered, most previous researches have focused on evaluating service quality of services such as health, education, consumer goods, travel and tourism sector. Many studies were conducted to assess the bank's service quality [8, 9, 10]. However, there has been little attention given to assessing the service quality of CRB in SL. Hence, assessment of service quality of CRBs in SL is very important. According to the transaction cost theory, the customers always choose the most profitable way to transact and are satisfied with it [9]. Through the delivery of services, online payment system and reducing complex purchasing procedures able to save time and money for the customers. Consequently, customers will be very satisfied with the service. So, there was a negative impact of transaction cost and customer satisfaction [11]. However, previous researchers have not given adequate attention to measuring the transaction cost of customers to the CRBs in SL. Hence, this study focused to explore the impact of service quality of CRBs on the transaction cost of customers and their satisfaction.

II. THEORETICAL BACKGROUND

Service quality (SQ): Service businesses have grown rapidly over the past decades and customer increased their demand for quality services [12]. Services are a set of activities rather than things, that are offered by one party to another. Before purchasing goods, consumers can employ several tangible characteristics (i.e., shape, size, style and color) to evaluate the quality (pre-purchase evaluation). However, due to the intangible nature of services and less standardized labor-intensive service processes, customers have to face difficulties when evaluating those [13]. Quality is considered a subtle and doubtful concept [13]. Quality of a service is the foundation for an organization's performances such as better profitability, expanded market portion and customer satisfaction. Through delivering high-quality services firms endeavor to retain their customers. This is because retaining existing customers is cheaper than attracting new customers to the business [14, 15]. Always consumers prefer to get services from the service provider who can maximize their satisfaction. Customers recognize whether the service is excellent or not based on the actual service and their expectations. Therefore organizations should establish new strategies that can fulfill client's needs [7, 9, 16]. A product or a service is considered as high quality if it can be fulfilled the consumer's needs in a timely and efficient manner when compared with other competitors. SQ is a gap between expected service by customers and actual service that is provided by firms, also it is an evaluation of a service that is done by customers [17, 18]. SQ can be considered as a provider's source of customer satisfaction. SQ is the level of overall service performance that satisfies user's expectations. Parasuraman et al. (1985) [13] developed an SQ model as Gap Model. In here emphasized four voids (knowledge gap, design and standard gap, service performance gap and communication gap) that can occur in an organization. These voids influence customer expectation of SQ. These gaps disturb to provide quality services to the customers.

Customer Satisfaction (CS): In the marketing field customer considered as a king. As well as customers are the base in each and every organization because of why satisfied customers assist to improve organization performances through repeat purchasing, stimulating others to consumption and brand loyalty [7, 19]. The business competes with each other's to not only in competitive prices but also in the quality of service with the aim of improving CS [20]. So, CS has become a prime objective of each and every venture. Also, CS is considered as an asset and it should be supervised and controlled. If a firm loses one customer it has to spend more to gain a new customer than protecting the existing customer [21]. Satisfied customers enhance and dissatisfied customers worsened the business firm. Customer satisfaction may vary depending on the attribute of service. If the performances of a product are better than the expected level customers will attain maximum satisfaction. As expressed by Paul, Mittal, Srivatav and Garima (2016) [22] customers are satisfied when they are able to make their purchases without any hassle. Oliver's study (1981) defined CS as evaluating judgment about a certain good or service after its consumption (cited by Hammoud, Bizri and El Baba, 2018[23]). CS is the customer's feedback to the quality of service delivered. CS is good indicator to evaluate an organization's management practices. Hammoud et al. (2018) [23] defined CS as the "attitude of the customer formulated in response to using any form of e-banking service." As expressed by Rao (2013[12], p.1) CS means "how the customer perceives service delivery".

Transaction cost (TC): The theory of transaction cost has become a key theoretical framework to explain the decision of organizational boundary [24]. The concept of "transaction cost" refers only to the cost of a transaction and it is usually used more widely [25]. Hobbs (1996[26], p.16) defined TC as the "Cost of carrying out any exchange, whether between in a marketplace or transfer resources between stages in a vertically integrated firm".

When a transaction is coordinated over the open market has to bear a higher cost than it occurs internally. So vertical integration has the ability to boost the efficiency of goods and services where market TC is high [27]. As a consequence, TC becomes lower, while organizations have to bear a cost for coordinate the internal activities (i.e. Agency cost) [25]. Likewise, TC facilitates solving several obstacles i.e. strategic effect of information system, allocation of resources and decision making related to the outsourcing. Bowen and Jones (1986[28]) indicated two main sources of TC as performance ambiguity (difficult to assess the performance of one party to the other) and goal incongruence (goal mismatch of the parties who engage in the exchange process). When there is a larger performance ambiguity, parties who engage with a transaction will have to bear a higher cost for negotiation, monitoring and enforcing the agreement. The intangible nature of services causes to boost performance ambiguity. Because consumers haven't enough evidence to evaluate services and as a consequence transaction cost also arise. Due to the goal mismatch (goal incongruence) of the parties who engage in the exchange process, hard-to-reach agreements between them. Both parties act based on self-interest and as a result opportunism may arise. Asymmetric information affects opportunistic behavior in two ways. Viz, ex-ante opportunism (concealment of information before the transaction takes place) and ex-post opportunism (occur when concealing information after the transaction). So dealing with the dishonor parties have to bear higher cost compared to honest parties [29] because of having to spend time and money on avoiding opportunistic behavior of them [30]. Asset specificity (asset specificity refers to the number of resources required to complete a transaction that can be used for other alternatives without devaluing its value), uncertainty, bounded rationality (people have a limited physical ability to accurately assess all possible decision options, even if they intend to make a logical decision), opportunism are the factors which determine the degree of TC [26,27].

III. RESEARCH MODEL AND HYPOTHESES

This study was focused to evaluate the transaction cost of customers, service quality and customer satisfaction of CRBs in SL. SQ is considered as an explanatory variable and CS as an explained variable. In addition, TC is taken as the mediate variable.
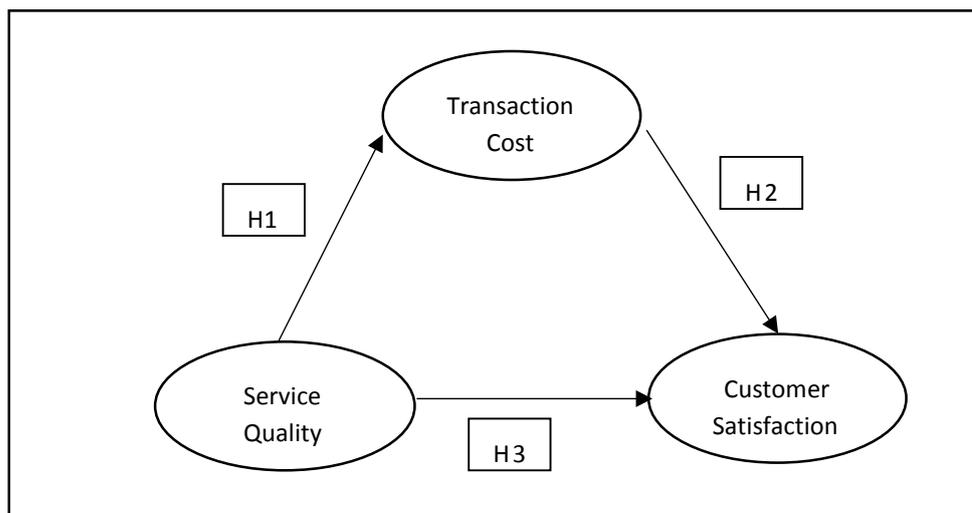

Figure 1: Conceptual model

SQ and TC: Many researchers have used an item as "use the modern technology and equipment to provide services" to evaluates the tangibility, which plays an important role in service quality dimensions [31]. Information and communication technology can contribute to reducing the asymmetric information issue that is considered as market failure. This will enhance the transparency of the transaction and can avoid the opportunistic behavior of the economic agents. It will be facilitating to lower searching cost, monitoring and enforcement cost. Reduction of the TC motivates the customer to continue to deal with the business. On the other hand, there are various difficulties involved in carrying out all the activities of a service delivery process manually. Some of them are mistakes in documentation, wastage of time and loss of documents. But in any organization, storing and manipulating any relevant information using new technologies (i.e. website) it will be of great benefit to all parties involved.It also helps to increase efficiency within the organization, provide flawless service and maintain effective communication between the stakeholders. Then customers can easily access the information. As well as, do not have to go to the organization often and it saves time and money [32]. Hence, can be assumed that,

H1: There is a negative association between service quality and transaction cost.

TC and CS: According to the transaction cost theory, the customers always choose the most profitable way to transact and are most satisfied with it [33]. Through the home delivery services of product, online payment system and reducing complex purchasing procedures able to save time and money for the customers. Consequently, customers will be very satisfied with the product or service. So, there was a negative impact of TC on the CS [11,33]. Consumers' repurchase intention is highly sensitive to the cost of the transaction. If consumers have to bear a higher cost on find information about output, price and suppliers they become dissatisfied with the organization and switch to another organization [34]. Hence, able to develop hypotheses as;

H2: There is a negative association between transaction cost and customer satisfaction.

SQ and CS: Different researchers have focused on the individual impact of the dimensions of service quality on customer satisfaction. Parasuraman et al. (1991[13]) delineated reliability as the "ability to perform the promised service dependably and accurately" (p.338). It is essential to provide the right service, on time as agreed in order to satisfy the customers with reliability [9, 12]. According to Hammoud et al. (2018 [23] reliability was the strongest dimension of SQ that positively impact CS. Tangible aspects of a service i.e. equipment, machinery, or the physical environment that is made by a man identified as servicescape (tangibility). According to the study of Rao et al. (2013)[12] CS is highly affected by factors which include intangibility such as physical infrastructure, the appearance of staff (pleasant, attractive, elegant). Mohammad and Alhamadani (2011)[35] indicated significant weak positive association between Tangibility and CS. Third dimension of SQ is responsiveness and that means "the customer's perception of getting help when needed". Customers always prefer to deal with amicable service providers [9]. If the customers received prompt feedback on their needs, problems they will be very satisfied with the received service. Khalid et al. (2011); Virima, Sandada, Ndoro and Chuchu (2019) [36] presented a tough positive association between responsiveness and CS. If customers allow dealing without fear or suspicion and as well as confidence with the organization, it is called assurance. Further, assurance has been identified as a very crucial factor influencing CS [35]. Among the constructs included in assurance, trustworthiness is essential to satisfy the customers [12]. There was a significant positive association between assurance and CS. Customers often expected understand and personal attention towards their needs and wants (personalized service). Empathy is a powerful predictor of CS [9]. Khalid et al. (2011) [10] presented a moderate, but a direct association between empathy and CS. In order to provide a high level of customer satisfaction, a service must be provided at a high level. Finally, previous researchers have confirmed that the SQ made up of the above dimensions has a positive effect on CS [31]. So, can be assumed that,

H3: There is a positive association between service quality and customer satisfaction.

IV. METHODOLOGY

This study was conducted base on a quantitative approach. To test the above-mentioned hypotheses gathered primary data. Data was gathered from the CRB customers in Kandy district. This is because, considering the central province, Kandy district has the largest number of branches (136 branches) [5]. Adopting convenience sampling techniques 130 respondents were selected for the survey. However, out of 130 respondents, only 121 questionnaires were used for data analysis and the other 9 had to be removed due to incompleteness. A structured questionnaire was used to collect the data and it consisted of 4 sections as demographic profile, evaluation of service quality, evaluation of customer satisfaction and finally evaluation of transaction cost. All the questions contained in the questionnaire are presented in a way that is easy to understand. It has been developed based on the previous studies of some scholars such as Parasuraman et al. (1985); Krishna Naik, Gantasal and Prabhakar (2010); Shanka (2013). SQ measured using the SERVQUAL model that was developed by Parasuraman et al. (1985) and it consisted of 5 dimensions as reliability, tangibility, responsiveness, assurance and empathy. Adopting the Morawakage (2014) 6 dimensions were employed as attitude, switching, recommendation, expectation, satisfaction, and intention to repurchase to assess CS. TC was evaluated using 4 dimensions viz, searching cost, negotiation cost, monitoring cost and enforcement cost. 48 items were contained in the questionnaire and all items were assessed using a 7-point Likert scale that ranging from 1(strongly disagree) to 7 (strongly agree). Partial Least Square - Structural Equation Modeling (PLS-SEM) was used to analyzed gathered data. PLS-SEM assists to study the interrelationship among multiple regressors, as well as helps to assess the association among more than one item simultaneously. When using PLS-SEM for data analysis, several steps are followed. Viz, model specification, evaluation of the outer model, evaluation of inner model (Hair, Sarstedt and Hopkins, 2014; Hair, Ringle and Sarstedt, 2011).

V.   RESULTS AND DISCUSSIONS

PLS-SEM results evaluation procedure mainly consisted of two stages and first one is the outer model evaluation. In here check whether the questionnaire items are reliable/valid or not. For that four tests were performed viz, indicator reliability (outer loading and T statistics), internal consistency reliability (composite reliability and Cronbach's Alpha), convergent validity and discriminant validity.

Table 1: Indicator reliability, internal consistency reliability and convergent validity of first order constructs

		Loadings	T value	Composite Reliability	Cronbach's Alpha	AVE
1	**Service Quality**					
1.1	**Reliability (R)**			**0.85**	**0.73**	**0.65**
	When there is a problem, CRB intervenes as much as possible to solve it.	0.84	35.03			
	CRB serves right in the first time.	0.82	26.45			
	CRB's service process is flawless.	0.75	15.08			
1.2	**Tangibility (T)**			**0.81**	**0.55**	**0.68**
	There is a pleasant and professional staff in CRB.	0.86	27.58			
	The service-related materials and equipment are visually appealing in the bank.	0.79	11.16			
1.3	**Responsiveness (RE)**			**0.88**	**0.81**	**0.73**
	CRB's staff responds to customers' complaints and request as soon as possible.	0.81	20.46			
	CRB's staff provides quick service.	0.89	48.58			
	CRB's employees prefer to serve customers.	0.85	35.79			
1.4	**Assurance (A)**			**0.91**	**0.87**	**0.72**
	There is a group of well-behaved employees in the CRB.	0.85	34.22			
	Consumers feel safe and secure about their transactions.	0.89	48.91			
	CRB's employees are polite to customers.	0.83	23.73			
	There are employees who are knowledgeable enough to solve customers' problems in the CRB.	0.81	19.43			
1.5	**Empathy(E)**			**0.87**	**0.78**	**0.70**
	CRB's staff pay individual attention to their customers.	0.81	21.53			
	CRB's employee has a good understanding of customer's specific needs.	0.88	40.78			
	CRB's employees maintain effective communication with their customers.	0.88	40.78			
2	**Customer Satisfaction**					
2.1	**Attitude (AT)**			**0.97**	**0.95**	**0.92**
	I am very happy with the received service by CRB.	0.97	152.09			
	I have a lot of positive things to say to others about CRB.	0.92	83.73			
	I am impressed with the service provided by the CRB.	0.97	205.27			

2.2	**Switching (S)**			0.78	0.75	0.71
	I would like to continue transactions with the CRB.	0.90	76.42			
	Satisfied with service provided by the CRB.	0.91	85.00			
2.3	**Recommendation (RC)**			1	1	1
	I recommend CRB to those who deal with other banks.	1	0.00			
2.4	**Fulfillment of expectation (EX)**			0.92	0.88	0.81
	Service provided by CRB more economical than the expected level.	0.90	62.79			
	CRB provides excellent service.	0.90	64.01			
	Financial needs were satisfied faster and easier than expected.	0.89	49.63			
2.5	**Satisfaction with use (ST)**			0.89	0.75	0.80
	Very satisfied with the CRB's creativity and innovations.	0.88	38.78			
	Financial needs and wants were properly satisfied through CRB.	0.91	83.65			
2.6	**Intention to repurchase (I)**			0.93	0.85	0.87
	I hope to avail other services through the CRB as well.	0.92	70.22			
	I would like to do the transaction with the CRB in the future as well.	0.93	101.84			
3	**Transaction cost**					
3.1	**Searching Cost (SC)**			0.91	0.86	0.79
	It takes a lot of time to find information about the services of CRB (types of loans, requirements to be met to apply a loan, interest rates).	0.86	30.18			
	Spent lot of money to look into new services of CRB.	0.92	60.97			
	Having to travel to the CRB more often increase the cost of transportation.	0.86	31.69			
3.2	**Negotiation Cost (NC)**			0.90	0.78	0.82
	It takes a lot of time to resolve problems with delay in loan installment, issues related to savings.	0.92	82.62			
	When there is a problem with the transaction, you have to go to different agencies to solve it, which incurs a huge transportation cost (To obtain affidavits, Grama Niladari Certificates and etc.).	0.88	31.74			
3.3	**Monitoring Cost (MC)**			0.82	0.68	0.82
	Due to the complexity of the service process, obtaining the required documents can be costly as well as time-consuming.	0.76	11.73			
	Having to go to obtain signatures of various parties (Officers of the society) while obtaining loans and etc. incurs huge transportation cost.	0.74	14.22			

	There is a huge communication cost involved in verifying that the requested service is done correctly.	0.82	33.41			
3.4	**Enforcement Cost (EC)**			**0.90**	**0.83**	**0.75**
	Have to bear huge financial cost as delay in payment of loan installment, attorney fees.	0.81	21.05			
	Communication cost is high when different parties are involved in resolving transaction conflicts (Guarantor, lawyers, top management officers of the bank).	0.90	45.92			
	Going to pay premiums incurs huge transportation costs while wasting time.	0.88	36.47			

Source: Survey data, 2020.

Through examine the factor loading and t-statistics able to determine whether the constructs are reliable or not. If the loading values are higher than 0.7, it emphasized the indicator reliability (IR) of constructs. In this study except for 7 items, others were satisfied with the IR condition. As well as these indicators were also statistically significant at 95% confidence level (see table 1). Thereafter checking IR attempted to test internal consistency reliability (ICR). To confirm the ICR of constructs performed two tests and if the Cronbach's Alpha (CA) and composite reliability (CR) values were higher than the minimum accepted level of 0.7, it confirmed ICR of the constructs. Tangibility (CR=0.5213) construct of SQ, switching (CR=-0.2532) construct of CS and monitoring cost (CR=0.6851) construct of TC were recorded lower CR value than the recommended value of 0.7. On the other hand, CA value of switching (0.5899) also lesser than the recommended level. However, all other constructs were achieved the ICR. To assess convergent validity (CV) of constructs employed average variance extracted (AVE). When AVE is 0.5 or higher it can be said that there is CV within the constructs. All the constructs of this study explained over 50% of the variation of their items. After establishing reliability and CV of the constructs, then able to move to evaluate discriminant validity (DV) of constructs. DV facilitates to identification the correlation among two constructs. If the square root of the AVE value is higher than the construct correlation value, can be seen DV in the constructs. In this study, all the constructs were satisfied this condition and it proved the DV of constructs. After check the reliability and validity of the outer model have to move to evaluate the association between independent variable, dependent variable and mediate variable. Adopting Sarstedt, Ringle, Smith, Reams and Hair (2014) [37] followed 5 steps as assessment of collinearity, assess the significance and relevance of the structural model relationship, assessment of Coefficient of Determination (R2), assessment of f square (f2 -effect size) and assess the Predictive Relevance (Q2) to assess the structural model (inner model). To assess the multicollinearity, employed to measurement as tolerance and variance inflation factor (VIF). Multicollinearity results reveal that there is no multicollinearity issue within the variables. Because of tolerance values greater than 0.2 and VIF values were less than the recommended level of 10. As the second step of structural model evaluation attempted to hypothesis testing that established at the beginning of the study. For that calculated path coefficient and t-statistics (see table 2).

Table 2: Path coefficients and significance.

Hypotheses	Relationship	Coefficient	T Statistics	Result
H1	SQ -> TC	-0.6072	11.5612	Supported
H2	TC -> CS	-0.2881	6.321	Supported
H3	SQ -> CS	0.6789	15.7643	Supported

Source: Survey data, 2020

Using R2 able to explain the goodness of fit the model. Further, it shows the percentage variation of the dependent variable which is explained by the fitted model. If there is a higher R2, the predictive accuracy of the model is high [37]. That means there is a smaller gap between observed data values and fitted values. R2 lies between 0 and 1. According to this model R2 of the dependent variable (CS) is recorded as 0.7817 and it represents a substantial predictive accuracy level. As well, R2 value of the mediate variable was recorded as 0.3687. So, can be concluded 78.17 percent variation of customer satisfaction and 36.87 percent variation of transaction cost explained by the fitted model. Effect size (f2) express the power of the association among variables. According to Cohen (1988), if the effect size value less than 0.02 no effect size, 0.02 - 0.15 there is a small effect size, 0.15

- 0.35 indicates a medium and above 0.35 emphasize large effect size. In this study when excluding SQ from the model f2 between TC and CS recorded as 1.3128, it indicates a large effect size. On the other hand, after TC excluded from the model f2 comes as 0.2206 between SQ and CS. It can be considered as a medium effect size. Q2 expresses the ability of a model to predict (Hair, Christian and Sarstedt., 2011). In here Q2 of CS above zero (Q2= 0.667). Thus, the predictive accuracy of the model is acceptable.

As shown in table 3 service quality positively impacts customer satisfaction ($\beta = 0.6789$). As well as relationship is significant at 95% confidence level (t- statistic = 15.7644). Consequently, the hypothesis is accepted. That means when the service quality goes up by 1-unit then the customer satisfaction of CRB's customers will rise by 0.6789. While the overall impact of SQ on CS is has been described as positive by Siddiqi (2011); Rao (2013); Khalid et al. (2011); Arokiasamy and Abdullah (2013); Virima, Sandada, Ndoro, and Chuchu (2019) and Bader (2017). The customer is impressed with the CRBs due to providing flawless service and intervening to the best of its ability to resolve customer issues. The majority of CRBs staff maintain good interrelationship with their valued customers and there are a handful of employees who ignore the customer. Furthermore, the customers are satisfied with the easiness to reach the bank and meet their financial needs quickly without congestion. However, due to limited space available at some of the bank branches, parking facilities are not provided and in such cases, the customer is inconvenienced. The application of new technology to the service process of CRBs remains at the primary level. Such factors have a major impact on the declining interest of young people towards CRBs. The reason is the young generation more inclined to clash with new technologies (i.e., internet banking). In some cases, if the customer does not receive the quality service they expect, they will stop dealing with the bank and create a negative image about the bank among others. Therefore, the quality of service is very important to satisfy the customer and retain the customers with the bank for a long time.

According to the result of the study, it can be seen a significant inverse impact of service quality on the transaction cost of customers ($\beta = -0.6072$, t-statistics = 11.5612). That indicated if the service quality goes up by a unit it will cause to reduce the customer transaction cost by 0. 6072. Thus, this hypothesis is also accepted. This is a unique finding of this research. Because that relationship has not been addressed by the previous scholars. Lack of effective communication between staff and customers, lack of adaptation to new technologies, lack of staff efficiency etc. are some of the reasons for the higher TC. Due to the lack of alternative sources to obtain information about the service, it is necessary to go to the bank. It is a cost to employed customers as well as customers who engage with businesses. This is because of the fact that they have to go to the bank to get service information apart from their job and business. Therefore, it is great convenient to the consumer if the source where information is easily available is maintained using new technology (i.e. website, annual report publication). Positive features of the CRB's service process such as providing the right service the 1st time, providing prompt service and having employees who are well aware of the needs of customers, exactly minimize the cost of travel, labor wastage and time wasted of customers.

Moreover, this study was addressed the negative relationship between transaction cost and customer satisfaction ($\beta = -0.2881$). On the other hand, this relationship is significant at a 95% confidence level (t-statistic = 6.3211). So, this result agreed with previous scholars' outcomes such as Cheng et al. (2011) and Kim and Li (2009). In focusing on the mediate role of the transaction cost can be seen the significant complementary mediating role of TC on the relationship between service quality and customer satisfaction (t-statistic=5.25). That means TC absorbs 21% impact of SQ on the CS. Furthermore, every rational customer hopes to get maximum satisfaction at the lowest possible cost. The customer always tries to maximize his satisfaction and the businesses prefer to maximize their profit. Due to the incompleteness of the information (asymmetric information) available in the market, it is costly for all parties involved in a transaction to search for information. Here the customer spends his time, labor as well as money to find information about the services. In addition, due to the complexity of certain service processes (loans), the customer has to go from place to place and obtain various documents (such as affidavits, Grama Niladari certificates) to obtain such services, which also increases the transaction cost of the customer. For these reasons, customers are dissatisfied with the service provided by the bank. As a result, they will not be tempted to get services again through the bank and will switch to other banks where services can be obtained easily and cost-effectively.

VI.   CONCLUSION

Explore the impact of service quality on customer satisfaction and transaction cost of customers in CRBs was became the main objective of this study. The study confirmed that each dimension of the service quality has an equally significant positive impact on customer satisfaction. Both the positive and negative aspects of the service process of the CRBs directly affect customer satisfaction or dissatisfaction. Service quality has an inverse impact on the transaction cost of CRBs customers. Certain weaknesses in the CRB's service delivery process have led to

the rising customer transaction cost. This study will provide a practical understanding of the quality of services currently provided in CRBs, the costs incurred by the customer in transactions and their related satisfaction. It not only guides the bank management to take actionable measures to further enhance the quality of service but also to determine strategies on what to do to reduce customer transaction costs. A few previous studies have evaluated the transaction costs of customers associated with banks, which have contributed to this. Furthermore, there were no studies on whether service quality has an impact on transaction costs and this study has clearly demonstrated that impact. The findings of this study also show the direction of interrelationships between service quality, transaction costs, and customer satisfaction, which have contributed to filling in the gaps in the empirical literature. Administrators of CRB should focus attention to provide proper training and knowledge to the bank staff on how to treat the customer and how to deal with them. This is because the customer is in direct conflict with the staff and if their behavior is bad the customer will be dissatisfied at the beginning of the service process. Sometimes the customer himself has caused the complexity of service procedures to increase. The customer's and the bank's trust have been damaged due to the customer's misconduct, such as failing to provide accurate customer - related information and non - payment related to transactions. Therefore, the customers also have a responsibility to maintain a good relationship by being honest with the bank.

This study focused primarily on measuring the quality of savings and credit services provided by CRBs and their impact on transaction costs and customer satisfaction with those services. Therefore, the study can be further expanded by measuring the above variables in relation to other services provided by the CRBs. This study, which was conducted through a quantitative approach, will also yield more effective accurate results by applying both quantitative and qualitative approaches (i.e., mixed methods). Furthermore, in this study, data were collected only from customers of CRB branches in Kandy district. Probably because the branches are located in urban areas, there are much other public and private banks around. As a result, CRB branches automatically provide quality service to successfully compete with other nearest banks. Therefore, the use of CRBs customers who lives in remote areas will be highly effective to this study. Perhaps the only bank they have access to is CRB to fulfill their financial requirements. Sometimes the rural bank branches located in such remote villages may have shortcomings in the quality of service and may not be at the level expected by the customer. Therefore, by conducting this survey in such areas, it is possible to identify what needs to be further developed in the service delivery process to meet the needs. Similarly, the lack of adequate and standardized measurements to measure complex variables such as transaction costs makes them difficult to measure and the results are not very reliable. It is therefore important to have adequate and reliable measurements to measure such variables.

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