Minnesota Journal of Business Law and Entrepreneurship

Volume 2026, No. 3

ISSN: 1540-3270

Drivers of Customer Loyalty in India Post Payments Bank: The Mediating Role of Customer Experience

Banasri T[1], Upendra Rao B[2]

[1]Research scholar,School of commerce,Presidency university,Bengaluru .

[2]Research guide, Asst.Professor, School of commerce, Presidency university, Bengaluru.

Abstract:

The fast-paced digital transformation of the banking industry has caused a paradigm change in terms of prioritizing products over customer-centric service delivery, and customer trustworthiness is seen as a key success factor in banking competitiveness. In this context, India Post Payments Bank (IPPB) has conceived a unique phygital banking concept which combines digital financial services with the vast postal network of the country. Although it has gained popularity and more customer base, there is a deficiency of practical evidence of what factors in service ultimately used to improve customer loyalty through customer experience in this unique banking environment. The present study aims to fill this gap by investigating the effect of service quality, service innovation, personalization and perceived security on customer loyalty, with the mediation of customer experience. The research adopted a quantitative approach and the primary data was collected from the active IPPB customers in Bengaluru using a structured questionnaire. SEM technique was used to validate the proposed conceptual framework. Results show that service quality, service innovation, personalization and perceived security all have statistically significant positive impact on customer experience; the strongest of which is perceived security. Moreover, experience shows that customer experience (CE) has a significant positive impact on customer loyalty (CL) and plays a large mediation role in the relationship between the four antecedents and CL. The structural model provides moderate explanatory power, with evidence that customer experience proves to be an effective mechanism of relation in the service ecosystem of IPPB. The study adds to the customer experience literature and to the literature on digital banking by applying old concepts of relationship marketing to the case of government-supported phygital banking. Findings also offer practical implications to the decision makers and the policy makers in stressing the significance of secure, innovative, personalized and quality service delivery to boost the customer retention and sustainable customer loyalty.

Keywords: Phygital Banking; Customer Experience; Service Personalization; Perceived Security; Relationship Marketing.

1. Introduction

The banking segment has experienced a swift evolution in IT, which has significantly transformed how banks provide value to their customers, with the advent of mobile technologies, artificial intelligence, cloud computing, and digital payment systems. Banks are evolving from a transaction-oriented approach to service delivery towards a more customer-centric approach, where seamless, personalized, and omni-channels are increasingly becoming the focus to achieve competitive advantage and sustainability (Vargo & Lusch, 2004; Verhoef et al., 2009; Lemon & Verhoef, 2016; Verhoef et al., 2019). Therefore, Customer Loyalty is a strategic priority because loyal customers are leading to the higher profitability, repeat customers, positive word of mouth and sustainable relationship (Morgan & Hunt, 1994; Reichheld & Sasser, 1990; Dick & Basu, 1994). Recent studies have also shown that apart from the quality of service and satisfaction of customer, customer loyalty is also influenced by the customer's experiences that are accumulated from their various interactions with financial service providers (Mbama&Ezepue, 2018; Becker & Jaakkola, 2020; Klaus &Maklan, 2013).

Customer experience has thus become a key concept in service marketing due to the fact that it represents customers' cognitive, emotional and behavioural reactions throughout various stages of service interaction, enabling a comprehensive assessment of the customer relationship with an organization (Meyer & Schwager, 2007; Verhoef et al., 2009; Lemon & Verhoef, 2016). A positive customer experience is shown to be linked to increased customer satisfaction, trust, emotional engagement and, in the end, customer loyalty – a fact that has been repeatedly proven by empirical evidence (Maklan& Klaus, 2011; Becker & Jaakkola, 2020; Homburg et al., 2017).

India Post Payments Bank (IPPB) is a distinctive 'phygital' banking model due to its combination of technologically driven banking services and a nationwide postal network in India. IPPB, with its extensive post office network and doorstep banking services, provides digital financial services in urban, semi-urban and rural areas, which offers unique customer experiences compared to traditional commercial banks (India Post Payments Bank, 2024-25 Annual Report). With customer interactions becoming more and more multi-channel, it is crucial for the bank's long-term sustainability to understand what makes positive experience of customer and loyalty.

Although the research on digital banking is increasing, studies have largely concentrated on technology adoption, customer satisfaction, trust, customer financial inclusion and the use of digital payments, with relatively little attention paid to the understanding of customer experience as the mechanism by which the drivers of customer satisfaction and satisfaction with services influence customer loyalty in the specific operating context of India Post Payments Bank (Mbama&Ezepue, 2018; Singh & Srivastava, 2020; Lemon & Verhoef, 2016). To fill this gap, the present study is aimed at formulating a customer-centric framework and its empirical study is done to understand the drivers of customer loyalty with customer experience as a mediator in the context of India Post Payments Bank. The results will be used in improving customer experience and customer banking literature and will provide useful information for improving customer loyalty through customer experiences.

2. Literature Review

The fast-changing digital banking environment has changed the financial services industry's competitive landscape and forced organizations to prioritize a customer-centric approach to value creation over product-centric strategies. Customers in today's banking environment are increasingly demanding smooth, secure, personalised and consistent service experiences, regardless of which channel they receive their service through, which puts pressure on banks to redesign their service delivery models to improve the long term relationship with their customers (Verhoef et al., 2009; Lemon & Verhoef, 2016; Becker & Jaakkola, 2020). As a result, customer loyalty has been adopted as a strategic goal of the organization due to its ability to retain users of banking services, cross-buying, referrals, and to positively affect the organization's efficient operations (Morgan & Hunt, 1994; Dick & Basu, 1994; Oliver, 1999). The recent systematic review and meta-analysis also revealed that customer experience, service quality, trust, perceived value, commitment, reliability and technological capabilities are the most important factors affecting customer loyalty in banking, which indicates a major transformation of the banking relationship from traditional banking services to digital banking and Banking 5.0.

In recent service marketing research, it is concluded that customers loyalty is more and more built up not on the basis of one service experience, but on a number of service experiences. Customer experience is the evaluation customers make in their minds, with experiences of various types before, during and after consuming services (Meyer & Schwager, 2007; Klaus &Maklan, 2013; Becker & Jaakkola, 2020). In the digital banking context, several elements that are intertwined contribute to these experiences: service quality, service innovation, personalisation, transaction security and physical and digital service channels. Financial institutions with a consistent reliable, innovative, secure and personalised services are more likely to increase the relationship, satisfaction and long-term loyalty of their customers (Homburg et al., 2017; Mbama&Ezepue, 2018). However, banking research reveals that personalisation and digital service innovation are also gaining momentum as customers want to be treated based on their preferences while expecting high levels of privacy and security.

In the Indian banking industry, the expectation of convenience, responsiveness, and service quality have changed significantly due to digital transformation initiatives and the swift adoption of mobile banking, UPI, and Aadhaar-based payment systems. Sitting at the intersection of technology-driven banking and the postal network, India Post Payments Bank (IPPB) has a unique model – phygital banking – that provides banking services to vast geographical areas with the help of the postal network. While prior research has focused on factors of technology adoption, customer satisfaction and customer experience on the use of digital payment services and financial inclusion within the banking arena, there is limited research on the combined impact of multiple service-related factors on customer loyalty in the particular operating environment of IPPB.

The Digital Banking growth has also changed the landscape of what it takes to keep customers loyal, with their demands for innovative, personalized, secure and integrated service experiences growing. Recent studies on banking indicate that service quality is no longer enough to maintain customer relationships, as customers are now assessing banks on the quality of the overall service experience, both in the online and offline domains (Lemon & Verhoef, 2016; Becker & Jaakkola, 2020). Empirical research also suggests that service innovation helps to build customer loyalty by improving the service delivery processes and offering greater customer value, whereas personalisation can boost customers' perceived relevance and relationship quality through financial products and communication (Nguyen et al., 2024; Kanaparthi, 2024). Similarly, perceived security remains a key factor in shaping customer trust, as it affects their perceptions of banking offerings and their intentions to have an ongoing relationship with their bank, especially in digital banking settings where privacy, cybersecurity, and transaction security are critical determinants of customer satisfaction.

Moreover, with the rise of phygital banking, researchers have begun studying customer experience as a key facilitator between service capabilities and positive customer behaviour. The term customer experience is no longer determined by an individual service experience but rather by the overall impression customers get from their banking technologies, employees, communication channels, and service processes during the customer journey (Verhoef et al., 2009; Klaus &Maklan, 2013; Becker & Jaakkola, 2020). Innovative and new ways of delivering service, integrated channels, personalization, and secure digital platforms have been shown in recent studies in the digital and retail banking sectors to have a positive impact on customer experience, leading to improved customer loyalty and continuity of relationships.

While literature on digital banking has grown significantly, prior studies have focused mostly on technology adoption, customer satisfaction, service quality, financial inclusion, and the adoption of digital payment, while few studies have investigated how the service-related capabilities of digital banking lead to sustaining customers' loyalty. Given the nature of India Post Payments Bank (IPPB), which aims at delivering banking services through the vast network of post offices to ensure financial inclusion, the studies conducted have mainly examined customer satisfaction, adoption of digital payment, access to banking services and the role of IPPB in financial inclusion. But the fast-paced developments of IPPB's phygital service ecosystem have resulted in new types of customer interactions, going beyond the traditional service encounters, and necessitating a better understanding of the combined impact of service innovation, personalization, security and overall service experiences on customers' loyalty intentions. In addition, customer experience has become a key strategic asset for improving customer relationships and, ultimately, organization performance in recent banking studies; however, empirical evidence on the effect of CX in government-backed digital banking institutions is scarce. Thus, more studies are needed to provide an understanding of customer loyalty from a holistic customer experience perspective in the unique context of India Post Payments Bank operations. To address this need, this study develops an integrated framework which investigates the effect of service-related organizational capabilities on customer loyalty via customer experience with digital banking, contributing to the growing literature on the Customer Relationship Management (CRM) and digital banking.

3. Research Gap:

In the field of commercial banking, digital banking and financial services, with a particular focus on the adoption of technology, service quality, customer satisfaction, trust and digital payment behaviour (Lemon & Verhoef, 2016; Mbama&Ezepue, 2018; Becker & Jaakkola, 2020). Recent research has acknowledged customer experience's strategic role in enhancing customers' relationships; however, much of empirical evidence is derived from traditional banking institutions or traditional banking digital environment, limited in the insights of specialized banking models (Kim et al., 2024; Santini et al., 2024).

A research study examining India Post Payments Bank has mostly concentrated on financial inclusion, digital payments, customer awareness, accessibility of service, and customer satisfaction. These studies have helped to improve the knowledge of how IPPB operates and how far it reaches digitally, but they offer much less indication of what organizes it takes to make customers loyal by creating a better experience for them. In addition, IPPB's unique service environment of a phygital service model (banking meets postal services and enabled by technology) is significantly different from traditional commercial banks and thus requires a separate evaluation.

In this background, this study aims to fill these gaps by proposing an integrated customer-centric framework, which explores the relationship between key service-related organizational capabilities, customer experience and customer loyalty in the case of India Post Payments Bank. The study contributes to the literature on digital banking and service marketing, and offers analytical and actionable implications on how customer experience should be seen as a relationship mechanism to improve customer retention and sustainable relationship management in nascent phygital banking ecosystems.

4. Research Objectives:

The present study aims to achieve the following objectives:

1. To explore how different dimensions of service quality, service innovation, personalization and perceived security impact customer experience as related to the India Post Payments Bank.

2. 2. To analyze how customer experience affects customer loyalty of the customers of India Post Payments Bank.

3. 3. To explore how customer experience acts as a mediator between service quality, service innovation, personalization, perceived security and customer loyalty.

4. 4. To give managerial inputs for reinforcing the customer loyalty through improving the customer experience in an Indian Phygital banking setup like India Post Payments Bank.

5. Conceptual Framework

Given the identified research gap and the existing literature on customer loyalty and customer experience, this study puts forth an integrated conceptual model that can be used to explain customer loyalty in the context of India Post Payments Bank (IPPB). It assumes that customer loyalty does not depend on individual attributes of the service but is built up based on customers' experience of the service during all their interactions with the bank. This leads to the view that customer experience is a mediators that serves to transfer the impact of service-related organizational capabilities to the customers' loyalty intention.

Four service-related antecedents are identified as the main organizational capabilities that influence customer experience: Service Quality, Service Innovation, Personalization and Perceived Security. Service quality is customer's assessment of the bank's performance regarding reliability, responsiveness and consistency of the services it provides, and service innovation is the bank's capacity to provide better and customer-oriented banking services. Personalisation indicates the level to which bank products and services as well as communication are individualised, while perceived security shows customers' trust in the security, privacy and reliability of digital banking transactions. These antecedent constructs are also supposed to positively influence the customers' overall experience with IPPB, which then leads to increased customer loyalty, as reflected in their continued usage intentions, positive recommendations, and long-term relationship commitment.

Minnesota Journal of Business Law and Entrepreneurship

Volume 2026, No. 3

ISSN: 1540-3270

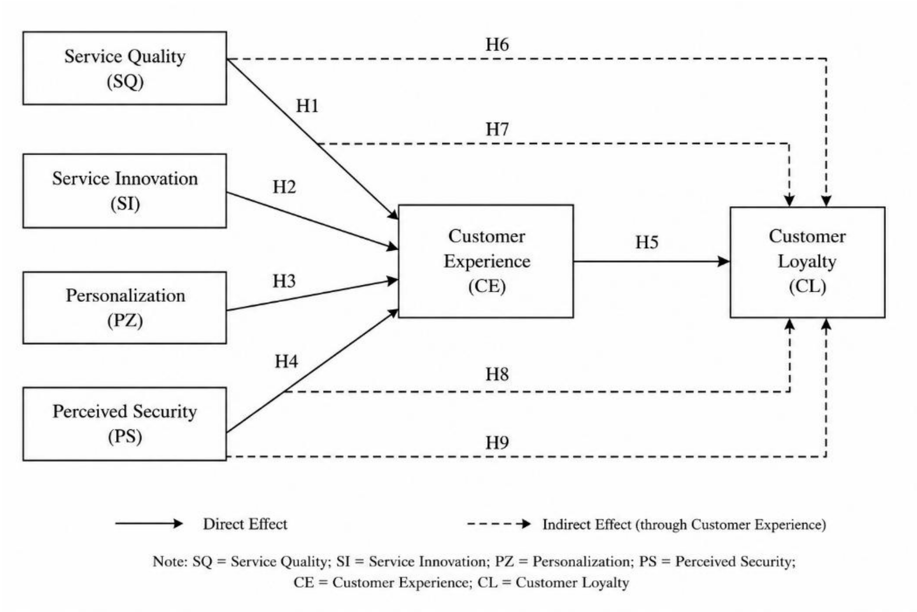

Figure 1: Conceptual Framework

6. Hypotheses Development:

In the digital age of banking, fostering customer loyalty is becoming a strategic goal as it indicates a customer's willingness to maintain their relationship with the bank and to recommend products and services, even with the presence of other banking options. The literature on relationship marketing indicates that it is not in individual transactions that customer loyalty is being developed, but at the level of the customers' overall assessment of their banking experience (Morgan & Hunt, 1994; Oliver, 1999; Lemon & Verhoef, 2016). Organizational aspects like superior service quality, continuous service innovation, personalized banking services and secure transaction systems collectively contribute to customers' perception of service excellence and thereby affect their overall experience of the services provider (Parasuraman et al., 1988; Klaus &Maklan, 2013; Becker & Jaakkola, 2020). Service quality increases the customers' trust and responsiveness, and service innovation through technology-enhanced solutions creates convenience and value. Likewise, perception of security boosts customers' confidence by reducing concerns about privacy and transaction risks and personalization improves relationship quality by aligning banking services with individual customer needs (Featherman & Pavlou, 2003; Mbama&Ezepue, 2018; Singh & Srivastava, 2020).

Recent customer experience research additionally suggests that these organizational capacities are not often directly related to customer loyalty. Rather, they first assess their overall experience with a company based on their contact across different physical and digital service touchpoints, and then form positive behavioral intentions, which ultimately leads to long-term customer loyalty (Verhoef et al., 2009; Lemon & Verhoef, 2016; Becker & Jaakkola, 2020). Positive customer experience contributes to the emotional connection, quality of relationship, and customer enthusiasm for continued use of banking products and/or recommending the bank to others (Homburg et al., 2017; Mbama&Ezepue, 2018). This is especially significant in the case of India Post Payments Bank, where phygital banking involves a blend of digital banking technology with a wide network of post offices that demand a unique service approach with personalized, reliable, innovative, and secure interaction with customers. Therefore, customer experience is suggested as the mechanism that service-related organizational capabilities are converted into stronger customer loyalty. From the above discussion, the following hypotheses are put forward:

H2: Service Quality has a positive impact on Customer Satisfaction.

H2: Service Innovation has a positive impact on Customer Experience.

H3: There is positive impact of Personalization on Customer Experience.

H4: Perceived Security has a positive impact on Customer Experience.

H5: Customer Experience has a positive impact on Customer Loyalty.

H6: Customer Experience mediates the relationship between Service Quality and Customer Loyalty.

H7: Customer Experience acts as a mediator between Service Innovation and Customer Loyalty.

H8: Customer Experience acts as a mediator between Personalization and Customer Loyalty.

H9: Customer Experience is a mediator between Perceived Security and Customer Loyalty..

7. Research Methodology:

This study was of a quantitative type with a cross-sectional research design to explore the factors affecting customer loyalty in India Post Payments Bank (IPPB) with the mediation of customer experience. The quantitative approach was deemed suitable as it allows for the empirical study of the relationship between multiple latent constructs and the testing of hypotheses through the use of the method of Structural Equation Modelling (SEM) (Hair et al., 2022).

The study was done among the active customers of India Post Payments Bank, Bengaluru Urban District, Karnataka who availed some or other services in the last 6 months. Bengaluru was chosen due to its varied customer base, high penetration of digital banking services and the large number of IPPB service channels, such as post offices, doorstep banking and mobile banking. Target population was defined as users of the IPPB's various schemes and services like savings accounts, mobile banking, Aadhaar Enabled Payment System (AEPS), QR payments, money transfer etc.

The purposive sampling technique used in this study, as only the respondents who had sufficient experience in using the services of IPPB were chosen. The target sample was 450 respondents, as this would give the adequate sample size for the Structural Equation Modelling and mediation analysis, accounting for incomplete or unusable responses. Data was screened, and after validation, final analysis considered 450 responses. The sample was collected proportionately from 5 geographical zones of Bengaluru (North, South, East, West and Central) so as to cover the study area in an equitable manner.

The structured questionnaire comprised two parts, and was used to collect primary data. The first section obtained demographic and usage data from the respondents, which included gender, age, educational qualification, occupation, area of residence, length of time using IPPB, how often they use the service and the main reason why they use the IPPB. The next section measured six latent constructs which are included in the conceptual framework i.e., Service Quality, Service Innovation, Personalization, Perceived Security, Customer Experience, and Customer Loyalty. Five reflective indicators, based on validated scales found in the service marketing and digital banking literature were used to measure each construct. Responses were made on a 5-point Likert scale from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire was content validated by experts in the field and banking professionals before the main survey, ensuring the contextual relevance of the survey in the context of India Post Payments Bank. To check the clarity, reliability and comprehensibility of the measurement instrument, a pilot study was conducted, before making minor changes based on the feedback obtained.

Data were collected and analysed using Structural Equation Modellingin two stages of analysis. Descriptive statistics were first used for summarizing respondents' demographic characteristics and usage profiles. Then, the reliability of indicators, convergent validity, internal consistency reliability, and discriminant validity of the measurement model were examined. Next, the structural model was tested using path coefficients, R^2, and effect size and bootstrapping was performed to determine the significance of direct and indirect effects. Customer experience was assessed as a mediating variable by analyzing the indirect effects of the antecedent variables on customer loyalty. The analytical approach offers a thorough evaluation of the proposed conceptual framework and guarantees the strength of the empirical findings.

8. Results:

The statistical findings of the study based on data collected from the active customers of India Post Payments Bank (IPPB) in Bengaluru is presented here. The analysis process was carried out systematically to think about the proposed conceptual framework and to test the research hypotheses. For the purpose of describing the sample of the study, the demographic and usage characteristics of the respondents are presented. Next, indicator reliability, internal consistency reliability, convergent validity and discriminant validity of the measurement model are examined. Path coefficients, coefficient of determination (R^2), effect size (f^2), predictive relevance and bootstrapping procedures are then employed to assess the direct and mediating relationship between the constructs of the study using the structural model. Lastly, the outcome of hypothesis testing is shown and explained based on the research model proposed.

Table 1: Demographic and Usage Profile of Respondents.

Variable	Category	Frequency	(%)
Gender	Male	230	51.11
	Female	210	46.67
	Prefer not to say	10	2.22
Age	Below 20 years	32	7.11
	20–29 years	149	33.11
	30–39 years	126	28.00
	40–49 years	85	18.89
	50–59 years	37	8.22
	60 years and above	21	4.67
Educational Qualification	Secondary School	42	9.33
	Higher Secondary	73	16.22
	Diploma	44	9.78
	Undergraduate	152	33.78
	Postgraduate	114	25.33
	Doctorate	25	5.56
Occupation	Student	71	15.78
	Government Employee	55	12.22
	Private Employee	146	32.44
	Self-employed	104	23.11
	Homemaker	36	8.00
	Retired	18	4.00
	Others	20	4.44

Area of Residence	Urban	334	74.22
	Semi-Urban	87	19.33
	Rural	29	6.44
IPPB Usage Duration	Less than 6 months	49	10.89
	6 months–1 year	84	18.67
	1–3 years	194	43.11
	More than 3 years	123	27.33
Usage Frequency	Daily	72	16.00
	Weekly	123	27.33
	Monthly	133	29.56
	Occasionally	91	20.22
	Rarely	31	6.89
Primary Purpose of Using IPPB	Savings Account	111	24.67
	Money Transfer	95	21.11
	AEPS Services	57	12.67
	Government Benefit Transfer (GBT)	62	13.78
	QR Payments	46	10.22
	Utility Bill Payments	58	12.89
	Others	21	4.67
Primary Service Channel	Post Office Branch	113	25.11
	Mobile Banking App	137	30.44
	Doorstep Banking	66	14.67
	Banking Correspondent / Postman	50	11.11
	Multiple Channels	84	18.67

This respondent profile shows that the sample consisted of 450 customers of Indian postal payments bank who are active in the city of Bengaluru, with a well-balanced and diverse composition. The sample is slightly more males (51.11%) than females (46.67%) and is split the most between the age ranges 20-29 years (33.11%) and 30-39 years (28.00%). The majority of respondents have an undergraduate (33.78%) or postgraduate degree (25.33%) and the largest group are employed in the private sector (32.44%), with self-employed people making up another 23.11%. The majority live in urban areas (74.22%) indicating a metropolitan character of the study area. The majority of the respondents have been using IPPB for 1 to 3 years (43.11%) and have mostly accessed the IPPB services on monthly (29.56%) or weekly (27.33%) basis and mostly through Mobile Banking App (30.44%) or Post Office Branch (25.11%). This shows that the respondents are capable of evaluating the customer experience and customer loyalty using the technique of Structural Equation Modelling, given that they have a good experience with the IPPB service.

ISSN: 1540-3270

Table 2. Standardized Outer Loadings of Measurement Indicators

Construct	Indicator	Loading
Service Quality (SQ)	SQ1	0.7708
	S^{Q2}	0.8471
	SQ3	0.7164
	SQ4	0.7138
	SQ5	0.7569
Service Innovation (SI)	SI1	0.7695
	SI2	0.9045
	SI3	0.6876
	SI4	0.6684
	SI5	0.7714
Personalization (PER)	PER1	0.7929
	PER2	0.6013
	PER3	0.8027
	PER4	0.8160
	PER5	0.7493
Perceived Security (PS)	PS1	0.7282
	PS2	0.9231
	PS3	0.7642
	PS4	0.7632
	PS5	0.7877
Customer Experience (CE)	CE1	0.8434
	CE2	0.8105
	CE3	0.7848
	CE4	0.8109
	CE5	0.7897
Customer Loyalty (CL)	CL1	0.8366
	CL2	0.8366
	CL3	0.7685
	CL4	0.7764
	CL5	0.7428

The standardised outer loadings of the measurement indicators are shown in Table 2. Loadings varied between .6013 and .9231, which are satisfactory indicator loadings for all constructs. The majority of the indicators were above the recommended value of 0.70, indicating that they are a good representation of their respective latent variables. Three items (PER2, SI3, SI4) had comparatively low loadings but were kept since internal consistency reliability and convergent validity for the constructs were satisfactory. In general, the results demonstrate that the measurement indicators are suitable to evaluate the proposed constructs and that the measurement model is adequate.

Table 3. Internal Consistency Reliability and Convergent Validity

Construct	Cronbach's Alpha (α)	Dijkstra–Henseler's rho (ρA)	Composite Reliability (ρC)	(AVE)
Service Quality (SQ)	0.8745	0.8757	0.8748	0.5834
Service Innovation (SI)	0.8714	0.8738	0.8743	0.5823
Personalization (PER)	0.8764	0.8779	0.8780	0.5930
Perceived Security (PS)	0.9038	0.9044	0.9039	0.6531
Customer Experience (CE)	0.8889	0.8896	0.8891	0.6162
Customer Loyalty (CL)	0.8684	0.8689	0.8688	0.5724

The convergent validity and internal consistency reliability of the six latent constructs are shown in Table 3. Results showed that the internal consistency (Cronbach's alpha) of all the constructs was between 0.8684 and 0.9038, and Dijkstra–Henseler's rho (ρA) ranged from 0.8689 to 0.9044. Likewise, the CR (ρC) for the measurement scales ranged from 0.8688 to 0.9039, which is above the recommended threshold of 0.70, assuring the reliability of the measurement scales. In addition, the Average Variance Extracted values for all the constructs varied between 0.5724 and 0.6531, surpassing the recommended minimum value of 0.50, thus confirming the convergent validity. In general, these results indicate that the measurement model exhibits adequate reliability and convergent validity, validating the suitability of the constructs for further assessment of the structural model (Hair et al., 2022).

Table 4. Discriminant Validity Assessment Using the HTMT Ratio

Constructs	CE	CL	PER	PS	SI	SQ
Customer Experience (CE)	—					
Customer Loyalty (CL)	0.7905	—				
Personalization (PER)	0.7919	0.6982	—			
Perceived Security (PS)	0.7692	0.7092	0.7425	—		
Service Innovation (SI)	0.6911	0.6112	0.7933	0.7625	—	
Service Quality (SQ)	0.7436	0.6534	0.7437	0.8033	0.8063	—

The Heterotrait–Monotrait (HTMT) ratio to check the discriminant validity between the latent constructs is presented in Table 4. Hair et al. (2022) state that the HTMT value below 0.85 indicates satisfactory discriminant validity or, in other words, the constructs are empirically different from each other. The results indicate that all the HTMT values were less than 0.8 with a range of 0.6112 to 0.8063. The highest HTMT value was between

Service Quality and Service Innovation (0.8063) and the lowest value was between Service Innovation and Customer Loyalty (0.6112). This indicates that each construct represents a separate conceptual space, and that adequate discriminant validity exists for the measurement model.

Table 5. Structural Model Results and Hypothesis Testing

Hypothesis	Structural Path	β	t-value	p-value	Cohen's f^2	Decision
H1	Service Quality → Customer Experience	0.2441	6.2584	<0.001	0.1098	Supported
H2	Service Innovation → Customer Experience	0.2595	6.3934	<0.001	0.1232	Supported
H3	Personalization → Customer Experience	0.2496	5.5870	<0.001	0.1111	Supported
H4	Perceived Security → Customer Experience	0.3892	9.0889	<0.001	0.2721	Supported
H5	Customer Experience → Customer Loyalty	0.6845	23.2785	<0.001	0.8816	Supported

Table 5 shows the results of the structural model assessment. The results show all five of the direct relationships were positive and statistically significant (p value < 0.001), thus supporting the proposed conceptual framework. Among the antecedent variables, Perceived Security exerts the strongest influence on Customer Experience (β = 0.3892, t = 9.0889), followed by Service Innovation (β = 0.2595, t = 6.3934), Personalization (β = 0.2496, t = 5.5870), and Service Quality (β = 0.2441, t = 6.2584). Moreover, it has been found that Customer Experience has a strong positive influence on Customer Loyalty (β = 0.6845, t = 23.2785) which means that higher the Customer Experience of the customers, greater the chances of their being loyal towards India Post Payments Bank. The analysis of the effect size also shows that Customer Experience has a large effect on Customer Loyalty (f2 = 0.8816), while the antecedent constructs have small to moderate effect on Customer Experience which the construct of Perceived Security with the largest effect (f2 = 0.2721). These results support the hypothesized structural relationships to a great extent in general.

Table 6. Coefficient of Determination (R^2) of the Endogenous Constructs

Endogenous Construct	R^2	Adjusted R^2	Interpretation
Customer Experience (CE)	0.4754	0.4707	Moderate explanatory power
Customer Loyalty (CL)	0.4685	0.4673	Moderate explanatory power

As shown in Table 6, the coefficient of determination (R^2) of the endogenous constructs in the proposed structural model is shown. The findings show that the four antecedent constructs (Service Quality, Service Innovation, Personalization and Perceived Security) collectively account for 47.54% of the variance in Customer Experience (R^2 = 0.4754). In addition, Customer Experience accounts for 46.85% of the variance in the Customer Loyalty (R^2 = 0.4685). The adjusted R^2 values are quite similar to the respective R^2 values, which suggests stability and robustness of the model. As per Hair et al., 2022, these values are considered as moderate explanatory power, which indicates that the proposed model is a proper explanation of variations in the customer experience and customer loyalty among customers of the India Post Payments Bank and there is a possibility to explore more factors in the future.

ISSN: 1540-3270

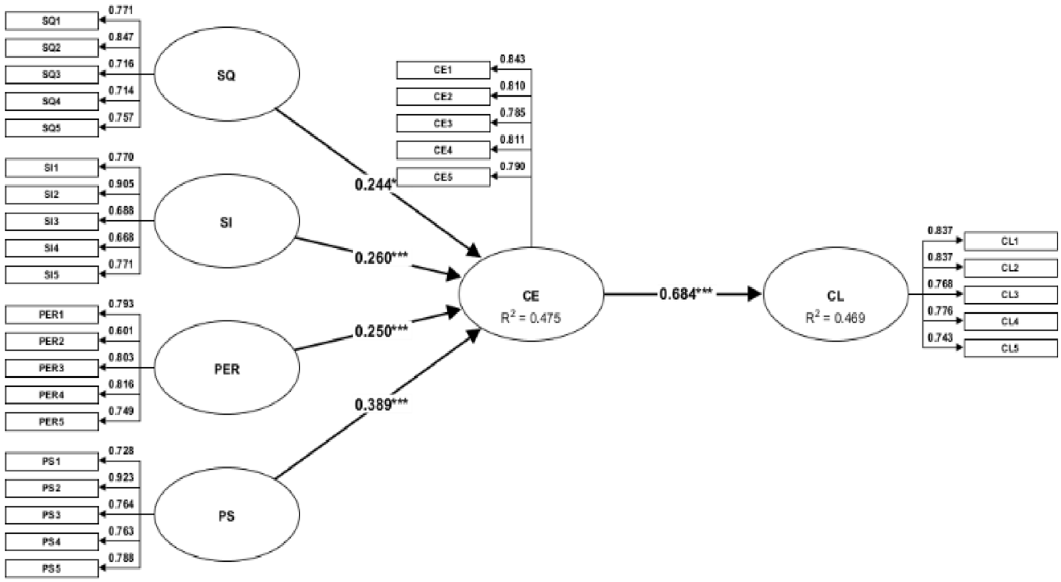

Figure 2. Final Structural Model with Standardized Path Coefficients

The validated structural model showing the relationships between the latent constructs is presented in Figure 2. Results show that Service Quality (β = 0.244), Service Innovation (β = 0.260), Personalization (β = 0.250) and Perceived Security (β = 0.389) have a positive and statistically significant effect on Customer Experience. Of these precedents, Perceived Security is the most robust and appears to have the most effect on Customer Experience. Additionally, Customer Experience (CE) strongly influences Customer Loyalty (CL) with a β value of 0.684, which supports the significant role of Customer Experience in building long-term customer relationships. The model accounts for the 47.5% of the variance in Customer Experience and the 46.9% of the variance in Customer Loyalty, which means that it has a moderate explanatory power and empirical support is provided for the proposed conceptual framework.

Table 7. Direct Effects and Hypothesis Testing

Hypothesis	Structural Relationship	β	t	p	Decision
H1	Service Quality → Customer Experience	0.2441	6.2584	<0.001	Supported
H2	Service Innovation → Customer Experience	0.2595	6.3934	<0.001	Supported
H3	Personalization → Customer Experience	0.2496	5.5870	<0.001	Supported
H4	Perceived Security → Customer Experience	0.3892	9.0889	<0.001	Supported
H5	Customer Experience → Customer Loyalty	0.6845	23.2785	<0.001	Supported

Table 8. Summary of Hypothesis Testing

Hypothesis	Proposed Relationship	Result
H1	Service Quality positively influences Customer Experience.	Supported
H2	Service Innovation positively influences Customer Experience.	Supported
H3	Personalization positively influences Customer Experience.	Supported
H4	Perceived Security positively influences Customer Experience.	Supported

Minnesota Journal of Business Law and Entrepreneurship
Volume 2026, No. 3
ISSN: 1540-3270

H5	Customer Experience positively influences Customer Loyalty.	Supported
H6	Customer Experience mediates the relationship between Service Quality and Customer Loyalty.	Supported
H7	Customer Experience mediates the relationship between Service Innovation and Customer Loyalty.	Supported
H8	Customer Experience mediates the relationship between Personalization and Customer Loyalty.	Supported
H9	Customer Experience mediates the relationship between Perceived Security and Customer Loyalty.	Supported

Table 8 summarizes Results show that all nine hypotheses are substantiated. Service Quality, Service Innovation, Personalization and Perceived Security have positive and significant influence on Customer Experience that in turn has a positive and significant influence on Customer Loyalty. In addition, mediation analysis results show that Customer Experience is a relevant mediation mechanism that impacts Customer Loyalty through the four service-related constructs. The above-mentioned findings are in support of the proposed conceptual framework and prove the potential of customer experience in enhancing the customer loyalty in the context of India Post Payments Bank.

8. Discussion:

Result of the study shows that four factors namely Service Quality, Service Innovation, Personalization and Perceived Security have a significant effect on Customer Experience and hence the Customer Experience of India Post Payments Bank is influenced by both functional service performance and value added service capabilities. Of these determinants, Perceived Security was the most significant driver of Customer Experience, suggesting that the perception of security in transactions and data handling, and trust in digital banking services, is a key factor in shaping customers' experiences. The results align with the results obtained in the previous studies which indicated that banking experience can be enhanced through reliable service delivery, continuous innovation, personalized interactions and secure banking environment through the use of digital technologies (Klaus &Maklan, 2013; Lemon & Verhoef, 2016, Mbama&Ezepue, 2018). As part of IPPB, the combination of digital banking and a wide postal network also underscores the need to provide seamless and secure banking services at various customer touchpoints.

The study also shows that Customer Experience is significantly and positively related to Customer Loyalty, and thus serves as a key driver in building lasting customer relationships. A positive perception on the part of customers as they engage in various experiences with IPPB is likely to lead to continued use, referrals of the bank to others, and long-term relationships. This finding corroborates the relationship marketing view proposed by Morgan and Hunt (1994), and also resonates with more recent findings that indicate that customer experience has become more important than traditional measures of service quality or satisfaction alone, for determining customer loyalty (Becker & Jaakkola, 2020; Santini et al., 2024). The findings suggest that besides effective service delivery, customer loyalty in digital banking is also influenced by the quality of the customers' experiences during the service journey.

The mediation analysis also gives further insights that Customer Experience is an important mechanism that connects the four service-related determinants with Customer Loyalty. The substantial indirect effects suggest that improvements in the quality of services, innovation, personalisation, and security have a positive impact on customer loyalty, not just in their immediate impact, but also as a result of the better overall customer experience they generate. The results contribute to the literature on customer experience by showing that customer experience is a strategic relational competence in the particular phygital banking context of India Post Payments Bank. In contrast to traditional commercial banks, IPPB, with its high physical presence and postal networks, makes customer experience a vital component in the synergy of physical and virtual service encounter in a banking experience.

Overall, the findings have contributed the literature on digital banking and relationship marketing with empirical evidence from the context of India Post Payments Bank (IPPB), where limited work has been done. The study has validated that Sustainable Customer Loyalty is all about delivering better customer experiences by providing secure, innovative, customized and quality banking services, and not merely because of technological adoption. The results offer insights for banking managers who aim to improve customer retention and emphasize the need for a customer-centric approach to bank service to gain a sustainable competitive advantage in governmental and other supported digital banking institutions.

9. Implications

The results of this study have implications for theory and practice in the area of digital banking and customer relationship management. The study concludes that Service Quality, Service Innovation, Personalization and Perceived Security have significant impact on Customer Experience, which in turn positively affects Customer Loyalty, thereby supporting the existing interest in the concept of customer experience in relationship marketing. The proposed framework is an extension of the existing knowledge as it brings together a number of factors that relate to services in a single empirical model in the context of India Post Payments Bank. This study differs from most previous studies where the focus is on customer satisfaction, service quality or technology adoption separately, by emphasizing customer experience as the mediating mechanism between organizational capabilities and long-term customer loyalty. Thus, the study contributes to the literature by offering empirical evidence in a government-supported phygital banking context to extend the applicability of customer experience theory to other than typical commercial banking settings.

From a managerial point of view, the results indicate that the banking institutions should not only be focused on the technical development and the efficiency of the transactional process but also strive to build up customer centric approaches that can lead to the improvement of the overall banking experience. Perceived Security is a significant factor, suggesting a need for investment in cybersecurity measures, secure authentication and services, transparent communication, and customer education and awareness campaigns to boost confidence in digital banking services. Likewise, the continuous upgrade of the quality of services, innovative banking solutions and individual customer interactions can significantly enhance customers' experience in both physical and digital service channels. By leveraging its vast postal network and ensuring customer-centric service and seamless digital integration, India Post Payments Bank can enhance customer retention and build customer loyalty. The results might also help policymakers and banking administrators in developing customer-centric service approach for sustainable growth and greater competitiveness of government-supported digital banking institutions.

There are some limitations to this study that must be taken into account when interpreting the results. One limitation of the study is that it was conducted in Bengaluru with India Post Payments Bank customers, which may not reflect the attitudes of customers at other locations or banks. Second was the cross-sectional research design which did not look at changes in customer behavior over time and only focused on customer perceptions at a given point in time. Furthermore, other aspects potentially influencing customer behaviour were not considered in the study as only certain service-related factors were selected as determinants of customer loyalty.

In future, the suggested framework can be validated on other geographical areas, banking institutions and customer segments to increase the generalizability of the framework. Longitudinal studies would enable a greater understanding of how customer experience and customer loyalty can develop over time. Moreover, future research can involve additional variables like customer trust, perceived value, digital literacy, or brand image, and investigate hybrid methodologies that integrate SEM and machine learning algorithms to enhance predictive performance and theoretical insight.

11. Conclusion

In this study, the factors influencing customer loyalty in India Post Payments Bank were analyzed by considering the impact of Service Quality, Service Innovation, Personalization, Perceived security and the mediating effect of Customer Experience. The results showed that all of the four antecedent constructs have positive impact on Customer Experience and the Customer Experience has a significant impact on Customer Loyalty. The mediation analysis also revealed that Customer Experience plays an important role in the link between these service-related factors and long-term customer loyalty. The study enriches the existing literature of digital banking and relationship marketing by providing validation of customer-centric framework in the unique phygital service context of Indian Post Payments bank. In practical terms, the results highlight the importance of service quality, innovation, customization and security in banking transactions to offer a better experience to customers and maintain their loyalty. The findings of the study offer valuable insights for banking managers and policymakers looking to improve customer retention and boost the competitiveness of their digital banking services.

References:

[1] Ball, D., Coelho, P. S., &Vilares, M. J. (2006). Service personalization and loyalty. *Journal of Business Research, 59*(12), 1276–1283. https://doi.org/10.1016/j.jbusres.2006.08.001

[2] Becker, L., & Jaakkola, E. (2020). Customer experience: Fundamental premises and implications for research. *Journal of the Academy of Marketing Science, 48*(4), 630–648. https://doi.org/10.1007/s11747-019-00718-x

[3] Berry, L. L., Carbone, L. P., & Haeckel, S. H. (2002). Managing the total customer experience. *MIT Sloan Management Review, 43*(3), 85–89.

[4] Bitner, M. J. (1992). Servicescapes: The impact of physical surroundings on customers and employees. *Journal of Marketing, 56*(2), 57–71. https://doi.org/10.1177/002224299205600205

[5] Brady, M. K., & Cronin, J. J., Jr. (2001). Some new thoughts on conceptualizing perceived service quality: A hierarchical approach. *Journal of Marketing, 65*(3), 34–49. https://doi.org/10.1509/JMKG.65.3.34.18334

[6] Chaudhuri, A., & Holbrook, M. B. (2001). The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty. *Journal of Marketing, 65*(2), 81–93. https://doi.org/10.1509/JMKG.65.2.81.18255

[7] Dick, A. S., & Basu, K. (1994). Customer loyalty: Toward an integrated conceptual framework. *Journal of the Academy of Marketing Science, 22*(2), 99–113. https://doi.org/10.1177/0092070394222001

[8] Fernandes, T., & Oliveira, E. (2021). Understanding consumers' acceptance of automated technologies in service encounters: Drivers of digital banking experience. *Journal of Business Research, 122*, 180–191. https://doi.org/10.1016/j.jbusres.2020.08.058

[9] Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research, 18*(1), 39–50. https://doi.org/10.1177/002224378101800104

[10] Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A primer on partial least squares structural equation modeling (PLS-SEM)* (3rd ed.). Sage Publications.

[11] Homburg, C., Jozić, D., & Kuehnl, C. (2017). Customer experience management: Toward implementing an evolving marketing concept. *Journal of the Academy of Marketing Science, 45*(3), 377–401. https://doi.org/10.1007/s11747-015-0460-7

[12] India Post Payments Bank. (2025). *Annual Report 2024–25*. India Post Payments Bank Ltd. https://www.ippbonline.com

[13] Klaus, P., &Maklan, S. (2013). Towards a better measure of customer experience. *International Journal of Market Research, 55*(2), 227–246. https://doi.org/10.2501/IJMR-2013-021

[14] Lemon, K. N., & Verhoef, P. C. (2016). Understanding customer experience throughout the customer journey. *Journal of Marketing, 80*(6), 69–96. https://doi.org/10.1509/jm.15.0420

[15] Maklan, S., & Klaus, P. (2011). Customer experience: Are we measuring the right things? *International Journal of Market Research, 53*(6), 771–792. https://doi.org/10.2501/IJMR-53-6-771-792

[16] Mbama, C. I., &Ezepue, P. O. (2018). Digital banking, customer experience and financial performance: UK bank managers' perceptions. *Journal of Research in Interactive Marketing, 12*(4), 432–451. https://doi.org/10.1108/JRIM-01-2018-0026

[17] Meyer, C., & Schwager, A. (2007). Understanding customer experience. *Harvard Business Review, 85*(2), 116–126.

[18] Morgan, R. M., & Hunt, S. D. (1994). The commitment–trust theory of relationship marketing. *Journal of Marketing, 58*(3), 20–38. https://doi.org/10.1177/002224299405800302

[19] Oliver, R. L. (1999). Whence consumer loyalty? *Journal of Marketing, 63*(Special Issue), 33–44. https://doi.org/10.1177/00222429990634s105

[20] Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing, 64*(1), 12–40.

[21] Payne, A., & Frow, P. (2005). A strategic framework for customer relationship management. *Journal of Marketing, 69*(4), 167–176. https://doi.org/10.1509/jmkg.2005.69.4.167

[22] Reichheld, F. F., & Sasser, W. E., Jr. (1990). Zero defections: Quality comes to services. *Harvard Business Review, 68*(5), 105–111.

[23] Verhoef, P. C., Lemon, K. N., Parasuraman, A., Roggeveen, A. L., Tsiros, M., & Schlesinger, L. A. (2009). Customer experience creation: Determinants, dynamics and management strategies. *Journal of Retailing, 85*(1), 31–41. https://doi.org/10.1016/j.jretai.2008.11.001

[24] Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of Marketing, 68*(1), 1–17. https://doi.org/10.1509/jmkg.68.1.1.24036

[25] Yousafzai, S. Y., Pallister, J. G., & Foxall, G. R. (2009). Multi-dimensional role of trust in Internet banking adoption. *The Service Industries Journal, 29*(5), 591–605. https://doi.org/10.1080/02642060902719958

[26] Zeithaml, V. A., Berry, L. L., & Parasuraman, A. (1996). The behavioral consequences of service quality. *Journal of Marketing, 60*(2), 31–46. https://doi.org/10.1177/002224299606000203