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Published (on line) by

NMIMS School of Business Management
V.L. Mehta Road
Ville Parle (West)
Mumbai - 400056

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Managing Experience to drive Trust: The mediating role of Brand Association

Mala Srivastav* and Jalpesh Mehta**

Abstract

The purpose of this paper is to enhance the understanding of customer-brand relationships in building customer trust in the banking sector and empirically investigates the role of brand associations, service experience and length of relation. To test the hypotheses, responses from 631 Indian consumer samples were achieved, and the proposed model was estimated by using structural equations based on covariance-based (CB) SEM (AMOS).Customer experience dimension Mechanic and functional clues had a strong and positive impact on brand association. However, their direct impact on trust was not supported. Humanic clues have both significant and direct and indirect impact on trust. The findings reveals important information for both practioners and academics alike in understanding that customer experience especially employee related experience is key in building service brands and trust. This study provides insights on how strong and trust worthy brands are built in financial service industry. Is also sheds light into how mangers can best use favourable brand associations for building trust in banking sector. This study identified that the route from the service experience to trust via brand associations. Building up brand associations is a critical step toward achieving trust in Indian context.

Keywords: Brand trust, Brand association, service experience

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Introduction

The retail banking service sector has undergone tremendous change arising from adverse global market conditions, increasing competition, rising operating costs, and the growing sophistication of customers (Soureli, Lewis, & Karantinou, 2008; Rajaobelina & Bergeron, 2009). Engaging with customer is a real challenge considering that not all customers need to form relationships, with some customers focusing on transactional exchanges and others on the relational aspect making the management of customer relationships in banking a complex process. Adding to the is divergent needs of customer is the prevalence of the phenomena of partial defection where customer leave their banks and (polygamy) were they developing multiple relationships with banks by holding more than one accounts (Aurier and N'Goala 2010).

The turmoil in banking sector has impacted heavily on the mind-set of the consumer, who despite of good technology and service offered by the new generation banks in India, prefer to have their hard earned monies in Public Sector Banks. The Indian banking system consists of 26 public sector banks, 20 private sector banks, and 43 foreign banks, about 95,000 other banks (regional and cooperatives). The Indian banking sector's assets reached US$ 1.8 trillion in FY14. Public-sector banks control nearly 80 percent of the market, thereby leaving comparatively much smaller shares for its private peers(IBEF,2016).Thus the banking sector is fragmented and new generation banks (private and foreign banks) are competing for the 20 percent markets. Technology, processes etc. can be copied, adapted, but can trust be is a question. Trust is an important component in any transaction, but in Banking and Financial

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services, it is a concern of one's life's hard earned money and savings, Trust becomes a very important factor.

The central bank in India as a regulator is not allowing any major product differentiation leading to a commoditized product offering, not much of price play, tangibles being almost same in the there is a stiff competition and pressure to grow, each bank need to differentiate and offer the best services and experience to create a strong brand equity and ultimately Trust Financial products and services are invisible, intangible and commoditized. The Sometimes complexities of some the products are such that the returns cannot be forecasted and the customer does not know how to calculate his returns. There is lack of transparency or awareness which leads to insecurity. Certain products are sold with a certain calculative assurance based on past trends or data where the customer hopes that the institution would honour the commitment. There are pages and pages of terms and conditions which rarely the customer reads and questions. All this requires a certain level of trust. This leads us to the conclusion that focus on customer experience, branding and trust are key to success in the banking space. The purpose of this paper is to enhance the understanding of customer experience and brand associations in building customer trust and commitment to the banks.

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Theoretical background and hypotheses development

Trust in banking service

Trust is a paramount factor in Banking services which involves the customer to deal with a very sensitive element of money, be it investing or borrowing. Yap et al. (2010) in their work on trust in banking, share that the size of an organization is often regarded as a proxy for security and past track record of an established organization as a lever to trust building.

Financial are associated with purchase uncertainty and therefore are associated with high-risk especially as service due to intangible nature have heterogeneity (Mitchell and Greatorex, 1993; Murray and Schlacter, 1990). The risk faced in financial service is further accentuated due to many factor like lack of financial literacy, uncertainty of outcome and criticality of the decision for customer (Laroche et al., 2004).

Trust is an important component in any transaction, but in Banking and Financial services, it's a concern of one's life's hard earned money and savings upon which the present and future is dependent, Trust becomes a very important factor. Hazra and Srivastava (2009) refer to trust as one of the most relevant antecedents of stable and collaborative relationships. Any customer-company relationships require trust and the degree of trust is described as a fundamental relationship building block. Urban et al. (2000) suggested that customer trust is an essential element in building strong customer relationships and sustainable market share.

Various authors and researchers have studied and presented various aspects of trust. Covey (2009) defined Trust as confidence, born of character and competence. Character includes ones integrity, motive, and intent. Competence includes ones capabilities, skills, results, and track record. Laeequddin and Sardana (2010) define trustor as the party who places him or herself

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in a vulnerable situation under uncertainty and trustee is the party in whom the trust is placed, who has the opportunity to take advantage of the trustor's vulnerability.

Lewicki and Bunker (1996), explain how trust develops over time into a successful relationship in three sequential and cumulative stages, beginning with calculus-based trust, then progressing to knowledge-based trust, and finally to identification-based trust. (Gwebu et. al. 2007, Stoecklin-Serino et al. 2009, Verma et.al. 2010)

Yousafzai et.al. (2005) and Yap et al. (2010) define the concept of institution-based trust proposed by McKnight. (1998) which represents the beliefs held by customers about impersonal structures and favourable conditions, in which they feel safe, assured, and comfortable about the prospect of depending on the businesses. The authors defined two types of institutional-based trust as Structural assurances and Situational Normality

Adamson et al. (2003) based on Morgan and Hunt's commitment and trust relationship model identified major precursors of banking relationship commitment and trust in Shared values (SV); Communication (C), Opportunistic behavior (OB), Relationship termination costs (TC) and Relationship benefits (RB). They empirically tested and found the relationships yielding positive and statistically significant correlations. The present study attempts to understand the role of brand association and customer experience in building trust

Brand association

Aaker (1991) believes that brand association enhances the recall of a particular brand. According to Keller (1998), brand association can be created via the association with attitudes, attributes and benefits respectively. Brand association also acts as an information collecting

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 tool (van Osselaer & Janiszewski, 2001) to execute brand differentiation and brand extension (Aaker, 1996).

Berry (1999) established the fact that companies use the brand as a foundation for building trust-based relationship with customers especially in service sector where product are intangible. Aziz & Yasin (2010) highlight the importance of Brand Equity in service organizations because of the difficulty in differentiating products that lack physical differences and state that strong brands increase customers' trust. Deutsch (1994) also refers to services sector and banking in specific, where due to intangibility issue most banks apply house brand or an umbrella brand to their products. Devlin and Azhar in 2004 reiterated the importance of brand association in banking industry. Brand association can garner positive response from consumers. The bank's overall image can play here as a proxy that helps customers save time and effort in evaluating the bank's offering especially under high complexity.

Another reason relates to the risk perceptions associated with banking services. Brand image can help to mitigate risk perception and help in driving consumers' trust (Flavia´n et al., 2005). Finally Schreuer (2000) states the importance of brand management in banking due to the general slide toward commoditization, or competing solely on price and due to lack of differentiation among medium-sized and large banks. The difficulty faced by many banks and financial service providers, especially in highly competitive markets, in differentiating themselves on the service characteristics that can be easily imitated in many cases (O'Loughlin and Szmigin, 2005). Strong corporate associations can aid customers' perceived differentiation (Chun and Davies, 2006).Thus branding is the best hope against sliding into the commodity trap especially with the sophisticated customers who make decisions based on their perception of a brand's value. Based on the above the study proposes the following hypothesis.

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H1. Brand associations have a direct impact on trust.

Service experience

Service experience is defined as the service encounter and/or service process that creates the customer's cognitive, emotional and behavioral responses which result in a mental mark, a memory Johnston and Clark (2001). Customer experience with a service provider and post consumption experience is critical in building relationships. Berry et al. in (2006) argued that customers' assessment of services is based on performances rather than objects, they rely on the numerous clues that are embedded in performance when choosing services and evaluating service experiences. The importance of the service experience as a major source of brand associations is documented in several empirical studies (de Chernatony and Cottam, 2006; O'Loughlin and Szmigin, 2005). (Edvardsson, 2005; Zomerdijk and Voss, 2010) argue that customers' experiences leaves a cognitive and emotional touches in consumers' memory and these in turn result in becoming brand associations in the case of a services brand (Berry, 2000).

Customer form perceptions of service providers based on their interface with the service scape which comprises of people interaction, processes and technology in banking parlance Indeed, it is often small clues that influence a customer's overall perception of an experience.

Customers form perceptions based on the technical performance of the service (functional clues), the tangibles associated with the service (mechanic clues), and the behavior and appearance of service providers (Humanic clues).

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Berry et al. (2006) proposed these clues as "humanic" clues, deriving from the contact personnel's appearance and behavior during the service Encounters and the contact personnel are the incarnation of the brand in customers' eyes (Ostrom et al., 2005). Humanic clues are hence depicted as having the strongest impact on customers' overall evaluation of the services brand (Berry and Lampo, 2004; de Chernatony and Segal-Horn, 2003).

Functional clues concern the technical quality of the offering. Functional clues are the "what" of the service experience, revealing the reliability and competence of the service. Mechanic clues come from actual objects or environments at present in technology enabled bank technology support may be a mechanic clue

Over time, consumers' experience with these different clues encountered during the service delivery participates in forging the overall image of the service company (Andreassen and Lindestad, 1998; Aydin and O ̈ zer, 2005; Ryu et al., 2012). In service context Experience-based associations are generally considered to be clearer, more stable and easier to encode and recall than those deriving from communication (Keller, 1993).

In this framework, several empirical studies in different service sectors reveal that the company's overall image is directly affected by consumers' perceptions of the contact personnel (Nguyen and Leblanc, 2002, 2011), the physical environment (e.g. Nguyen

and Leblanc, 2002; Ryu et al., 2012), as well as the technical and functional aspects of service delivery (Aydin and O ̈ zer, 2005; Lai et al., 2009; Ryu et al., 2012). Given the multifaceted nature of the clues encountered during service experience result in brand associations. Thus, we propose the following:

H2. Humanic clues have direct impact on brand associations.

H3 Mechanic clues have direct impact on brand associations

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H4 Functional cues have direct impact on brand associations

As one's own experience is the bases on which people evaluate a service, customer experience is key to building brand trust. This may be especially true in banking services which is a long-term relation with the bank. The trust is based on customer own interaction with a bank. Hence, the relationships that customers develop with the services brand "are built on promises" (Bitner, 1995). In this regard, the services marketing literature highly emphasizes the role played by the company's personnel. This can be illustrated through the traditional framework of the services marketing triangle that posits that the company's promises made to its customers through external marketing come to life during the interaction between customers and frontline employees through what is termed here as interactive marketing (Kotler,1991). Ghantous (2012) found that customers' interaction with frontline employees directly affects their perception of the services brand trustworthiness in keeping its promises, and indirectly affects loyalty through the brand's perceived trustworthiness and expertise. Thus the role of service clues discussed earlier not only to build brand association but also help in building assurance, trust worthiness and trust. Building on this, we propose the following:

H5. Humanic clues have direct impact on trust

H6 Mechanic clues have direct impact on trust

H7 Functional cues have direct impact on trust

Mediation

In the   foregoing discussion we sought to establish relationships between customer experience trust and brand association. We now argue that brand association will mediate the relationship between experience and trust. We argue that customer   who have a good experience are more

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likely to have positive association with service organisation and in turn show higher trust in the organisation. Following Baron and Kenny's description that mediation is the mechanism where 'an active organism intervenes between stimulus and response' (Baron and Kenny, 1986, we hypothesize that

H4 Brand association is a mediating variable, mediating the effect of service clues (Hu manic, Mechanic, Functional) on trust.

Research model

Figure 1
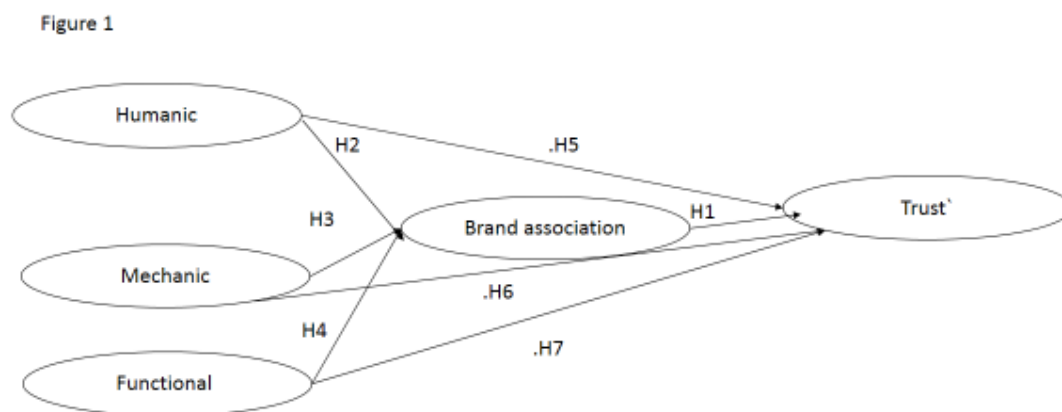
Survey instrument and measurement

Survey Instrument included measurement scale items from existing studies. The customer experience measure adopted from Haeckel et al. (2003) using the three clues frame work to understand customer experience 13 item were used to measure the three clues Humanic 5, mechanic 4 and functional 4. Trust was measure using a four item scale.

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Brand association was measure by using a Semantic Differential which measures people's reactions to stimulus words and concepts in terms of ratings on bipolar scales defined with contrasting adjectives at each end. The six associations that were used are competent, modern, reliable, efficient, dependable, and concerned.

Data Collection

Primary data for the study was collected through structured questionnaires administered to respondents. Questionnaires were administered through personal meeting and online medium. Participation in this study was purely voluntary. Sample is defined as a person of any gender who have been the customer of the private sector bank for minimum 1 years and above, having at least 50% of either the liability or asset relationship. A usable sample of 613 retail banking consumers across India was considered for final analysis, which is appropriate for conducting Structural Equation Modelling (Hair and Black, 1998). Table 1 has the demographic characteristics of the sample. Table 1 presents sample items used in the survey.

Analysis

We used covariance-based (CB) SEM (AMOS).   Using the four -step analytical approach, we first conducted a psychometric assessment of the measurement model, and then an evaluation of the structural model. We also studied for moderation and mediation.

Measurement model

First, a confirmatory factor analysis (CFA) of the measurement model specifying the posited relationships of the observed indicators to the latent constructs, with all constructs allowed to be inter-correlated freely, was tested. . The test of the measurement model involves an estimation of internal consistency and convergent and discriminant validity of the instruments.

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All the five construct were reflective. This allows for more confidence in concluding that the structural relationships are drawn from a set of measurement instruments with desirable psychometric properties (Hair et al. 1998).

Reliability and Validity of Reflective Constructs

Convergent validity refers to the extent to which the items on a scale are theoretically related. Convergent validity is assessed using three criteria, (1) the composite reliability (CR) should be at least 0.70 (Chin 1998a), (2) the average variance extracted (AVE) should be at least 0.50 (Fornell and Larcker 1981), and (3) all item loadings should be greater than 0.70 (Chin 1998a). As shown in Table 4, all criteria of convergent validity were met, with CR values ranging from 0.89 to 0.94, AVE values ranging from 0.65 to 0.77, and item loadings higher than 0.70. (Table 1).

[Table 1 here]

Structural model

Having assessed the measurement model, an initial theoretical model was examined with using SEM. Since the chi-square is heavily influenced by the sample size (Bollen & Long, 1993), other goodness-of-fit indices are suggested to help the model evaluation (Bentler, 1990; Joreskog & Sorbom, 1996). The review of the initial theoretical model indicated that the chi-square value (cmin/df =4.32) was not significant, but other fit indices indicated a quite acceptable level (GFI=.87, RMSEA=0.07, CFI .85and TI .89. It also shows high explanatory power 48 percentage of variance in brand association and 86 percent variation of trust.

[Table 2 here]

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Hypothesis H1 to H7 were tested are tested with structural equation modelling using the Maximum Likelihood procedure in AMOS 20. The table 3 shows that H1 to H5 are supported. While hypothesis H6 and H7 were not supported. Customer experience dimension Mechanic and functional clues had a strong and positive impact on brand association. However, their direct impact on trust was not supported. Humanic clues have both significant and direct and indirect impact on trust.

Table 3: Showing unstandardized estimates and critical ratios

			Estimate	S.E.	C.R.	P	
Trust	<---	Brand association	0.42	0.081	5.19*	0.001	H1
Brand association	<---	Humanic	0.622	0.131	4.75*	0.001	H2
Brand association	<---	Mechanic	0.236	0.097	2.43*	0.001	H3
Brand association	<---	Functional	0.427	0.096	4.97*	0.001	H4
Trust	<---	Humanic	0.291	0.034	4.04*	0.001	H5
Trust	<---	Mechanic	0.085	0.041	1.81	0.091	H6
Trust	<---	Functional	0.058	0.065	1.29	0.101	H7

Figure 2 indicates the path coefficient level of direct and indirect effect. Brand association mediated the relationship between customer experience and trust. To study the overall mediating effect of brand association the model was estimated in two steps. First the overall model including brand association was estimated which accounted for 78 percent variation in trust. Then in the second step model excluding brand association was estimated which accounted for 47 percent variation in the trust. This drop indicates a value of Cohen (1988) f^2 of (.54) by far higher than the cut off value of (.35) necessary to consider brand association's meditating effect as substantial. Thus, we can say that brand association is a strong mediator in the model. Humanic clues have a direct and indirect impact on trust. While brand associations completely mediates the impact of mechanic and functional clues on trust.

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Figure 2
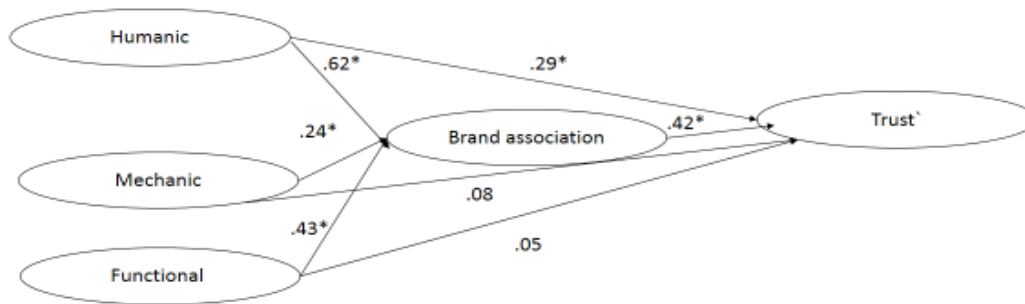
*Path coefficient significant at p< 0.01

Discussion

The study initially examined the impact of customer experience described by humanic, functional and mechanic clues on brand association and trust. A closer look at the finding reveals than the role of employee related experience (humanic clues) has a significant direct impact on trust and brand associations under the initial as well as the moderating variable conditions. Thus highlighting the role of employees in build trust in financial service industry.   Our finding are in line with the studies of Bateson 1995; Bowen et al 2000 services management scholars have stressed the importance of human resource management in services. Beagrie (2005), Nadhe (2014), Akers,(2015) stated that de-motivated and demoralized employees can soon have a toxic effect on the working environment if they do not show a genuine interest in satisfying clients' needs and have a lack of concern for the company and tend to project those feelings onto customers. They lead to bad customer service, erosion of brand equity and loss of business. This was empirically supported by Conradie et.al (2014) who added the importance of employees being well trained and equipped to deliver positive service experience.

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Kimpakorn & Tocquer (2010) state that employees' attitude, belief, value, and behavioral style reflect the brand and emphasizes on the critical role of the human resource department in building the brand and brand equity. Trif (2013) provide empirical support to the above by recommending the bank employees in Romania to demonstrate competence, customer care and a warm attitude towards the customer in order to develop his/her trust. The present study echoes the results of (Sya, 2006, Kirisits, 2008) who proposed that people are the most important brand ambassadors and brand evangelists of the organization and help build brand equity. They are the touch points for the consumer at various levels. During acquisition, usage, deeper mining, retention and servicing, people play an important role. In case of banking, trust is an important factor. The findings of the study supported by Agariya and Singh (2012) who state that the banking sector requires sound and effective technological support in meeting and/or exceeding the expectations of its customers. Thus the study adds to the body of knowledge by reiterating that customer experience clues affect brand association and trust.

The present study emphasis the important of brand associations in building trust.   These results are consistent with previous literature Hoq et al. (2010) who proved the importance of the path between image and trust as statistically significant and supporting hypothesis that good image is an important aspect for banks in sustaining their market position and creating a long-term relationship with customers and creating trust. The result are also consistent with the findings of Flavian et al (2005) who found that banks image played a major role in the development of customer trust in conventional and online banking.

It also demonstrates the mediating role of brand association between customer experience and trust.

Although many service elements that affect customer experiences have been addressed, such as the physical or virtual "services cape" Bitner 1992, Vilnai et al (2005).The physical and relational elements in the experience environment includes the physical setting which act as service facilitators (Gupta and Vajic 2000) and can be used to intensify engagement as they sends cues to customers that create and influence their experience. Bitner (1993) distinguishes among people, processes, and physical evidence

that send cues to customers. In this view, the physical environment can be designed to evoke particular emotions and responses, and the effective management of atmospheric variables is therefore vital to the creation of compelling service experiences (Hoffman and Turley 2002).The more effectively an experience engages the senses, the more memorable it will be (Haeckel, Carbone, and Berry 2003; Pine and Gilmore 1998).

Implication

The findings reveals important information for both practioners and academics alike in understanding that customer experience especially employee related experience is key in building service brands and trust. This study provides insights on how strong and trust worthy brands are built in financial service industry. Is also sheds light into how mangers can best use favourable brand associations for building trust in banking sector. Trust has been identified as a key to banking success. If trust is vital the study provides two major antecedent of trust -customer experience and brand associations.

Therefore, the results derived from this research provide several practical implications for not just the existing Indian Private Sector Banks, but also the new banks being setup and other financial services setups and also organizations in the service industry, in terms of how to assess, build and improve their brand associations and trust amongst their existing and prospective consumers.

In the Service sector, where there is no tangible product, it becomes imperative to strategize in the right way with right tools to build trust which is the key to profitability and growth.

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Table1: Demographic characteristics of the sample (n=613)

Sample profile	No	Sample %
Gender (Valid N=613)		
Male	404	66.0
Female	209	34.0
Age (Valid N=613)		
<25	40	7
25-35	318	52
35-40	143	23
40-50	101	16
50-60	10	2
60 PLUS	1	0
Education (Valid N=613)		
SSC	5	1
HSC	32	5
Graduate - Commerce	131	21
Graduate - Science	36	6
Graduate - Arts	35	6
Post Graduate - Commerce	46	8
Post Graduate - Science	41	7
Post Graduate - Arts	9	1
CA	21	3
MBA	135	22
ENG	95	15
LAW	11	2
Doctors (MBBD/MD/Dentist)	11	2
OTHERS	5	1
Profession (N=613)		
Salaried	355	57.9
Self Employed	176	28.7
Doctors	11	1.8
Lawyers	9	1.5
Teachers	8	1.3
Chartered Accountants	19	3.1
Housewives	11	1.8
Consultants	15	2.4
Others	9	1.5

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Table 2: Showing Items of the survey, factor loading, standardised estimates of CFA, Ave and CR

		Factor loading (EFA)	Standardised estimates	Estimate	S.E.	C.R.	AVE	CR
Humanic cues							0.51	0.90
The person you interact at your main bank has good knowledge of the product and services of the main bank	CPP3_1	.75	.74	1				
The person you interact at your main bank has good and effective communication skills	CPP4_1	.75	.73	1.03	.07	14.06*		
The person you interact at your main bank has a positive attitude	CPP5_1	.80	.77	.91	.07	12.83*		
The person you interact at your main bank has caring and supportive behaviour towards you	CPP6_1	.69	.67	.98	.07	13.30*		
The person you interact at your main bank has and orientation towards you rather than the main bank and he/she goes that extra mile to help you	CPP7_1	.64	.65	1.07	.08	13.05*		
Mechanic cues							0.68	0.86
The technology platform of your main bank is a enabling factor in your relationship	CTE2_1	.74	.71	1.00				
The technology used by your main bank is innovative as compared to others and saves your time	CTE1_1	.81	.77	1.20	.14	8.79*		
I consider my main bank as a step ahead of other banks in terms of using and technology & innovation by launching new products and services	CTE4_1	.68	.63	1.18	.14	8.46*		
There are no technical issues / lapses while accessing technological process of the main bank (call centre/ net banking platform/mobile banking hanging etc)	CTE3_1	.62	.61	1.34	.15	8.80*		

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							0.51	0.89
Functional cues								
Your data / information is never leaked / used by anyone else to bother you with selling calls	CTE6_1	.73	.71	1.00				
The processes of the main bank are explained properly and you understand the same with ease.	CPR1_1	.78	.73	1.49	.18	8.49*		
The application form / agreement etc is simple and easy to understand and execute with less repetitions (back & forth movement)	CPR3_1	.70	.65	1.30	.16	8.13*		
My main bank understands the needs of customers and designs processes keeping customers ease and convenience in mind	CPR4_1	.81	.76	1.44	.17	8.37*		
Brand associations							0.55	0.87
Competent	BA1		.76	1.00				
Modern	BA2		.57	.59	.08	7.39*		
Reliable	BA3		.78	1.02	.10	10.55*		
Efficient	BA4		.74	1.12	.11	9.98*		
Dependable	BA5		.81	1.02	.09	10.80*		
Concerned.	BA6		.75	.99	.10	10.17*		
Trust							0.65	0.93
I trust my main bank completely	T1		.77	1.00				
I think that my main bank is the most reputed bank amongst all the Indian private sector main banks	T1		.71	1.52	.16	9.49*		
I believe that Ethics is an important aspect of my main bank and it is the most Credible banks in India	T3		.85	1.26	.14	8.89*		
My main bank stands by me in times of need	T4		.88	1.80	.20	9.15*		

*path coefficient is significant at p<0.001