



Employee prosocial service behaviour and its impact on customer satisfaction and loyalty in the Indian retail sector: A structural equation modeling approach

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Abstract: In an increasingly competitive retail environment, service differentiation has become a critical determinant of organizational performance, particularly in emerging economies such as India. As retail offerings become more standardized, the quality of interpersonal interactions between employees and customers plays a decisive role in shaping customer satisfaction and loyalty. This study examines the impact of employee prosocial service behaviour—defined as voluntary, discretionary actions undertaken by employees to benefit customers—on customer satisfaction and customer loyalty in the Indian retail sector. Primary data were collected from 200 retail customers using a structured questionnaire measuring dimensions such as courtesy, empathy, helpfulness, and responsiveness. The study employs reliability analysis, confirmatory factor analysis (CFA), and structural equation modeling (SEM) using AMOS to test the proposed relationships. The results indicate that employee prosocial service behaviour has a significant positive effect on customer satisfaction, which in turn significantly influences customer loyalty. Customer satisfaction is also found to partially mediate the relationship between employee prosocial service behaviour and customer loyalty. The findings highlight the strategic importance of human-centric service practices in retailing and provide actionable insights for retail managers seeking to enhance customer relationships and long-term loyalty.

Key Words: Employee Prosocial Service Behaviour, Customer Satisfaction, Customer Loyalty, Retail Sector, SEM, Indian Retailing.

1. INTRODUCTION:

The Indian retail sector has undergone rapid expansion and structural transformation due to urbanization, rising disposable incomes, technological advancements, and the growth of organized retail formats. In this highly competitive environment, retailers face increasing pressure to differentiate themselves beyond traditional factors such as price, product assortment, and store location. Consequently, customer satisfaction and loyalty have emerged as critical success factors for long-term sustainability.

Frontline employees play a pivotal role in shaping customers' service experiences, as they represent the primary point of interaction between the organization and its customers. Beyond their formal job responsibilities, employees often engage in discretionary behaviours such as offering additional assistance, displaying empathy, and resolving customer issues proactively. These behaviours, referred to as employee prosocial service behaviour, contribute significantly to customers' emotional evaluations of service encounters. While prior research has extensively examined service quality and customer experience in retailing, relatively limited attention has been devoted to understanding the role of employee prosocial service behaviour in influencing customer satisfaction and loyalty, particularly within the Indian retail context. This study seeks to address this gap by empirically examining the relationships among employee prosocial service behaviour, customer satisfaction, and customer loyalty using structural equation modeling.

2. REVIEW OF LITERATURE:

2.1 Employee Prosocial Service Behavior: Employee prosocial service behaviour refers to voluntary, extra-role actions performed by employees with the intention of benefiting customers. Such behaviours include courteous interaction, empathetic listening, personalized assistance, and proactive problem-solving. Research in organizational behaviour and services marketing suggests that prosocial behaviours enhance customers' perceptions of service quality and foster positive emotional responses during service encounters.



2.2 Customer Satisfaction in Retailing: Customer satisfaction represents a cumulative evaluation of service experiences based on the comparison between expectations and perceived performance. In retail contexts, satisfaction is influenced by both tangible elements (product quality, store layout) and intangible elements (employee behaviour, responsiveness). Empirical studies consistently demonstrate that interpersonal service quality significantly influences customer satisfaction.

2.3 Customer Loyalty: Customer loyalty encompasses both attitudinal and behavioural components, including repeat purchase intentions, positive word-of-mouth, and emotional attachment to a retailer. Satisfied customers are more likely to remain loyal, resist competitive offerings, and contribute to long-term profitability.

2.4 Employee Behaviour, Satisfaction, and Loyalty: Relationship marketing theory posits that positive interactions between employees and customers strengthen relational bonds, leading to increased satisfaction and loyalty. Although international studies have established these relationships, empirical research focusing on prosocial service behaviour in Indian retailing remains limited.

2.5 Research Gap: The literature reveals a lack of integrated empirical studies examining employee prosocial service behaviour, customer satisfaction, and customer loyalty simultaneously within the Indian retail sector using advanced analytical techniques such as SEM. This study addresses this gap.

3. CONCEPTUAL FRAMEWORK:

The conceptual model proposes that employee prosocial service behaviour positively influences customer satisfaction, which subsequently affects customer loyalty. Customer satisfaction is further hypothesized to mediate the relationship between employee prosocial service behaviour and customer loyalty.

4. OBJECTIVES OF THE STUDY:

- To examine the dimensions of employee prosocial service behaviour in the retail sector.
- To assess the levels of customer satisfaction and customer loyalty among retail customers.
- To analyze the impact of employee prosocial service behaviour on customer satisfaction.
- To examine the mediating role of customer satisfaction between employee prosocial service behaviour and customer loyalty.

5. RESEARCH HYPOTHESES:

- H1: Employee prosocial service behaviour has a significant positive impact on customer satisfaction.
- H2: Customer satisfaction has a significant positive impact on customer loyalty.
- H3: Customer satisfaction mediates the relationship between employee prosocial service behaviour and customer loyalty.

6. RESEARCH METHODOLOGY:

The study adopts a descriptive and analytical research design. Primary data were collected from 200 retail customers using a structured questionnaire based on a five-point Likert scale. Convenience sampling was employed due to accessibility considerations. Employee prosocial service behaviour was measured using 12 items covering courtesy, empathy, helpfulness, and responsiveness. Customer satisfaction and customer loyalty were measured using five items each. Data analysis was carried out using SPSS and AMOS.

7. MEASUREMENT MODEL ASSESSMENT (AMOS OUTPUTS):

7.1 Reliability and Validity:

Table 1: Reliability and Convergent Validity

| Construct | Cronbach's Alpha | Composite Reliability | AVE |
|--------------------------------------|------------------|-----------------------|------|
| Employee Prosocial Service Behaviour | 0.89 | 0.91 | 0.62 |



| | | | |
|-----------------------|------|------|------|
| Customer Satisfaction | 0.86 | 0.88 | 0.60 |
| Customer Loyalty | 0.84 | 0.87 | 0.58 |

All values exceed recommended thresholds, indicating acceptable reliability and convergent validity.

7.2 Confirmatory Factor Analysis (CFA):

The CFA results indicate good model fit:

Model Fit Indices:

- $\chi^2/df = 2.14$
- GFI = 0.92
- AGFI = 0.90
- CFI = 0.95
- TLI = 0.94
- RMSEA = 0.056

These values confirm adequate measurement model fit.

8. STRUCTURAL MODEL AND HYPOTHESIS TESTING (AMOS SEM):

8.1 Structural Path Results

Table 2: Structural Model Results

| Path | Standardized Estimate | CR | p-value |
|--|-----------------------|-------|---------|
| EPB → Customer Satisfaction | 0.68 | 9.87 | <0.001 |
| Customer Satisfaction → Customer Loyalty | 0.73 | 11.24 | <0.001 |
| EPB → Customer Loyalty 0.29 | 0.29 | 4.12 | <0.01 |

8.2 Mediation Analysis

The indirect effect of employee prosocial service behaviour on customer loyalty through customer satisfaction was found to be significant, indicating partial mediation. **Thus, H1, H2, and H3 are supported.**

9. DISCUSSION OF RESULTS:

The results demonstrate that employee prosocial service behaviour significantly enhances customer satisfaction, which in turn drives customer loyalty. These findings support relationship marketing and social exchange perspectives, suggesting that customers reciprocate positive employee behaviours with favourable attitudes and loyalty intentions. The partial mediation effect highlights customer satisfaction as a key mechanism through which employee behaviour translates into loyalty outcomes.

10. IMPLICATIONS OF THE STUDY:

Managerial Implications: Retail managers should prioritize the development of prosocial behaviours through targeted training programs, supportive leadership practices, and employee recognition systems. Embedding behavioural service indicators into performance appraisal systems can further reinforce customer-oriented service delivery.

Theoretical Implications: The study contributes to multidisciplinary research by integrating organizational behaviour and marketing perspectives, and by providing SEM-based empirical evidence from an emerging market context.

11. CONCLUSION

The study establishes employee prosocial service behaviour as a critical determinant of customer satisfaction and loyalty in the Indian retail sector. By fostering positive employee–customer interactions, retailers can enhance relational value and achieve sustainable competitive advantage.



Limitations and Scope for Future Research:

The study is limited by its cross-sectional design and restricted geographic scope. Future research may adopt longitudinal designs, explore additional mediators such as trust or emotional attachment, or conduct comparative analyses across retail formats.

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