CUSTOMER LOYALTY AND ITS DETERMINANTS IN BANKING INDUSTRY: A STUDY IN MADURAI CITY

K.SARAVANAN
Ph.D. (PT), Business Administration Research Scholar
Madurai Kamaraj University, Madurai, Tamil Nadu, India

Abstract

The Banking Industry is highly competitive, complex and in dynamic environment. It has led to a great transformation in the industry. The traditional product-oriented bank is becoming increasingly customer-oriented in accordance with the basic principles of relational marketing, which focuses on customer loyalty as its main goal. In this sense, Gilmore (1997) considers that constant customer oriented behaviour is a requisite for improving the implementation of quality in services marketing. In this sense, Barnes and Howlett (1998) argue that, given that many financial services are parity offerings, it can be stated that a customer is unlikely to be overly impressed by core product attributes when all companies are providing similar offerings.

***Keywords:** product-oriented bank, financial services, Customer Loyalty, business performance, purchasing frequency, brand loyalty*

Customer Loyalty

The increasing importance of relational marketing in recent years, particularly in the servicing and manufacturing industries, has been accompanied by a bundle of works on customer loyalty. Several authors emphasize the positive relationship existing between customer loyalty and business performance (Sheth and Parvatiyar, 1995). Loyal customers not only increase the value of the business, but they also enable it to maintain costs lower than those associated with attracting new customers (Barroso Castro and Martin Armario, 1999).

Generally, loyalty has been, and continues to be, defined as repeat purchasing frequency or relative volume of same-brand purchasing. According to Jacoby and Kyner (1973),brand loyalty is the biased (i e. non-random) behavioural response (i.e. purchase), expressed over time, by some decision-making unit, either on the part of an individual, family or organization, with respect of one or more alternative brands out of a set of such brands, which means that it is necessary to distinguish between exclusivity and loyalty and a function of psychological processes which involves the evaluation of different alternatives using specific criteria.

Problem Statement

The Indian banking industry has undergone a sea change in its operations since post independence. Furthermore, liberalization, unwrapping up of the economy in the 1990s and the government's pronouncement to privatize banks by reduction in state ownership has culminated in the banking reforms, based on their recommendations of the Narasimha Committee. After the entry barriers were lowered and the product lines blurred of banks and non-banks, since the financial sector reforms, banks are carrying out their operations under competitive pressures originating from within the banking system, from non-banking financial institutions, and from the domestic and international capital markets. This has led the Indian banking industry to sail through difficult times. In such trying times of mature and intense competitive pressures, it is very important that banks retain a loyal base of customers. In order to achieve this and improve their market and profit positions, many retail banks are targeting their strategies and policies towards increasing the satisfaction levels of their customers and building upon their loyalty through improved service quality.

The discussion on customers' loyalty towards the banks is more significant than other discussion since the ultimate aim of all service providers in the banking industry is the creation of customer loyalty. Apart from this, the cost of retaining the existing customers is lesser than the cost of acquiring one new customer in the banking industry.

The Review of Previous Studies

Zahariab et al., (2016) identified the factors affecting switching behaviour in the banking industry. These are poor service quality, low commitment, price unfairness, anger incidents and availability of alternatives. Israel (2015) showed that high transaction fees, attractiveness of alternatives, inconvenience of bank location, inability to respond to system failure quickly were statistically significant in the prediction of customer switching with a predicted switching rate of 82.29 per cent. Adebiyi, et al., (2015) identified the determinants of customers churn decision. These are frequent service failures, frequent in service changes, competitors' promotion, complaint handling, lack of provision of value added services and service agent being elusive. Muhammed et al., (2014) revealed that number of bank branches, quality of services, profit or interest rates offered by banks to their customers directly impact on the attitude and it drives intention to behave in particular way of customer. If the profit or interest rate will not be higher than any other bank then this factor will create intention to switch. Colgate and Lang (2001) stated that benefits of having loyal customers include reduction of pricing and marketing sensitivity from competitive offerings Ganesh et al., (2000) pointed out that loyal customers buy more in the long run and further constitute to the organizations profitability. These long term customers are expected to give positive word-of-mouth referrals if they are satisfied with the organizations.

Objectives of the Study
1. To exhibit the profile of the customers in banks at the study area;
2. To measure the level of customers loyalty towards banks;
3. To find out the association between the profile of customers and their level of
4. Customer loyalty towards banks;

Hypotheses of the Study

There is no significant association between the profile of the customers and their level of Determinants of loyalty towards banks.

Research Design

The present study has made an attempt to describe the background of the customers, loyalty and its determinants in banking industry, it is descriptive in nature. Apart from this, the present study has its own objectives and structured methodology to fulfill the objectives, it is descriptive in nature.

Sampling Plan of the Study

The sampling plan of the study includes the determination of sample size and sampling procedure. Seventy customers each at the convenience from Private Sector Banks(PRSBs) and Public Sector Banks(PUSBs) have been included as sample for the study.

Data Collection

Since the present study is highly based on the primary data, a special care was taken to prepare the interview schedule to collect the data. It is classified into three important parts. The first part includes the profile of customers whereas the second part covers the level of customer loyalty. The final part of the schedule covers the various determinants of loyalty towards banks among the customers. A pilot study was conducted among 10 each customers in PRSBs and PUSBs. Based on their feedback, certain addition, deletions, modifications and simplifications were carried out in order to prepare the final interview schedule to collect the data from the sampled customers.

Limitations of the Study
1. The customers are purposively classified into customers in PRSBs and PUSBs using non probabilistic sampling method.
2. The study may be influenced by the personal value judgment of the sampled customers; and

Customer Loyalty towards the Bank (CL)

The customer loyalty towards the bank is the ultimate aim of the all commercial banks since the cost of acquiring new customers is higher than the cost of retaining

existing customers. The level of customer loyalty towards the bank in the present study is measured with the help of eight variables. The customers are asked to rate these variables at five point scale according to the order of acceptance. The mean scores of each variable in CL among the customers in PRSBs and PUSBs have been computed separately along with its 't' statistics. The results are given in Table 1.

Table 1 Customers' view on Variables in Customer Loyalty at Banks

Sl. No.	Variables in CL	Mean scores among customers in		't' statistics
		PRSBs	PUSBs	
1.	Repeat the usage of banking	2.7604	2.3572	2.7394*
2.	Increase the frequency of the bank usage	2.9334	2.1908	2.9085*
3.	Recommend the bank to others	2.8922	2.1896	2.7886*
4.	Future dependence only on the bank	2.7884	2.3371	2.6908*
5.	Increase the number of accounts in the bank	2.6951	2.2056	2.5886*
6.	Proud to be a customer of this bank	2.7842	2.1867	2.6043*
7.	Never price sensitive in this banking services	2.7353	2.1894	2.6117*
8.	Render service up to my expectations	2.7922	2.2076	2.7496*

Significant at five per cent level.

The highly viewed variables in CL by the customers in PRSBs are 'increase the frequency of the bank usage' and 'recommend the bank to others' since the respective mean scores are 2.9334 and 2.8922. Among the customers in PUSBs, these two variables are 'repeat the usage of banking' and 'future dependence only on the bank' since its mean scores is 2.3572and 2.3371 respectively. Regarding the view on variables in CL, the significant difference among the customers in PRSBs and PUSBs have been noticed in their view on all eight variables in CL since their respective 't' statistics are significant at five per cent level.

Determinants of Customer Loyalty

In the present study, the determinants of customer loyalty among the respondents have been measured at four dimensions namely-cognitive, affective, intention and behavioural loyalty. The related variables are drawn from the reviews (Han, et al., 2008; Clara and Singh, 2005; Deepak et al., 2002). These are given in Table 2.

Table 2 Variables in Determinants of Customer Loyalty (DCL)

Sl.No.	Variables in DCL	Sl.No.	Variables in DCL
I	Cognitive Loyalty	III	Intention Loyalty
1.	Consider this bank as my first choice my first visit	1.	Intend to proved in this bank again
2.	Consider this bank as my primary choice on my next visit	2.	Intend to recommend this bank to others.
3.	Service of this bank is better than others	3.	Say good things about this bank to others

4.	Willing to pay more at this bank only next visit	4.	Intend to give feedback about this bank
II	**Affective Loyalty**	**IV**	**Behavioural loyalty**
1.	Liking to deal with this bank	1.	Deal with this bank when I wish to deal
2.	Enjoying the most in this bank	2.	Like to deal in this bank again
3.	Prefer this bank more than the others	3.	Deal more at this bank compared to others
4.	Appreciate this bank in the city	4.	Used more of the services in this bank compared to others

The respondents are asked to rate these variables at five point scale according to the order of perception on the above. The determinants of customer loyalty among the customers have been examined with the help of its four determinants namely cognitive, affective, intentional and behavioural loyalty. The score on the above four factors has been derived by the mean score of the variables in it. The mean of cognitive, affective, intentional and behavioural loyalty among the customers in PRSBs and PUSBs have been computed separately along with its 't' statistics and results are presented in Table 3.

Table 3 Customers' view on determinants of Customer Loyalty

Sl.No.	Determinants of Customer Loyalty	Mean Score among Customers in		't' statistics
		PRSBs	PUSBs	
1.	Cognitive loyalty	2.8891	2.0501	3.1084*
2.	Affective loyalty	3.0347	2.1459	2.8849*
3.	Intentional loyalty	2.8711	2.1638	2.7117*
4.	Behavioural loyalty	2.8233	2.0864	3.0336*

Significant at five per cent level.

The highly viewed determinants of customer loyalty among the customers in PRSBs are 'affective loyalty' and 'behavioural loyalty' since their mean scores are 3.0347 and 2.8233 respectively. Among the customers in PUSBs, these are 'intentional loyalty' and 'affective loyalty', since their mean scores are 2.1638 and 2.1459 respectively. Regarding the view on determinants of customer loyalty, the significant difference among the two group of customers have been noticed in the case of all four determinants since their respective 't' statistics are significant at five per cent level.

Association between the Profile of Customers and their Views on Determinants of Customer Loyalty

An attempt has been made to examine the association between profile of the customers and their views on determinants of customer loyalty with the help of One way Analysis of Variance. The included profile variables are gender, age, level of education, marital status, family size, number of earning members per family,

occupational background, present occupation, nativity, monthly income and family income. The result of one way Analysis of Variance is given in Table 4.

Table 4 Association between Profile Customers and their View on Determinants of Customer Loyalty

SI.No.	Profile Variables	F-Statistics			
		Cognitive loyalty	Affective loyalty	Intention loyalty	Behavioural loyalty
1.	Gender	2.7184	2.3706	2.3217	2.5108
2.	Age	3.1242*	2.8647*	3.1248*	3.6232*
3.	Level of Education	2.8446*	2.9231*	2.0344	2.0766
4.	Marital Status	2.1247	2.0782	2.0657	1.5781
5.	Family Size	2.2784	2.2184	2.1152	2.2147
6.	Number of earning members per family	2.1077	2.3782	2.5464	2.3431
7.	Occupational background	2.8764*	3.2546*	3.4238*	3.2776*
8.	Present occupation	2.0784	2.7584*	1.8742	1.8776
9.	Nativity	2.1134	2.7846	2.8011	2.0815
10.	Monthly income	2.8136*	2.9284*	2.8036*	2.7822*
11.	Family income	2.8803*	2.8658*	2.9352*	2.9137*

Significant at five per cent level.

Regarding the perception in cognitive loyalty, the significantly associating profile variables are age, level of education, occupational background, monthly income and family income since their respective 'F' statistics are significant at five per cent level. The significantly associating profile variables with the view on affective loyalty are age, level of education, occupational background, present occupation, monthly income, and family income whereas in their view on intention loyalty, these profile variables are occupational background, monthly income and family income. Regarding the view on behavioural loyalty, these variables are occupational background, monthly income and family income.

Summary of Findings

The dominant gender among the customers is male whereas the dominant age groups of the customers are 30 to 40 and 40.01 to 50 years. The dominant level of education among the customers is 'under graduation' and 'up to school education'. The important marital status among the customers is 'married' whereas the dominant family size among the customers is 3 to 4 members per family. The higher family size among the customers in PUSBs is noticed compared to customers in private sector banks. The dominant number of earning members per family among the customers is only one. The most important occupational background among the customers in PRSBs and PUSBs are 'private employment' and 'business' respectively. The dominant present occupation among the customers is private employment and Government

employment. The most important present occupation among the customers in PRSBs and PUSBs is private employment. The important nativity among the customers is urban and semi-urban. The personal income per month among the customers in PRSBs is higher than that among the customers in PUSBs. The family income per month among the customers in PRSBs is higher than that among the customers in PUSBs.

Regarding the view on variables in CL, the significant difference among the customers in PRSBs and PUSBs have been noticed in their view on all eight variables in CL since their respective 't' statistics are significant at five per cent level. The significant difference among the two group of customers have been noticed in the case of all four determinants since their respective 't' statistics are significant at five per cent level. The null hypothesis framed is rejected as the relationship exists between few profile variables and the determinants of customer loyalty.

References

1. Gilmore, A. (1997), "Implementing Quality in a Services Marketing Context", Marketing Intelligence and Planning, Vol. 15 No.4, pp.185-9.
2. Barnes, J.G., Howlett, D.M., (1988), "Predictors of equity in relationships between financial services providers and retail customers", International Journal of Bank Marketing, Vol.16, No.1, pre and post period.pp.15-23.
3. Sheth, J., Parvatiyar, A., (1995), "Relationship marketing in consumer markets: antecedents and consequences", Journal of Academy of Marketing Science, vol.23, No.4, pp.255-271.
4. Barroso Castro, C., Martin Armario, E., (1999), "Nivel de Servicio y Retention de Clientes: El Caso de is Banca on Espana", Revista Espathola de Investigation de Marketing ESIC, vol.3, No.1, pp.9-33.
5. Jacoby, J., Kyner, D.B. (1973), "Brand Loyalty Vs Repeat Purchasing Behaviuor," Journal of Marketing Research, Vol.10, February, pp.1-19.
6. Zahariab Motel Zain, Irfah Najihah Basir Malan, N.M. Faizal (2016), "Factors affecting switching behaviour among bank customers: A Malaysian perspective", Journal of Quality of Service Sciences, 3(2), pp.225-242.
7. Israel Kofi Nyerko (2015), "Evaluation of factors influencing switching behaviour by Ghama Commercial Banks Customers", British Journal of Marketing Studies, 3(8), pp.35-46.
8. Adebiyi, S.O., Oyatoye, E.O., and Anole, B.B., (2015), "Determinants of customers churn decision in the Nigeria telecommunication industry: An analytic hierarchy process approach", International Journal of Economic Behaviour, 5(1), pp.81-104.
9. Muhammed Navaz, M.V.Javed, and A.Z.Asab (2014), "Which factors influence the customer switching bahaviour?"European Journal of Business and Management, 6(1), pp.134-143.

10. Colgate, M., and Lang, B., (2001), "Switching barriers in consumer markets: an investigation of the financial service industry", The Journal of Consumer Marketing, vol.18(4), pp.333-347.
11. Ganesh, J., Arnold, M.J., and Reynolds, K.E., (2000), "Understanding the customer base of service providers: an examination of the differences between switches and stayers", Journal of Marketing, vol.64, July, pp.65-87.
12. Xiaoyun Han, Robert, J. Kwortwik and Chunxiao Warg, (2008), 'Service Loyalty', Journal of Service Research, 1(1), pp.22-42.
13. Agustin Clara and Jagdip Singh (2005), "Curvilinear Effects of Customer Loyalty Determinants in Relational Exchanges', Journal of Marketing Research, 42(1), pp.96-108.
14. Sivdeshmukh Deepak, Jagdip Singh and Barry Sabol (2002), "Consumer Trust, Value and Loyalty in Relational Exchanges", Journal of Marketing, pp.15-37.