



## RELATIONSHIP FACTORS INFLUENCING CUSTOMER LOYALTY IN BANKING SECTOR

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### Abstract

The study focus on factors influencing customer loyalty to words private banking. This study covers Banking products and services offered by the banks. In this competitive world, Customer loyalty becomes on important factor in banking. Gaining customer loyalty has becomes as key objective for any banking organizations in the world. Banking sector faces increasing competitiveness day to day. The improved technology utilized by bankers can provide the customer better alternative to their banking services. It can help the customer to fulfill their financial needs. Today competitive environment has forced to provide better service to their customers. Banks which do not serve better and quickly will obviously loss its customers trust and the customers may no more be loyal to the bank. In this new economic era to sustain it is essential for the banks to understand the importance of customer loyalty. The study area Coimbatore is a fast developing district with number more than 40,000 small, medium and large industries and textile mills. The city is known for its entrepreneurship of its residents and large number of banks which use online services. Therefore with these many industries and with the consideration of money involved in to and its transaction .this focuses the customer's loyalty, customer service; trust towards banking in Coimbatore district.

**Key Word: Customer Loyalty, Banking, Customer Service, Commitment, Trust.**

### Introduction

Banking sector is becoming increasing competitive from day to day. The rapid development of information technology has made a great impact in the banking industry deeply. The advanced technology of today can provide the customer better alternative than before. It can help the customer to fulfill their financial needs with the blink. Besides that, bankers also need to follow different marketing and management strategies. One of the strategies is to understand their customers and to satisfy their needs.

Customer loyalty defined as a deeply held commitment to re-purchase or re-patronize a product/service consistently in the future. Customer loyalty is vital to the continuing occupation of competitive markets, and banks will not be an exception in this regard. Therefore, commercial banks should implement different management strategies as ways to improve customer loyalty. Customer loyalty is an important factor in the success of the organization and it has a large impact on the profitability. Usually customers continue to buy from a specific organization. Great attention is given to marketing and customer service to retain current customers by increasing their customer loyalty.

There are several reasons that influence customers' selection of a bank such as the range of services, rates, fees and prices charged (Abratt and Russell, 1999; Cohen et al., 2006). Furthermore, providing service excellence, innovative products are also vital to succeed in the banking industry. Coimbatore is a fast developing district with number of leading players among more than 40,000 tiny small, medium and large industries and textile mills. The city is known for its entrepreneurship of its residents. Understanding the need of transaction in this industrial state In Coimbatore, there are many banks in service of customers. Therefore this as base, this research focus on the relationship between current account holders of trust, commitment, core offering, bank image, perceives value, customer satisfaction and customer loyalty towards selected commercial banks in Coimbatore district. An accurate analysis of the socio economic status of the customers and good estimates of the demand of better service helps the projection of future development of banking sector in Coimbatore district.

### Objective of the Study

1. To understand the socio economic profile of the customers in banks.
2. To analyse the factors influencing customer loyalty in banking

### Literature Review

The purpose of a review is to analyze critically a segment of a published body of knowledge through summary, classification, and comparison of prior research studies. This chapter provides the summary of the literature reviewed by the researcher in order to understand the research gap pertaining to the select concept.



Azman Ismail et al. (2009), had presented a theoretical paper titled “Exploring the relationship among service quality features, perceived value and customer satisfaction”. In that the concentration is mainly on the relationships among service quality features (responsiveness, assurance, and empathy), perceived value and customer satisfaction in the context of Malaysia. The results indicate three important findings: firstly, the interaction between perceived value and responsiveness was not significantly correlated with customer satisfaction. Secondly, the interaction between perceived value and assurance also did not correlate significantly with customer satisfaction. Thus the results demonstrate that perceived value had increased the effect of empathy on customer satisfaction, but it had not increased the effect of responsiveness and assurance on customer satisfaction.

Ching-Fu Chen, (2010), studied “Experience Quality, Perceived Value, Satisfaction and Behavioral Intentions for Heritage Tourists” highlights the visitor experience of heritage tourism and investigates the relationships between the quality of those experiences, perceived value, satisfaction, and behavioral intentions. Using structural equation modeling (SEM) technique, the results reveal the direct effects of the quality of experience on perceived value and satisfaction.

Morgan associated Hunt outline trust because the disposition of shoppers associate exchange partner in World Health Organization one has confidence or confidence in an exchange partner’s reliableness (Morgan and Hunt, 2004). Chaudhuri and Holbrook (2002) outline complete trust because the customer’s disposition to deem the power of the complete to perform its explicit operates. Trust causes dedication as a result of it reduces the prices of negotiating agreements and lessens customers’ concern of expedient behavior by the service supplier (Berry, 2007). In psychological science trust is taken into account to include 2 elements: trust within the partner’s honesty, and trust within the partner’s benevolence (Wetzels et al., 1998).

Commitment is usually outlined as a want to keep up a relationship (Morgan and Hunt, 1994). (Pritchard, Havitz and Howard,1999) as resistance to vary. in an exceedingly conceptualization and study of employees’ commitment to a company, (Allen and Meyer ,1990) known 3 varieties of commitment to associate organization: affection, continuance and normative. Affection commitment is outlined as associate affection state of mind that’s supported an individual sharing, distinguishing with and internalizing the values of a company and thereby implies feeling and emotional attachment (Morgan and Hunt, 2004).

### **Research Methodology**

Based on the literature review, the focused on factors influencing customer loyalty and which consist of the relationship factors of commercial banks.

### **Sampling Method**

The aim of the survey was to interview the samples drawn from the huge population which was likely to be very much varied and there was a possibility of sampling error and bias. It was important to ensure that the drawn sample and findings reflects the entire population accurately. On this research customer loyalty are considered as the study theme. The researcher considered bank customers. The researcher has to undergo stratified random sampling technique.

### **Sample Size**

The sample size should be in such a way that, it should have been a true representation of the whole population under the study. To ensure this, and with the idea of population of the district, the researcher has set the sample size in such a way that, the sample minimum of 384. The number of 384 is opted the proposed sample size for the large sized population is finite (Krejcie and Morgan,1970). In this study sampling technique to attain this sample size and further more for the data 540 bank customers were selected distribute questionnaire , and identified with relevant and unfilled responses and the final sample size for this research were got fixed to 526.

### **Analysis and Interpretation**

#### **Demographic Profile of the Customers**

From marketing point of view of banking services, customers’ demographic details are used to measure customer loyalty in many countries and it would be desirable because such information can be used to in identification of customers’ base, their requirement towards particular services, their level of customer using banking services towards various services offered by the banks etc. This section of the chapter provides a detailed description on the demographic status of the sample population surveyed.

**Table No.1- Social Economic Profile Of The Respondents**

Particulars		No. of the Respondents	Percentage
<b>Gender</b>	<b>Male</b>	355	67.5
	<b>Female</b>	171	32.5
<b>Age</b>	<b>Below 25 Yrs</b>	20	3.8
	<b>26 Yrs – 35 Yrs</b>	114	21.9
	<b>36 Yrs – 45 Yrs</b>	264	50.2
	<b>46 Yrs – 55 yrs</b>	63	12.0
	<b>Above 55 Yrs</b>	64	12.2
<b>Educational qualification</b>	<b>Up to 12<sup>th</sup></b>	20	3.8
	<b>Under graduation</b>	240	45.6
	<b>Post graduation</b>	260	49.4
	<b>Diploma</b>	5	1.0
	<b>Any other</b>	1	.2
<b>Income</b>	<b>Less than 40,000</b>	226	43.0
	<b>40,001-60,000</b>	255	48.5
	<b>60,001-80,000</b>	45	8.6
	<b>80,001-1,00,000</b>	0	0.00
	<b>Above 1,00,001</b>	0	0.00
<b>Marital status</b>	<b>Married</b>	317	60.3
	<b>single</b>	209	39.7
<b>Type of Account</b>	<b>Savings Account</b>	468	89.0
	<b>Current Account</b>	14	2.7
	<b>Fixed Deposit Account</b>	44	8.4
	<b>Joint account</b>	0	0.00
	<b>Recurring Deposit</b>	0	0.00
	<b>Others</b>	0	0.00

**Source:** Primary data

Table.1 elucidates the details regarding the gender of the respondents, it is inferred from table 1 show in the case of most of the account holders out of 526 respondents are 67.5% and the remaining 32.5% are female.

Different age group have different physiological and psychological characteristic and have quite dissimilar social- cultural roles so to do identify their satisfaction the age of the respondents needs to be considered. The survey covers the customers of different age group, It is inferred from table 2 that out of banks 526 customers of banks 20 respondents below 25 years, 114 respondents are belongs of 26 years to 35 years, 264 respondents are belongs from 36 years to 45 years, 63 respondents are belongs 46 years to 55 years and 64 respondents are in the age group of above 55 years .Majority of the respondents are come under from the age group of 36 years to 45 years in the bank customers. Educational qualification revels that in the case of banks out of 526 customers 20 respondents up to 12<sup>th</sup> , 240 respondents are completed under graduation, 260 respondents are post graduate , 5 respondents are have diploma and remaining one respondents other qualification. 317 respondents are married and 209 respondents are single. A majority of the sample respondents are married in the private sector banks. Income groups reveal that in the case of bank customers out of 526 respondents 226 respondents are belongs to less than 40,000. 255 respondents are in the income group of 40,001 to 60,000. 45 respondents are in the group of 60,001-80,000

**Table No: 2. Co-Efficient Correlation Analysis Of Gender Relationship With Loyalty Factors Variables With Customer Loyalty**

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
		Std. Error	Beta		
(Constant)	55.044	2.017		27.288	0.000
Age	-2.134	.332	-.276	-6.435	0.000
Gender	3.529	.829	.158	4.257	0.000
Income	2.784	.465	.248	5.983	0.000
Education	-1.877	.415	-.164	-4.519	0.000
R <sup>2</sup>	0.137				
Adj. R <sup>2</sup>	0.132				
Sig. F	0.000				
F-value	27.012				

Source: Primary Data

It is inferred that the coefficient of determination (R<sup>2</sup>) is 0.137, showing 13.7 percent of Customer Loyalty can be explained by the four independent variables and in this regards, the effect size for this research is consider as a large. The proposed model is sufficient as the F- statistic = 27.012 (p-value=0.000) is significant at the 0.05. The result indicates that Gender ( = 3.529, P<0.05); Income ( = 2.784, P<0.05); are found to have positive significant relationship with customer loyalty. However, Age ( = 2.134, P<0.05); Education ( = 1.877, P<0.05); has significant and negative relationship with customer loyalty.

**Table: 3.Factors That Influence Their Customer Loyalty In Private Sector Banks**

Statement	Always	Frequently	Sometimes	Seldom	Never	Sum	Mean	Rank
Consider as first choice among other banks in the area;	120 (22.81)	317 (60.27)	89 (16.92)	0 (0.00)	0 (0.00)	2135	4.06	1
Give preference to the bank while availing services	102 (19.39)	277 (52.66)	41 (7.79)	106 (20.15)	0 (0.00)	1953	3.71	5
Extending future relationship	132 (25.10)	237 (45.06)	139 (26.43)	18 (3.42)	0 (0.00)	2061	3.92	2
Likeness towards bank and value its services	102 (19.39)	141 (26.81)	98 (18.63)	125 (23.76)	60 (11.41)	1678	3.19	14

Feel of loyalty	127 (24.14)	250 (47.53)	50 (9.51)	99 (18.82)	0 (0.00)	1983	3.77	4
Recommending bank services to others	58 (11.03)	233 (44.30)	80 (15.21)	137 (26.05)	18 (3.42)	1754	3.33	12
Feel of belonging	30 (5.70)	229 (43.54)	130 (24.71)	97 (18.44)	40 (7.60)	1690	3.21	13
Feel of Reliability	52 (9.89)	267 (50.76)	68 (12.93)	139 (26.43)	0 (0.00)	1810	3.44	10
No thought of shifting to another bank	92 (17.49)	209 (39.73)	68 (12.93)	137 (26.05)	20 (3.80)	1794	3.41	11
Strong intention to use the services for the bank	78 (14.83)	265 (50.38)	0 (0.00)	183 (34.79)	0 (0.00)	1816	3.45	9
Expect to continue services utilisation in future too	38 (7.22)	333 (63.31)	119 (22.62)	36 (6.84)	0 (0.00)	1951	3.71	5
Positive Word-of-mouth publicity	119 (22.62)	238 (45.25)	151 (28.71)	0 (0.00)	18 (3.42)	2018	3.84	3
Offering customer friendly services	30 (5.70)	309 (58.75)	151 (28.71)	36 (6.84)	0 (0.00)	1911	3.63	8
Do not think of switching the bank without proper reasons	120 (22.81)	234 (44.49)	103 (19.58)	31 (5.89)	38 (7.22)	1945	3.70	7

Source: Primary Data

The data presented in the above table illustrates the bank customers' level of perception on the customer loyalty in private sector banks. From the above table, it has been observed that the majority of the respondents have expressed high degree of perception towards the preference of private sector banks services when compared to other banks. This variable has been rated in first place with the mean score value of 4.06. Similarly, sample respondents are interested to maintain a relationship with the bank in future period, loyal customers to make recommendations as positive word of mouth publicity for the new customers, feel of loyalty leads to increase the values of banking sector for efficient services, expectation to utilise and continue the services offered by the banks and to prefer private sector banks for the availing services offered by them.

These variables are rated in second, third, fourth and fifth places with the mean score value of 3.92, 3.84, 3.77 and 3.71 respectively. Consequently, it has been found that the respondents' perception towards the customers have no proper reasons to switch over another bank, offering of customer friendly services whenever they visit the bank, strong intention to utilise the bank services, accessible to reliable services.

These variables has been ranked in seventh, eighth, ninth and tenth places with the mean score computation of 3.70, 3.63, 3.45 and 3.44. Further, the customers have expressed low level of perception towards new private Sector Banks for the following reasons like that they have no idea of shifting another alternative banks, recommendations for the new customers

about the services, feel that they are belong to the bank and likeness towards the bank and to value its services. These factors are placed in eleventh, twelfth, and thirteenth and fourteenth places with the mean score of 3.41, 3.33, 3.21 and 3.19 respectively.

Exploratory factor analysis is used to explore the underlying dimensions that could have correlations among the observed variables. Exploratory factor analysis also helps in theory building. The process of extraction used here is principle component analysis as it helps in reducing number of variables. Factor analysis produced factor loadings for each combination of extracted factors and observed variables. Factor loadings were similar to correlation coefficients between the factors and variables. Higher the factor loading more likely it is that the factor underlies that variable.

### Findings

This chapter aims to conclude by providing a summary of the earlier section. It helps us to have a quick look on the key findings from the primary field section of the study, implication of the study, conclusion and recommendations for the future research.

1. Customer opinion on own bank account. It was understood from the analysis that 33.65 percent of the respondents have owned their account in ICICI Bank.
2. Type of bank accounts owned by customers, It was understood from the analysis that majority i.e.99.24 percent of the respondents operate savings accounts. In banks, saving accounts held by households is valued at 1/3<sup>rd</sup> of total deposits mobilised by the banks and it is the most favourable deposit preferred by many category of customers.
3. Customer opinion on longevity of association of bank, it has been concluded that 34.41 percent of the respondents have established 3- 6 years of association with the banks.
4. Customer opinion on services, it has been clearly identified that majority i.e. 72.05 per cent of the respondents have said that they preferred new Private Sector Banks for Cheque or draft services.
5. Customer's level of perception on services rendered by bank, Hence it has been inferred that majority of sample respondents have said that they are highly influenced by customer friendly environment. It is ranked in first place with the highest mean score of 4.13.
6. Customers' level of perception on technology based services, Thus it has been inferred that, on an average 4.19 per cent of sample subjects' have expressed high degree of perception towards proper functioning of ATMs and its infrastructure; it is ranked in first position.

### Suggestion

Banks needed to targeted on customer current and future wants on the bases of customer life circumstances for an improved understanding toward monetary services that offered by banking to confirm customer satisfactions and loyalty for a protracted term of customer relationships. Customers to keep up a protracted term relationship with their customers by have taken under consideration the feedback of shoppers, customer suggestions and complaints square measure self-addressed with prime most priority. Bank employees' skills and information vital act and contend with customers effectively and confirm potentially all banking transactions and procedures. Commitment that to confirm all services square measure accessible on time. Creditability to customer to form him feels that the utilization services by banks on the bases trust.

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