



Banking customers and their retention-an empirical study of responsible factors

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Abstract

Customer Retention is an undeniably squeezing issue in today's ever-focused business field of Banking Sector. More rivalry and expanded control made it more troublesome for banks to emerge from the group. Losing the clients can be exceptionally costly as it expenses to gain another client. Now banking sector have realized the strategic importance of customer value and seemed to be continuously seeking innovative ways to enhance customer retention through its various service relationships strategies. The purpose of this research is to study the impact of Customer Retention in banking industry and to compares the factors among Nationalized and Private Banks. The study depends on the essential information gathered from respondents from Indore area with the assistance of organized survey. Information examination has been done utilizing SPSS programming. The factual investigation strategy utilized in this study is Reliability analysis and Factor Analysis.

Keywords: Customer, Customer Retention, Service quality, Banking, Customer Satisfaction, Customer Relationship.

Introduction

Customer Retention is an inexorably squeezing issue in today's ever-aggressive business field. More rivalry and expanded direction made it more troublesome for banks to emerge from the group. Considers done at universal and national levels demonstrate the criticalness of a couple of goals for business banks for their survival and development. These are i. Customer Retention, ii. Concentrate on Technology iii. Concentrate on Specific Market Segments iv. Improved Productivity and Efficiency.

Above four components, Customer retention is first and successful technique for the development of the banks. Customer Relationship Management apparatuses have been created and connected with a specific end goal to enhance customer procurement and retention and to bolster imperative systematic assignments, for example, prescient displaying and characterization. Ordinarily CRM applications hold a colossal arrangement of data in regards to every individual customer. This data is picked up from a customers' action at the bank. Database sections are scored utilizing a measurable model characterized over different qualities which portray the customers. This paper tries to propose all factors that are responsible for customer and their retention in banking sector.

Rationale of the study: The increasing competitiveness in the financial service industry is forcing banks to give greater emphasis on building and establishing valuable customer relationship and it is important for bank to retain their customers in this competitive era so the rationale of the study is to determine those factors which affects the Customer Retention in Nationalised and Private sector banks followed by their loyalty

and satisfaction towards the bank. The study also analyse all the factors in which customer not satisfy but retain with the particular bank. This will provide the study of all the aspects of customer retention, either the customer satisfy or not. The study will be very helpful to understand customers by their concern bank.

Objectives: To find out all favourable factors which retain customers, in Nationalised and Private Banks.

Literature review: In this a researcher found out that both types of CRM dimensions are playing crucial role in customer retention in Indian banking. Organizational culture and information sharing is very important CRM dimension for retaining customers. Intention to becoming custodian of customers, way to serve and provide all relevant information's related to offerings are tools for developing competitive strategy for attending competitive advantages.

The findings of present study also indicate that public sector banks are also changing rapidly and providing quality services to remain in the competition against private and foreign sector banks. Data analysis indicates that except Empathy as a service quality parameter where private banks are doing well, rest of other parameters like Reliability, Responsiveness, Assurance and Tangibility are those areas where both banks are equally good. Private Banks are far ahead in the implementation of CRM dimensions. Except Information sharing and Customer partnership, where both type of banks are putting equal and almost same efforts, Trust and Commitment, Joint problem solving and Technology based CRM are the gray area of public sector banks Pandey, Singh¹.

Chitra and Subashini Studied done at international and national level commercial banks for their Customer Retention and Concentrate on innovation, Focus on particular business sector portions, Enhanced productivity and effectiveness Customer retention is first and powerful strategy for the development of the banks. By utilizing information mining factual calculations, the arrangement finds the agitate designs inside past churners' conduct and uses this learning to appoint a potential stir score rating to current customers. The concentrate accordingly predicts the future stir for keeping money customers and can then be augmented, in this manner defining mediation systems in view of beat forecast to decrease the lost income by expanding customer retention. It is normal that, with a superior comprehension of these attributes, bank supervisors can build up a tweaked way to deal with customer retention exercises inside the setting of their Customer Relationship Management endeavours Chitra and Subashini².

Ritu found that the banks (whether Public or Private) are similarly influenced by the sort of CRM activities they embrace. The banks are currently under enormous weight to hold the more established customers in view of the opposition in the Banking Sector. This would guarantee better customer relations as well as steadfastness among them, which is exceptionally basic and critical in today's focused world. Banks have begun recognizing the significance of the customers in building up their business. The banks can do this by building a solid association with the customers. To meet the customer needs and to beat the opposition, they should convey predominant quality administration. The CRM approach embraced by banks concentrates on amplifying the quality for the customer and the bank Agarwal³.

The discoveries uncovered Fee structures and the moral conduct of banks are viewed as the most critical center ranges for banks customer retention, strengthening of bank representatives and personalisation of saving money administrations. UK banks were highlighted as prevalent in setting charge structures, correspondence techniques and moral conduct. In this way, procedures actualized by Canadian and UK banks identifying with the variables were adjusted to fit South African banks and additionally organizations in other creating nations Rootman⁴, Tait and Sharp.

Another paper distinguishes various drivers and inhibitors of retention practices and underscored the requirement for their appropriate comprehension. Star dynamic and receptive retention measures were prescribed as essential conditions for enhancing retention and general business execution among small scale account banks. Developing a well-articulated marketing strategy is a highly skilled art and requires a lot of intelligence and tact to transform the organization. Education and experience have a crucial role to play in the adoption and use of the appropriate customer retention. Developing a well-articulated marketing strategy is a highly skilled art and requires a lot of intelligence and tact to transform the organization.

Education and experience have a crucial role to play in the adoption and use of the appropriate customer retention Ibok and Udofot⁵.

Mistry found that the most important factors affecting customers retention are reliability, the behaviour of bank employees and the assurance of service and security. He measured the reliability on the promises fulfilled by the bank and their interest in doing the customers work. The behaviour is measured in terms of responsiveness of employees towards customers including promptness in providing services, willingness to serve customers. He had given third preference to assurance factor, it include criteria like safety of transaction and consistency in service So He suggested that bank should focus on increasing reliability, responsiveness and assurance Mistry⁶.

Methodology

In this study the different strides that are for the most part received by an analyst in concentrating on his examination issue alongside the rationale behind them. It is vital for the specialist to know the examination strategies/procedures as well as the strategy.

The study: The Study is Descriptive and Exploratory in nature. As the Primary data is collected for the study it is useful for the society and hence it is Descriptive and is Exploratory because it attempts to identify the factors which help to retain customers in Nationalised and Private Banks. The significant motivation behind enlightening examination is portrayal of the situation as it exists at present. The fundamental normal for this technique is that the analyst has no power over the variables; he can just report what has happened or what is occurring.

Sample: Customers of SBI, PNB, ICICI, HDFC, AXIS, IDBI, UBO, ANDHRA BANK, BOI, etc are taken as sample.

Tools for data collection: Primary data was gathered through self-regulated polls given to Customers of the banks. The surveys were directed in such a route in this way, to the point that the respondents had sufficient time in noting the inquiries. This was done to diminish the bias of responses. Before directing the poll, the respondents were legitimately advised with respect to the exploration connection and goal.

In total 115 questionnaires were distributed, the respondents were asked to state their level of agreement against the series of statements pertaining to the items measuring Customer Retention in banking sector, using a 5 point Linkert Scale ranging from 5 being "strongly agree" to 1 being "strongly disagree".

Tools for data analysis: SPSS 17 (Statistical Package for the Social Sciences) is used as a tool for data analysis, in which The Reliability of the questionnaire is tested on Chron Bach Alfa and the factors are analysed through Varimax Rotation.

Results and discussion

Reliability Test Analysis: Then reliability of the questionnaire was again tested using for over all data i.e 115 respondents so Cronbach Alpha result which was found to be 0.866 and 2 items were dropped because their Corrected Item-Total Correlation value is less than 0.194, by dropping two items(Q1 and Q29) the reliability increased to 0.873.

Table-1: Case Processing Summary

Cases	N	%
Valid	115	100.0
Excluded		.0
Total		100.0

Table-2: Reliability Statistics

Cronbach's Alpha	N of Items
.873	28

Factor analysis: The Factors were analysed through VariMax Rotation where, 28 items converged into 9 factors. The sig. value of the KMO, Bartlett Test came out to be .000 which is less than 0.05 and the value of Communalities is more than 0.04 which states that the results of Principal Component Analysis are valid. From Rotated Component Matrix the components are analysed on the basis of Item Load, Factor Load and percentage of variance (Table-2).

Table-3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.760
Bartlett's Test of Sphericity	Approx. Chi-Square	1.171E3
	Df	378
	Sig.	.000

The nine factors obtained by rotated component matrix are: (Table-5): Employee Behaviour, Accessibility, Updated Information, Customer Relationship, Courtesy, Competitiveness, Loyalty and Satisfaction, Transaction Security, and Transparency in Services The above-mentioned tests were conducted by using SPSS 16.0.

Factor analysis: Employee Behaviour: Employee Behaviour is considered to be the most prominent factor to consider retention of Customer in Banking Sector. It is found that the percentage of Variance explained those factor was 9.512% as per related matrix. The variables one in which Prompt information is provided by employees to all customers with highest 0.752 loadings, Variable two Employees give individual attention to customers with 0.717 loadings and Variable three

Employees of the bank are courteous with the customers, with 0.714 loadings. This Indicate that customer consider employee behaviour for being intact with the respective bank. It could be judged by variable 10, 9 and 8 (Table-5 and 6).

Table-4: Communalities

Variables	Initial	Extraction
VAR00002	1.000	.573
VAR00003	1.000	.513
VAR00004	1.000	.764
VAR00005	1.000	.644
VAR00006	1.000	.627
VAR00007	1.000	.648
VAR00008	1.000	.670
VAR00009	1.000	.661
VAR00010	1.000	.670
VAR00011	1.000	.684
VAR00012	1.000	.592
VAR00013	1.000	.719
VAR00014	1.000	.751
VAR00015	1.000	.767
VAR00016	1.000	.630
VAR00017	1.000	.826
VAR00018	1.000	.704
VAR00019	1.000	.556
VAR00020	1.000	.740
VAR00021	1.000	.791
VAR00022	1.000	.631
VAR00023	1.000	.681
VAR00024	1.000	.747
VAR00025	1.000	.649
VAR00026	1.000	.672
VAR00027	1.000	.632
VAR00028	1.000	.693
VAR00030	1.000	.453

Accessibility: Accessibility is another very Important and Prominent factor to consider retention of Customer in Banking Sector. It is found that the percentage of Variance was 8.964% as per related matrix. The Accessibility judged by different questions like The bank provides no. of ATM centres to facilitate the cash services (with 0.845 loadings), Bank provides ATM service in multiple locations (with 0.814 loadings) and The bank is situated in easily accessible area makes the customer retained (with 0.760 loadings). That clearly indicates that customer provides importance in accessibility and that is why it become an important factor for customer retention in banking sector. It could be judged by variables 20, 21 and 18. (Table-5 and 6).

Updated Information: This factor shows the importance in the area of retention of Customer in Banking Sector. It is found that the percentage of Variance in Update Information factor was 8.045% as per related matrix. So it shows less importance in comparison with above two Factors. This factor studied in different aspects like-The bank provides all the updated information's to learn e-banking (with 0.788 loadings), The internet banking facilities of the bank are very fast n easy to learn (with 0.616 loadings), Bank keeps updated with latest information of new products of the bank (with 0.554 loadings) and Employees relationship with the customer keeps them to continue with the bank (with 0.464 loadings). This Indicate that customer strongly consider The Updated Information for being retained with the respective bank. It could be judged by variable 15, 16, 12 and 14. (Table-5 and 6).

Customer Relationship: In the series of important factors to consider customer retention in banking sector, the Customer Relationship plays a vital role. The percentage of Variance in Customer Relationship factor was 7.925% as per related matrix. The connecting variables got the load of 0.692 (when customers have problems, the bank is sympathetic and reassuring), 0.687 loadings (Customer Relationship Management helps to build Customer loyalty) and 0.665 loadings (Good services are the base for Customer retention in the bank). This Indicate that customer strongly consider The Customer Relationship Management (CRM) practices of banks for being retained with the respective bank. It could be judged by variable 26, 25 and 27. (Table-5 and 6).

Courtesy: Another Factor which proves its existence in this calculation is Courtesy with 7.639% is the Percentage of variance, in Customer Retention in Banking Sector. So the Courtesy play a very Important role in the titled area and the connecting Variances are- Variable 1(The bank shows a sincere interest in solving problems) with 0.731 loadings, Variable 2 (Employees appear neat which keeps the atmosphere energetic) with 0.696 loadings, Variable 3 (When the bank promises to do something by a certain time they do) with 0.539 loadings and Variable 4 (Employees always respond to every request of customers) with 0.497 loadings. This is clearly indicate that customer strongly consider Courtesy aspect of banks for being

retained with the respective bank. It could be judged by variable 4, 2, 3 and 5. (Table-5 and 6).

Competitiveness: The factor Competitiveness found that the percentage of Variance explained those factor was 6.586% as per related matrix. The study on different variables as- the bank provides good returns through interest rates (with 0.728 loadings), Schemes offered by the bank are always beneficial (with 0.688 loadings), the bank operates a regular and effective complaint handling process (with 0.583 loadings). This Indicate that customer consider competitiveness for being intact with the respective bank, and being an important considered factor for retention. It could be judged by variable 22, 7 and 23. (Table-5 and 6).

Loyalty and Satisfaction: As per the name of the factor Loyalty and Satisfaction plays every ware an important role and same with Customer retention in banking sector also. This factor shoes the percentage of variance up to 6.454% as per related matrix. Which include four different variables as First, Your loyalty to the bank has increased because of service delivery (0.721 Lodgings), second, this bank should be recommended to other people also (with loadings 0.648), Thirdly Bank charge unnecessarily for not maintaining minimum balance in your account (with 0.580 load) and finally on My bank understood my demands as a customer to retain with the bank (0.302 lodgings). This clearly indicates that Loyalty and Satisfaction play as an important factor in customer Retention in banking sector. It could be judged by variable 13, 11, 19 and 30. (Table-5 and 6).

Transaction Security: This factor plays an Important Role in customer retention in banking sector. In this study it is clear that it comes in eighth rank, and comes after Customer Relationship, Courtesy, Competitiveness and Loyalty and Satisfaction. As per related matrix factor, the percentage of variance calculated to 6.065% which indicates its position in this research. The studied variables in which included two aspect as 'Customer relationship is managed by proving them all the information's about their transactions through SMS' (with 0.778 loadings) and 'Customers feel safe in doing all the transactions with the bank' (with 0.722 loadings). This Indicate that customer consider Transaction Security for being intact and retain with the respective bank. It could be judged by variable 28 and 24. (Table-5 and 6).

Transparency in Services: This factor studied It is found that the percentage of Variance explained was 9.5125.567% as per related matrix. Which is the lowest factor and customer selected less responsible in compare to others factors. The studied variables included two aspect as 'Loan and related facilities are available in the bank with clear and standard terms and conditions' (0.852 loadings) and 'the bank always informs the customer about confirm delivery time of services' (0.518 lodgings). It could be judged by variable 17 and 6. Transparency in Services having its importance to prove customer Retention in Banking Sector. (Table-5 and 6).

Table-5: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.643	23.727	23.727	6.643	23.727	23.727	2.663	9.512	9.512
2	2.893	10.334	34.060	2.893	10.334	34.060	2.510	8.964	18.477
3	1.768	6.315	40.376	1.768	6.315	40.376	2.253	8.045	26.522
4	1.536	5.485	45.860	1.536	5.485	45.860	2.219	7.925	34.447
5	1.305	4.661	50.521	1.305	4.661	50.521	2.139	7.639	42.086
6	1.262	4.505	55.026	1.262	4.505	55.026	1.844	6.586	48.672
7	1.171	4.182	59.208	1.171	4.182	59.208	1.807	6.454	55.126
8	1.088	3.885	63.093	1.088	3.885	63.093	1.698	6.065	61.191
9	1.026	3.665	66.758	1.026	3.665	66.758	1.559	5.567	66.758
10	.913	3.262	70.020	-	-	-	-	-	-
11	.887	3.167	73.187	-	-	-	-	-	-
12	.762	2.723	75.909	-	-	-	-	-	-
13	.729	2.602	78.511	-	-	-	-	-	-
14	.687	2.455	80.966	-	-	-	-	-	-
15	.658	2.350	83.316	-	-	-	-	-	-
16	.646	2.309	85.625	-	-	-	-	-	-
17	.594	2.120	87.745	-	-	-	-	-	-
18	.542	1.937	89.681	-	-	-	-	-	-
19	.402	1.435	91.116	-	-	-	-	-	-
20	.389	1.388	92.504	-	-	-	-	-	-
21	.369	1.317	93.821	-	-	-	-	-	-
22	.320	1.144	94.965	-	-	-	-	-	-
23	.303	1.083	96.048	-	-	-	-	-	-
24	.278	.992	97.040	-	-	-	-	-	-
25	.268	.957	97.997	-	-	-	-	-	-
26	.216	.773	98.770	-	-	-	-	-	-
27	.184	.657	99.427	-	-	-	-	-	-
28	.161	.573	100.000	-	-	-	-	-	-
Extraction Method: Principal Component Analysis.									

Table-6: Rotated Component Matrix^a

Variables	Component								
	1	2	3	4	5	6	7	8	9
VAR00010	.752	.111	.062	.148	.208	.143	.040	-.006	.046
VAR00009	.717	-.051	.141	.011	.153	.188	.252	.044	.009
VAR00008	.714	.009	-.005	.137	.240	-.187	.030	.164	.144
VAR00020	.035	.845	.077	.106	-.041	.058	-.044	.027	.013
VAR00021	-.193	.814	.159	.060	.015	.202	.058	.120	-.062
VAR00018	.208	.760	.089	-.086	.034	-.050	.083	-.021	.238
VAR00015	-.039	.168	.788	.168	.192	.060	.012	.114	.184
VAR00016	.044	.449	.616	-.020	-.010	.180	.013	.107	.040
VAR00012	.328	.157	.554	.131	.046	.086	.279	.163	-.150
VAR00014	.254	-.137	.464	.435	-.116	.216	.120	-.326	.285
VAR00026	.261	.039	.091	.692	.287	.139	.011	-.098	.060
VAR00025	.108	.071	.088	.687	.041	.213	.175	.253	.107
VAR00027	-.003	.036	.088	.665	-.127	-.062	.211	.341	-.022
VAR00004	.242	-.198	.184	.204	.731	-.079	.206	.054	-.067
VAR00002	.127	.119	.024	-.156	.696	.093	.131	.059	.065
VAR00003	.343	.094	.001	.167	.539	.140	.099	.118	.158
VAR00005	.412	-.199	.219	.208	.497	-.093	-.020	-.156	.252
VAR00022	-.017	.159	.060	.219	.116	.728	-.089	.026	.045
VAR00007	.081	.081	.119	-.122	-.156	.688	.231	.092	.215
VAR00023	.204	-.022	.234	.373	.262	.583	.030	.094	-.164
VAR00013	.138	.037	.280	.163	.251	.040	.721	-.096	-.023
VAR00011	.424	.036	.220	.018	-.002	.065	.648	.175	.009
VAR00019	-.072	.003	-.203	.245	.205	.017	.580	.078	.255
VAR00030	.252	.252	-.101	.215	.149	.250	.302	.238	.194
VAR00024	.120	.077	.247	.159	.172	-.049	-.039	.778	-.044
VAR00028	.070	.043	.003	.148	-.042	.267	.148	.722	.223
VAR00017	.096	.208	.091	.093	.089	.100	.049	.107	.852
VAR00006	.175	-.085	.490	.015	.172	.102	.193	.059	.518

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 13 iterations.

Conclusion

The objective was to find out the favourable factors which retain customers in Nationalised and Private Banks. The study shows nine factors which help to retain customer in Nationalised and Private Banks by using the Factor Analysis Test, These factors are: Accessibility, Customer Relationship, Courtesy, Competitiveness, Transaction Security, Transparency in Services, Employee Behaviour, Updated Information and Loyalty and Satisfaction all affect the Customer Retention in Nationalised and Private Banks. The study have shown the favourable factors which retain customers in banks, so bankers can use the study to understand and analyse critically all the factors to enhance their practices in the area of Customer Retention in Competitive era. The implications of the study can be translated into further research. By the right interpretation of the factors influencing Customer Retention in the Nationalised and Private sector banks, the researchers and scholars can carry out any other future research for various customer classes and segments and can generate the useful results for the banking industry and academia.

Suggestions: The present study was carried out carefully and systematically but still there are some suggestions that can make the investigation more meaningful and worthwhile. i. The study was restricted to the Indore city only. If further cities have been considered than more accurate results would have been achieved. ii. The sample size for the study was restricted to 115 respondents only. Further study can be undertaken on large sample for more accurate results. iii. Paucity of time restricted the study. Therefore more of time was required for exploring the realities.

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