



ANTECEDENTS OF CUSTOMER LOYALTY TOWARDS PUBLIC SECTOR BANKS

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Cite This Article: Sivani Subhash, Dr. D. Divya Prabha, Dr. V. B. Mathipurani & S. Selva Krishna, "Antecedents of Customer Loyalty towards Public Sector Banks", International Journal of Interdisciplinary Research in Arts and Humanities, Volume 4, Issue 1, Page Number 41-46, 2019.

Abstract:

Abstract Free trade is a big challenge for a bank to enhance its organization performance. Banking industry also faces challenges because of the free trade, since there have been many companies going bankrupt that it is feared that it will reduce customers' savings or deposits in bank. Competitors need to be aware because only banks with advantages that are able to create product with high quality services that can satisfy customers. Challenges become harder particularly when customers are sensitive to the interest rate, thus loyalty is at stake. This circumstance is very important because customers define the future of a bank. Having a close relationship between the bank and the customer can become the strength that could increase customer value. The main objective of this research was to study how customer loyalty can be constructed using customer value and relational quality. For this purpose a sample of 150 was collected from the respondents and the respondents are those who use banking services in Coimbatore were percentage analysis, rank correlation and chi square were used as tools to analyse the data. The conclusion is that the overall the customers are satisfied with the service provided by the banks.

Key Words: Banking, Customer & Quality

Introduction to the Study:

A sound and effective banking system is the backbone of an economy. The economy of a country can function smoothly and without many hassles if the banking system is not only flexible but also capable of meeting the new challenges posed by the technology and other external as well as internal factors. The importance and role of information technology for achieving this objective cannot be undermined. Technology advances have accelerated changes resulting in higher production of goods & services. The information technology has transformed the functioning of business across the world. It bridged the gap in terms of both reach and the coverage of system and in the process enabling better decision making based on latest and accurate information and improvement in efficiency through various new processes, products and services offered by both state owned banks, private sector banks and foreign banks and financial institutions. One of the key strategies for a bank to be able to maintain both growth and market share in the marketing environment with a high level of competition is the ability of the bank to identify and satisfy both the needs and the wants of customers, better and faster than its competitors. There is an indication that the change of customer behavior can be marked with how often the customers move their fund to other banks. This phenomenon of switching customer behavior often occurs with business customers. In addition, based on an interview result with individual business customers, it was found that they did not save their entire endowment in one bank alone. IT came into picture as early as in the 1980s in Banking Industry through the Rangarajan Committee recommendations and the Banks who have given utmost importance to the technology since the last 25 years have occupied the top slot in performance¹. The Reserve Bank of India is constantly pursuing the Banks from 1980s to introduce computerization at branch level and to improve the quality of customer service through Technology.

Statement of the Problem:

Banking as it has demonstrated the velocity of its growth is incredibly fast and efficient. It has allowed individuals including companies to perform their banking businesses from their homes or offices in a very cost-effective way. Studies have shown that with this new technology, it has become possible for both the banks and customers to have an immediate insight about the status and operations of their accounts. There is a need to have an adequate level of infrastructure and human capacity building before the developing countries can adopt global technology for their local requirements. In developing countries, many consumers either do not trust or do not access to the necessary infrastructure to be able to process e-processing through banks.

Objectives of the Study:

- To study about the demographic profile of the respondents.
- To study level of usage of various Banking facilities in payment of bills.
- To analyse the satisfaction towards specific Banking facilities in payment of bills.
- To study opinion towards various Banking facilities in payment of bills.
- To study the level of satisfaction towards Banking in payment of bills.

- To compare the demo graphic variables with level of satisfaction towards Banking in payment of bills.
- To suggest the perception of customers to the banks related to Banking.

Need for the Study:

- The main need of the chapter is to analyse the banking satisfaction towards banking.
- It will help the banks to know about the perception of customers towards the service provided by the bank.
- Helps in finding out the important factors influencing banking.

Scope of the Study:

The present study highlights the extent of utilization of the banking services offered by the banks by the sample respondents. It also limelight's the customer's perception towards CRM practices and satisfaction level of banking offered by banks. The study helps in identifying the lacuna in implementing e Bankig Perspective and to suggest various measures in making 100% technology based banks. In this Global environment the customer is more knowledgeable, their expectations are very high and they need more convenience in any services they avail. The major services offered by the public sector Banks are taken into consideration in order to study the customers relationship practices offered by the public sector banks. As such, there is a scope to examine whether the services provided by the Banks cater to the needs of various classes of customers. The present study not only brings to light the relationship strategies adopted, but also satisfaction towards instilled technological support by the banks.

Limitations of the Study:

- Study area was restricted to only 10 banks in Coimbatore district by considering cost and time, hence lacks universal applicability.
- Since the collection of data is made manually, the chance of testing usage rate of technology may not be ensured with each respondent.
- The sample was restricted to 150 selective respondents only.

Research Methodology:

Research design: The researcher was concerned mainly with descriptive research design. The study was conducted in order to find out the service provided by public banks.

Sampling Design:

Sampling Unit: A sample framework i.e. developed from the target population that will be sampled i.e. who is to be surveyed customers, working people, employed and housewives i.e. males and females irrespective of their education level.

Sample Size: It is the substantial portion of the target population that is sampled to achieve reliable results. The sample size for the study includes 300 respondents.

Sample Technique: The researcher has used a structured questionnaire as a research instrument tool which consists of multiple choice questions in order to get data. Thus questionnaire is the data collection instrument used in the study.

Nature of Research: Descriptive Research deign is used for study it is used to describe characteristics of a population or phenomenon.

Data Collection: Data collection is the process to gather information about the relevant topic of research, which is being done by the researcher. The purpose of data collection is to obtain information to keep on record, to make decisions about important issues, to pass information on to others. The task of data collection begins after a research problem has been defined and research design/ plan is chalked out. While deciding about the methods of data collection to be used for the study, the researcher should keep in mind two types of data viz., primary and secondary. The primary data are those, which are collected afresh and for the first time and thus happen to be original in character. While secondary data are those which have been collected by someone else and which have already been passed through statistical process. Here, primary source of data is to be collected through questionnaires.

Tools for the Analysis: Simple percentage analysis method and Correlation.

Analysis and Interpretation:

Personal Factors	Particulars	Frequency	Percent
Gender	Male	63	42
	Female	87	58
	Total	150	100
Age	Below 18	10	6.7
	18-25	47	31.3
	26-35	43	28.7
	Above 35	50	33.3
	Total	150	100
Educational	SSLC	9	6

Qualification	Higher secondary	14	9.3
	UG	68	45.3
	PG	48	32
	Total	11	7.3
Place of Living	Urban	106	70.7
	Semi Urban	44	29.3
	Total	150	100
Income Level	Below Rs.30,000	63	42
	Rs.30,000- Rs.60,000	52	34.7
	Rs.60,001- Rs.90,000	23	15.3
	Above Rs.90,000	12	8
	Total	150	100

Interpretation:

The above table shows about the gender of the respondents were out of 150 respondents 42% are male and 58% are female. 10% are from the age group of below 18, 31.3% are from the age group of 18-25, 28.7% are from the age group of 26-35 and 33.3% are from the age group of above 35. 6% are have completed their SSLC, 9.3% have completed their higher secondary, 45.3% have completed their UG and 32% have completed their PG. 70.7% are from urban area and 29.3% are from semi urban area. 42% are earning below Rs.30,000, 34.7% are earning from Rs.30,000- Rs.60,000, 15.3% are earning between Rs.60,001- Rs.90,000, 8% are earning above Rs.90,000.

No of Years Using Bank Account:

	Frequency	Percent
More than 3 years	59	39.3
More than 5 years	49	32.7
More than 7 years	22	14.7
More than 10 years	20	13.3
Total	150	100

Interpretation:

The above table shows that out of 150 respondents 39.3% are using bank account for more than 3 years, 32.7% are using for more than 5 years, 14.7% are using for more than 7 years and 13.3% are using bank account for more than 10 years. Most of the respondents are using bank account for more than 3 years.

Type of Account Used by the Respondents:

	Frequency	Percent
Current Account	31	20.7
Savings Account	118	78.7
Total	150	100

Interpretation:

The above table shows that out of 150 respondents 20.7% are using their current account towards shopping online and 78.7% are using saving account. It reveals that maximum of the respondents are using savings account.

Awareness on Society of Banking Services Provided by the Nationalised Banks:

	Frequency	Percent
Yes	99	66
No	51	34
Total	150	100

Interpretation:

The above table shows that out of 150 respondents 66% are having awareness on society of banking services provided by the nationalised banks and 34% are not having awareness towards Banking. It reveals that maximum of the respondents are having awareness towards Banking.

Perceiving Banking System:

	Frequency	Percent
Not Easy	47	31.3
Difficult Accessibility	41	27.3
Don't Get Required Response	35	23.3
All the above	27	18
Total	150	100

Interpretation:

The above table shows that 31.3% said that banking system is not that much easy, 27.3% said that it has difficult accessibility, 23.3% said that they don't get required response and 18% said that they have a opinion towards all the above said factors. It reveals that maximum of the respondents said that banking system is not that much easy to handle with.

Fair Service Charges for Banking:

	Frequency	Percent
Yes	92	61.3
No	58	38.7
Total	150	100

Interpretation:

The above table shows that 61.3% said that the service charges charged by Banking by the banks are fair and 38.7% said that its not fair. It reveals that maximum of the respondents said that the service charges charged by Banking by the banks are fair.

Degree of Confidence on Banking:

	Frequency	Percent
Very High	35	23.3
High	91	60.7
Low	24	16
Total	150	100

Interpretation:

The above table shows that 23.3% said as very high, 60.7% said as high and 16% said as low. It reveals that maximum of the respondents said as high for degree of confidence on Banking.

Security of Banking Transactions through Banking:

	Frequency	Percent
Very much	33	22
Much	82	54.7
Little	33	22
Not at all	2	1.3
Total	150	100

Interpretation:

The above table shows that 22% said as very much, 54.7% said as much, 22% said as little and 1.3% said as not at all. It reveals that maximum of the respondents said as much for Security of Banking transactions through Banking.

Factor Encouraging Using More Banking Services:

	Frequency	Percent
Rewards	15	10
Simpler/Clearer	72	48
Higher Security	41	27.3
Free Transactions	22	14.7
Total	150	100

Interpretation:

Out of 150 respondents 10% said that rewards are the reason, 48% said as simpler and clear technology, 27.3% said as higher security and 14.7% said as free transactions. It reveals that maximum of the respondents are using more Banking services for clearer technology with the banking web sites.

Chi-Square Analysis:

Age * Level of Satisfaction towards Privacy of Customer Information:

H₀: There is no significant association between age and Level of satisfaction towards privacy of customer information

Crosstab							
		Level of satisfaction towards privacy of customer information					Total
		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	
Age	Below 18	4	0	0	0	0	4
	18-25	8	4	27	17	0	56
	26-35	6	6	8	12	12	44
	Above 35	14	7	14	6	5	46

Total	32	17	49	35	17	150
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Table value = 9.488 for degrees of freedom and 5% level of significance

Calculator value = 101.13

As calculated value > table value the null hypothesis is rejected.

Therefore, it is that a significant relationship between age and Level of satisfaction towards privacy of customer information

Rank Correlation:

S.No	Particulars	X	Y	R1	R2	D	D ²
1	Handling Technology	36	28	2	4	-2	4.00
2	Security Risk	48	36	1	2	-1	1.00
3	Privacy risk	32	33	3	3	0	0.00
4	The Trust Factor	23	45	4	1	3	9.00
5	Problems with Personnel services	11	8	5	5	0	0.00
6	Lack of computer skills	2	5	6	6	0	0.00
							14.00
N	6					1-R	0.70
						R	0.30

Interpretation:

The above table shows that there is a moderate correlation between the ranks given and it shows the security risk was the major risk faced by the respondents at the time of transaction.

Findings:

- Most of the respondents are male in our survey.
- Most of the respondents are from the age group of above 35.
- Most of the respondents have completed their UG in our survey.
- Most of the respondents are from urban area.
- Most of the respondents are earning below Rs.30,000/month.
- Most of the respondents are using bank account for more than 3 years.
- Maximum of the respondents are using savings account.
- Maximum of the respondents are having awareness towards Banking.
- Maximum of the respondents said that banking system is not that much easy to handle with.
- Maximum of the respondents said that the service charges charged by Banking by the banks are fair.
- Maximum of the respondents said as high for degree of confidence on Banking.
- Maximum of the respondents are using net banking in net for online fund transfer.
- Maximum of the respondents are 2-3 times.

Suggestions:

- The communication skills of the employees can be developed by providing training programs to them.
- More employees can be employed in call centers so that the respondents will be satisfied for the quick response given by them in future period of time.
- The service quality of the banks can be improved in all levels and also different types of service provided by the banks to their customers.
- To improve productivity per employee, Public Sector Banks have to either improve deposit and advances rate of the branches or to decrease the number of employee by introducing VRS scheme again.

Conclusion:

Generally this study can conclude that customer satisfaction has positive relationship with customer loyalty and service quality but a negative relationship with security. This study also finds that customer loyalty the main factors influencing the level of customer satisfaction in Libyan commercial banking. Due to the wide variation of the responses, both public and private banks need to consider the weak areas in order to meet customer requirements. Hence, to be successful in banking sector, banks must provide service to their customer that at least meets or better if exceeds their expectations, and this study provides some sort of guidelines to the policy makers (managers) of banks to take appropriate decisions to improve the quality of services in Libyan banking sector In this study we give the practitioners more motivation to find new ways to improve the services provided to customers, as well as the pursuit of change the services provided, for example Islamic finance services substitute for traditional services, as well as to speed up services in light of high quality banking services. We also give contribution to parties, individual or institutions. Hence the current research can be as reference for further research in future, especially those researches related to service quality, customer satisfaction, customer loyalty and customer intention to switch with the banks.

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