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Study of the Relationship between Banking service and its Customer loyalty

Mr. Rajeev Binjola

Asst. Professor, Institute of Management Studies Noida

Abstract- The purpose of this study is to find the influence of demographic variables and service quality dimensions.In order to investigate levels of satisfaction and loyalty of banking portfolio(products and services),a questionnaire was submitted to a random sample of NRI bank customers interviewed by trained student Volunteers outside the banks in a Coimbatore city in the south of India. The data were collected in one month during the time in which people usually go to Banks (from 10 a.m. to 12 p.m. and from 1 to 3 p.m.)150 customers were contacted while leaving the bank. 30 questionnaires were received with required coverage details.The Statistical Package for the Social Science (SPSS) for Microsoft Windows 20.00 was used to complete the analysis of the collected data. Descriptive statistics, including means, standard deviations were implemented in order to investigate the demographic data, one-way analysis of variance (ANOVA) were used to determine whether any significant relationships exist among respondents. In addition, the .05 level of statistical significance was set at all statistical tests in the present study. The findings of the study were generalized as follows: Statistically significant differences were found In the end of the study implications and conclusion were provided.

Index Terms- bank, quality, loyalty, customer

I. THEORETICAL BACKGROUND

The concept of customer loyalty is not at all a new concept in the market; it was since from so many centuries, In past ancient Roman Empire had often used the loyalty of their army even Napoleon Bonaparte, the most feared French commander of the early. nineteenth century, achieved extraordinary results through the unrelenting loyalty of the soldiers under his command. Coming to the technical, civilized world of 21st century, marketers trying to capture market share with the help of a loyal customer base. Customer loyalty has been universally recognized as a valuable asset in competitive markets (Srivastva, Shervani& Fahey, 2000) Importance to creating a loyal customer arises from that it costs more to create a new customer than to retain an existing one. For example, the cost of creating a new

customer is five times more than that of retaining an existing customer (Reichheld, 1996). Research suggests that a loyal customer buys instead of being sold. He buys more than a new customer does as a firm introduces new products and upgrades existing products. It also costs less to serve loyal customers than new customers because the company knows a lot about them and how to get touch with them. In other words, marketing transactions are routinized and therefore less expensive because anon-routinized transaction is subject to bargaining with its resulting loss of efficiency (Darido and Uttal, 1989). Besides, a loyal customer is less price sensitive and refers the company's products to other people (Kotler, 1999).

Conceptual framework of Customer Loyalty

In today's highly competitive environment, organizations should protect the long-term interest of the customers and hence should seek the ways through which the customer loyalty toward the organizations could be forged. Marketers opine that these long-term relationships with the customers would enhance their profitability (Dick and Basu, 1994; Garbarino and Johnson, 1999; Grossman, 1998), increased sales, lower costs and other tangible benefits (Terrill et al. 2000). The time has come for the firms to consider this customer loyalty as a source of competitive advantage (Bharatwaj et al. 1993). It has been established that the customers will not be impressed only by the core product attributes since other firms also provide similar offerings. The study of customer loyalty and business performance are foregrounded in the customer relationship management (Reichheld and Sasser, 1990; Sheth and Parvatiyar, 1995). The longer the customer stays with an organization, the more positive outcome he generates which include increase in the value of purchase, increase in the number of purchases and the customers' better understanding of organisation and vice-versa and, more positive word-of-mouth (Trubick and Smith, 2000). The current research endeavours put together the antecedents and components of service loyalty and try to create a comprehensive framework for the measurement of the SERVLOYAL. The following is the explanation of the variables under study

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Figure 1.1. Relationship among Service Quality, Service Satisfaction and Service Loyalty Constructs

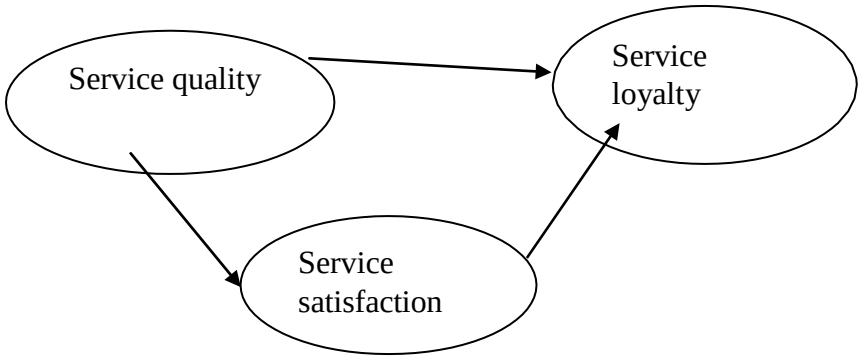

Figure1.1 depicts the loyalty development model that isproposed and tested in this study. As described above, the major constructs in this model are, Service Loyalty, Service Satisfaction and Service Quality. According to the conceptual framework, the customers' decision to maintain relationship and invest further in the relationship is influenced by the extent to which Service Quality offered as that would directly influence Service Satisfaction, which in turn determines the Service Loyalty intentions.

II. REVIEW OF RELEVANT LITERATURE

The aim of this study is to identify, describe and analyse factors that have an impact on customer loyalty. In line with this aim, the literature review is done to clarify the underlying concepts in customer loyalty and to unearth the factors that have been found to affect customer loyalty

Early studies of customer loyalty mainly focused on the behavioural aspects of customer loyalty. Typical behavioural measures of loyalty include proportion of purchase, purchase sequence and probability of purchase. This section contains the parsimonious list of empirical research conducted in this area at the international and national level and the reviews are presented in a chronological order.

Churchill (1942) was the first to collect panel data in order to determine customers' total buying behaviour, their brand loyalty and switching between brands. This pioneering work on loyalty set proper direction for further study in this arena.Brown (1952), who used behavioural approach, focused primarily on a sequence-of-purchase measurement. On the downside, Brown paid only a scant attention to the reasons for customer loyalty and hence the popularity of his postulate on loyalty gained very little momentum. However, this seminal work on loyalty provided the right platform for subsequent research efforts concerning loyalty.Cunningham (1956), in his study on loyalty formation sequence, introduced the concept of market share or proportion-of-purchase index as an indicator of loyalty. According to this, a family was typically considered loyal to a brand if it allocated more than 50 percent of its purchases within a product category to one brand and thus popularizing the concept of behavioural loyalty as the major form of loyalty.In 1978 Jacoby and Chestnut (1978. pp.33) counted over 50 definitions of brand loyalty, and the number has grown since then. According to them, brand loyalty as a concept emerged during times when brands and physical goods were the only focus of interest, but the research is relevant also for analysing loyalty in relational and service settings.According to Dick and Basu (1994), customer loyalty can be viewed as strength of relationship between individual's relative attitude and repeat patronage rather than focusing on behavioural aspects alone. Their study also established that relationship between attitude and patronage is mediated by social norms and situational factors. Three different forms of loyalty antecedents, namely, cognitve, affective and conative loyalty were also identified through substantial revision of literature and redirection in loyalty measurement orientation. The conceptional framework developed by the researchers outlined four specific conditions related to loyalty viz. no loyalty, spurious loyalty, latent loyalty and true loyalty. Morgan and Hunt (1994) popularized the use of the concept of commitment in loyalty marketing in 90s and their definition of commitment as an enduring desire to maintain a valued relationship refers to a psychological state which results from customers liking or even loving, and therefore becoming emotionally attached to their service provider, resulting in enduring loyalty. They suggest that affective commitment is the most effective kind of commitment for developing and maintaining relationships and it has a positive effect on [1] intention to stay in the relationship, [2] desire to stay in a relationship, [3] performance and [4] willingness to invest in a relationship.In trying to figure out the implications of service loyalty to service providers, Javalgi and Moberg (1997) have analysed Dick and Basel Model of loyalty in depth through an empirical analysis. Their research in essence focused on the types and forms of loyalty viz. spurious, latent and no loyalty in various sectors and found out that loyalty is high for services that are highly customized and involved high level of judgment exercised by service providers. They have also emphasized that marketers with loyal customers cannot be satisfied but must always work at maintaining the loyalty they have attained with their customers by closely working with employees and sprucing up the method of service delivery.

Objectives of the study

1. To study the influence of demographic variables andservice quality dimensions

Respondent Sample

In order to investigate levels of satisfaction and loyalty ofbanking portfolio(products and services),a questionnaire was submitted to a random sample of NRI bank customers interviewed by trained student Volunteers outside the banks in a Coimbatore city in the south of India. The data were collected in one month during the time in which people usually go to Banks (from 10 a.m. to 12 p.m. and from 1 to 3 p.m.)150 customers were contacted while leaving the bank. 30 questionnaires were received with required coverage details.

Instrumentation

The instruments of this study involved three parts: the first section of the instrument consisted of forced-choice questions about demographic characteristics: gender, marital status, age, Educational level, Years of transaction with the bank. The second section variables chosen for this study in order to measure Service quality in banks and third section for measuring service loyalty. The dimension 37 items are evaluated on a five-point Likert scale ranging from 1 to 5 ,using the anchors "5=Highly dissatisfied,4=dissatisfied,3=Neutral,2=Satisfied ,1= Highly satisfied".

Cronbach,s alpha is a coefficient (a number between 0 and1) that is used to rate the internal consistency (homogeneity) or the correlation of items in a test. If the test has a strong internal consistency most measurement experts agree that it should show only moderate correlation among items (0.70 to 0.90).The reliability coefficients for the variables chosen for the study should have to be more than 0.70, to consider it as an acceptable value (Nunally, 1978). In this study the Reliability analysis shows that all the factors have shown alpha value greater than0.7, indicating the evidence of reliability and the overall reliability of the instrument is 0.92. So, the items constituting each variable under study have reasonable internal consistency and shows that all the dimensions of Service quality and customer loyalty have a positive reliability. The factors and dimensions included for analysis carry a good degree of reliability to support the objectives formulated. All dimensions have got significant relationship to make the real representation of the study. Hence it is concluded that the data collected in this study is highly reliable.

Data analysis

The Statistical Package for the Social Science (SPSS) for Microsoft Windows 16.0 was used to complete the analysis of the collected data. t-test, one-way analysis of variance (ANOVA) ,Regression were used to determine whether any significant relationships exist among respondents. In addition, the .05 level of statistical significance was set at all statistical tests in the present study.

III.RESULT OF DATA ANALYSIS

Table: 1 Analysis to find out significant differences among the factors of Service Quality by gender of the respondents.

As in all statistical tests, the basic criterion for statistical significance is a "2-tailed significance" less than0.05. Significance level of Reliability is 0.966, which is above 0.05 and, therefore, there is no statistically significant difference between Reliability by Gender of respondents,

Factors	Mean		Standard Deviation		t-value	Sig(2-tailed
	Male	Female	Male	Female		
Reliability	9.87	9.90	1.75	1.92	-0.043	0.966
Responsiveness	5.58	5.33	0.87	0.98	0.711	0.483
Tangibility	2.83	3.15	0.92	0.71	-0.977	0.337
Assurance	5.13	5.20	0.99	1.39	-0.151	0.881
Empathy	6.15	5.73	1.31	1.55	0.773	0.446
Convenience	6.01	6.53	1.51	1.04	-0.969	0.341

Significance level of Responsiveness is 0.483,which is above 0.05 and ,therefore there is no significant difference between Responsiveness by gender of the respondents,Significance level of Tangibility is 0.337,which is above 0.05 and ,therefore there is no significant difference between Tangibility by gender of the respondents,Significance level of Assurance is 0.881,which is above 0.05 and ,therefore there is no significant difference

between Assurance by gender of the respondents,Significance level of Empathy is 0.446,which is above 0.05 and ,therefore there is no significant difference between Empathy by gender of the respondents,Significance level of Convenience is0.341,which is above 0.05 and ,therefore there is no significant difference between Convenience by gender of the respondents

Table: 2 Analysis to find out significant differences among the factors of Service Quality by Marital status of the respondents.

As in all statistical tests, the basic criterion for statistical significance is a "2-tailed significance" less than0.05. Significance level of Reliability is 0.612, which is above 0.05 and, therefore, there is no statistically significant difference between Reliability by marital status of respondents,

	Mean		Standard Deviation		t-value	Sig(2-
Factors	Married	Unmarried	Married	Unmarried		tailed
Reliability	9.99	9.62	1.66	2.12	0.513	0.612
Responsiveness	5.38	5.78	0.90	0.88	-1.11	0.276
Tangibility	2.93	2.94	0.69	1.21	-0.037	0.971
Assurance	5.00	5.52	1.22	0.76	-1.16	0.252
Empathy	6.14	5.70	1.38	1.43	0.792	0.435
Convenience	6.13	6.33	1.29	1.62	-0.371	0.713

Significance level of Responsiveness is 0.276,which is above
0.05 and ,therefore there is no significant difference between Responsiveness by marital status of the respondents,Significance level of Tangibility is 0.971,which is above 0.05 and ,therefore there is no significant difference between Tangibility by marital status of the respondents,Significance level of Assurance is 0.252,which is above 0.05 and ,therefore there is no significant

difference between Assurance by marital status of the respondents,Significance level of Empathy is 0.435,which is above 0.05 and ,therefore there is no significant difference between Empathy by marital status of the respondents,Significance level of Convenience is 0.713,which is above 0.05 and ,therefore there is no significant difference between Convenience by marital status of the respondents.

Table: 3 Analysis to find out significant differences among the factors of Service Quality by Qualification of the respondents.

As in all statistical tests, the basic criterion for statistical significance is a "2-tailed significance" less than0.05. Significance level of Reliability is 0.08, which is above 0.05 and, therefore, there is no statistically significant difference between Reliability by Qualification of respondents,

	Mean			Standard Deviation			F-value	Sig
Factors	HSC	Degree	PG	HSC	Degree	PG		
Reliability	10.7	10.21	8.82	1.29	1.72	1.79	2.72	0.08
Responsiveness	5.67	5.46	5.48	1.03	0.93	0.88	0.09	0.91
Tangibility	3.10	3.09	2.56	0.22	0.95	0.85	0.29	0.29
Assurance	4.93	5.06	5.44	1.06	1.33	0.71	0.65	0.65
Empathy	5.93	6.12	5.83	1.85	1.35	1.32	0.89	0.89
Convenience	6.07	6.27	6.11	2.36	1.17	1.21	0.94	0.94

Significance level of Responsiveness is 0.91,which is above
0.05 and ,therefore there is no significant difference between Responsiveness by Qualification of the respondents,Significance level of Tangibility is 0.29,which is above 0.05 and ,therefore there is no significant difference between Tangibility by Qualification of the respondents,Significance level of Assurance is 0.65,which is above 0.05 and ,therefore there is no significant difference between Assurance by Qualification of the respondents,Significance level of Empathy is 0.89,which is above 0.05 and ,therefore there is no significant difference between Empathy by Qualification of the respondents,Significance level of Convenience is 0.94,which is above 0.05 and ,therefore there is no significant difference between Convenience by Qualification of the respondents.

IV.CONCLUSION

The key notation of success in the highly competitive currentbanking industry is not just winning customers but in retaining them .new customers will try bank offerings based on the perceived quality ,and that result in satisfaction, the perceived value of bank will increase and thereby prompting repeat visit for further financial requirements .As per the study it is proved that the customers are

satisfied with the service provided and theerror free reord keeping,the customers are satisfied by the exclusive service provided by the bank and they have complete trust in the bank.The quality of services provided by the bank canlead to a service satisfaction in the customer which intern can lead to service loyalty.

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