# The Impact of Competitive Pressure on Retention and Switching Intentions: Evidences From Banking Sector of Jaipur City

**Mamta Jain**
Associate Professor,
Departt. of Economic Administration and Financial Management
University of Rajasthan
Jaipur, Rajasthan

**Suresh Kumar Yadav**
Research Scholar,
Departt. of Economic Administration and Financial Management
University of Rajasthan
Jaipur, Rajasthan

**Abhineet Saxena**
Research Scholar,
Departt. of Economic Administration and Financial Management
University of Rajasthan
Jaipur, Rajasthan

**T.N.Mathur**
Professor,
Departt. of Economic Administration and Financial Management
University of Rajasthan
Jaipur, Rajasthan

**Abstract**

Banking sector undergoes rapid transformation where what we have today will be entirely different from what we had yesterday; banks tomorrow will be completely different from bank today. In today's volatile dynamic competitive environment, every financial institution is looking into the demands of their customers enthusiastically in order to survive and compete successfully. Researchers all over the world have insistently emphasized on the maximum importance of customer satisfaction, customer loyalty and retention as part of survival in the financial world. Customer retention has become important with the proliferation of banks. This study attempts to find out the impact of competitive pressure on customer retention and intentions to switch in the banking sector. Data were collected over a period of a week's using survey questionnaire from 250 walk-in customers from private and public sector banks that had accounts with the banks serving in Jaipur Rajasthan. The data collected were then analyzed using SPSS. The results of the study indicated that there is a relationship between switching intension, retention and customer loyalty with the more span of retention, customer becomes loyal and having a high degree of satisfaction. Satisfied customer stays longer with the bank and become loyal towards banks. In Practice during the study it was observed that customer retention length and customer satisfaction, loyalty are negatively correlated but Significant degree of correlation was low **(r=-.228).** In the present scenario banks especially private banks using "push" strategy with the customers rather than "pull" for selling other financial products. This is putting negative impact on customer satisfaction. The Study also reveals that the behaviour of the customers are changing rapidly and demand of mobile banking , internet banking and personalised banking indicating that very soon banking industry is going to get a new invisible generation of customers.

**Keyword:** Customer satisfaction, competitive pressure, intentions to switch, loyalty, personalised banking.

## Introduction

### Statement of the Problem

In recent years, the banking industry around the world has been undergone through a rapid transformation. In India also the wave of deregulation of early 1990 has created heightened competition and greater risk for banks and other financial intermediaries. The cross-border flows and entry of new players and products have forced banks to readjust their product-mix and introduce rapid changes in the processes and operations to remain competitive. The marketplace today is very dynamic, vibrant and competitive. The customers are smarter, more informed, and have an access to many channels and choices which they take little time to exercise. Customer can easily defect to competitors who promise better offerings at lower prices (Bhardwaj, 2007).

According to the study conducted by (Kaynak and Kucuke miroglu, 1992; Hull, 2002), the banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions. Most bank product developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish themselves on the basis of price and quality.

**Byron & Catherine Pulsifer have aptly remarked in his book "Good Bye Manager, Hello Coach!" "Customer service is of the utmost**

**importance to survive in relation to global competition that companies are facing today."**

With the phenomenal increase in the country's population and the increased demand for banking services; speed, service quality and customer satisfaction are going to be key differentiators for each bank's future success. **In India banks have introduced many product based on computerized services, which early, one could only dream of. “The products are almost the same; however, it is the service that distinguishes one bank from the other”. The real experiences of customer with banks in receiving various services vary greatly, because of widening gap between what is supposed to be and what actually is. A customer expects ability to provide what was promised, accuracy and dependence. A customer wants to be assured of the knowledge and courtesy of the employees and their ability to convey confidence. A customer also expects caring and individual concern.**

The study conducted by (Barnes et al., 2004) revels that Banking operations are becoming increasingly customer dictated. Present day business environments are characterized by increasingly saturated markets, caused by changes in the nature of competition and an ever-growing imperative to attain a comprehensive appreciation of customer needs. Matching the growing complexity of the business environment has led to an ever-more diversified and demanding customer base.

The key factors influencing customers’ selection of a bank include the range of services, rates, fees and prices charged (Abratt and Russell, 1999). It is apparent that superior service, alone, is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality. Furthermore, service excellence, meeting client needs, and providing innovative products are essential to succeed in the banking industry. Most private banks claim that creating and maintaining customer relationships are important to them and they are aware of the positive values that relationships provide (Colgate et al., 1996).

The purpose of this research is to identify and examine the factors that contribute to bank switching in Jaipur from the customer’s perspective. The factors have been based on a thorough review of the literature and additional information obtained from focus group interviews. The research is also identifying the impact of competitive pressure on switching intension of customers.

## Review of Previous Researches

### Customer Retention

Customer retention involves the steps taken by a selling organisation in order to reduce Customer defection. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. Customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining a relationship with a current customer (Ro King, 2005).

Hence (Leeds, 1992). conclude that Customer retention is an important element of banking strategy in today’s increasingly competitive environment. Bank management must identify and improve upon factors that can limit customer defection. These include employee performance and professionalism, willingness to solve problems, friendliness, level of knowledge, communication skills, and selling skills, among others. Furthermore, customer defection can also be reduced through adjustments in a bank’s rates, policies and branch locations

However, there has been little empirical research that investigates the constructs leading to customer retention. Previous empirical work has focused on identifying constructs that are precursors to customer retention. Others studies have focused on developing measures of customer satisfaction, customer value and customer loyalty without specifically looking into other potential meaningful constructs. Examples of such constructs are competitive advantage, customer satisfaction, switching barriers, corporate image, and bank services characteristics. These form the basis for the present investigation.

### Switching intension

Service switching is defined as the act of replacing and exchanging the current service provider with another that is available to the customer in the market (Bansal,1997). Service providers are largely concerned with attracting and retaining customers. There are several reasons for this. Literature on customer switching (or churn) has investigated its potential antecedents (e.g. Dick and Basu, 1994; Bolton et al., 2004), where Keaveney (1995) was the first to introduce the model of customer switching behaviour, containing eight main casual factors that are critical to switching behaviour, namely, pricing, inconvenience, core service failures, service encounter failures, employee responses to service failures, competitive issues, ethical problems and involuntary factors. Among these antecedents, pricing problem emerged as the most influential factor for switching, followed by service failures and denied services (Colgate and Hedge, 2001). Although, relationship quality is an important driver of switching intentions, but switching costs and attractiveness of switching are its significant determinants (Wieringa and Verhoef, 2007).

**Where competition is intense**, Jones and Sasser (1995) found substantial differences in loyalty between satisfied and completely satisfied customers. Completely satisfied customers seem often to have had a long-term relationship with a firm’s representative. This finding supports Gronroos’s (1993) proposition that a stable customer base is a good measure of customer satisfaction**.** Bolton (1998) argues that there is no acceptance of service failures in relationships that are sustained over time. In other words, long-lasting relationships do not tolerate any service failures and relationships with many service failures are past relationships. In her study, Bolton points out the significance of customer satisfaction in connection to switching. She argues that constantly occurring failures decrease the duration of the relationship, even though customers perceive satisfactory recovery. In other words, customers update their relationships according to an anchoring and adjustment process. Switching intentions occur rarely among those perceiving no problems with their service provider.

**Switching Versus Loyalty**

Anto´n et. al. (2007) clarified that the study of switching (dissolution relationship) differs remarkably from the models explaining customer loyalty or commitment. At the same time they do not deny that this is "the other side of the coin", and that studies on the customer retention process shed considerable light on the factors contributing to relationship maintenance –satisfaction, trust, service quality, commitment, perceived switching costs, etc. Despite this and according to some studies in services marketing, satisfied and loyal customers can also decide to end relationships (Ganesh, Arnold & Reynolds, 2000; Mittal & Lassar, 1998). Moreover, the variables having positive outcomes –loyalty or retention– may have an asymmetric effect when examining negative outcomes –dissolution– (Bansal & Taylor, 1999).

There is a strong relationship between customer satisfaction and loyalty (Horstmann, 1998). Customer satisfaction influences loyalty; the higher the level of customer satisfaction, the higher the level of loyalty. Customer satisfaction is the feeling a customer experiences when the customers' expectations are met (Chaston, 1993) whilst loyalty is shown when a customer repeatedly turn to the same provider to get a service. Clearly, there are compelling arguments for bank management to carefully consider the factors that might increase customer retention rates, with research providing ample justification for customer retention efforts by banks (see Marple and Zimmerman, 1999; Fisher, 2001).

Naturally it can be conclude that, customer retention itself does not guarantee the service provider's success, which has more to do with the reasons for the customers' patronage. **A loyal customer base is a real asset for a company.** In retailing, customer spending has been found to accelerate over time, for example, because customers become more familiar with a store's range of goods. The average annual revenue per customer may escalate if mature customers are retained.

**Objectives Of The Study**

1. To study the **competitive pressure** in retail branch banking of Jaipur city.
2. To identify the prime factors that influences customers' Retention in the retail branch banking.
3. To identify the prime factors that influences customer's switching in the present scenario of competitive pressure in retail branch banking.

**Hypotheses of The Study**

$H_1$: There is a significant negative relationship between customer loyalty, level of satisfaction and switching intension under competitive pressure.

$H_2$:- There is a significant positive relationship between customer loyalty, level of satisfaction and customer retention under competitive pressure.

**Research Methodology**

**Study Population**

The study's population (see table below) comprises the total customers of 2490 from various total no of 8 banks (4-public sector, 4-private sector) in Jaipur city.

**Table-1 Sample data of respondent**

| Date of visit | Name of the Bank | No. of branches visited | Total no of customers visited branch during survey | Total no of respondent |
|---|---|---|---|---|
| 02-09-2013 | SBBJ bank | 6 | 490 | 36 |
| 03-09-2013 | PNB bank | 6 | 430 | 36 |
| 04-09-2013 | Uco bank | 5 | 270 | 28 |
| 05-09-2013 | bank of baroda | 5 | 250 | 25 |
| 06-09-2013 | ICICI bank | 5 | 476 | 45 |
| 09-09-2013 | HDFC bank | 5 | 280 | 45 |
| 10-09-2013 | INDUSIND bank | 2 | 226 | 20 |
| 11-09-2013 | Yes bank | 1 | 68 | 15 |
| | Total | 35 | Total Population-2490 | 250 |

**Sampling method**

The Bank was selected through the Stratified sampling technique. From Each Stratum 4 private and 4-public sector banks have been selected on the basis of highest and lowest number of branches in the Jaipur city. The study used the Random sampling technique in selecting the sample of customers used.

**Sources of Data / Sample Size / Data Collection Methods (Instruments)**

In order to understand the studied case more deeply, several sources of data collection was used. Data sources comprised both primary and secondary sources. The questionnaire gathered information on consumers' perceptions of their banks, the reasons they remain with their banks, and reasons why they might switch to a rival. Likert-format items were presented with 5-point scales, where 1 = "strongly disagree," 3 = "neither disagree nor agree," and 5 = "strongly agree."

The sample size (n = 498) was computed. Potential respondents were selected and mailed a questionnaire. A total of 250 useable surveys were returned from the initial mailing, representing a useable response rate of 50.20%. From these data their perceptions regarding retention and switching intentions has been explored. Budgetary constraints forced the elimination of follow-up procedures.

**5. Data Analysis And Interpretation**

Data was analyzed with SPSS and excel to obtain frequencies and percentages. For the testing of equality of mean Z-test and for the testing of equality of variance Chi-square, Anova and F-test have been used.

**Demographics of Respondents: -**

A profile of sampled respondents is presented in Table I.

**Table: - 2 Demographics of Respondents**

| | Demographics of Respondents | Frequency | % | C.F % |
|---|---|---|---|---|
| Codes | **Panel A: Age Group** | | | |
| 1 | Below 25 Years | 28 | 11.2 | 11.2 |
| 2 | 25 To 35 Years | 83 | 33.2 | 44.4 |
| 3 | 35 To 50 Years | 65 | 26 | 70.4 |
| 4 | 50 To 60 Years | 52 | 20.8 | 91.2 |
| 5 | 60 And Above | 22 | 8.8 | 100 |
| | **Panel B: Gender** | | | |
| 1 | Male | 165 | 66 | 66 |
| 2 | Female | 85 | 34 | 100 |
| | **Panel C: Education Level** | | | |
| 1 | Below 12 Class | 17 | 6.8 | 6.8 |
| 2 | Under Graduate | 45 | 18 | 24.8 |
| 3 | Graduate | 114 | 45.6 | 70.4 |
| 4 | Post Graduate/Professional Degree | 74 | 29.6 | 100 |
| | **Panel D: Income Level (Annualy)** | | | |
| 1 | Below 2 Lakh | 55 | 22 | 22 |
| 2 | 2-4 Lakh | 53 | 21.2 | 43.2 |
| 3 | 4-6 Lakh | 68 | 27.2 | 70.4 |
| 4 | 6-10 Lakh | 36 | 14.4 | 84.8 |
| 5 | Above 10 Lakh | 38 | 15.2 | 100 |
| | **Panel E: Occupation** | | | |
| 1 | Business | 56 | 22.4 | 22.4 |
| 2 | Retired From Job | 10 | 4 | 26.4 |
| 3 | Professional | 17 | 6.8 | 33.2 |
| 4 | House Wife | 27 | 10.8 | 44 |
| 5 | Salaried | 97 | 38.8 | 82.8 |
| 6 | Student | 35 | 14 | 96.8 |
| 7 | Any Other | 8 | 3.2 | 100 |

**(Source:- primary data)**

**Status of competition in banking industry**

Governor, Dr. Rangarajan, in his inaugural address referred to competition in an industry as a composite of five competitive forces. All industries are characterised by historical trends and new developments that either gradually or speedily produce changes important enough to require a strategic response from participating agents. The Indian banking industry is no exception. The rapid changes that have occurred during the last few years in the financial sector have increased competition in the banking industry..

study done by IMF (2005) in a working paper on Competition in Indian Banking revels that competition in the Indian banking sector has increased since the inception of the financial sector reforms in 1992. Using annual data on scheduled commercial banks for the period 1996–2004, the paper evaluates the validity of this claim in the Indian context. The empirical evidence reveals that the Indian banking system operates under competitive conditions and earns revenues as if under monopolistic competition. Prasad and Ghosh (2005) estimated the Panzar and Rosse(1987) H-statistic of Indian banks in the period 1997-2004 for 64 banks and in turn found monopolistic competition equilibrium. They derived the result from a sample size that does not cover the entire market. The study done by Nitish Datta (2006) estimated the degree of competition in Indian banking sector for the period 1997-98 to 2004-05 where free entry into the market is prohibited by imposition of legal and/or economic barriers. This study also traces the average degree of competition for each year of our investigation. Hence it can we conclude that competitive pressure exists in the banking industry in India.

**Analysis of variables affecting customer retention in banking industry**

**(A) Customer Satisfaction**

> **"**People don't want to communicate with an organization or a computer. They want to talk to a real, live, responsive, responsible person who will listen and help them get satisfaction."(Mr. Ramesh Chander Jindal, PNB)

H0:- There is no significance difference among private and public sector banks between selected satisfactions Variables A1 to A9.

H1:- There exists a significance difference among private and public sector banks between selected satisfactions Variables A1 to A9

- Customer satisfaction was measured using a nine-item index taken from The Study David Cohen et al. (2006). The overall mean of perceived satisfaction was 3.83 in public sector banks and 3.59 in private sector banks. Individually, each of the nine items had mean scores that were above the neutral pivot on the rating scale. Respondents appear to be highly satisfied with the public sector banks, presented in Table -3.
- Coefficient of Variation for Public Sector Banks is 20.88% and Private Sector Banks is 24.99%. this is indicating that on overall basis customers are more satisfied in public sector banks in the ara of competition.
- Null hypothesis is only accepted in A1 and A6 item because their corresponding significance value (p - value) is greater than .05. (Presented in Table -3)

**Table:- 3 Mean Scores Of Respondents' Perceived Satisfaction (Cronbach's Alpha = .857)**

| | | Public Sector Banks (N=125) | | Private Sector Banks ((N=125) | | Testing of Equality of Mean ( Z Values) | | Hypotheses Testing (95%) Sig. level |
|---|---|---|---|---|---|---|---|---|
| A | **Consumers Are Satisfied With…..** | **Mean** | **SD** | **Mean** | **SD** | **Z** | **P Value** | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| A1 | Accuracy Of Banking Records | 3.81 | .868 | 3.59 | .908 | 1.923 | .056 | A |
| A2 | Accuracy Of Transactions | 3.89 | .754 | 3.60 | .907 | 2.731 | .007 | R |
| A3 | Access To Electronic Transactions | 3.92 | .789 | 3.62 | .800 | 2.946 | .004 | R |
| A4 | The Staff Who Deliver The Service | 3.85 | .824 | 3.50 | .921 | 3.185 | .002 | R |
| A5 | The Efficiency Of Customer Service | 3.91 | .719 | 3.64 | .954 | 2.547 | .011 | R |
| A6 | Physical Appearance Of The Branches | 3.70 | .862 | 3.70 | .918 | .071 | .943 | A |
| A7 | Convenience Of Branch Locations | 3.82 | .807 | 3.59 | .804 | 2.198 | .029 | R |
| A8 | The Bank's Effort To Inform Consumers About New Products And Services | 3.77 | .753 | 3.48 | .885 | 2.771 | .006 | R |
| A9 | Products And Services | 3.83 | .830 | 3.58 | .977 | 2.163 | .032 | R |
| Mean Perceived Satisfaction | | **3.83** | **0.80** | **3.59** | **0.90** | | | |
| Coefficient Of Variation | | **20.88%** | | **24.99%** | | - | | |

**(Source: - Primary data, A-Accepted, R-rejected)**

- Some customers also complained about the pushing strategy of bankers for selling products. This leads to the switching intension. Customer doesn't want to visit branches frequently because of selling pressure in banking.
- Some respondent from public sector banks complained that public sector banks are not able to meet all financial requirements under one roof. Except banking services the staff is not as much aware as required about D-Mat services, credit card service and other third party products. Hence this leads to switching intension.

**(B) Corporate Image**

$H_0$ There is no significance difference among private and public sector banks between selected Perceived Corporate Image variables C1 to C7.

$H_1$ There exists a significance difference among private and public sector banks between selected Perceived Corporate Image variables C1 to C7.

Seven items were used to assess perceived corporate image taken from The Study David Cohen et al. (2006) (Table 5). The mean of this corporate image was 3.71 for public sector banks and 3.63 for private sector banks. Respondents have a relatively positive impression of their bank. In general, the respondents believed that the image of their service provider is *widely-known*, *reliable*, *trustworthy* and *stable*. The offering of reliable, error-free financial transactions should thus reinforce customers' confidence in their banks. A favourable image could also motivate customers to resist competitive offerings.

However, the respondents do not perceive their bank to be *distinctive or unique* compared to competitors. More importantly, convincing customers that they are getting high value from their bank should be a key advertising and promotion objective to create and strengthen corporate image.

- Coefficient of Variation for Public Sector Banks is 22.94% and Private Sector Banks is 22.97%. This is indicating that on overall basis customers have a almost similar corporate image for private and public sector banks in the present ara of competition.
- Null hypothesis is only rejected in C3,C4,C5th item because their corresponding significance value (p - value) is less than .05. (Presented in Table -5)

**Table:- 4 Mean Scores of Respondents' Perceived Corporate Image (Cronbach's Alpha = .761)**

| | | **Public Sector Banks (N=125)** | | | **Private Sector Banks ((N=125)** | | | **Testing Of Equality Of Mean (Z Values)** | | **Hypotheses Testing (95%) Sig. level** |
|---|---|---|---|---|---|---|---|---|---|---|
| **C** | **Consumers perceive the image of their bank is…..** | **Mean** | **SD** | **Variance** | **Mean** | **SD** | **Variance** | **Z** | **P Value** | |
| **C1** | Widely-known | 3.69 | .911 | .829 | 3.77 | .815 | .663 | -.732 | .465 | **A** |
| **C2** | Stable | 3.62 | .957 | .916 | 3.79 | .744 | .553 | -1.623 | .106 | **A** |
| **C3** | Reliable | 3.78 | .802 | .643 | 3.43 | .962 | .925 | 3.072 | .002 | **R** |
| **C4** | Trustworthy | 3.83 | .801 | .641 | 3.42 | .864 | .746 | 3.873 | .000 | **R** |
| **C5** | Involved in the community | 3.69 | .865 | .749 | 3.40 | .959 | .919 | 2.493 | .013 | **R** |
| **C6** | Well-liked | 3.66 | .784 | .615 | 3.77 | .742 | .551 | -1.160 | .247 | **A** |
| **C7** | Distinctive/Unique compared to others | 3.72 | .839 | .703 | 3.80 | .696 | .484 | -.821 | .412 | **A** |
| **Mean Perceived** corporate Image | | 3.71 | 0.85 | 0.73 | 3.63 | 0.83 | 0.69 | | | |
| Coefficient Of Variation | | 22.94% | | | 22.77% | | | **-** | | |

**(Source:- primary data)**

**(C) Competitive Advantage**

*H0:-* There is no significance difference among private and public sector banks between selected Perceived Competitive advantage variables D1 to D5.

*H1:-* There exists a significance difference among private and public sector banks between selected Perceived Competitive advantage variables D1 to D5.

- Perceived competitive advantage was measured using a five-item index from The Study David Cohen et al. (2006) (Table 6). The mean score was 3.69 for public sector banks and 3.63 for private sector banks. Respondents have a neutral positive impression of their bank's competitive advantage. *Excellent service quality* has been perceived as the highest contributor to competitive advantage in public sector banks.
- The use of latest technology, however, raises questions. For example, the respondents commented that they are unable to contact their local branch directly. Calls were being diverted to a call centre and consumers were interrogated before being transferred to local branch personnel. Consumers would prefer to speak to their local branch's representatives directly, believing they will be better able to solve their problems or provide them prompt, relevant answers. Furthermore, Jaipur bankers should regularly obtain feedback from consumers in order to work backwards toward designing new processes or products, so that these can be delivered effectively and efficiently.
- Null hypothesis is only rejected in D1, D3rd item because their corresponding significance value (p -value) is less than .05. (Presented in Table -6)

**Table:- 5 Mean Scores of Respondents' Perceived Competitive advantage (Cronbach's Alpha = .760)**

| D | Consumers perceive their bank has competitive advantage because it.. | Public Sector Banks (N=125) Mean | SD | Variance | Private Sector Banks ((N=125) Mean | SD | Variance | Testing Of Equality Of Mean ( Z Values) Z | P Value | Hypotheses Testing (95%) Sig. level |
|---|---|---|---|---|---|---|---|---|---|---|
| D1 | Has excellent service quality | 3.82 | .945 | .893 | 3.54 | .911 | .831 | 2.316 | .021 | R |
| D2 | Uses latest technology | 3.61 | .966 | .934 | 3.56 | .919 | .845 | .402 | .688 | A |
| D3 | Has memorable advertisements | 3.72 | .809 | .655 | 3.49 | .956 | .913 | 2.071 | .039 | R |
| D4 | Offers unique and distinctive products | 3.69 | .837 | .700 | 3.80 | .793 | .629 | -1.086 | .278 | A |
| D5 | Has competitive pricing compare to others | 3.60 | .898 | .806 | 3.74 | .812 | .660 | -1.330 | .185 | A |
| | **Mean Perceived Competitive advantage** | 3.69 | 0.89 | 0.80 | 3.63 | 0.88 | 0.78 | | | |
| | **Coefficient Of Variation** | 24.17% | | | 24.22% | | | - | | |

**(Source:- primary data)**

**(D) Customer Loyalty**

*H0:-* There is no significance difference among private and public sector banks between selected Customer loyalty variables E1 to E6.

*H1:-* There exists a significance difference among private and public sector banks between selected Customer loyalty variables E1 to E6.

The index of customer loyalty was composed of six items. The mean score for the index was 3.59 for public sector banks and 3.53 for private sector banks, implying that most of the respondents have an intention to stay loyal with their public sector banks. It has been documented that the respondents tend to stay loyal with their service providers if they have excellent relationship with its staff (Abratt and Russell, 1999; Ennew and Binks, 1996).

**Table:- 6 Mean Scores of Respondents' Loyalty Level (Cronbach's Alpha = .726**

| E | Consumers stay with their bank because… | Public Sector Banks (N=125) Mean | SD | Variance | Private Sector Banks ((N=125) Mean | SD | Variance | Testing of Equality of Mean ( Z Values) Z | P Value | Hypotheses Testing (95%) Sig. level |
|---|---|---|---|---|---|---|---|---|---|---|
| E1 | It is difficult to change banks | 3.56 | .954 | .910 | 3.41 | .968 | .937 | 1.251 | .212 | A |
| E2 | They have excellent relationship with staff | 3.67 | .948 | .900 | 3.43 | .883 | .780 | 2.071 | .039 | R |
| E3 | Their bank is responsive to their changing needs | 3.69 | .911 | .829 | 3.36 | .954 | .910 | 2.781 | .006 | R |
| E4 | Their bank is efficient in handling complaints | 3.62 | 1.046 | 1.093 | 3.74 | 1.071 | 1.147 | -.896 | .371 | A |
| E5 | Their bank offers them rewards and benefits | 3.54 | .938 | .880 | 3.64 | .971 | .942 | -.861 | .390 | A |
| E6 | Other banks cannot offer the products and services they want | 3.48 | .938 | .881 | 3.58 | .927 | .859 | -.814 | .417 | A |
| | **Mean** | 3.5 | 0.96 | 0.92 | 3.53 | 0.9 | 0.93 | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Customer loyalty | 9 | | | | 6 | | |
| Coefficient of Variation | 25.61% | | | 27.29% | | | |

**(Source:- primary data)**

- Coefficient of Variation for Public Sector Banks is 25.61% and Private Sector Banks is 27.29%. This is indicating that customers of public sector banks are the more loyal as compare to private sector banks because their staff maintains a excellent relationship with the customers for a long duration.
- Null hypothesis is only rejected in E2, and E3[rd] item because their corresponding significance value (p -value) is less than .05. (Presented in Table -6)

### 6.4 Durability of Relationships (Length of Stay)

**Table: 7 Length of Stay**

| Length Of Stay | Public Sector Banks | % | Private Sector Banks | % | Total | % |
|---|---|---|---|---|---|---|
| < 1 Year | 20 | 16 | 40 | 32 | 60 | 24 |
| 1-3 Year | 32 | 25.6 | 50 | 40 | 82 | 32.8 |
| 3-5 Year | 40 | 32 | 28 | 22.4 | 68 | 27.2 |
| > 5 Year | 33 | 26.4 | 7 | 5.6 | 40 | 16 |
| **Total** | **125** | **100** | **125** | **100** | **250** | **100** |
| **Mean** | 3.16 | | 1.37 | | | |
| **S.D** | 3.29 | | 0.974 | | | |

**(Source:- Primary data)**

The length of time that customers have been with their banks was also measured for testing of customer retention and switching intension. As noted above, there is a distinction between mere retention and the more desirable outcome of loyalty. However, durability of a bank-customer relationship is a necessary indicator of both. In below table, data indicating that in public sector banks 26.4% respondent are renting more than five years and in private sector this is only 7 %. This is indicating that private sector is very good to attract customers on the basis of verity of products and services but not able to Sustain long term relationship with customers that's by most of the customers stay in private sector banks in the length of 1 to 3 years.

- Both the means summarising respondents' likelihood of staying were within the 3.16 to 3.29 interval, and were thus roughly equivalent. This spread moderate satisfaction implies that the bulk of bank customers are not so completely satisfied that they would not switch if attractive incentives were offered by competitors.
- Further analysis to determine the relationship between banks and the respondents' likelihood of staying with their current banks was tested by One-way ANOVA .

  H0:- There is no significance variance between the respondents' likelihood of staying with their current banks.

  H1:- There is significance variance between the respondents' likelihood of staying with their current banks.

**ANOVA Test For Testing Intension To Stay**

| | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Between Groups | 1.024 | 1 | 1.024 | .725 | .395 |
| Within Groups | 350.432 | 248 | 1.413 | | |
| Total | 351.456 | 249 | | | |

The impact of the bank on durability of the relationship was significant ($F_{(2,250)} = .725$, p=.395). This implies that the bank has not a positive impact on customers' likelihood of staying with their bank.

**Customers' Demographic and Customer Retention rate**

This study further investigates whether demographic differences impact the respondents' decision to stay with or leave their banks. Demographic variables included the respondents' age, gender, educational level, and income.

Ho:- Customers' Demographic and Customer Retention both are independent.

H1:- Customers' Demographic and Customer Retention both are dependent.

**Table:-8**

| | Chi-Square Test | | T-Test | | Anova Test | |
|---|---|---|---|---|---|---|
| **Items** | VALUE | Sig. | F-value | Sig. | F-value | Sig. |
| **Age** | 43.908[a] | .000 | | | 2.663 | 0.033 |
| **Gender** | 42.396[a] | .000 | 2.972 | 0.003 | | |
| **Education** | | | | | 12.289 | .000 |
| **Income** | 102.863[a] | 0 | | | 2.719 | 0.03 |

The analysis shows that age is related to the decision to stay with or leave service providers (see Table 11). The 18-35 years age group has the lowest retention rate whereas the age group above 50 years old has highest retention rate. In general, when the age group of the customers increases, the customers will have higher propensity to stay with their banks. This is consistent with Oliver's (2004) findings that younger consumers probably have a higher likelihood of leaving their banks in search of greater convenience, lower prices, higher deposit interest rates or better services. This may be because younger consumers often must adjust to significant and substantial changes in their lives. Changes might include such events as taking up tertiary study, moving away from home, finding a different job, buying a house, marrying, or having a child. Thus, these consumers thus may have strong reasons for switching banks.

One-way ANOVA was used to test whether education had an effect on customer retention. The test results demonstrated a significant effect (F = 12.289, p= .000). This may be because more highly educated consumers tend to have greater expectations of services. More educated respondents are also more well-informed. Finally, the effect of respondents' incomes was examined. Retention for each income group were not similar to one another, with test results showing a lack of association the between income and retention. A summary of these tests is presented in Table 11.

**Suggestions and Conclusions**

The constructs investigated in this study all received positive marks by the respondents as factors that would influence their decision to stay with or leave their present banks in the competitive situation. The most important construct (by mean score) was customer satisfaction, followed by corporate image and Competitive advantage. These results lead to suggestions for bank managers to consider as to how they might improve customer retention in today's competitive banking environment and can reduce switching intension of customers.

- Results of this analysis have also shown that as the age of customers increases, so too does the propensity to stay with their current banks. In addition, respondents with higher education are most likely to switch banks perhaps because highly educated consumers tend to have greater expectations of services. Highly educated customers have a highly analytical power. Gender and income appear not as much significant association as compare to others with the respondents' intention to stay with or leave their service providers.
- The results further showed public sector banks have higher retention rates compared to the private Bank. The Study also reveals that the behaviour of the customers are changing rapidly and demand of mobile banking , internet banking and personalised banking indicating that very soon banking industry is going to get a new invisible generation of customers. Traditional banking is getting swapped by the modern banking. Banking industry has to offer products that cater to the needs of the young customer and quick delivery of the same by delivery channels convenient to them.
- In the present scenario banks especially private banks using "push" strategy with the customers rather than "pull" for selling other financial products. This is putting negative impact on customer satisfaction. There is a relationship between switching intension, retention and customer loyalty with the more span of retention, customer becomes loyal and having a high degree of satisfaction. In Practice during the study it was observed that customer retention length and customer satisfaction, loyalty are negatively correlated but Significant degree of correlation was low (r=.228). In the other side as in the case of educated consumer switching intension level is generally seems high and the level of retention is very low. Hence there is no question of loyalty and satisfaction at one stage. The Booz Allen study also revealed that 90 percent of customer's relationships are formed, and lost by the quality of services they receive in a bank branch. So private banks will have to work on customer retention by using pull strategy rather than push strategy for selling products and also they will have to improve the customer experience.
- Working in a bank today is like getting in to a spacecraft travelling at the speed of light across an infinite number of galaxies. The travel is unidirectional, no space to stop and observe & no possibilities of return to the original point. If the traveller looks out of the pothole of the craft, he will not find the same galaxy twice. (Dr. B.L Patheja, Dy Gen manager PNB). Hence we can conclude that banking sector undergoes rapid transformation where what we have today will be entirely different from what we had yesterday; banks tomorrow will be completely different from bank today. Bankers are like space traveller who is totally confused and baffled by the new experience he is witnessing every moment of his life. Similar to the enamours but unsuccessful efforts being made by space traveller to get them attuned to changing time and space, bankers too have to make extraordinary efforts to keep pace with the ever changing landscape of banking.
- Hence there is a need to improve customer employee relationship. The bank staff should have the right attitude and aptitude to communicate with the customer. The different type of training on soft skills, language skills etc may be impart to the different cadres of the official of the bank.

**References**


1. Ayyannar G. 2012. Customer'satisfaction in public and private sector banks and their comparison . journal of advances in management Vol:11
2. Baker, M. J. (1993). Bank Marketing - Myth or Reality? *The International Journal of Bank Marketing, 11*(6), p. 5.
3. Beckett, A., Hewer, P and Howcroft, B. (2000). An Exposition of Consumer Behaviour in the Financial Services Industry. *The International Journal of Bank Marketing, 18*(1)
4. Bergstrom, A. J and Bresnahan, J. M. (1996). How Banks Can Harness the Power of Branding. *US Banker, 106*(3), March, pp. 81-82.
5. Bharadwaj, S. G., Varadarajan, P. R and Fahy, J. (1993). Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions. *Journal of Marketing, 57*(October),
6. Bikker A. Jacob 2009. Measuring and explaining competition in the financial sector. Utrecht School of Economics working paper 09-01.
7. Central govt report on trend and progress of banking in India 2011-12.
8. Cohen, David et. all 2006. customer satisfaction: A study of bank customer retention in new Zealand. Commerce division Lincoln university Canterbury discussion paper 109.
9. Ehigie, B. O. (2006). Correlates of customer loyalty to their bank: a case study in Nigeria. *International Journal of Bank Marketing, 24*(7).
10. Ennew, C.T., and Binks, M.R. (1996). The impact of service quality and service characteristics on customer retention: small businesses and banks in the UK. *British Journal of Management, 7*.
11. Fornell, C. (1992). A National Customer Satisfaction Barometer: The Swedish Experience. *Journal of Marketing, 56*, January
12. Marthur, S. S. (1988). How Firms Compete: A New Classification of Generic Strategies. *Journal of General Management, 14*(1, Autumn),

13. Oliver, P. (2004). Banking on Young Love. The New Zealand Herald
14. Prasad A and Saibal Ghosh 2005. Competition in Indian banking. IMF working paper.
15. Penny, L. (1993). How do you Catch a Straying Customer? American Banker Association, ABA Banking Journal, 85(9), September.
16. PNB bank monthly review reports last two year.
17. Sharma, R.D. et. all 2011. Exploring customer switching intension through relationship marketing paradigm. International journal of bank marketing 30,4.
18. Woodruff, R. B. (1997). Customer Value: The Next Source of Competitive Advantage. Journal of Academy of Marketing Science, 25(2)
19. www.rbi.org.in
20. www.googlescholar.com