



Customer Retention Strategies Used By Banks

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ABSTRACT: Banks are the institutions which helpful to meet all the financial needs of individuals and organizations in a country. They provide us various types of services and products which is helpful to us for meeting our day to day financial in capabilities. Today is the age of technological revolution so drastic changes have been taken in the banking industry along with other industries of the economic system so that the customers of banking industry is running out for searching the fastest and efficient technological up gradation. This is the main reason behind the stiff competition among banks in the industry. So retaining the existing customers act as the major fear factor for banks to meet the heavy competition. Here the need for customer retention arises, if the banks are not ready to offer their products and services with best Quality and Price they will switch over to any other banks in order to meet their banking needs. Therefore Customer retention is a potential tool which can be utilized by banks to gain Strategic advantage and competitive advantage to survive in today's ever increasing competitive environment. This paper is intended to know the major customer retention strategies used by banks in today's competitive environment.

Keywords: Customer Retention, Banks

I. INTRODUCTION

The landscape of banking industry has drastically changed due since the nationalization of the banking industry and other various forms of reforms in the banking sector. Banking industry which is concerning as the back born of every country financial system. Banking services and activities are inevitable in every human beings life because Banks help us to meet our financial need. Customers are the ultimate power who maintenance and supports each and every working aspects of banking sector. Today is the age of technological revolution so drastic changes have been taken in the banking industry along with other industries of the economic system so that the customers of banking industry is running out for searching the fastest and efficient technological up gradation which will enlighten them to meet their financial needs in a speedy manner. The main reasons behind the stiff completion between banks are that the banking products and services are easy to duplicate. Hence the only way to survive banks among customers is by only providing services with best quality and price. And by the only tool which helps the customers to distinguish banks is in terms of Quality and Price.

Here the need for customer retention arises, if the banks are not ready to offer their products and services with best Quality and Price they will switch over to any other banks in order to meet their banking needs. According to Magson (2008) satisfied customers remain loyal and will talk favorably about the bank and its products. So that customer retention strategies gained Momentum in both goods and service industry. Banks being the greatest service provider has to use various types of customer retention methodologies by combining it with maintain customer satisfaction, customer behavior, bank's image which influences customer retention.

II. NEED AND SIGNIFICANCE OF THE STUDY

In the technological era customers are searching for satisfy their needs in speedy and convenient manner .hence they will change their existing service provider in order to gain more advantages from another service provider. Banks being the largest sector in the service industry want to adopt new strategies for retaining their existing customers. So that this study may helpful to know the various customer retention strategies used by the banks

III. STATEMENT OF THE PROBLEM

This study is carried to know the various customer retention strategies used by banks towards its customers in order to retain them and to attract new customers. The main aim behind the study is to know the various types of customer retention strategies used by various banks towards their customers.

IV. OBJECTIVES

1. To study the customer retention strategies used by banks.
2. To understand the difference between customer retention strategies used by banks among male and female customers.
3. To know the correlation between customer retention and quality of service.

V. HYPOTHESES

- H₀:** There is no significant difference between customer retention strategies used among male and female customers.
- H₀:** There is no significant relationship between customer retention and quality of service.

VI. REVIEW OF LITERATURE

A study conducted by Elizabeth Ogongo (2014) on customer retention strategies adopted by commercial banks in Kenya, with the main objective of establishing the strategies of commercial banks in Kenya enters into the conclusion that the commercial banks working in Kenya were providing high quality of service and other facilities to their customers so that they did not make any effort to switch over from their current bank to any other banks.

An Article published by Varsha Jain (2013) in ACME Journal of Multi disciplinary research titled customer –retention strategies a most preferred strategy for banks states that periodical meeting of senior officers with customers, efficient complaint handling procedure of the bank and offering of newly introduced facility to customers by bank; encourage the customers for retaining the bank for a long time. A Paper presented by K.A Silva and S.T.W.S Yapa (2009) named customer retention, with special reference to telecommunication sector in Srilanka at international conference on business and information finds that there is a strong relationship between customer loyalty, customer satisfaction and customer retention.

Another research paper published by Inmulla Khan (2009) titled impact of customer satisfaction and customer retention on customer loyalty in the international journal of scientific & technology research with the main objective of improving customer relationship through customer satisfaction, customer retention and customer loyalty identifies that customer satisfaction has positive impact on customer loyalty and it reflects in customer retention.

VII. METHODOLOGY

The methodology used for the study was survey method. The investigators prepared a Questionnaire for collecting the opinion from customers and conducted personal interview with the bank officials. The tool was administered among 360 customers of various banks. Proportionate sampling was used to collect data. Statistical techniques such as Mean, Standard deviation, T-Test and correlation are used.

VIII. RESULTS AND DISCUSSION

Table 1 Mean and Standard Deviation Different customer retention strategies used by various banks

	N	Minimum	Maximum	Mean	Std. Deviation
Services of bank	360	1	5	4.22	.624
Physical appearance	356	1	5	4.06	.517
Info: about new products	360	1	5	3.69	1.093
Services through e-medium	360	1	5	3.79	.877
Location	360	1	5	4.03	.677
Financial requirements	360	1	5	3.91	.874
Suitable financial policies	360	1	5	3.91	.661
Trustworthiness	360	1	5	3.86	.862
Quality of service	360	1	5	3.99	.704
Advertisement	360	1	5	3.88	.778
Unique services	360	1	5	3.87	.817
Competitive advantage	360	1	5	3.86	.949
Relationship	359	1	5	3.88	.803
Complaint handling system	359	1	5	3.85	.779
Image of the bank	360	1	5	3.85	.845
Valid n (list wise)	354				

Table 1 shows the description about the different strategies used by banks in order to retain the existing customers and to attract the new customers. This study includes a sample of 360 and the minimum value is one and maximum value is five. It gives a mean between 4.22 and 3.69 and have a standard deviation of between .624 and 1.093. From this investigator understand that all the strategies used by banks are beneficial to them for retain their customers and they have crucial impact on customers.

Table 2
T-TEST comparison of customers according to their gender Independent sample test

		Levene's Test for Equality of variances		t-test for Equality Of Means		
		f	sig	t	df	Sig(2-tailed)
Customer Retention	Equal variances assumed	.364	.546	-.349	357	.001
	Equal Variances not assumed			-.349	352.9	.001

There is no significant difference between the mean number of male and female customers that is there is no much difference between the impact various customer retention strategies used by banks among its male and female customers.

By using the t-test it is found that the f value is .364 which is not significant at .54 level .The t value obtained is -.348. That means the null hypothesis is accepted that there is no significance difference in the retention strategies used by banks among male and female customers.

Table 3: Correlation Between Customer Retention And Quality Of Service.

		Quality of Services	Customer Retention
Quality of Service	Pearson Correlation	1	.314
	Sig.(2-tailed)		.000
	N	360	360
Customer Retention	Pearson Correlation	.314	1
	Sig.(2-tailed)	.000	
	N	360	360

The table 3 depicts that there is a slight degree of correlation between customer retention and quality of service provided by various banks to its customers. The degree of correlation is .314 which shows positivity in nature. So that there is a significant relationship between customer retention and service quality, the investigator rejected the hypothesis.

Due to the positive correlation between customer retention and quality of service a change in quality of service will make a change in customer retention in a slight manner.

IX. FINDINGS AND CONCLUSIONS

The result of the study reveals that there is no difference between the various customer retention strategies used by banks among its customers. The study gives an outline about the various customer retention strategies used by banks in order to retain their customers to gain a competitive advantage among its competitors in the emerging business field. Quality and Service are considering as the major factor which determines the customer to continue or to switch off to other banks. Hence in this technologically competitive era it is important to adopt some strategies to maintain the customers in the bank.

The study also reveals that the customers are technologically aware to get their services and meet their financial needs through the electronic services provided by the various banks like State Bank Of India, State Bank of Travancore, ICICI, HDFC and Punjab National Bank.

The study also gives some details about the customer retention and other factors such as quality of service, Service provided by bank, Financial policies introduced by banks .Hence this study finger point that 'Customer Retention' is an important tool which can be used as a major weapon for attracting new customers and to retain the existing customers.

Thus the efforts and tending strategies want to be used by various banks in order to strive in the stiff competition occurring in the customer market.

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