FACTORS AFFECTING FOR CUSTOMER LOYALTY IN SRI LANKAN BANKING SECTOR

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Abstract

This study based on the factors affecting for customer loyalty in licensed commercial banks in Sri Lanka with special reference to the Commercial Bank. Initially, the customer loyalty is a key of success that Commercial Bank determined to the strongly bonding with the customers. The questionnaire method has been used with 100 respondents. The results suggest that brand equity and satisfaction can be considered as most important antecedents to customer loyalty followed by satisfaction and affection.. Hence, this study suggests incorporating proper strategies to furthering brand equity ,satisfaction and affection.

Keywords: Brand Equity; Satisfaction; Affection; Customer Loyalty; Banking Sector; Sri Lanka

1 Introduction and research problem

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In the end of 2014, There are 25 licensed commercial banks in Sri Lanka and gives the contribution to the national GDP as service sector. The Services sector, which represents 57.6 per cent of GDP, grew by 6.5 per cent in 2014 compared to the growth of 6.4 per cent in 2013, with significant contribution from Wholesale and Retail Trade, Transport and Communication, and Banking, Insurance and Real Estate sub sectors. The share of the Industry sector within GDP increased further to 32.3 per cent, with a sectorial growth of 11.4 per cent in2014 compared to 9.9 per cent in the previous year.(Central Bank Report,2015).Commercial Bank is a Licenced Commercial Bank in Sri Lanka which is a leading competitive bank in private banking sector. Conception of Commercial Bank in the 1920s', amid the British frontier period, a period when exchange, business and endeavours opened up, and thrived. In 1969, The Commercial Bank of Ceylon turns into a free element starting an unbroken and uncommon convention of incredibleness in administration that has proceeded to this day.

When it consider about the banking sector, customer loyalty is a critical point that has impact of more factors. A loyal customer for a bank is not only an asset to the bank but also the growth supplementary element. Commercial Bank is a leading licensed commercial bank in Sri Lanka operates more banking services to the nation. In the GDP elements, banking sector gives 57.6 per cent of the contribution to the nation(Central Bank of Sri Lanka,2015). So there is a huge competition among financial institutions and customers always looking for better service and products. To get sustainable competitive advantages financial organizations have to follow some strategies. In this case customer loyalty is a key element that can be engaged with the customer with a strong bond.

When it consider about relationship marketing,Ndubisi, (2003); Rosenberg and Czepiel, (1983), were conducted a study and states that its ability to build loyal customers through better understanding and serving of customers' needs, can lead to cost reduction. Since the cost of serving one loyal customer is less than the cost of attracting and serving onenew customer. Furthermore Ndubisi at el, states that a firm can reducemarketing, distribution and logistics costs and thereby gain low-cost competitiveadvantage and low cost service differentiation.

So customer loyalty is a most effective factor to the banking sector in the world. In Sri Lankan banking sector should follow a different strategies to sustain in the price competition as well as non-price competition. The price competition is that Rivalry between suppliers construct exclusively with respect to price, more often than not for large or indistinguishable things. Opposite to that, McConnell-Brue, (2002) states about the non-price competition, is a marketing strategy "in which one firm tries to distinguish its product or service from competing products on the basis of attributes like design and workmanship".So researcher proposes that the customer loyalty is better supplements that can be gain more competitive advantages in banking sector through non-price competition.

1.2 Research Objectives

The core objective of the study is to find the factors which are impact to the customer loyalty in Commercial Bank-Sri Lanka.

Furthermore, this study focus on these objectives,

1.   To identify the determinants of customer loyalty

2.   To identify factors affecting and attributes for customer loyalty

3.   To identify the most influential factors affecting for customer loyalty

2 Literature Review

2.1 Customer Loyalty

Initially, the loyalty has been conceptualized and characterized in different ways. One methodology has been to conceptualize loyalty in behavioural terms. Receiving this methodology, Buttle and Burton (2002) characterized a dedicated customer as, basically, "a customer who keeps on purchasing". In a comparable vein, Oliver (1999) characterized customer loyalty as: a profoundly held responsibility to re-purchase or re-belittle a favored item/benefit reliably later on, in this manner bringing about dull same-brand or same brand-set acquiring, regardless of situational impacts and advertising endeavours having the capacity to bring about exchanging conduct.

Furthermore, Oliver, (1999); Knox and Walker, (2001); Tsaur et al., (2002) were stated numerous experts and scholastics have called for more prominent information and

comprehension in connection to the procedure of creating customer loyalty. This information could prompt better methods for portioning customers as per their stage inside of the procedure and service technique adjusted to the relationship-based needs of distinctive levels of customer loyalty.

2.2 Factors Affecting for Loyalty

Customer satisfaction

Initially, customer satisfaction (or dissatisfaction) has been portrayed by Kotler (2003) as a man's sentiment delight (or disillusionment) as an aftereffect of contrasting an item's apparent execution and his or her former desires of its execution. In addition, Harris and Harrington, (2000) conducted a study and stated that customer satisfaction is along these lines more prone to be accomplished if suppliers comprehend their customers' necessities and endeavor to address those issues.

Fulfilled customers create the positive informal is the state of Schneider and Bowen, (1999). However, Ranaweera and Prubho, (2003) conduct a study and stated that satisfaction alone does not guarantee proceeding with customer backing. While satisfaction is an imperative driver, trust, responsibility and participation are likewise liable to impact loyalty. Morgan and Hunt (1994) distinguished these two variables as key intervening variables of relationship showcasing. In addition, Ulaga and Eggert, (2006) stated that a few concentrates reliably recognize duty and trust as focal develops of relationship promoting.

Personal Value

Initially, Rokeach, (1973) conduct a study and stated that the personal values are characterized as persisting convictions that a particular method of behaviour or end-condition of presence is personally or socially desirable over another method of behaviour or end-condition of presence. These values have been viewed as pertinent to comprehend purchaser conduct is the state of Marandi et al., (2006). Rokeach (1973) has added to the Rokeach Value Survey (RVS) system, which examines 18 instrumental values (methods of behaviour) and 18 terminal values (end-conditions of presence). For Kahle (1996), this is the most well-known system for measuring personal values. The values distinguished by Milton Rokeach can be examined through the impassive strategy, which depends on a positioning methodology in which respondents rank

values, or the regularizing system, which utilizes a Likert scale and depends on a rating methodology, in which respondents pick scores that best speak to their level of concurrence with a given articulation (Johnston, 1995). Beatty et al. (1985) and Lages and Fernandes (2005) explored, in a regulating way, the relationship between personal values and human conduct, without, nonetheless, mulling over buyer loyalty in their studies.

Trust

Initially, Moorman et al. (1993) characterized trust as " an eagerness to depend on a trade accomplice in whom one has certainty. A double-crossing of this trust (by the supplier or administration supplier) can prompt absconding .This is a state of Ndubisi et al., (2004). Furthermore, Gronroos (1990) affirmed that the assets of the dealer – faculty, innovation and frameworks – must be utilized as a part of such a way, to the point that the customer's trust in the assets included and, accordingly, in the firm itself is kept up and reinforced. Schurr and Ozanne(1985) characterized the term as the conviction that an accomplice's statement or guarantee is solid and a gathering will satisfy his/her commitments in the relationship. In additionally, Anderson and Narus, (1984); Wilson,(1995); Dwyer et al., (1987); Bitner, (1995); Crosby et al., (1990); Morgan and Hunt, (1994) stated that the different creators have characterized trust as far as, shared qualities, common objectives, shrewd conduct, making and keeping guarantees, vulnerability, and activities with positive results.

Image

Intially, Keller and Aaker, (1992) conduct a study and stated that corporate image is the association of the customer's memory to the organization by and large. When the image is recorded in his memory, the customer can convey his own inclination about the enterprise in a roundabout way. Henceforth, corporate image is a vital instrument that separates an organization from its rivals (Slongo and Vieira, 2007). Such image is mostly identified with the total experience of obtaining and devouring items and administrations after some time (Weiwei, 2007). In the event that a decent image is seen by the customer, he is urged to rehash buying later on. Andreassen and Lindestand (1998) have reasoned that a positive image sets up a higher level of customer loyalty.

3 Research Design and Methodology

3.1 Conceptual Framework and Hypotheses

This study is focusing to determine the factors affecting for customer loyalty in licensed commercial bank sector. In this study, the researcher will measure the factors which are impact to the customer loyalty.Loyalty is a sophisticated construct. Oliver (1999) asserts that: it is time to begin the determined study of with the same fervour that researchers have devoted to a better understanding of customer satisfaction. Oliver (1999) defines loyalty as: a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviours. Baldinger and Rubinson, (1996) suggest that the use of loyalty definitions that include both attitudinal and behavioural components will be superior in term of their predictive ability to conceptualizations of loyalty that are purely behaviourally based.Therefore based on the literature review, the following conceptual framework and the hypothesis are constructed by the researcher. The Figure 1 is shown the conceptual framework of the study.

Figure 1-Conceptual Framework
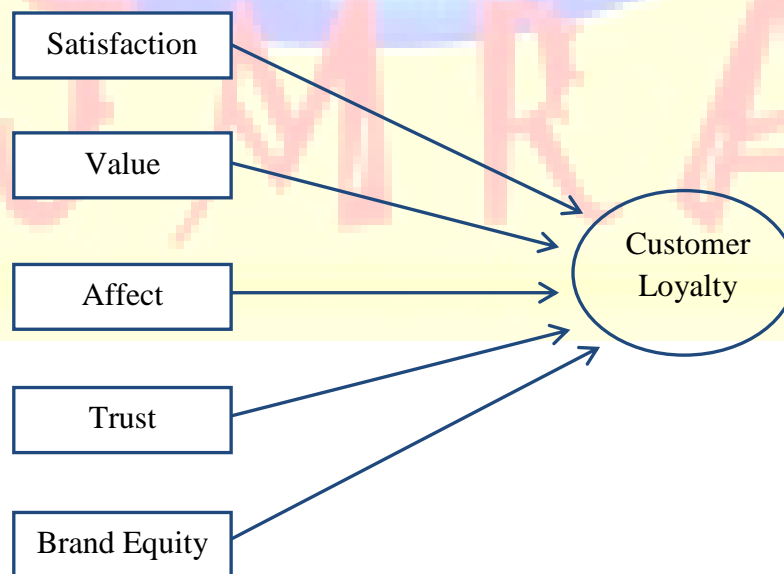
Hypotheses

According to Mittal and Lassar, (1998); Oliver, (1997) , satisfaction is unique from other closely related concepts such as quality, loyalty, and attitude has been hypothesized in the literature to have a direct influence on customer loyalty So the researcher has selected the first hypothesis as follows,

H1; Customer loyalty is positively related to satisfaction.

Value is traditionally demonstrated as subordinate to the creation of loyalty decisions. According the limits in traditional direct interpreters of value, and not unreliable with Oliver's (1999) conceptualization, this leads to next hypothesis as follows,

H2; Customer loyalty is positively related to value.

Furthermore, Bagozzi et al., (1999) stated that affect signifies a concept that is known to operate in general marketing models such as studied herein, and denotes "... an umbrella for a set of more specific mental processes including emotions, moods, and (possibly) attitudes". So the researcher has identified the third hypothesis as follows,

H3; Customer loyalty is positively related to affect.

Thus, Moore man et al., (1992), trust is defined as a willingness to rely on an exchange partner in whom one has confidence. In this study trust is an independent variable and leads to the next hypothesis.

H4; Customer loyalty is positively related to trust.

Keller (1998) further expresses that one of the attributes of brands having solid brand equity is more grounded brand loyalty. This position seems predictable with that of Aaker (1991) who contended that brand loyalty could be viewed as both a measurement and a result of brand equity.This forms the basis for researchers' final research hypothesis:

H5; Customer loyalty is positively related to brand equity.

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3.2 Operationalisation

Initially, Chaudhuri at el, (1999) conducted studies and stated that there are five independent variables which can be affecting to customer loyalty. The developing the research model, the consumer brand loyalty is generally considered the ultimate desirable marketing based outcome from strategic marketing activities. Sheth and Parvitiyar, (2000), stated that is generally taking into account the developing impact of the relationship advertising introduction on promoting hypothesis and rehearse. Thus, in order to collect information the researcher will distribute a questionnaire Likert scale to 100 consumers who are doing their banking needs with Commercial Bank.

Taylor at el, (2004) have tested six factors as trust, value, satisfaction, affect, resistance to change and brand equity for identify the relationship between customer loyalty. The research findings was that the brand equity and trust appear the two most influential influences on both behavioral and attitudinal loyalty and did not find statistically significant relationships between loyalty and value or resistance to change. This study has used the same instruments of Taylor at el, (2004) and tested only five factors which specifically related to Sri Lankan Commercial Bank PLC.

3.4 Data collection technique and sample

In this study, the researcher should identify the most suitable research strategy for the data collection. According to the research onion there are four research strategies as archival, case study, survey and action. So researcher has selected "survey method" for collecting data from the licensed commercial banks sector, and narrowed to the Commercial Bank-Sri Lanka by distribute a research questionnaire for 100 retail customers of the Commercial Bank and all were responded. By survey methods the researcher refers to the full range of techniques used to design surveys, to collect survey data and to manage and add value to survey data.

Inside of this setting, questionnaires can be utilized as a part of an assortment of review circumstances, for instance postal, electronic, Face to Face and phone. Postal and electronic questionnaires are known as self - completion questionnaires, i.e. respondents complete them independent from anyone else voluntarily. Face to Face (F2F) and phone questionnaires are

utilized by questioners to solicit a standard set from inquiries and record the reactions that individuals give them. Questionnaires that are utilized by questioners as a part of along these lines are now and again known as meeting timetables.

Thus, the questionnaire is in the form of "Likert Scale" where the respondents are given a rating scale from 1 to 5**[**(1= strongly disagree and 5= strongly agree) (Refer appendix A for the questionnaire)**]**.Furthermore, the data analysis will be run on SPSS (vr.20) software.

4 Findings and analysis

4.1 Reliability analysis

The reliability test is an important element when conducting a research. The respondents are answered to the research questionnaire, but internal consistence of the data explains about the reliability as well as validity of the research. Furthermore in literature, Joppe (2000) defines the reliability as "…The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable" (p. 1). Cronbach's Alpha value is used to measure the internal consistency of the data. According to Walsh (1995), the Cronbach's Alpha should be greater than 0.6. Walsh (1995) argued that if the Cronbach's Alpha is greater 0.6, it explains that the internal consistency of the variables is reliable.

The table 2 is shown the reliability test result for the survey data. The cronbach's Alpha value for each element as follows,

For Value: 0.665, Satisfaction : 0.719, Trust: 0.705, Affect: 0.631, Brand Equity: 0.703, Attitudinal loyalty: 0.684 and Behavioral loyalty: 0.613.

Furthermore, Thecronbach's alpha of trust is indicated in the result table as 0.705 and it expresses that the variable trust is reliable in the survey. Likewise all variable's reliabilities can be obtained from the reliability test table. Finally with respect to the reliability test report, the research is more reliable.

Table 2: Reliability Test

Reliability Statistics		
Variable Name	Cronbach's Alpha	No of Items
Value	.665	3
Trust	.705	8
Satisfaction	.719	8
Affect	.631	3
Brand	.703	6
Attitudinal Loyalty	.684	5
Behavioral Loyalty	.613	4

Source: Survey Data (2015)

4.2 Correlation

While there are numerous measures of relationship for variables which are measured at the ordinal or larger amount of estimation, correlation is the most generally exploited methodology. This segment demonstrates to compute and decipher correlation coefficients for ordinal and interval level scales. Routines for correlation compress the relationship between two variables in a single number called the correlation coefficient. The correlation coefficient is generally given the symbol γ and it ranges from - 1 to +1. A correlation coefficient very close to 0, but either positive or negative, assumes almost no relationship between the two variables. The correlation coefficient near in addition to 1 implies a positive relationship between the two variables, with expansions in one of the variables being connected with expansions in the other variable. A correlation coefficient near - 1 shows a negative relationship between two variables, with an expansion in one of the variables being connected with a lessening in the other variable. For interval or ratio level scales, the most commonly used correlation coefficient is Pearson's correlation, ordinarily referred to as simply the correlation coefficient or γ. In this study, the researcher used the Pearson's correlation for finding the relationship between variables. The table 3 is shown the correlation of the variables.

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Table 3-Correlation

Correlations		VALUE	TRUST	SATS	AFFEC	BRAND	LOYALTY
VALUE	Pearson Correlation	1	.216[*]	.247[*]	.077	.157	.147
	Sig. (2-tailed)		.031	.013	.446	.118	.144
	N	100	100	100	100	100	100
TRUST	Pearson Correlation	.216[*]	1	.174	.010	.000	.004
	Sig. (2-tailed)	.031		.083	.919	.998	.965
	N	100	100	100	100	100	100
SATS	Pearson Correlation	.247[*]	.174	1	.291[**]	.273[**]	.345[**]
	Sig. (2-tailed)	.013	.083		.003	.006	.000
	N	100	100	100	100	100	100
AFFEC	Pearson Correlation	.077	.010	.291[**]	1	.374[**]	.269[**]
	Sig. (2-tailed)	.446	.919	.003		.000	.007
	N	100	100	100	100	100	100
BRAND	Pearson Correlation	.157	.000	.273[**]	.374[**]	1	.377[**]
	Sig. (2-tailed)	.118	.998	.006	.000		.000
	N	100	100	100	100	100	100
LOYALTY	Pearson Correlation	.147	.004	.345[**]	.269[**]	.377[**]	1
	Sig. (2-tailed)	.144	.965	.000	.004	.000	
	N	100	100	100	100	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Data, 2015

4.3 Testing Hypotheses by using Regression Analysis

In this stage, the researcher ran the linear regression of the collected survey data by SPSS V.20 software and table 6 presents the result of the regression analysis of the hypotheses.

Table 4: Outcome of the Regression Analysis

Hypotheses	Variable	Coefficient β	T	F	Adjusted R square
Hypothesis 1	Value Dependent-Loyalty	0.147	1.471	2.164[*]	0.012
Hypothesis 2	Trust Dependent-Loyalty	0.004	0.045	0.002[*]	-0.010
Hypothesis 3	Satisfaction Dependent-Loyalty	0.345	3.637	13.320[*]	0.210
Hypothesis 4	Affect Dependent-Loyalty	0.269	2.769	7.665[*]	0.163
Hypothesis 5	Brand Equity Dependent-Loyalty	0.377	4.033	16.263[*]	0.334

$*p<0.05$ Two-tailed test

Source: Survey Data (2015)

As depicts in table 4, the adjusted R square of value is 0.012. It indicates that 1.2 % of the total variance in customer loyalty is explained by value. F-test (2.164) is statistically not significant at 5% level of significance. This means that model is not statistically significant. Regression Coefficient (β) is 0.147 which is not significant at 5% level of significance. Thus these findings support hypothesis one that "The higher the value to the customer, the higher will not be the customer loyalty". So the first hypothesis, value is rejected.

According to the hypothesis two (trust) in table 4, adjusted R square is -0.010 reasonably negative for the regression indicating there is no any relationship between trust and customer loyalty. It reveals -1% of the variation in customer loyalty is explained by the trust. The regression coefficient is 0.004 which is not significant at 5% level of significance. F value is 0.002 (not significant at 5% level of significance). Hence the second hypothesis is strongly rejected. The result states that "The higher the trust, the higher will not be the customer loyalty".

As depicts in table 4, the adjusted R square of satisfaction is 0.210.It indicates that 21.0% of the total variance in customer loyalty is explained by satisfaction of the customer. The regression coefficient is 0.345 and is statistically significant at 5% level of significance. Hence it can be admitted that the customer loyalty and customer satisfaction is significant. F-test (13.320) is statistically significant at 5% level of significance .Thus at 99% confidence level, it can be accepted that satisfaction positively influences the customer loyalty. Thus these findings support hypothesis three that "The higher the satisfaction, the higher will be the customer loyalty". Thus, the third hypothesis satisfaction is accepted.

According to the hypothesis four (affect) in table 4, adjusted R square is 0.163 reasonably higher for the regression indicating a positive relationship between affect and customer loyalty. It reveals 16.3% of the variation in customer loyalty is explained by the affect. F-test (7.665) is statistically significant at 5% level of significance. Regression model overall predicts customer loyalty has a positive relationship with affect. Therefore forth hypothesis that "The higher the affect, the higher will be the customer loyalty" can be accepted.

Furthermore according to the table 4, the adjusted R square of brand equity is 0.334.It indicates that 33.4% of the total variance in customer loyalty is explained by the brand equity. F-test

(16.263) is statistically significant at 5% level of significance. This means that model is statistically significant. Regression Coefficient (β) 0.377 is significant at 5% level of significance. Thus these findings support hypothesis five that "The higher the brand equity, the higher will be the customer loyalty". Then the hypothesis brand equity is strongly accepted.

5 Discussion

In this study, the researcher focused on five factors which are influencing in customer loyalty. They are value, trust, satisfaction, affect and brand equity. Steven A. at el (2004), tested a research model with six factors which are impact to the customer loyalty. They observed the research result and stated that the most significant relationship factors are brand equity and trust.So based on that the researcher tested the model with five factors which can be influence customer loyalty in commercial banking sector in Sri Lanka. This study is conducted by the researcher with special reference to Commercial Bank. A questionnaire is used to collect the data from retail customers of the Commercial Bank. After collecting data the researcher ran the raw data in SPSS statistically analysis software.

Initially, the researcher is done a demographical analysis for identify the demographical factors such as age, gender, monthly income level etc. Then the reliability test and descriptive statistical analysis were done and as the result the researcher found that " The mean values of survey; value:3.57, trust:3.85, satisfaction: 3.70, affect: 3.79 and brand quity: 3.64 and since the cronbach's alpha greater than 0.6, the survey is more reliable". The researcher developed the scatter diagrams for further illustrations.

Secondly, the researcher observed the correlation coefficients for independent and dependent variables. These correlations are significant at the 0.05 level (2-tailed). The result of correlation there were three significant variables out of five. Then the researcher plot the scatter diagram for each variable vs. loyalty and found the positive relationship between satisfactions, affect and brand equity with loyalty.

Furthermore, the collected data set is rung on the SPSS software for linear regression. The result of the regression analysis is use to determine the relationship between variables. Then the researcher is analysed the hypotheses carefully and found some important findings as follows,

1). There are three hypotheses that are having positive significant relationship with customer loyalty and accepted. They are brand equity, satisfaction and affection.

2). There are two hypotheses that are having no positive relationship with customer loyalty and rejected. They are value and trust.

3).The researcher is found that the most influential factor which is affecting for customer loyalty as "brand equity" and lowest influential factor is "trust".

Finally, the researcher observed the research objectives as well as designed. The core objective, identify the factors which are impact to the customer loyalty in commercial Bank is identified. As the most influential factor, brand equity can be higher the customer loyalty. Thus, the research finding will be useful to increase the relationship between customers and bank.

The results of this study provide empirical evidence from the licensed commercial banking sector in Sri Lanka. Given that all hypotheses are supported and high standardized regression coefficients are obtained, the empirical results in the current study strongly support the adoption of the construct the factors which are affecting for customer loyalty in banking sector.

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