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Original Research Paper

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A STUDY ON FACTORS INFLUENCING THE CUSTOMERS TO PREFER A PARTICULAR BANK IN ERODE DISTRICT

Dr. N. Sakthivel — Associate Professor, Department of Commerce, Gobi Arts & Science College, Gobichettipalayam.

K. Punitha* — (Ph.D), Research Scholar, Department of Commerce, Gobi Arts & Science College, Gobichettipalayam. *Corresponding Author

ABSTRACT

Customer Relationship Management is a process that provides banking business with the opportunity to create and maintain long-term relationships with customers. This concept allows the business the bank to identify, segment, communicate and build long-term relationships with customers on an individual basis regarding their needs for banking products and services as well as value added. Using modern technologies, customer relations management has come to an effective strategy to maintain the existing structure and develop a high-quality customer base. The purpose of present research study is to explore the factors influencing the customers to prefer a particular bank with the help of 600 customers from three major Private Sector and three major Public Sector banks in Erode District only. The study was conducted from May 2018 to September 2018. Results revealed that 'ATMs spread and network' 'Prompt service', 'Personal attention of customer need', 'Good relationship with customers', 'Willingness to help customers', 'Caring on customer needs' and 'Issue of monthly statements' are the most important factors influencing customers to prefer a particular bank.

KEYWORDS :

INTRODUCTION

Today, in the banking and financial services industry, the customer is empowered with choice. Brand loyalty is rare and likely linked to a mortgage, loan or some other contractual obligation. It's common for many customers to maintain financial services relationships with more than one bank or financial service company. Financial services, like other business sectors, must consider performance enhancement initiatives that drive customer retention and lead conversion to their brand and services. Performance is fueled by relevant and accessible information that can be quickly acted upon from systems that provide and support excellent customer service with the ability to track, measure and analyse customer interactions. This describes what CRM systems are today.

Customer Relationship Management (CRM) has become one of the most dynamic technology topics of the millennium. CRM is an approach to manage a bank's interaction with current and potential customers. It uses data analysis about customers' history with a bank to improve business relationships with customers, specifically focusing on customer retention and ultimately driving growth. CRM strengthen marketing strategies through proper segmentation, focused targeting and automation. With a complete data of customers on a single screen, bankers now can spend more time on strengthening their customer relationships than spending on gathering and organizing data.

A CRM system is a sound business strategy for banks to help create brand value and identify and understand their customers' needs by providing targeted, timely and relevant information that can add value to their customers. CRM systems provide tools that can segment, and deliver the right service, at the right time, by acting on dynamic customer information. This allows the ability to track and build strong relationships with profitable customers and identify specific products and services that can benefit customers. Outcomes of all activities can be tracked and measured; CRM dashboards acting as business decision support systems are the perfect place to present measurements and outcomes.

REVIEW OF LITERATURE

Lau et al. (2003) stated that the challenge before the banks is not only to obtain updated information for each customer, but also to use the information to determine the best time to offer the most relevant products.

Panda (2003) described customer expectations are difficult to manage but are often the cause of dissonance which results in loss of existing customer base. So understanding of customer expectations with regard to service delivery levels and product quality is essential for establishing a long term symbolic value relationship.

Ray (2007) described that it is also important to understand that if customers bring in profits for the bank, it becomes imperative for the bank to provide excellent services to those customers, otherwise they switch to other banks.

Girdhar (2009) observed that by satisfying the internal customers and building good relationship with them, the relationship with the external customers can also be retained and satisfied by the banks.

Kumar & Rajesh (2009) revealed that any bank that wishes to either grow in size of its banking operation or improve its profitability must consider the challenges affecting its customer relationship.

STATEMENT OF THE PROBLEM

CRM provides an indispensable tool for banks to increase customer relationships and make banks the effect of loyal customers. Banks should also undertake such actions as recognition and delegation of work, improvement of logistics to handle customer complaints and approval by management to make decisions according to situations. Second-tier banks are more valuable than the first-tier banks, as they interact well with the perception, identification and fulfillment of their customers' needs. The present study makes an attempt to explore the factors influencing the customers to prefer a particular bank.

OBJECTIVE OF THE STUDY:

The objective of the study is as follows:

- To explore the factors influencing the customers to prefer a particular bank.

AREA AND PERIOD OF THE STUDY:

The study on the factors influencing the customers to prefer a particular bank is confined to 600 customers from three major

Private Sector and three major Public Sector banks in Erode District only. The study was conducted from May 2018 to September 2018.

COLLECTION OF DATA:

The study used only primary data. The required primary data are collected through well structured questionnaire.

SAMPLING DESIGN:

To achieve the objective of the study, three major Private Sector and three major Public Sector banks in Erode district have been purposively selected. The population of the research consists of all the customers who hold any type of account in these banks in Erode district. The list of customers holding account could not be obtained. Using Judgement sampling it was decided to select 100 customers from each selected bank for the study and hence from six banks 600 customers have been selected. The method of sampling used for selecting sample respondents for the study is non-probability convenience sampling method. The sample size selected for the study is 600 customers who actively hold account at least for one year.

TOOLS USED FOR DATA ANALYSIS:

The statistical tools used for analysis are Factor Analysis, Mean Score and Mean Rank Analysis.

FACTORS INFLUENCING THE CUSTOMERS TO PREFER A PARTICULAR BANK – FACTOR ANALYSIS

Customers' attitude on the factors influencing to prefer a particular bank is described here with the help of factor analysis. In order to explore the possibility of applying factor analysis to the data in hand, the inter-correlation matrix was first calculated by using Bartlett's test of Sphericity and Kaiser-Meyer-Olkin measure of sampling adequacy (KMO). The anti-image matrix was also calculated and the findings suggest that there is no need to drop any item and all items should be included in the final factor analysis procedure. Principal component method, the most commonly used method, was used to find the initial solution. The initial solution suggests that the factors have an Eigen value greater than 1 and the factor pattern is consistent across the sample, which is easy to interpret since the items loaded heavily on a single factor.

Before applying factor analysis, it has been decided to use Kaiser-Meyer-Olkin (KMO) Measure and Bartlett's test. The KMO measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1.0) indicate factor analysis is appropriate. Values below 0.5 imply that factor analysis may not be appropriate.

Bartlett's test of sphericity is a test statistic used to examine the hypothesis that the variables are uncorrelated in the population. In other words, the population correlation matrix is an identity matrix whereby each variable correlates perfectly with itself (r = 1) but has no correlation with the other variables (r = 0). To be appropriate, this test should have a significance value less than 0.05.

Factor Analysis technique has been applied to find the underlying dimensions (factors) that exists in the original variables. Table 1 shows the findings of KMO and Bartlett's test.

Table1: Factors Influencing the Customers to Prefer a Particular Bank - KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.801
Bartlett's Test of Sphericity	Approx. Chi-square	5536.547
	Df	351
	Sig.	.000

Table 1 reveals that the calculated value of Kaiser-Meyer-Olkin measure of sampling adequacy is 0.801. It suggests that the factors extracted account for a substantial amount of variance. As this value is greater than 0.5, it has been decided to apply the factor analysis. KMO test yields a result of 0.821 which states that factor analysis can be carried out appropriately for these 27 variables which are taken for the study. The result of the test shows that with the significant value of .000 there is a significant relationship regarding the variables chosen. Furthermore, Bartlett's test of sphericity also suggests that the inter-correlation matrix is factorable and factor analysis can be applied to the current data as the correlation between different items is also statistically significant ($p<0.01$).

FACTOR EXTRACTION

Using the Principal Component Analysis four factors have been extracted based on the variance (Eigen value greater than 1). Table 2 shows the percentage of variance, cumulative percentage and the total variance of the variable identified for the study.

PRINCIPAL COMPONENT ANALYSIS

Principal component analysis was a factor model in which the factors are based on the total variance. Another concept in factor analysis is the rotation of factors. Varimax rotations are one of the most popular methods used in the study to simplify the factor structure by maximizing the variance of a column of pattern matrix. Another technique called latent root criteria is used. An Eigen value is the column sum of squares for a factor. It represents the amount of variance in data. After determination of the common factors, factor scores are estimated for each other. The common factors themselves were expressed as linear combinations of the observed variables.

These ranges of factors begin with 1 to 5. Based on the review of previous studies and a detailed discussion with the customers all the relevant variables are included in the study. Twenty seven variables are generated for measuring the attitude of the customers on the factors influencing the customers to prefer a particular bank on a Likert's 5 point scale.

The eight factors extracted together account for 63.85 per cent of the total variance (information contained in the original twenty seven variables). This is pretty good, because it is easy to economize on the number of variables (from 27 it has been reduced to 8 underlying factors), while there is a loss only about 36.15 per cent of the information content (63.85 per cent is retained by the 8 factors extracted out of the 27 original variables).

Table 2- Factors Influencing the Customers to Prefer a Particular Bank -Total Variance Explained

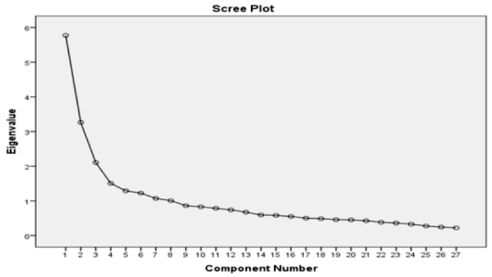
Compo nent	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumula tive %	Total	% of Variance	Cumula tive %
Compo nent 1	5.774	21.386	21.386	5.774	21.386	21.386
Compo nent 2	3.263	12.084	33.470	3.263	12.084	33.470
Compo nent 3	2.105	7.798	41.268	2.105	7.798	41.268
Compo nent 4	1.505	5.575	46.843	1.505	5.575	46.843
Compo nent 5	1.290	4.777	51.620	1.290	4.777	51.620
Compo nent 6	1.223	4.531	56.151	1.223	4.531	56.151

Component 7	1.072	3.970	60.121	1.072	3.970	60.121
Component 8	1.007	3.730	63.851	1.007	3.730	63.851
Component 9	.861	3.187	67.039			
Component 10	.828	3.068	70.107			
Component 11	.786	2.911	73.018			
Component 12	.741	2.743	75.761			
Component 13	.675	2.499	78.260			
Component 14	.594	2.199	80.459			
Component 15	.582	2.155	82.615			
Component 16	.551	2.042	84.656			
Component 17	.502	1.858	86.514			
Component 18	.487	1.804	88.318			
Component 19	.458	1.694	90.013			
Component 20	.451	1.672	91.684			
Component 21	.427	1.583	93.267			
Component 22	.384	1.421	94.688			
Component 23	.361	1.338	96.026			
Component 24	.330	1.223	97.249			
Component 25	.276	1.020	98.270			
Component 26	.244	.904	99.174			
Component 27	.223	.826	100.000			

Extraction Method: Principal Component Analysis.

The following figure gives the screen plot for the 27 variables taken for the study.

Chart 1 - Screen Plot Showing Factors Influencing the Customers to Prefer a Particular Bank



ROTATED COMPONENT MATRIX

Since the idea of factor analysis is to identify the factors that meaningfully summarize the sets of closely related variables, the rotation phase of the factor analysis attempts to transfer initial matrix into one that is easier to interpret. The rotated component matrix is used to assign variables to factors and to interpret factors. This matrix should be viewed column wise for each column (factor) the variables which have high (close to 1) loading should be identified and a combined meaning for the factor found. This leads to a phrase which is the name given to the factor. The scores of the variable influencing customers to prefer a particular bank have been included for the factor analysis. Varimax rotation method is used to extract meaningful factors. The rotated component matrixes for the influencing variables are given in Table 3.

Table 3: Factors Influencing the Customers to Prefer a Particular Bank -Rotated Component Matrix

Factors	Component							
	1	2	3	4	5	6	7	8
Prompt service	**.829**	.045	.011	.015	.054	.037	.115	.007
Good relationship with customers	**.773**	-.114	-.008	.109	.269	-.011	.031	.095
Willingness to help customers	**.748**	.126	-.006	-.093	.240	.251	.059	-.202
Response to customer doubts	**.583**	.122	.143	.340	.020	-.039	.072	.244
Safety and security in ATMs	.203	**-.667**	.299	.186	-.007	.274	.117	.218
Accuracy in account maintenance	.036	**.657**	.154	-.032	.038	.070	.187	.058
Transparency in service charges	-.518	**.539**	.209	.094	.174	-.027	.170	-.013
Dedication of employees	.184	-.045	**.689**	.068	.294	.109	.006	.068
Timely service on customer request	-.024	.076	**.666**	.312	.136	.093	.112	.086
Privacy in account transactions	-.164	.325	**.584**	.024	.044	-.103	.364	.075
ATMs spread and network	.020	.049	.142	**.856**	-.026	.152	.028	-.014
Issue/ renewal of credit/ ATM cards	.132	-.046	.496	**.527**	-.169	.013	.076	.047
Service options in ATM	.293	.050	.357	**-.450**	.143	.367	.348	.127
Issue of monthly statements	.016	-.116	.102	.024	**.710**	.135	-.160	.126
Responsiveness in counter service	.497	.024	.171	.008	**.536**	-.040	-.009	.138
Proper safety on internet banking	.298	.348	-.093	.119	**.516**	.008	-.012	.091
Safety on transactions	.058	.479	.042	.181	.018	**.606**	.316	-.050
Knowledge in service delivery	.082	.163	-.201	.042	.554	**.600**	.122	-.066
Interest in updating of services	.175	.156	.228	.197	-.129	**.448**	.318	-.016
Personal attention of customer need	.222	-.051	.005	.067	.094	-.025	**.820**	.095
Caring on customer needs	-.110	-.047	.041	-.078	.171	.413	**.726**	.013
Delivery of services as per need	.099	.201	.128	.228	.190	.116	**-.661**	.208
Interest on customer affairs	.521	-.025	-.039	.111	.147	-.233	**.550**	.054
Mail on birthdays	.339	.108	.187	.151	.007	.130	.127	**.649**
Mail on safety alerts	.264	.147	.173	.061	.225	-.060	.296	**.631**
Minimum waiting time	.081	.134	.182	.226	-.165	.052	.178	**.552**
Packing and other amenities	.155	.133	.185	.175	.172	.038	.261	**.504**

Extraction Method:
Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

Table 3 clearly discloses that the most important factors influencing customers to prefer a particular bank are 'ATMs spread and network' 'Prompt service', 'Personal attention of

customer need', 'Good relationship with customers', 'Willingness to help customers', 'Caring on customer needs' and 'Issue of monthly statements' as the correlation coefficients are very high for these variables.

It is also noted from Table 3 that variables 'Prompt service', 'Good relationship with customers', 'Willingness to help customers' and 'Response to customer doubts' are with the loadings of 0.829, 0.773, 0.748 and 0.583 respectively on factor 1 and this suggests that factor 1 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 1 could be named as 'OPENNESS IN SERVICES'

In case of the factor 2 columns, the variables 'Safety and security in ATMs', 'Accuracy in account maintenance' and 'Transparency in service charges' are with the loadings of -0.677, 0.657 and 0.539 respectively on factor 2 and this suggests that factor 2 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 2 could be named as 'RELIABILITY IN SERVICE'.

In case of the factor 3 columns, the variables 'Dedication of employees', 'Timely service on customer request' and 'Privacy in account transactions' are with the loadings of 0.689, 0.666 and 0.584 respectively on factor 3 and this suggests that factor 3 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 3 could be named as 'CUSTOMER CENTRIC'.

In case of the factor 4 columns, 'ATMs spread and network', 'Issue/ renewal of credit/ ATM cards' and 'Service options in ATM' is with the loading of 0.856, 0.527 and -0.450 on factor 4 and this suggests that factor 4 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 4 could be named as 'ATM SERVICES'.

In case of the factor 5 columns, the variables 'Issue of monthly statements', 'Responsiveness in counter service' and 'Proper safety on internet banking' are with the loadings of 0.710, 0.536 and 0.516 respectively on factor 5 and this suggests that factor 5 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 5 could be named as 'OTHER PHYSICAL SERVICES'.

In case of the factor 6 columns, 'Safety on transactions', 'Knowledge in service delivery' and 'Interest in updating of services' is with the loading of 0.606, 0.600 and 0.448 on factor 6 and this suggests that factor 6 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 6 could be named as 'DELIVERY OF SERVICE'.
In case of the factor 7 columns, the variables 'Personal attention of customer need', 'Caring on customer needs', 'Delivery of services as per need' and 'Interest on customer affairs' are with the loadings of 0.820, 0.726, -0.661 and 0.550 respectively on factor 7 and this suggests that factor 7 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 7 could be named as 'UNDERSTANDING CUSTOMER NEEDS'.

In case of the factor 8 columns, 'Mail on birthdays', 'Mail on safety alerts', 'Minimum waiting time' and 'Packing and other amenities' is with the loading of 0.649, 0.631, 0.552 and 0.504 on factor 8 and this suggests that factor 8 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 8 could be named as 'PERSONAL WELFARE'.

The factor analysis explained the twenty seven variables into eight factors namely Openness in Services, Reliability in Service, Customer Centric, ATM Services, Other Physical Services, Delivery of Service, Understanding Customer Needs and Personal Welfare. The number of variables in each factor, Mean score and Rank, Eigen value and the per cent of variation explained by each factor are presented in Table 4. Mean value computed on the basis of each variable loaded in the components divided by the number of respondents. Rank has been computed on the basis of grand mean of each construct. Eigen value is the eligibility to be considered as factor. Minimum of 1 Eigen value required. Variance is the influence of factor for explaining the attitude of customers.

Table 4: Factors Influencing the Customers to Prefer a Particular Bank - Principal Component Analysis

S.No.	Name of the Factors	No. of Variables	Mean Score	Mean Rank	Eigen Value	Per cent of Variation Explained	Cumulative Per cent of Variation Explained
1	Openness in Services	4	3.35	2	5.774	21.386	21.386
2	Reliability in Service	3	3.33	4	3.263	12.084	33.470
3	Customer Centric	3	3.14	6	2.105	7.798	41.268
4	ATM Services	3	3.34	3	1.505	5.575	46.843
5	Other Physical Services	3	3.04	7	1.290	4.777	51.620
6	Delivery of Service	3	3.36	1	1.223	4.531	56.151
7	Understanding Customer Needs	4	3.18	5	1.072	3.970	60.121
8	Personal Welfare	4	2.96	8	1.007	3.730	63.851

The most important factors influencing customers to prefer a bank are Openness in Services, Reliability in Service and Customer Centric as their Eigen values are 5.774, 3.263 and 2.105 respectively. The Openness in Services factor consists of 4 variables with the variation explained of 21.386 per cent. The Reliability in Service factor consists of 3 variables explaining the variation to the extent of 7.798 per cent. The Customer Centric factor consists of 3 variables explaining the variation to the extent of 12.084 per cent. The fourth, fifth and sixth factors are ATM Services, Other Physical Services and Delivery of Service as their respective Eigen values are 1.505, 1.290 and 1.223. The per cent of variation explained by these three factors are 5.575, 4.777 and 4.531 respectively. Understanding Customer Needs factor with 4 variables and Personal Welfare factor with 4 variables are identified as least factors. The per cent of variation explained by these two factors are 3.970 and 3.730 respectively.

The highly correlated variable of the Openness in Services factor is Prompt service. It has the factor loading of 0.821. The variable Safety and security in ATMs is the highly correlated variable of the Reliability in Service factor as it has the highest factor loading of -0.677. Dedication of employees variable of the Customer Centric factor has the highest factor loading of 0.689. Regarding the ATM Services factor, the variable ATMs spread and network has the highest factor loading of 0.856.

The highly correlated variable of the Other Physical Services factor is Issue of monthly statements. It has the factor loading of 0.710. The variable Safety on transactions is the highly

correlated variable of the Delivery of Service factor as it has the highest factor loading of 0.606. Personal attention of customer need variable of the Understanding Customer Needs factor has the highest factor loading of 0.820. Regarding the Personal Welfare factor, the variable Mail on birthdays has the highest factor loading of 0.649.

According to Mean Rank analysis, Delivery of Service factor is identified as the most important factor influencing customers to prefer a bank with the highest mean score of 3.36 and Openness in Services factor is identified as the second most important factor influencing customers to prefer a bank with the second highest mean score of 3.35 followed by ATM Services factor (3.34), Reliability in Service factor (3.33), Understanding Customer Needs factor (3.18) and Customer Centric factor (3.14). Other Physical Services factor (3.04) and Personal Welfare factor (2.96) are identified as the least important factors influencing customers to prefer a particular bank.

CONCLUSION AND SUGGESTION

This study has made an attempt to examine the factors influencing customers to prefer a particular bank with the help of 600 customers in three major public sector banks and three major private sector banks located in Erode District. Results revealed that 'ATMs spread and network' 'Prompt service', 'Personal attention of customer need', 'Good relationship with customers', 'Willingness to help customers', 'Caring on customer needs' and 'Issue of monthly statements' are the most important factors influencing customers to prefer a particular bank as the correlation coefficients are very high for these variables. Results also revealed that the most important factors influencing customers to prefer a bank are Openness in Services factor, Reliability in Service factor and Customer Centric factor as their Eigen values are higher. Hence it is suggested that the banking authorities must focus on improving quick delivery of service by paying personal attention on customer needs and taking care of customer needs promptly. Bank employees must be more willing to help the customers thereby they could maintain good relationship with customers. Every bank must predominantly focus on improving ATMs spread and network as most of the customers prefer to choose a bank that offers vast number of ATM services which customers feel as more convenient and vital service.

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