An Investigation Of The Essential Factors On Customer Loyalty In Banking Sector: A Case Of Retail Banks Of Pakistan

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Abstract: Gotten results demonstrate that just "relationship" and "staff" elements have a direct effect on client confidence. Determination of the vital considers on client dedication managing an account part will be useful to bank administrators to characterize needs with a specific end goal to upgrade consumer loyalty and commitment. The motivation behind this examination is to uncover vital variables that have impacts on client confidence specifically in Spanish retail saving money connection. Keeping in mind the end goal to bring out key variables, we have built up a survey and 190 individuals took an interest in the study. Five separate elements have been portrayed to dissect their specifically affects on client reliability, for example; Service, Security, Relationship, Reliability and Staff. The critical relations of every component with client commitment have been dissected by directing affirming variable investigation.

Key words: Service, Security, Relationship, Reliability and Staff

1. Introduction

Client reliability can be acquired if organizations listen to their customers and comprehend client needs and settle on right choices in such manner to satisfy them (Tribulato, La Malfa, & Branca, 2007). The idea of client dependability has acquired consideration and awesome appraisal from various businesses. Keeping money is one of the segments where the escalated rivalry is experienced. With the 90% global remote proprietorship, Spanish managing an account division has advanced into worldwide structure after the fall of socialism. 14 of 16 business banks are outside possessed (Gremi, 2013). The opposition is extremely solid and clients have numerous different options for pick an offer. The banks are attempting to draw clients by giving an extensive variety of administrations and expanding the client benefits by utilizing their administration measures and advances in Spanish too (Van Kerkhove et al., 2011). To expand their monetary lines, they are continuously taking a look at methods for coming to natural development through securing of new clients and holding existing clients (Ramkelawon, 2010). The client maintenance depends straightforwardly on the administration quality and client reliability. Client commitment is the sure behavior and conduct that clients show (Keresztes et al., 2008).

The point of this study is to measure and show proficiency of every variable on client dedication and their consequences for saving money division in Spanish. Discovering the answer of the inquiry that; "which element is most productive on client dedication?" will be principle motivation behind this study. In such manner hypothetical foundation will be inspected, and then gathered information investigated. Keeping in mind the end goal to draw out the effectiveness of every variable, affirming element investigation system will be directed.

2. Literature review

The researchers have proved that Loyalty refers to a strong commitment to repurchase a superior product or service in the future, and the same brand or product is purchased despite the potential marketing efforts and impacts of competitors. Commitment refers to a solid responsibility to repurchase a predominant item or administration later on, and the same brand or item is obtained in spite of the potential promoting activities and effects of candidates. Mental sense tries to recognize dependability from the meaning of conduct (Rijnsdorp, Buys, Storbeck, & Visser, 1998). Their investigation proposes that constant buy will be
useless as a marker of commitment, due to buy strategy or accommodation preference and that if buyers stay faithful to a few brands, broken buys can veil faithfulness. Before, and obviously now, commitment is characterized as the repetition of repetitive buys or a relative buy (Na et al., 1997). The reason for this paper is to study the impacts of consumer loyalty both straightforwardly and in an indirect way through commitment. (Angbazo, 1997) Examination demonstrates that, administration, security, relationship, unwavering quality, dependability, and staff can build the unwaveringness among Customers and banks in Spanish. To discover proficiency of diverse variables on client dependability, variable investigation has been led. The Exploratory variable examination led on six fundamental variables with 19 component things and results were figured out by Principal Component Analysis technique. From the outcomes produced by Principal Component Analysis, six components have been investigated. Every variable is more noteworthy than one as an estimation. (Athanasoglou, Delis, & Staikouras, 2006) Staff is another real component has direct effect on client dependability. Their kind and tender methodologies inspire clients emphatically furthermore, developing solid associations with clients can be possible battle of representatives. This study gives a chance to assess principle figures on client faithfulness managing an account division. It will be useful to bank chiefs to characterize needs and to plan fitting showcasing or open connection crusades so as to upgrade consumer loyalty and dedication.(Hussain, Malik, Hameed, Ahmad, & Riaz, 2010) In hierarchical trainings, instructing bank staff in regards to force of relationship and showing them on indirect elements of developing kind relations with clients ought to give game changer to your bank. (Dietrich & Wanzenried, 2014) making bank staff mindful about the significance of their positive and kind policies toward clients ought to be exceptionally helpful sake of your image. Firstly enhancing positive associations with clients and exhibiting kind staff approaches, then utilizations of alternate elements from this study will be useful for banks to make a solid, positive and enduring client relationship (Lartey, Antwi, & Boadi, 2013).

This study has a few restrictions and also valuable discoveries. In this study just connections of 5 elements have been investigated with dependability by affirming variable investigation technique. For further study other than investigating diverse variables, proficiency of relationship and staff components can be investigated by auxiliary comparison demonstrating technique as dormant variable to uncover connections of those elements with the others. In this field, important another further study for banks can be inspecting points of interest of staff methodologies and uncovering its sub-things or components. Understanding client desires in such manner gives a right heading to bank supervisors (Carneiro & Mylonakis, 2009).

2.1 Staff factor
The willingness regarding staff that can help clients in order to provide quick service creates customers extremely please. Moreover, demoralized staff members pulls purchaser satisfaction down (Joseph et 's, 1999). This pleasure is very important as soon as clients possess requests, queries, complaints and also problems adjoining the services. So, staff plays a significant role with bank's efficiency. The specialized staff transfers to purchaser courtesy and also inspires assurance, trust and also loyalty (KÖKSAL & Oneda, 2014). The best way how staff members gets, reveal and translate knowledge in an enterprise is essential in looking to retain cut-throat advantage. (Hussain et al., 2010) Employees are frontier in between customers and also organization and also their strategy very crucial on purchaser loyalty. To realize customer full satisfaction and respect by staff members approach you will discover three levels that staff members should think about forever; the first stage are made in learning bank prestige “Hearing it”, next, understanding importance of themselves inside the meet regarding bank guarantees “Believing it”, finally growing to be impassioned promoter in the bank “Living it” (Ojaroudi, Yazdanifard, Ojaroudi, & Sadeghzadeh, 2011).

In this respect, the hypothesis:

**H1: There is significant impact of staff factor on loyalty.**

2.2 Service satisfaction

According to (Elyasiani & Mansur, 2005) Service high quality is usually understood by means of clients because the distinction involving expected assistance and also the been given a single Service high quality involving finance institutions is one of the most
important components pertaining to client satisfaction along with commitment. Buyers consider assistance pleasure to be a cause involving establishing long-term relationship with all the traditional bank plus this can be a essential achievement ingredient of which has an effect on this competition of the traditional bank. (Grosse & Goldberg, 1991) A proven way pertaining to finance institutions for you to alter from competition is usually by means of providing premium quality assistance. In order to make it through on this powerful competitive market place structure, finance institutions need to acquire a number of functionality along with ways of raise pleasure of these clients Service high quality is an important ingredient that makes distinction firms for you to achievement as well as neglects.

In this respect, the hypothesis;

**H2:** There is significant impact of service satisfaction on loyalty.

### 2.3 Relationship

Customer relationship boosts in 90’s and has been vital in this business approach. To emphasize importance of relationship, a brand new marketing approach has been created and also named as ‘relationship marketing’. Also relationship marketing has been termed pertaining to banking industry as ‘relationship banking’ to ascertain long-term bonds with customers. With regard to banking industry, after this 2000s, while using increasing amount of internet consumers, customers received great opportunities to get more effective resistant to the banks. So, banks understood they could merely be successful if they focused about customer longer lasting relationships. due to the fact developed beneficial relationships while using customer website link him/her devotion and faithful customer has a potential to offer various advantages and benefits (Roig et al, 2006).

In this respect, the hypothesis;

**H3:** There is significant impact of relationship on loyalty.

### 2.4 Reliability

Reliability is accepted as a critical indicator of service quality (Kheng et. al, 2010). It can be one dimension of this study and its efficiency continues to be measured in numerous studies with banking segment (Baumann et al,2007 - Bahia as well as Nantel, 2000). Fruit et al, (1988) measured and said reliability as the most influential factor on service quality and purchaser satisfaction (Kim et al, 2006). Furthermore Bloemer et al, (1998) decided reliability one of several important components of customer loyalty just as one intangible property in checking sector. In addition, reliability is observed among vital traits of banking support. For a new bank, failing on this field reveal significant amount of dissatisfaction (Johnston, 1997).

In this regard, related hypothesis;

**H4:** There is significant impact of reliability on loyalty.

### 2.5. Security

Protection is essential to every buy and sell as well as specifically with financial segment wherever customers depart their dollars according to promises performed (Knell as well as Stix, 2009). Developing customers believe in as well as generating all of them really feel secure employ a excellent influence for the standard bank performance. Certainly this finance institutions should be really reputable with its determination. The particular crucial issue is not just being reputable as well as reliable, and also trustful thus to their customers and also to experience a win-get connection with these. What exactly consumer desires through the standard bank is always to hear, attention as well as manage their problems (Bell, 2000). By customers, viewed disadvantages of the standard bank propagate in a short time among consumer. To save lots of as well as boost marketplace share, finance institutions really should take notice their name as well as impression at the same time (Hassan et. ’s, 2012) and they don’t damage their beneficial intangible items for instance credibility

In this regard, the hypothesis;

**H5:** There is significant impact of security on loyalty.
3. **Theoretical framework**

![Theoretical framework](image)

In this theoretical framework Service, Security, Relationship, Reliability and Staff are independent variable and loyalty is dependent variable.

4. **Methodology**

In this study we use survey method for data collection and data was collected from private and public bank customers. The asked demographic variables of the respondents have been gender, marital status, age, sector. 190 people participated in the survey. 190 adopted questionnaires have been analyzed to observe the effect of 5 factors on customer loyalty through confirmatory factor analysis method such as; service satisfaction, security, relationship, reliability and staff. We used SPSS 16 to conduct exploratory factor analyses.

4.1. **Procedure and sample**

This research was done by survey technique and the tool which was used for the data collection was a self-administered questionnaire. The data was collected from participants residing in Lahore.

4.2. **Data collection method**

The data was collected from the ultimate account holders. 240 questionnaires were floated to the consumers and return we receive 190 questionnaires which were completed in all respects (response rate was 80%).

4.3 **Instrument and design**

The instrument which was used in this research was designed to check the response of account holders towards their banks. The research instrument was designed by using 5 point Likert-scale to measure all the constructs (1= strongly disagree and 7= strongly agree) .the construct for brand personality were adopted from existing research but some important changes were made.

5. **Data analysis**

For data collection questionnaires were used. Various statistical tools have been used to run analysis on the collected data. For this survey technique, the instrument and its items were developed by adoption of items from many past studies.

To measure reliability of the instrument, various factor and reliability analyses were used for the whole instrument and then later on for each factor individually. This factor analyses was conducted on the data collected by different consumers who gave their responses about service, security, relationship, reliability and staff.

![Table 1: Alpha reliability coefficients](image)

Table 1 shows the findings, results and Cronbach’s alpha reliability coefficients of whole instrument and
Table 2 shows the results of service, security, relationship, reliability and staff respectively.

<table>
<thead>
<tr>
<th>Factors</th>
<th>No. of items</th>
<th>Alpha reliability coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service satisfaction</td>
<td>4</td>
<td>.659</td>
</tr>
<tr>
<td>Security</td>
<td>2</td>
<td>.650</td>
</tr>
<tr>
<td>Relationship</td>
<td>3</td>
<td>.669</td>
</tr>
<tr>
<td>Reliability</td>
<td>2</td>
<td>.629</td>
</tr>
<tr>
<td>Staff factor</td>
<td>4</td>
<td>.829</td>
</tr>
<tr>
<td>Loyalty</td>
<td>4</td>
<td>.776</td>
</tr>
</tbody>
</table>

5.1. Descriptive statistics

Descriptive statistics are always important to understand the actual findings and properties of the data. Usually descriptive statistics comprise of Mean, Standard deviation and Skewness.

5.2 Hypothesis testing

Client reliability has been among primary centers of showcasing systems. It gives excellent preferences and chances to organizations by client maintenance and expense diminishment. We realize that the expense of obtaining another client is five to ten overlays more excessive or extravagant than to proceed with the business with the current clients. Client commitment is the ability of customers to be reliable to an organization. As indicated by Kincaid et.al, (2003) client dedication is a positive experience and worth, which regardless of the fact that the choice is not the most balanced, clients still keep readiness purchasing and keeping up the relations with the organization. Table 4 shows inter variable correlation.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Staff factor</th>
<th>loyalty</th>
<th>Service satisfaction</th>
<th>relationship</th>
<th>reliability</th>
<th>security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff factor</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalty</td>
<td>.413**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service satisfaction</td>
<td>.433**</td>
<td>.337**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Relationship</td>
<td>.420**</td>
<td>.431**</td>
<td>.404**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>.395**</td>
<td>.450**</td>
<td>.356**</td>
<td>.421**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>.382**</td>
<td>.406**</td>
<td>.349**</td>
<td>.328**</td>
<td>.366**</td>
<td>1</td>
</tr>
</tbody>
</table>

** Correlation is significant at 0.01 level (2-tailed)
* Correlation is significant at 0.05 level (2-tailed)

6. Discussion

General characteristics of the data samples that 25% participants were male, 53.9% were female. 27.2% of them were from public sector 25.6% were of private sector. To find out efficiency of different factors on customer loyalty, factor analysis has been conducted. The Exploratory factor analysis conducted on six main factors with 19 factor items and results were found out by Principal Component Analysis method. Reliability analyzes of the scale factor questions conducted by Cronbach α method obtained a .854 result for 19 items.

From the results generated by Principal Component Analysis, six factors have been analyzed. Each factor is greater than one as a value of Eigen. According to rotated component matrix results, total reliability in this case is .854%, whereas Staff factor is .829% ,Service satisfaction 0.659%,Relationship is 0.669%,Reliability is .629%, Security is .650%.

The 'staff' factor has been first principle component of EFA. Efficiency and importance of kindness, sincerity, honesty, experience, customer focusing, and problem solving ability of ‘staff’, makes it essential for banking sector. Also, efficiency of staff factor on customer loyalty has been justified by confirmatory factor analysis (CFA). Staff is among main two factors that impact customer loyalty directly with relationship. Confirmatory the significance of a hypothesized factor model and its validity. Furthermore, CFA measures certain numbers of each factor and confirms which factors...
are correlated each other (Schumacker and Lomax, 2004).

Relationship is one of the main components of customer loyalty in banking sector as in other businesses. Padmavathy et al. (2012) evaluate relationship satisfaction as basis for loyalty in banking sector. Also, Leverin and Liljander (2006) obtained in their study that relationship satisfaction leads customer loyalty. Akhter et al. (2011) assess relationship factor as predetermine of establishing customer loyalty. They have measured significance on customer loyalty and emphasized that customer loyalty is significantly dependent on customer relationship. Staff is another major element has direct impact on customer loyalty. Staffs, who deal with customers, directly represent brand. Their kind and gentle approaches impress customers positively and also, cultivating strong relationships with customers can be possible struggle of employees. Approaches of employees have a critical role not only on obtaining customer loyalty but also on customer retention, according to a study 13% of customers, who closed bank accounts, show as reason rude and unhelpful staff approach (Mylonakis, 2009). There is a significant relationship between staff service satisfaction and behavioral loyalty as well as attitudinal loyalty (Monsef et al. 2012).

### Regression Analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Service Satisfaction</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td>H2 Security</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td>H3 Relationship</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td>H4 Reliability</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td>H5 Staff</td>
<td>Customer Loyalty</td>
</tr>
</tbody>
</table>

### 7. Conclusion

In particular, the main objective of this study was to reveal the impacts of different factors on customer loyalty in Spanish banking context. So this framework would show that if the bank wants to create loyalty between then and clients, should apply all the factors that were designed for the questionnaire. The study shows that, service, security, relationship, reliability, loyalty, and staff can increase the loyalty among Customers and banks in Spanish. Taking in consideration the analysis done to the questionnaire we can conclude that most of the respondents responded very positively on all factors of the questionnaire.

The factors are: service, security, relationship, reliability, loyalty, and staff. The majority of variable answers was agreeing and strongly agrees. Infact, each factor is important on customer loyalty but relationship and staff factor are essential than other factors in terms of having potential to build customer loyalty alone. Undoubtedly, the other factors (service satisfaction, reliability and security) are important components of customer loyalty in banking industry but not powerful as much as creating loyalty alone.

### 8. Practical implications

This study provides an opportunity to evaluate main factors on customer loyalty in banking sector. It will be helpful to bank managers to define priorities and to design appropriate marketing or public relation campaigns in order to enhance customer satisfaction and loyalty. In organizational trainings, educating bank staff regarding power of relationship and teaching them on details of cultivating kind relations with customers should provide competitive advantage to your bank. Also, making bank staff aware about the importance of their positive and kind approaches toward customers should be very useful behalf of your brand. Firstly improving positive relationships with customers and demonstrating kind staff approaches, then applications of the other factors from this study are going to be helpful for banks to create a strong, positive and long-lasting customer relationship.

### 9. Future research

This research provides opportunity for new researchers to increase its generalizability, uniqueness or reproduction by finding new and related variables for the whole model.

### 10. Limitations

This study has some limitations as well as useful findings. In this study only relationships of 5 factors have been analyzed with loyalty by confirmatory factor analysis method. For further study besides
analyzing different factors, efficiency of relationship and staff factors can be analyzed by structural equation modeling method as latest variable. In this field, valuable another further study for banks can be examining details of staff approaches and revealing its sub-items or factors. Understanding customer expectations in this regard provides a right direction to bank managers.

Bibliography


