

**IMPACT ON THE FACTORS THAT AFFECT ON CUSTOMER
RETENTION FOR ONLINE BANKING SERVICES IN NUWARA-
ELIYA DISTRICT**



RDV/1516



Project Report
Library - EUSL

**KIRULAPANE MOHOTTI ARACHCHILAGE RANGIKA ISHARI
ALMEDA**

1516



Department of Management
Faculty of Commerce and Management
Eastern University, Sri Lanka

2015

ABSTRACT

The emerging technology has made an exponential growth of the Internet which has changed the pattern of organizations performing their business with customers. The banking industry is no exception. In order to gain competitiveness, banks have been introducing more online Banking Services.

Managing effective Customer Retention strategies are increasingly important in the banking industry. Since the length in years of customer relationships are one of the most important factors that contribute to the profitability. As a result Customer Satisfaction may be one important driver of Customer Retention. The Switching Costs, Trust and Service Quality are also likely to influence Customer Retention independently. Therefore the researcher has set up four objectives to achieve the key factors that affect to the Customer Retention.

Based on the previous literature, a conceptual framework was developed to determine the impact of factors that affect on Customer Retention for online Banking Services. The research was mainly based on data, collected from online banking customers in Nuwara-eliya. The results of the statistical analysis showed that there were specific factors that affect Customer Retention. Finally the four objectives setup by the researcher was successfully achieved. Therefore these findings will help the banks to establish a customer oriented strategy to retain their customers in future.

Key Words: *Customer Retention, Customer Satisfaction, Trust, Service Quality, Switching Barriers, Online Banking*

TABLE OF CONTENTS

Contents	Page No
Acknowledgement.....	I
Abstract.....	II
Table of Contents.....	III
List of Tables.....	VII
List of Figures.....	IX
List of Abbreviation.....	X
1. Chapter One: Introduction.....	01-09
1.1. Background of the Study.....	01
1.2. Problem Statement.....	04
1.3. Research Questions.....	05
1.4. Objectives of the Study.....	06
1.5. Significance of the study.....	06
1.6. Scope of The Study.....	07
1.7. Limitation of the study.....	07
1.8. Assumption of the study.....	08
1.9. Summary.....	09
2. Chapter Two: Literature review.....	10-29
2.1. Chapter Introduction.....	10
2.2. Online Banking.....	07
2.3. Customer.....	12
2.3.1 Customer Retention.....	12
2.3.2 Reichheld's theoretical position on customer retention strategies.....	13
2.3.3 Measures of Customer Retention.....	15
2.3.4 Bank Customer Retention Strategies.....	17
2.4. Influencing Factors on Customer Retention.....	19
2.4.1 Customer Satisfaction.....	19
2.4.1.1 Accuracy and Reliability.....	20
2.4.1.2 Accessibility.....	20
2.4.1.3 Technology.....	21
2.4.2 Trust.....	22

2.4.2.1	Reliable of Promises	22
2.4.2.2	Privacy and Security	23
2.4.3	Service Quality	23
2.4.3.1	Problem Solving	25
2.4.3.2	Responsiveness	25
2.4.4	Switching Barrier	26
2.4.4.1	Switching Cost	27
2.4.4.2	Attractiveness of Alternatives	28
2.5.	Chapter Summary	29
3.	Chapter Three: Conceptualization and Operationalization	30-35
3.1.	Introduction	30
3.2.	Conceptualization	30
3.3.	Definition of key concepts and variables	31
3.3.1	Customer Retention	31
3.3.2	Customer Satisfaction	32
3.3.3	Trust	32
3.3.4	Service Quality	33
3.3.5	Switching Barriers	33
3.4.	Operationalization of Variables	34
3.5.	Summary	35
4.	Chapter Four: Methodology	36-42
4.1.	Introduction	36
4.2.	Study setting and design	36
4.3.	Sample Size	37
4.3.1	Population	37
4.3.2	Sample Size	37
4.4.	Data Collection Tool	37
4.4.1	Questionnaire	38
4.5.	Data Presentation and Analysis	39
4.5.1	Data Presentation	39
4.5.2	Data Analysis	39
4.6.	Method of Data Evaluation	40
4.6.1	Univariate Analysis	40
4.6.2	Bivariate Analysis	41

4.7. Chapter Summary.....	42
5. Chapter Five: Data Presentation and analysis.....	43-77
5.1. Introduction.....	43
5.2. Personal Information.....	43
5.2.1 Age Category.....	43
5.2.2 Gender.....	45
5.2.3 Education level.....	45
5.2.4 Occupation.....	47
5.2.5 Monthly income level.....	48
5.2.6 Information Technology literacy level.....	50
5.2.7 Bank of the Respondent.....	51
5.2.8 Duration with the bank.....	52
5.2.9 Duration of online banking.....	53
5.2.10 Type of online service.....	54
5.3. Data Reliability.....	55
5.4. Research Information.....	56
5.4.1 Univariate Analysis.....	56
5.4.1.1 Customer Satisfaction.....	57
5.4.1.2 Trust.....	60
5.4.1.3 Service Quality.....	61
5.4.1.4 Switching Barriers.....	62
5.4.1.5 Customer Retention.....	64
5.4.2 Bivariate analysis.....	66
5.4.2.1 Correlation Analysis.....	66
5.4.2.1.1 Correlation Between Satisfaction and Retention.....	66
5.4.2.1.2 Correlation between Trust and Retention.....	67
5.4.2.1.3 Correlation between Service Quality and Retention.....	68
5.4.2.1.4 Correlation Between Switching barriers and retention.....	69
5.4.2.2 Regression Analysis.....	69
5.4.2.2.1 Regression Between Satisfaction and Retention.....	70
5.4.2.2.2 Regression between Trust and Retention.....	71
5.4.2.2.3 Regression between Service Quality and Retention.....	72
5.4.2.2.4 Regression Between Switching barriers and retention.....	73
5.4.2.3 Multiple Regression.....	75

5.5. Summary.....	77
6. Chapter Six: Discussion	78-85
6.1. Introduction	78
6.2. Discussion on Personal Information.....	78
6.3. Discussion on Research Variables.....	79
6.3.1 Impact of Satisfaction on Retention.....	80
6.3.2 Impact of Trust on Retention.....	81
6.3.3 Impact of Service Quality on Retention.....	82
6.3.4 Impact on Switching Barriers on Retention.....	84
6.4. Chapter Summary.....	85
7. Chapter Seven: Conclusion and Recommendation	86-94
7.1. Introduction.....	86
7.2. Overall Conclusion.....	86
7.2.1 Conclusion about Customer Satisfaction on Customer Retention.....	87
7.2.2 Conclusion about Trust on Customer retention.....	87
7.2.3 Conclusion about Service Quality on Customer retention.....	87
7.2.4 Conclusion about Switching Barriers on Customer retention.....	88
7.3. Recommendations.....	88
7.4. Limitations.....	92
7.5. Implications.....	93
7.6. Summary.....	94
References.....	95-100
Appendix.....	101-107
Appendix - 1: The Questionnaires used for the study.....	101-105
Appendix - 2: Important Statistical Data.....	106-107