ABSTRACT

The Private sector banks in India have achieved a higher growth rate compared with Public sector banks over a eight year period (2004–2011). This thesis examines whether the difference in financial growth can be partly explained by differences in customer retention and what are the factors that have an impact on customer retention. Data is collected through a questionnaire from 975 customers at 41 branches of 5 public sector banks and private sector banks each, located in the 5 taluks of Erode district. Data on Bank/Branch attributes, Customer Service Characteristics, Customer attributes, Perception about Competitors, the period of holding the account, the reason for choosing a particular bank, the likely period for which the customer will maintain the account and the likely reason for changing the bank were collected and analysed. Logistic regression model is used to identify the factors that contributed to Customer Satisfaction. Chi Square test is used to test the association between different variables.

The study finds that Bank/ Branch attributes such as convenient
location, access, parking space and working hours have the greatest impact on
Customer Satisfaction. Customer service characteristics like account handling,
customer friendly policies and customer handling also influence Customer
Satisfaction. The most important reason why customers intend to change the
bank is “Change in job/ residence” followed by the “Need for more facilities
(credit)”. “Customer service” is given as a reason for leaving only over a
longer period of 1 to 5 years. Customer characteristics like age, gender,
monthly income and educational qualification are found to have no association
with the intention to stay/leave. Nature of employment has an association with
the intention to leave with respondents with business as their occupation
reporting greater likelihood of leaving the bank.

The study by covering a larger number of banks and branches
finds that the perceived superiority of private sector banks over public sector
banks in customer satisfaction and retention is not supported. The study
contributes to theory by identifying Customer relocation as an important
variable in customer retention and also identifies that reasons for defection
vary with time. The study has detected variability in performance of different
branches of the same bank and identified an important gap that needs to be
addressed by the banks. Suggestions to improve customer satisfaction and
customer retention are made. Areas for further research have been identified.