

Factors Determining to Impact Customer Loyalty in Bangladesh Banking Industry

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Abstract: The aim of this research is to build a conceptual model to provide clear understanding of customer loyalty. Structural equation modeling as a data analysis tool has been used to analyze the data collected from 304 customers from banks in Bangladesh. The results of this study indicate that customer satisfaction among others is the most important antecedent of customer loyalty. Customer loyalty, which is composed of three different ways: intent to continue banking, intent to increase banking and intent to recommend the bank, depend on, customer value, commitment, trust, Service quality, and customer satisfaction have positive direct effect on customer loyalty.

Keywords: Customer loyalty, Intent to Continue Banking, Intent to Increase Banking and Intent to Recommend the Bank, Composite Reliability and AVE (Average Variance Extracted)

I. INTRODUCTION

Customer Loyalty means the customers will repurchase the exact identical brand product or services consistently later on without influenced by the problem that could cause shifting behaviour [1][2] mixed behavioural size and competencies measurement that consider as composite dimension, is implemented to quantify customer loyalty. Measurement considers constant which repetitious behaviour as an indication of loyalty. The measurements which are attitudinal utilise information to reflect the emotional and psychological attachment inherent in loyalty and also concerned with the sense of loyalty and allegiance according to [3]. Anyway, there's a continuous growth in customers' expectation in the present condition of increased international competition [5]. At the dynamic and complex environment of the banking industry, their little differences that exist in financial services jointly with a very demanding customer have contributed to a transformation within the industry. The normal product-oriented bank is currently growing increasingly customer-oriented in compliance with the typical fundamentals of relational marketing, which aims customer loyalty because it's main objective. In this sense, [4] believes that constant customer-oriented behaviour is a requisite for enhancing the implementation of quality of services promotion. Indeed, factors such as financial products and supply have attained similar levels of growth and technology and have thus been relegated into another function as benchmark points for distinguishing between one bank and another [6]

II. LITERATURE REVIEW

Bangladesh has experienced banking issues since 1986 surfaced insignificant bank failures failed banks as of 1998) after a crisis of; 1986 - 1989, 1993/1994 and 1998 [2]. Currently, several developed countries like the united states are undergoing a banking crisis. By way of example, the Citibank set has composed more than \$39 billion in reductions [10]. In Bangladesh, a scramble to customers between the states' more than 40 banks has competition, particularly in the retail, small and medium enterprises markets. Also, it appears the path to these markets is paved with a growing number of branches. Producing the Bangladesh capital its launching pad for its assault in the market is not unique. As markets become more competitive, many banks comprehend the value of retaining customers plus a few have pioneered some activities to increase customer loyalty. The banking industry being homogeneous and very competitive, it may be difficult to keep up a customer. A study by [9], [29], [21] investigated into the marketing strategies used by commercial banks at managing service breakdown of SME customers in Bangladesh. The findings revealed that that quality management of agencies enhanced the profitability of banks. Still another study [4] investigated the aggressive approaches embraced by Barclays Bank of Bangladesh in counter-acting industry contest, while [10] investigated that the drivers of customer loyalty to retail banks in Bangladesh. It has noticed the quality of services and customer loyalty are of vital interest in the banking sector. Of all these studies, none has endeavoured to find out factors influencing customer loyalty. This really can be as a result of the study intends to fill the gap as regards to these factors influencing customer loyalty from the banking industry.

Even the multi-dimension concept of customer loyalty can be thought to be relatively new. This paradigm is important because it implies that the achievement of customer loyalty within an organisation might be reached only once all of

these factors (customer orientation, customer loyalty organisation, knowledge management, and technology-based customer loyalty) work together. A couple of studies on customer loyalty factors have been conducted from the service industry, such as banking [8]. Moreover, the importance of conducting studies on customer loyalty factors inside the bank has been suggested [10], [20]. Announced there is research which explores the influence of customer loyalty on organisational performance in the bank industry. Hence, it is reasonable to say that little attention was awarded to all these capabilities from the bank industry. There is the opportunity to extend the literature about customer loyalty factors and bank performance, both empirically and theoretically, Customer loyalty factors are assessed in several ways, including customer satisfaction [11] Market efficacy and financial performance [12]. customer performance and economic performance and customer retention and earnings growth [5]. The utilisation of other factors behind performance to value the impact of customer loyalty factors is beneficial, as indicated by previous studies [7, 24, 28]

Reviews of literature reveal results concerning the impact of customer loyalty and company performance. For that reason, there is a need for more research that investigates the mechanism of mediating variables which may be necessary for describing the association between customer loyalty and company performance [12] conducted a study to investigate the synergistic effect of marketing capacities on the relationship between customer loyalty technology and organisational performance within the banking sector. They advocated that future studies should explore the effect of the marketing preparation factors and promotion implementation customer loyalty separately, in order to identify which of those factors has the more significant influence on the relationship between customer loyalty and business performance.

As a reply to the particular recommendation, this study explores the effect of both of these types of marketing capability on the relationship between customer loyalty and bank performance separately. The literature also indicated a shortage of empirical studies investigating the impact of customer loyalty on organisational performance; for instance, [13] contended that just a couple of studies exist on testing the theoretical framework of customer loyalty. They suggested that customer loyalty research results should be generalizable. [14] agreed that there is a lack of systematic studies which attempt to appraise the impact of customer loyalty on firm performance. Moreover, most of the customer loyalty studies were conducted with qualitative approaches. This study expands the current literature by employing a quantitative approach. By the points discussed above, it is likely to spot the major research problem, which concerns both the evaluation of the effect of customer loyalty on bank performance and assesses the mediating impact of promotion capabilities on the connection between customer loyalty and bank performance.

III. METHODOLOGY

The survey process was utilized for data collection. The objective respondents for the study were individuals in Bangladesh who've utilized banking services. This research used a convenient sampling procedure. A sample size of 300 online surveys was distributed with friends, family and colleagues of the researchers. The respondents hail in different countries of Bangladesh, with distinct age groups and levels of instruction. As a result, the results from this research study could be shown to represent Bangladesh generally. From those 300 questionnaires spread, 214 have been completed and returned, yielding a response rate of 71.3 percent. A pre-test has been performed which included 20 lecturers that are conversant in marketing and information system places to get the survey's items sequences and contextual relevance.

Feedbacks were collected and how exactly to enhance the overall design and understanding of the things in the questionnaires. To be able to ensure content validity of these dimensions, the items were adapted from prior researches []. A total of 40 study items for 8 dimensions from the survey came from prior empirical studies, and were altered to match the circumstance of mobile commerce. Responses to the statements were measured by a five-point Likert scale: "1" denoted as strongly disagree, "2" denoted as disagree, "3" denoted as neutral, "4" as concur, and "5" as strongly agree. Data were subsequently analysed using the Structural Equation Modelling (SEM) method. SEM is very useful in this research since it can gauge a collection of different, but interdependent, multiple regression equations concurrently" at a given structural model []. Therefore, SEM is the most suitable analysis to estimate the strength of the relationships between the constructs identified.

IV. RESULTS

The reliability of the independent variables and dependent variable were tested using Cronbach's alpha measurement. Table 1 below displays the reliability coefficients ranged from 0.897 to 0.920. According the [27], the reliability coefficient of variables is acceptable if the Cronbach's alpha is greater than 0.70. In this study, the reliability coefficient of all the variables are within the acceptable range as they are above 0.70, which concurs with the suggestion made by [24].

Table: Cronbach's Alpha, Composite Reliability and AVE

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Commitment	0.817	0.872	0.580
Customer Loyalty	0.798	0.862	0.542
Perceived Value	0.750	0.833	0.500
Satisfaction	0.865	0.899	0.601
Service Quality	0.728	0.815	0.425
Trust	0.694	0.811	0.525

Table 1: Item Measuring the Constructs in the model

Variables	Items	Source
Customer Loyalty	14	Arnold and Reynolds, (2003) and (Mowday et al., 1979).
Commitment	9	Hengameh Rabiei, (2011) and Morgan and Hunt (1994)
Trust	10	Hengameh Rabiei, (2011) and Morgan and Hunt (1994)
Customer Satisfaction	10	(Hengameh Rabiei, 2011; Meyer and Allen, 1997; Oliver, 1997)
Service Quality	8	(Parasuraman, Zeithaml, and Berry, 1988)
Customer Value	4	(Hangmen Rabiei, 2011)

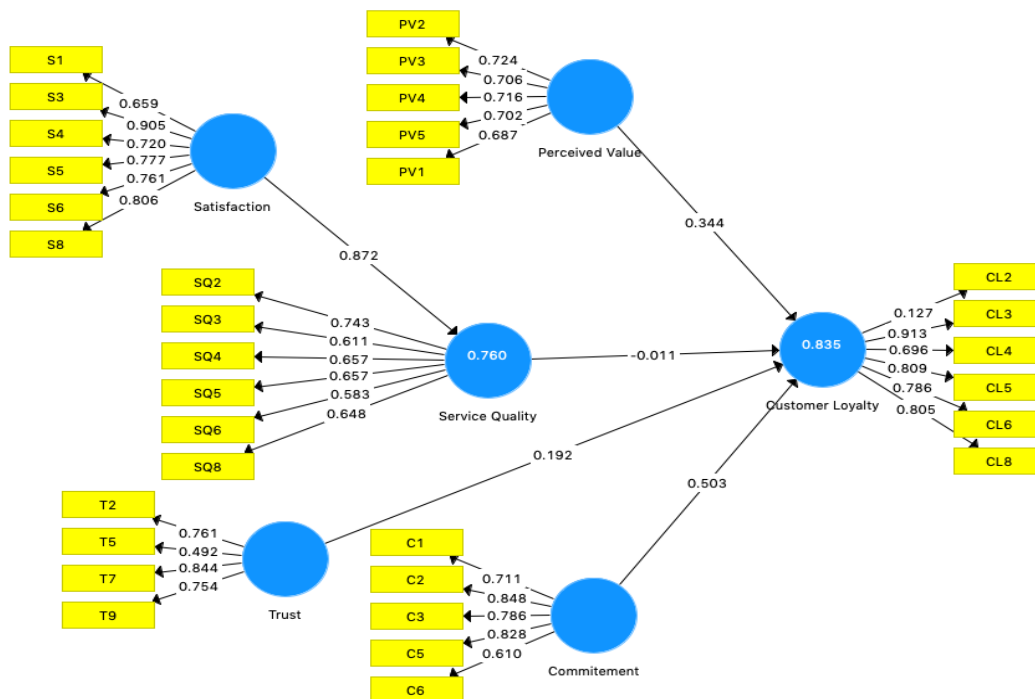


Figure 1: Customer loyalty Model

Table: Testing (Direct Effects) Testing (Direct Effects)

Hypotheses	Relationship	Path Coefficient (β)	T value	P value	Effect Size (f^2)	Supported
H1	PV \rightarrow CL	0.503	16.009	0.01	0.745	Yes
H2	S \rightarrow SQ	0.344	9.321	0.01	0.133	Yes
H3	T \rightarrow CL	0.872	31.641	0.01	0.120	Yes
H4	C \rightarrow CL	-0.011	0.188	0.01	0.375	Yes
H5	SQ \rightarrow CL	0.192	4.881	0.01	1.083	Yes

V. DISCUSSION

In the relationship marketing literature many individual constructs and concepts have received considerable attention as antecedents in customer loyalty process. The existing literature has investigated some of the constructs such as service quality, customer value, customer satisfaction, trust, and commitment as the key success factors which increase customer loyalty process in banking service. The mediating effects of customer value, customer satisfaction, trust and commitment in such a process have also been determined. This research contributes to the existing literature on customer loyalty in banking. The main purpose of this analysis was to evaluate the relationships between the different constructs as a whole in order to determine the direct and indirect effects of these relationships in the context of banking organization. Following the constructs, a review of the relevant existing literature was performed, and model (figure1) was developed that explained the relationship among the constructs in terms of customer loyalty in commercial banking organization in Bangladesh.

CONCLUSION

Customer loyalty has been discussed as an important resource in banking context. This research has investigated the effect of service quality, customer value, customer satisfaction, commitment, and trust on customer loyalty, which have been explored as the key success factors of customer loyalty. Understanding how commercial banks prioritize the important constructs of customer loyalty help banks to manage the relationship with banking organization. A well-refined model could be a useful tool to contribute to future marketing attempts of banking service as well as firm which provide financial service for customers.

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