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Role of Switching Barriers as an Antecedent of Customer Loyalty in Private and Public Banks of India

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Abstract: *Losing customers negatively impacts a bank's profits and its market share. Customer retention by inducing loyalty is a top priority in the fiercely competitive Indian banking industry. The objective of the present study is to find out how switching barriers affect customer loyalty in private and public sector banks in the wake of bank privatisation in India. Data was collected by means of a questionnaire from a sample of 609 bank customers in India. The collected data was analysed using descriptive analysis, comparison of means, ANOVA and regression. Comparison of means and ANOVA were used to find if there was considerable difference in customer loyalty and perception of the switching barrier variables for private and public sector banks and among male and female bank customers. Based on regression, the effect of switching barriers on customer loyalty for private and public sector banks were determined. It was found that confidence benefits played a significant role in determining customer loyalty in private and public sector banks. For public sector banks, special treatment benefits and confidence benefits are found to play a considerable role in determining customer loyalty. It also shows that if suitable attractive alternatives are available, switching is a possibility for public sector banks. For private sector banks, all dimensions of switching barriers other than the availability of attractive alternatives considerably impact customer loyalty. This study affirms previous models showing that all five switching barrier variables affect customer loyalty of banks. However, the results show that the availability of attractive alternatives plays an insignificant role for private sector banks, while social benefits and switching costs play an insignificant role for public sector banks. Moreover, the results also reveal that female customers tend to be more loyal to their banks compared to their male counterparts.*

Keywords: Switching barriers; Customer loyalty; Switching costs; Private sector banks; Public sector banks
JEL Classification: M10, M20, M31

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1. Introduction

Customer experience has taken a great leap of late in terms of the products and services on offer, especially with the availability of doorstep delivery and other options just a click away. Based on the results of an NTT Data (2020) survey, a mammoth change was found in the way banks acted on the parameters of customer experience. As much as 83.9% of banks and investment firms are of the view that customer experience provides a competitive advantage, while 60.9% view it as the main differentiator. However, it was found that customer experience was an important aspect of organisational strategy in only 17.4% of the entities surveyed. In this technology-driven era, the banking industry is faced with a large consumer segment that is tech-savvy and builds trust based on the quality of services offered and the quickness of response. With numerous players in the sector, consumers have competitive options in terms of choosing the best financial service provider. The abundance of supply in services from numerous banks and investment firms has raised the benchmark in banking services, thus leading to the evolution of demanding customers expecting customised services. Customers' evolving needs thus require innovation from financial service providers. These present several opportunities on the one hand and threats on the other.

Contrary to popular assumption, many satisfied customers are ready to switch service providers (Mittal & Lassar, 1998). Losing customers affects a bank's profit and market share. Customer retention by inducing loyalty is a top priority in the fiercely competitive Indian banking industry. This is because acquiring new customers is much more costly than retaining existing ones (e.g., Rosenberg & Czepiel, 1984; File & Prince, 1995; Evans & Laskin, 1994; Day, 1999; Reichheld & Sasser, 1990; Dick & Basu, 1994; Gender & Brown, 1999; Shoemaker & Lewis, 1999). Banks face a challenge to retain their customers. To this end, the present study examines the variables of switching barriers that lead to customer loyalty.

Switching costs or switching barriers may be defined as the disadvantage or expense that consumers perceive to experience upon switching from one product or service to another. It was first investigated in Keaveney's (1995) critical incident study. It was followed by the development of numerous models to conceptualise switching barriers. For banking, a switching barrier is something that makes it either difficult or expensive for customers to

alter their service provider (Tesforn & Birch, 2011). Several studies have been carried out to identify the factors which induce customers to switch, but comparatively little on what prevents them from switching. Thus, switching barriers are a vital area of research to better understand switching behaviours. Consumers go through a cognitive process called switching dilemma based on the factors that induce switching and those that act as barriers. In the case of a firm having many prospective switchers, an understanding of the factors that act as switching barriers is important to come up with proper retention plans. Additionally, for firms that are on the lookout for prospective switchers, understanding switching barriers is important to increase market share.

A strong relation between switching barriers and customer retention is shown in several studies (e.g., Lee & Feick, 2001; Julander & Soderlund, 2003). Valenzuela (2010) hints that customer retention is possible through the creation of switching barriers. Relational benefits add to customer loyalty (Dimitriadis, 2010). If switching costs are high, customers tend to be loyal (Wang & Wu, 2012). If the alternatives available to the customer are less attractive, customers adhere to their current service providers (White & Yanamandram, 2007). This paper focuses on the impact that the dimensions of switching barriers have on customer loyalty with respect to the Indian banking sector.

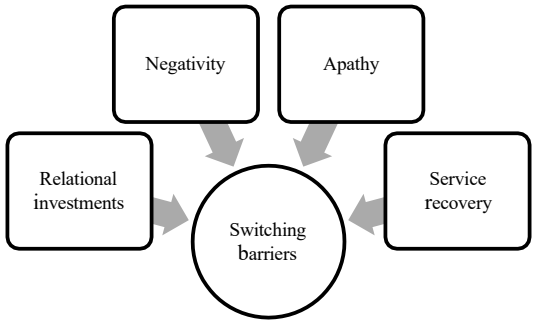
2. Literature Review

The dependent variable, customer loyalty, has been defined in many ways in the literature, pertaining to both behavioural and attitudinal aspects. The attitudinal aspects are emphasised by Jacoby (1971), while the behavioural aspects are considered by Harris and Goode (2004). Later researchers like El-Manstrly et al. (2011) focused on a comprehensive measure combining both. In this study, loyalty is the extent to which customers repeat purchases from the same service providers, stick with them, and maintain a positive outlook towards them (Wang & Wu, 2012; El-Manstrly et al., 2011; Al-Hawari et al., 2009). In a business to consumer environment, loyalty is a vital aspect that contributes towards a competitive advantage (Islam et al., 2021; Yilmaz et al., 2018).

Switching barriers, the independent variable, have been classified in different ways by researchers. According to Ping (1993), it includes the

aspects of lack of attractive alternatives, high relational investment, and high costs associated with switching. Colgate and Lang (2001) attempt to find the reasons that make customers decide to continue with their existing service providers despite having seriously pondered switching, and identify four categories of switching barriers, as shown in Figure 1.

Figure 1: Switching Barriers (Colgate & Lang, 2001)

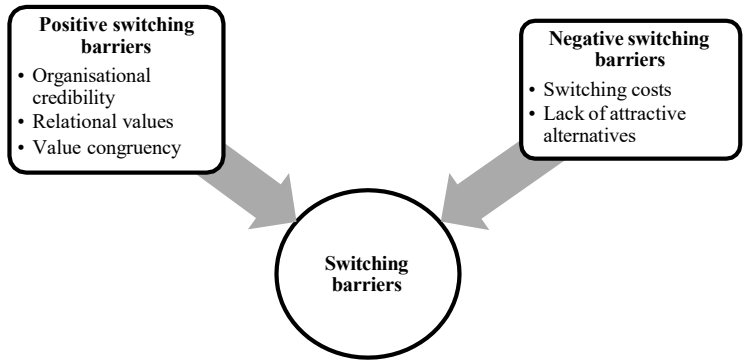


Colgate and Lang (2001) note that in the banking industry, those who consider switching tend to be younger and have higher income and educational qualifications. They also confirm that relational investments, negativity, apathy, and service recovery are the key elements of switching. Of these, apathy and negativity were termed as the most prominent triggers of customers switching over. Although service recovery does matter, there may be customers who may not complain about the service-related issues; customers who do not receive a satisfactory resolution to their service-related issues; and customers who do not come across service-related issues.

Similarly, Valenzuela (2012) lists three positive barriers, i.e., organisational credibility, value congruence, and relational values, as well as two negative switching barriers, i.e., switching costs and lack of attractiveness of alternatives, that compel customers to switch over from their existing service providers (see Figure 2). Organisational credibility refers to the extent to which customers have faith in their current banks; a higher level of faith in a bank leads to a stronger bond with the customer and prevents switching. Value congruency is the degree to which the values of customers are in alignment with their banks; when the ethical principles and investment policies of the bank are in rhythm with those of the customer, a deeper attachment is formed, making switching difficult. Relational values

refer to the nature of the relationship between customers and their banks; when employees at the bank recognise and value their customers highly, there is a lower tendency for switching.

Figure 2: Positive and Negative Switching Barriers (Valenzuela, 2012)



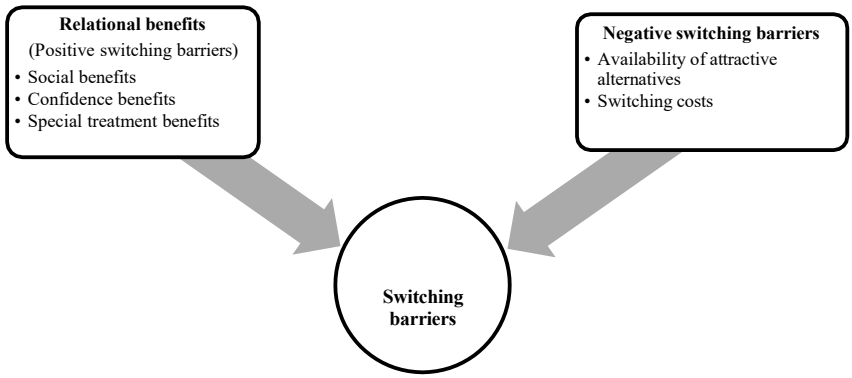
Switching costs refers to the difficulty experienced by the customer in changing to another bank; often, customers desiring to switch are unable to do so because of the difficulty involved. Additionally, switching costs also play a moderating role between trust, perceived value, and customer loyalty (El-Manstrly, 2016). A lack of attractive alternatives, meanwhile, refers to the absence of suitable options of banks; when customers feel that the banks in the market cannot meet their service expectations, they show reluctance to switch. A study conducted on the Greek banking sector finds that customer loyalty is affected by relational benefits, like confidence benefits and special treatment benefits, as well as by switching costs and the availability of attractive alternatives (Koutsothanassi et al., 2017).

Gwinner et al. (1998) state that the relational benefits experienced by customers play a major role in keeping them loyal towards their existing service providers. On the other hand, when switching costs increase, it forcefully retains customers, thus nullifying the switching behaviour and increasing customer loyalty (Wang & Wu, 2012). The availability of fewer alternatives, or the perception that these alternatives are not attractive enough, induces customers to stay with their existing service providers (Tesfom & Birch, 2011; Valenzuela, 2010).

Al-Hawari (2014) states that customer loyalty is affected by switching barriers through relational benefits, along with cost and the availability of

attractive alternatives as the two punitive barriers of switching (Figure 3). Relational benefits refer to the positive effects of creating and maintaining relationships for the customer as well as the organisation. A commitment to relationship is a strong driver of customer loyalty (Dagger et al., 2011). Several studies identify three categories of benefits that customers enjoy in long-term relationships with organisations, i.e., confidence benefits, social benefits and special treatment benefits.

Figure 3: Switching Barriers (Al-Hawari, 2014)



Confidence benefits refer to psychological factors, including a feeling of security and faith when dealing with the organisation. Social benefits refer to the social comforts enjoyed by the customers when dealing with service providers, such as being personally recognised, or rapport with employees beyond business purposes (Yang et al., 2017). Lastly, special treatment benefits refer to monetary and service customisation benefits enjoyed by customers. According to Lee et al. (2023) social and special treatment benefits influence effective commitment.

The negative barriers of availability of attractive alternatives and switching costs are similar to the negative barriers identified by Valenzuela (2012). Here AAA refers to customers' perceptions of substitutes that are available in the market and how these compare to their current banks (Tesfom & Birch, 2011). More recent studies also show that customers tend to change service providers if they are attracted to alternatives (e.g., Kim et al., 2018).

Koutsothanassi et al. (2017) use a four-factor structure that includes the five factors listed by Al-Hawari (2014), save for social benefits. Switching barriers have been identified as being critical in consumer switching and firm success (Baloglu et al., 2017; Qui et al., 2015). The present study uses a five-factor structure, i.e., social benefits (SB), confidence benefits (CB), special treatment benefits (STB), availability and attractiveness of alternatives (AAA), and switching costs (SC), to determine how this affect customer loyalty (CL). Initially, this model was tested for all banks, then separately for private and public sector banks.

3. Methodology

3.1 Research design

The present study uses descriptive research, with primary data collected through questionnaires from bank customers. The data was collected from bank customers from the urban areas of South India through questionnaires. Initially, a sample of 70 was collected to confirm the scale reliability. Once reliability was confirmed, data was collected from a total of 609 respondents through non-probability sampling. The use of non-probability sampling does not give an equal opportunity for each element to be included in the sample which leads to sampling bias.

The questionnaire was divided into six sections. Each section consists of statements measuring the main variables proposed in the study, i.e., the five switching barrier variables along with the predicted variable, CL. The assessment of SB, CB, and STB are based on Al- Hawari (2014), while AAA is measured by the four-item scale used by Tesfom and Birch (2011) modified by Al-Hawari (2014). SC are measured by a scale consisting of three items taken from Edward and Sahadev (2011) modified by Al-Hawari (2014). Finally, CL is measured by the items used by Al-Hawari et al. (2009).

The reliability of the scale was checked with a pilot study. As noted above, a sample size of 70 was initially collected so that the scale reliability could be checked using Cronbach's alpha. This produced values greater than 0.7 for all six dimensions of the study, as shown in Table 1 below.

Table 1: Reliability of Study

S No.	Dimension	N	Items	Cronbach's alpha
1	Social benefits (SB)	70	4	0.85
2	Confidence benefits (CB)	70	4	0.86
3	Special treatment benefits (STB)	70	4	0.84
4	Switching costs (SC)	70	3	0.73
5	Availability of attractive alternatives (AAA)	70	4	0.71
6	Customer loyalty (CL)	70	3	0.79

The Cronbach's alpha values confirm internal consistency among the items for each variable. The questionnaires were then distributed to 800 respondents in the five states of South India, of which 609 fully filled questionnaires were returned, with a response rate of 76.12%. After checking the scale reliability further, analysis was carried out using linear regression and one-way analysis of variance (ANOVA) test.

CL is the dependent variable which is to be measured as an outcome of the independent variables SB, CB, STB, AAA, and SC. The purpose of the study is to evaluate the effect of the five independent variables on CL. While doing regression, all the other factors like age, gender, etc., are kept constant as control variables.

3.2 Sample demographics

A total of 427 respondents are in the 26 to 45 age group, accounting for 70.2% of the sample size, whereas the age groups 25 years and below and 46 years and above consist of 91 respondents each, or 14.9% (see Table 2). The samples adequately represent both genders as well as customers from private and public sector banks. The sample consists of 343 males or 56.3% of respondents and 266 females or 43.7% of respondents. Customers of the private sector banks comprise 322 or 52.9% of respondents, and customers of the public sector banks comprise 287 or 47.1% of respondents.

Table 2: Demographic Distribution of Sample

Demographic variables	Particulars	Frequency	Percentage
Gender	Male	343	56.3
	Female	266	43.7
	Total	609	100
Age	< 25 years	91	14.9
	26–45 years	427	70.2
	> 46 years	91	14.9
	Total	122	100
Bank type	Private sector	322	52.9
	Public sector	287	47.1
	Total	609	100

4. Results

Table 3 indicates that the overall mean of CB is above 4, showing that customers of both private and public sector banks trust their respective banks, do not have any anxiety while dealing their banks, and are confident that their expectations will be met by their banks. In general, customers are loyal to their respective banks, with CL having an overall mean of 3.63. However, the mean CL for private sector banks is considerably higher at 3.77. It was also found that the perception of customised benefits being offered by the banks was considerably higher in private sector banks. To find if the difference shown in the means for the various dimensions of switching behaviour and CL are significant, an ANOVA test was carried out.

Table 3: Mean Comparison of Dimensions of Switching Barriers and Customer Loyalty in Private and Public Sector Banks

Bank Type		SB	CB	STB	SC	AAA	CL
Private sector banks	Mean	3.4293	4.0272	2.9402	2.8406	3.3424	3.7754
	N	322	322	322	322	322	322
	Std. dev	0.9113	0.57721	0.85021	1.01296	0.65908	0.67512
Public sector banks	Mean	3.2927	3.9817	2.5793	2.9431	3.2622	3.4878
	N	287	287	287	287	287	287
	Std. dev	0.96899	0.60437	0.80998	0.82422	0.66363	0.92142
Total	Mean	3.3649	4.0057	2.7701	2.8889	3.3046	3.6398
	N	609	609	609	609	609	609
	Std. dev	0.94063	0.59012	0.85016	0.92947	0.6619	0.8128

Table 4 above confirms that the difference in the means of SB and CL between private and public sector banks is significant. This difference in the perception of SB and CL in private and public sector banks is found in the population mean as well. With other dimensions of switching behaviour, the difference in means is insignificant. Thus, we can safely assume that the overall mean of SB and CL in private sector banks is higher.

Table 4: ANOVA Test for Differences in Dimensions of Switching Barriers and Customer Loyalty in Private and Public Sector Banks

		Sum of squares	**df**	**Mean square**	**F**	**Sig.**
SB	Between groups	2.834	1	2.834	3.215	0.073
	Within groups	535.12	607	0.882		
	Total	537.954	608			
CB	Between groups	0.314	1	0.314	0.901	0.343
	Within groups	211.416	607	0.348		
	Total	211.73	608			
STB	Between groups	19.77	1	19.77	28.595	0.000
	Within groups	419.671	607	0.691		
	Total	439.441	608			
SC	Between groups	1.595	1	1.595	1.848	0.174
	Within groups	523.665	607	0.863		
	Total	525.259	608			
AAA	Between groups	0.976	1	0.976	2.232	0.136
	Within groups	265.396	607	0.437		
	Total	266.372	608			
CL	Between groups	12.548	1	12.548	19.574	0.000
	Within groups	389.125	607	0.641		
	Total	401.673	608			

Table 5 below shows that the overall mean of CB is above 4, showing that customers of both genders trust their respective banks and are not anxious while dealing with their banks. The mean of CB with respect to females is higher at 4.09 compared to males at 3.93. The mean score of females was also higher for SB, SC and CL, whereas males had a marginally higher mean score with respect to their perception of the STB offered by the banks and in their perception of AAA. The mean CL of female customers was found to be considerably higher at 3.72. From this it appears that female

customers tend to be more loyal to their banks than their male counterparts. To find if the difference shown in the means for the various dimensions of switching behaviour and CL are significant, an ANOVA test was carried out.

Table 5: Mean Comparison of Dimensions of Switching Barriers and Customer Loyalty Among Male and Female Customers

Gender		SB	CB	STB	SC	AAA	CL
Male	Mean	3.3265	3.9388	2.7704	2.6939	3.3418	3.5714
	N	343	343	343	343	343	343
	Std. dev.	0.89802	0.65274	0.74311	0.9019	0.67804	0.86893
Female	Mean	3.4145	4.0921	2.7697	3.1404	3.2566	3.7281
	N	266	266	266	266	266	266
	Std. dev.	0.99241	0.48562	0.97242	0.90534	0.63854	0.72626
Total	Mean	3.3649	4.0057	2.7701	2.8889	3.3046	3.6398
	N	609	609	609	609	609	609
	Std. dev.	0.94063	0.59012	0.85016	0.92947	0.6619	0.8128

Table 6 confirms that the difference in the means of CB and the perception of SC between males and females is significant, as both are below 0.05. Also, the difference in CL between males and females is significant, with females tending to be more loyal to their respective banks. We can assume that this difference in CL between males and females will be found in the population mean as well. This study shows that women tend to trust their banks more compared to men and are normally more loyal to their banks. The difference in the means of other dimensions of switching behaviour is insignificant.

Table 6: ANOVA Test for Differences in Dimensions of Switching Barriers and Customer Loyalty Among Male and Female Customers

		Sum of squares	df	Mean square	F	Sig.
SB	Between groups	1.159	1	1.159	1.31	0.253
	Within groups	536.79	607	0.884		
	Total	537.954	608			
CB	Between groups	3.522	1	3.522	10.268	0.001
	Within groups	208.21	607	0.343		
	Total	211.73	608			

		Sum of squares	df	Mean square	F	Sig.
STB	Between groups	0.000	1.000	0.000	0.000	0.992
	Within groups	439.44	607	0.724		
	Total	439.44	608			
SC	Between groups	29.86	1	29.864	36.592	0.000
	Within groups	495.39	607	0.816		
	Total	525.25	608			
AAA	Between groups	1.089	1	1.089	2.492	0.115
	Within groups	265.28	607	0.437		
	Total	266.37	608			
CL	Between groups	3.67	1	3.676	5.606	0.018
	Within groups	397.99	607	0.656		
	Total	401.66	608			

4.1 Switching barriers and customer loyalty

The results shown in Table 7 below clearly indicate that all the five variables of switching barriers impact CL, as the level of significance in all cases is less than 0.05. Correlation is shown in the R value of 0.634, while the R^2 value of 0.402 shows that 40.2 percent of the variance in CL is explained by the five dimensions of switching barriers. After determining the relationship between CL and the dimensions of switching barriers, we proceed to examine this relationship in the case of Indian private sector banks using linear regression.

Table 7: Regression for Customer Loyalty and Switching Barriers in Banking

Independent variable	Unstandardised coefficients		t	R	R^2	Sig.	Results
	B	SE					
(Constant)	0.872	0.218	4.001				
SB	0.157	0.032	4.928			0.000	Confirmed
CB	0.498	0.048	10.37			0.000	Confirmed
STB	0.198	0.036	5.491	0.634	0.402	0.000	Confirmed
SC	0.113	0.031	3.631			0.000	Confirmed
AAA	-0.19	0.041	-4.648			0.000	Confirmed

Note: Dependent variable = CL.

4.1.1 Switching barriers and customer loyalty in private sector banks

The results in Table 8 below show that four of the five variables of switching barriers impact CL, as the levels of significance are less than 0.05. Only in the case of AAA is the level of significance slightly over 0.05. There is a good level of correlation, as shown by the *R* value of 0.57, while 32.4% of the variance in CL is explained by the dimensions of switching barriers as indicated by the R^2 value.

Table 8: Regression for Customer Loyalty and Switching Barriers in Private Sector Banks

Independent variable	Unstandardised coefficients		t	*R*	R^2	Sig.	Results
	B	SE					
(Constant)	1.593	0.259	6.16				
SB	0.182	0.04	4.582			0.000	Confirmed
CB	0.246	0.059	4.172			0.000	Confirmed
STB	0.191	0.045	4.281	0.57	0.324	0.000	Confirmed
SC	0.116	0.037	3.103			0.000	Confirmed
AAA	-0.097	0.052	-1.868			0.063	Unconfirmed

Note: Dependent variable = CL.

Next, the model was refined by introducing the switching barrier variables one at a time to examine its relationship with CL using forward regression. This is a regression process in which the model starts with no predictors and then goes on by entering the most significant predictor until a statistically significant criterion is encountered. Thus, only the independent variables that contribute to the model are included. Since the effect of AAA on CL for private sector banks in unconfirmed, forward regression was used for the switching barrier dimensions, which were entered one at a time to come up with the models below.

In the model summary of the final model (Model 4) of the forward regression (Table 9), correlation is shown by the *R* value of 0.563. 31.7% of the variance in the dependent variable, CL, can be accounted for by the independent variables, as shown by R^2. The adjusted R^2 of 0.308 indicates the capacity of the model to generalise. The difference between the R^2 value and the adjusted R^2 values is 0.009 (0.317-0.308), indicating that if the

model was obtained from the population instead of the sample there would be approximately 0.9% less variance. The ANOVA table shows the statistical significance of the model. With forward regression, the independent variables were entered one at a time until Model 4 was reached, where four of the independent variables affecting CL were used and the fifth was left out. In Model 4 the significance level is below 0.05, showing that the model is statistically significant.

Table 9: Model Summary and ANOVA Table for Forward Regression

Model	*R*	R^2	Adj. R^2	Std. error of the estimate	R^2 change	F change	df1	df2	Sig. F change
1	0.445[a]	0.198	0.196	0.6055	0.198	79.056	1	320	0.000
2	0.518[b]	0.268	0.264	0.57923	0.07	30.686	1	319	0.000
3	0.547[c]	0.299	0.293	0.56778	0.031	14.001	1	318	0.000
4	0.563[d]	0.317	0.308	0.56145	0.018	8.205	1	317	0.004

ANOVA

Model	Sum of squares	df	Mean square	F	Sig.
4. Regression	46.38	4	11.595	36.783	0.000
Residual	99.927	317	0.315		
Total	146.307	321			

In Table 10 below, the regression coefficients show how much the dependent variable CL will increase when there is a unit increase in the corresponding predictor variable with the remaining independent variables kept constant. Using forward regression, we reached Model 4, and it was found that the AAA switching barrier was insignificant. Variance inflation factor (VIF) values were included while doing forward regression to ensure the absence of multicollinearity. The VIF values are all below 2, showing a mild correlation. These low VIF values (below 5) and high tolerance values show that there is no collinearity among the dimensions of switching barriers. Thus, it can be confirmed that the variables SB, CB, STB, and SC significantly influence CL of private banks in India, but not AAA.

Table 10: Results of Final Model (Model 4) of Forward Regression for Private Sector Banks

Model	Variable	Unstandardised coefficients		Standardised coefficients	t	Sig.	Collinearity Statistics	
		B	Std. error	Beta			Tolerance	VIF
4	(Constant)	1.42	0.242		5.858	0.000		
	STB	0.181	0.045	0.228	4.07	0.000	0.684	1.461
	SB	0.167	0.039	0.226	4.281	0.000	0.774	1.291
	CB	0.235	0.059	0.201	3.984	0.000	0.848	1.18
	SC	0.107	0.037	0.16	2.864	0.004	0.692	1.445

Notes: Dependent variable = CL; selecting only cases for which bank type = private sector banks

4.1.2 Switching barriers and customer loyalty in public sector banks

Based on the results in Table 11 below, we can conclude that the variables CB, STB, and AAA impact CL in public sector banks with levels of significance less than 0.05. The table also shows that the relationship of SB to CL is highly insignificant, indicating that that social benefits do not in any way affect customer loyalty in public sector banks. The R value of 0.719 shows that all independent variables except SC have a high correlation with customer loyalty. The R^2 value of 0.517 shows that 51.7% of the variance in CL is explained by the significant dimensions of switching barriers.

Table 11: Regression for Customer Loyalty and Switching Barriers in Public Sector Banks

Independent variable	Unstandardised coefficients		t	R	R^2	Sig.	Results
	B	SE					
(Constant)	0.104	0.352		0.719	0.517		
SB	6.252E-5	0.054	0.001			0.999	Unconfirmed
CB	0.857	0.078	10.977			0.000	Confirmed
STB	0.191	0.061	3.131			0.002	Confirmed
SC	0.081	0.053	1.533			0.126	Unconfirmed
AAA	-0.232	0.065	-3.592			0.000	Confirmed

Note: Dependent variable = CL.

Since the relationship between two switching barrier dimensions and customer loyalty for public sector banks is unconfirmed, the variables were entered one at a time using forward regression. We use forward regression in which each of the switching behaviour dimensions are entered one at a time to come up with appropriate models, as shown in Table 12.

Table 12: Model Summary and ANOVA Table

Model	*R*	R^2	Adj. R^2	Std. error of the estimate	R^2 change	F change	df1	df2	Sig. F change
1	0.683[a]	0.466	0.464	0.67449	0.466	248.746	1	285	0.000
2	0.703[b]	0.494	0.491	0.65744	0.028	15.972	1	284	0.000
3	0.716[c]	0.513	0.507	0.64667	0.018	10.535	1	283	0.001

ANOVA

Model	Sum of squares	df	Mean square	F	Sig.
3. Regression	124.472	3	41.491	99.216	0.000
Residual	118.347	283	0.418		
Total	242.818	286			

In Model 3, the *R* value is 0.716, indicating high correlation. The R^2 value of 0.513 shows that the independent variables account for 51.3% of the variance in the dependent variable. The adjusted R^2 of 0.507 indicates the ability of the model to generalise. The ANOVA table shows the statistical significance of the model. In forward regression, the independent variables were entered one at a time until Model 3 was reached, where three of the independent variables were taken, and two (SB and SC) were left out. The significance level is below 0.05, showing that the model is statistically significant.

In Table 13, the regression coefficients show the increase in the dependent variable CL when there is unit rise in the corresponding predictor variable, with all other predicting variables kept constant. Using forward regression, we reached Model 3, and it was found that SB and SC were insignificant in determining CL for public sector banks. The VIF values are all below 2, showing a mild correlation. The low VIF and high tolerance values corresponding to each of the variables in the last obtained model show that there is no problem of collinearity.

Table 13: Results of Final Model of Forward Regression for Public Sector Banks

Model	Variable	Unstandardised coefficients		Standardised coefficients	t	Sig.	Collinearity Statistics	
		B	Std. error	Beta			Tolerance	VIF
3	(Constant)	0.061	0.351		0.174	0.862		
	CB	0.889	0.071	0.583	12.61	0.000	0.805	1.243
	SB	0.197	0.052	0.173	3.769	0.000	0.813	1.229
	AAA	-0.191	0.059	-0.138	-3.246	0.001	0.958	1.044

Notes: Dependent variable = CL; selecting only cases for which bank type = private sector banks.

5. Discussion

The impact of the dimensions of switching barriers used by Al-Hawari (2014) was examined with respect to the banking sector of India. Initially, the effect of these dimensions on customers of both private and public sector banks as a whole was considered. It was found that all five dimensions of switching barriers had a considerable impact on customer loyalty, with relational benefits and switching costs having a positive impact, and the availability of attractive alternatives having a negative impact. The positive coefficients of relational benefits showed that when the customers received three kinds of relational benefits, i.e., social benefits, confidence benefits, and special treatment benefits, they tend to be more loyal to their banks. The positive coefficient of switching costs shows that when customers perceive the cost of changing to a new bank to be high, they tend to be more loyal to their current bank. However, the negative coefficient of availability of attractive alternatives shows that if more alternatives were available, the customer will be less loyal to their current bank. The *R* value shows a high correlation between the switching barriers and customer loyalty, showing a strong relationship between the switching barrier dimensions and customer loyalty and the *R* square value showed that the switching dimensions accounted for about 40 percent of variance in customer loyalty.

When examining the effect of switching barriers on customer loyalty in private sector banks, it was found that the availability of attractive alternatives was insignificant at a confidence interval of 95%, showing that customer loyalty is not affected by the available alternatives in case of private banks in India. This was further confirmed by the use of

forward regression, in which only the significant predictors were entered to arrive at a statistically significant criterion. The VIF values obtained during forward regression with respect to the effect of switching barrier variables on customer loyalty in private sector banks showed the absence of multicollinearity.

The results of regression pertaining to public sector banks showed that social benefits and switching costs had no role in determining customer loyalty, even though there was no noteworthy difference in the means of social benefits of private and public banks. Thus, customers who are loyal to public sector banks do not see social benefits as a priority. The results show that confidence benefits and special treatment benefits have a positive effect on customer loyalty, whereas the availability of attractive alternatives had a negative impact on customer loyalty. The lack of importance of social benefits and switching costs in impacting customer loyalty in public banks was further confirmed through forward regression. The VIF values of forward regression with respect to the effect of switching barrier variables on customer loyalty in public sector banks also show no multicollinearity.

The mean value of 3.63 for overall customer loyalty showed that the customers of banks in India are generally loyal towards their banks, and would not consider switching over to alternatives. The comparison of the means of the switching barrier dimensions and customer loyalty followed by ANOVA based on the type of bank revealed that there is a significant difference in customer loyalty and special benefits for private and public sector banks. Private sector bank customers show a higher level of loyalty compared to those of public sector banks. The special benefits offered to customers in private sector banks were also comparatively higher. When the means for switching barrier dimensions and customer loyalty were compared by gender, it was found that female customers tended to be more loyal than their male counterparts. They also show a higher perception of the confidence benefits offered by the bank and perceived the switching costs to be higher. The ANOVA test carried out after comparison of means shows a considerable difference in customer loyalty as well as in the perception of confidence benefits and switching costs, with female customers showing a higher mean in all three aspects. All these findings are subject to two limitations: the use of a non-probability sampling method, and the collection of data primarily from urban areas. Moreover, being a cross-sectional study, it is incapable of establishing a cause-and-effect relationship.

6. Conclusion

The findings of this study are applicable and limited only to the urban bank customers of South India. The results of this study highlight the need for banks to foster relationships with their customers for retention. Table 7 indicates that confidence benefits play an important role in determining customer loyalty. Since confidence benefits evolve around trust, banks can effectively retain customers when they instill faith that all financial dealings are secure. In the course of discussions as the questionnaires were being filled in, some customers highlighted instances of service recovery that generated confidence in their respective banks. Thus, strategies to ensure service recovery can aid perceptions of confidence benefits, which then results in customer loyalty. Steps should also be taken by the banks to ensure that employees are able to develop a good rapport with their customers and provide social comforts. Trainings on non-verbal communication can be given to employees so that they are able to understand their customers better, thus fostering lasting relationships. When banks recognise their customers, know their needs, and give them trust that all their financial transactions will be flawlessly managed, it instils in the customer a strong sense of loyalty. Customised services, where possible, can also serve as an add-on to boost customer loyalty, since special treatment benefits positively affect customer loyalty. Banks can achieve all this by making customer experience an important aspect of their organisational strategy.

Studies have shown that the retention rate has the potential to improve profits. The public sector in particular can emphasise giving customised services and other special treatment benefits to their employees, as they are found to be lagging behind in this area. Banks need to come up with relational bonding strategies to build up customer satisfaction and trust to encourage customer loyalty. This study affirms that relational benefits act as positive switching barriers preventing existing customers to move to alternative banks.

This study also highlights the difference in the priority of customers of private and public sector banks. Customers of public sector banks do not place much importance on social benefits, as their loyalty is determined more by confidence benefits and special treatment benefits. For public sector banks, special treatment benefits and confidence benefits play a considerable role in determining customer loyalty. It also shows that if suitable attractive

alternatives are available, switching is a possibility for public sector banks. For private sector banks, all switching barrier dimensions other than the availability of attractive alternatives affect customer loyalty. This indicates that private sector bank customers rate the relational benefits derived from their banks quite highly and tend to develop strong relations with bank employees. The result is a strong sense of loyalty towards their banks which they do not want to lose. Thus, they tend to be unaffected even if attractive alternatives are available.

As with all research, there are some limitations to this study. One is that all the respondents in this study are living in urban areas, meaning that rural areas are not represented. Thus, the findings of this study can only be generalised to the urban bank customers of South India. Further studies can be carried out to find why the availability of attractive alternatives does not influence customer loyalty for private banks, and why switching costs and social benefits do not influence customer loyalty for public banks. Moreover, only differences in switching barrier dimensions and customer loyalty based on gender and bank type have been taken into consideration in this study. Differences based on other demographic variables like income level, education level, and age group can be used in further studies.

Authors' Contributory Statement

Michael Job Thomas: Conceptualization, Analysis, Drafting. J. Clement Sudhahar: Development /Design of Methodology, Supervision. Asi Vasu Deva Reddy: Data Collection/Curation, Data Analysis.

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Appendix: Research Questionnaire

Dear Sir/Madam,

To examine the factors that prevent customers from leaving a bank, a study is being conducted that will shed light on the areas' banks can put effort into so that customer loyalty can be ensured in high competition. The researcher will keep the data provided by each respondent of this study confidential. The results of the study will be used to gain more insight into the factors that help banks to retain customers. The researcher would like to thank each respondent for his/her willingness, time and wholehearted support in filling out this questionnaire and furthering this study.

Please tick the correct option:

1. Age

a) < 20 years ☐ b) 21–30 years ☐ c) 31–40 years ☐ d) 41–50 years ☐
e) > 51 years ☐

2. Gender

a) Male ☐ b) Female ☐

3. Qualification

a) High school or less ☐ b) Intermediate ☐
c) Graduate ☐ d) Postgraduate and above ☐

4. Occupation

a) College ☐ b) Housewife ☐ c) Professionals ☐ d) Self-employed/ business owner ☐
e) Service ☐ f) Others ☐ g) Retired student employees ☐

5. Monthly income

a) < 20,000 ☐ b) 20,000 to 30,000 ☐
c) 30,000 to 40,000 ☐ d) 40,000 to 50,000 ☐
e) 50,000 and above ☐

6. Type of bank in which account is held

a) Private sector bank ☐ b) Public sector bank ☐

Please tick on the correct boxes to indicate your level of agreement with the statements given below, where
1= strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree and 5= strongly agree

	1	2	3	4	5
Social benefits (Al-Hawari, 2014) 1. I am recognized by employees at my bank 2. There is familiarity with the employees 3. I am friendly with employees at my bank 4. An employee at my bank knows my name					
Confidence benefits (Al-Hawari, 2014) 5. I can trust my bank 6. I am confident the service will be performed correctly by my bank 7. I have less anxiety, when I deal with my bank 8. I know what to expect from my bank					
Special treatment benefits (Al-Hawari, 2014) 9. I get discounts or deals 10. I get better prices than other customers 11. My bank provides certain customized services that it would not provide to most customers 12. I get better service than most customers					
Switching cost (Al-Hawari, 2014) 13. It is risky to change banks 14. The cost of no longer doing business with my bank would by high 15. It would cost me a lot of time and energy to find another bank					
Attractiveness of alternatives (Al-Hawari, 2014) 16. The new bank would provide a wider range of services 17. The new bank would benefit me more 18. Banks are very different in terms of attractiveness of their offers 19. There are many more banks that attract me					
Customer loyalty (Al-Hawari et al., 2009) 20. My bank is my first choice 21. I will recommend my bank to others 22. I am not willing to change my bank					