
THE CHURN ANALYSIS IN BANKING INDUSTRY IN MADURAI CITY

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Customer Churn behaviour in Banking Industry

Building long-term relationships with customers has become a critical strategy for most financial institutions in today's competitive financial markets. The banking industry must develop profitable, long term relationships with its customers in order to survive in the competitive retail banking environment. Several studies reveal that a bank's profitability is closely associated with customer loyalty and retention Reichheld and Sasser, (1990). Banks want a zero customer defection rate of profitable customers to reduce the churn rate and minimize the acquisition costs of new customers (Farquhar, 2004). Trubik and Smith (2000) have studied the financial implications of customer retention and reveal that there is a strong relationship between customer loyalty and profitability in retail banking.

Deregulation and the emergence of new technology in the financial service industry have also impacted on the behaviour of consumers of financial services. Consumers now have the ability to purchase nearly identical financial products provided by retail banks, and subsequently, consumers are also more prone to changing their banking preferences. (Chakravarty et al., (2004) state that "the competitiveness of banking combined with the relative homogeneity of banking products and services appears to make banking particularly susceptible to customer switching behaviour".

Statement of the Problem

In the competitive environment of the post liberalization era, financial sector reforms have significantly deregulated the markets. It has become imperative to harness the best customer oriented practices and perceptions and to internalize them for providing added satisfaction to the customer through the employees. In the early

days, the customers were not given due attention because they were at the mercy of the banks and bankers were quite choosy. In a service industry like banking, the quality of customer service hold primary significance, particularly in the context of sustained business growth unlike the other industries engaged in the production of tangible goods, banks area unique in the sense that they porous and deliver the services instantaneous at the service delivery point (i.e.), at the branches. This has an overwhelming impact on customer behavior which causes the customer to be hypersensitive to the quality of service. Customer service in the banks is a continuing issue. In a deregulated environment, customers' expectation keeps rising, as they look for more convenient and flexible option available to them at competitive rates from many players operating in the field. This has made the acquisition of customer patronage a formidable task. Customer's satisfaction is now a new watchword in the Indian banking scene. It is against this background the study 'Churn analysis in banking industry in Madurai City", was carried out to find out customer churn behaviour in banks.

Relevance of the Study

The retail bank studies have recently undergone a re-branding exercise. This gives rise to the need for a study to measure the levels of satisfaction of its customers. The recessionary trends being felt at present will also have a significant impact on the satisfaction levels as well as on factors of satisfaction. The main concern of the study is to provide information that would help the management of the bank to evaluate and re-design its current marketing strategies in order to retain its existing customers and to attract new ones in today's competitive environment. Furthermore, this study is based on the assumption that patronages of a bank depend on the degree of customer satisfaction, Customer churn behaviour and customer loyalty towards bank.

Scope of the Study

The scope of the study is:

- The study is specific only to retail banking in Madurai City.
- The study also relates to customer churn behaviour and its related factors.
- The study is focusing only customers in private and public sector banks.

Literature Review

Sulaiman et al., (2016) recommended organizational strategies (corporate, business and functional) that reverse the churn alternatives with high priority and equally strengthen service delivery on high priority retention alternatives in order to ensure firms sustainable competitive advantage.

Zahariab et al., (2016) identified the factors affecting switching behaviour in the banking industry. These are poor service quality, low commitment, price unfairness, anger incidents and availability of alternatives.

Israel (2015) showed that high transaction fees, attractiveness of alternatives, inconvenience of bank location, inability to respond to system failure quickly were

statistically significant in the prediction of customer switching with a predicted switching rate of 82.29 per cent.

Adebiyi, et al., (2015) identified the determinants of customers churn decision. These are frequent service failures, frequent in service changes, competitors' promotion, complaint handling, lack of provision of value added services and service agent being elusive.

Objectives of the Study

Based on the proposed research model, the objectives of the study are confined:

1. To exhibit the personal profile and banking profile of the customers in banks at the study area;
2. To measure the level of churn behaviour among the customers and its association with nativity.

Hypotheses of the Study

Based on the objectives of the study, the following null hypotheses were drawn:

1. There is no significant difference among the customers in private and public sector banks regarding their level of customer churn behaviour
2. There is no significant association between the nativity of the customers and their level of churn behaviour.

Research Design

The present study has made an attempt to describe the background of the customers, their view on the various aspects related to churn behaviour in banking industry, it is descriptive in nature. Apart from this, the present study has its own objectives and structured methodology to fulfill the objectives, it is descriptive in nature.

Sampling Procedure

The sampling procedure represents the distribution of sample size in the population of the study. In the present study, the judgement sampling was adopted to distribute the sample size in the population of the study.

The sample size for the private and public sector banks are 60 and 60 respectively. The total sample size came to 120. The judgment sampling procedure was followed to distribute the sample among all private and public sector banks in Madurai city. Two each customer from 30 Private and 30 public sector bank branches included for the study.

Data Collection

Since the present study is highly based on the primary data, a special care was taken to prepare the interview schedule to collect the data. A pilot study was conducted among 5 each customers in PRSBs and PUSBs. Based on their feedback, certain addition, deletions, modifications and simplifications were carried out in order to prepare the final interview schedule to collect the data from the sampled customers.

Tools Used

i) T-Test

In the present study, an analysis was made to find whether there was any significant difference among the customers in PRSBs and PUSBs regarding their level of churn behaviour.

Limitations of the Study

The present study is subjected with following limitations:

1. The scope of the study is confined to the customers at commercial banks in Madurai city alone.
2. The customers are purposively classified into customers in PRSBs and PUSBs.

Discussions

Reasons for Switching among the Customers

The reasons for customers switching in banking industry are too many. The present study confines it to seven variables. The customers are asked to rate these seven reasons at five point scale. The mean scores of the variables in reasons for customers switching among the customers in PRSBs and PUSBs have been computed separately. The 't' statistics have been computed to reveal the significant difference among the PRSBs and PUSBs customers regarding the view on customers switching. The results are shown in Table 1.

Table 1 Reasons for Customers Switching

Sl.No.	Reasons	Mean score among		't' statistics
		PRSBs	PUSBs	
1.	Service failure	3.3084	3.9145	-2.5146
2.	Service pricing	3.8942	3.2776	2.4917*
3.	Deficit service quality	3.1174	3.9336	-3.1083*
4.	Attractive alternatives	3.9122	3.3089	2.6673*
5.	Poor access	3.2776	3.9443	-2.7242*
6.	Distance to work place/ residence	3.8994	3.2667	2.6881*
7.	Lack of commitment	3.3089	3.9942	-2.6227*

*Significant at five per cent level.

The highly viewed reasons by the customers in PRSBs are attractive alternatives and distance to work place/residence since its mean scores are 3.9122 and 3.8994 respectively. Among the customers in PUSBs these two variables are lack of commitment and poor access since their mean scores are 3.9942 and 3.9443 respectively. Regarding the view on variables in reasons for customers switching, the significant difference among the customers in PRSBs and PUSBs have been noticed in their view on six out of seven variables in reasons for customers switching since their respective 't' statistics are significant at five per cent level.

Customer Churn Behaviour (CCB) among the Customers

It shows the mindset of the customers to switch from one bank to another bank. The customer churn behaviour among the customers in the present study is measured with the help of ten variables. The customers are asked to rate 10 variables at five point

scale. The mean scores of the variables in CCB among the customers in PRSBs and PUSBs have been computed separately along with its 't' statistics. The results are shown in Table 2.

Table 2 Customers View on Variables in Customers Churn behaviour (CCB)

Sl.No.	Variables in SI	Number of customers in		't' statistics
		PRSBs	PUSBs	
1.	Consideration to change the bank	3.4225	3.9667	-2.6541*
2.	Intention to review with this bank	3.2889	3.5089	-1.3308
3.	Intend to start the account with another bank	3.3084	3.8892	-2.6173*
4.	Frequent meet with other bank officials	3.1173	3.9229	-3.1676*
5.	Easy to accommodate changes	3.4117	3.8996	-2.6173*
6.	Attraction of other banks	3.3083	3.8908	-2.6173*
7.	Dissatisfied with the present banks service	3.3472	3.8774	-2.7036*
8.	Easiness to change the bank	3.4024	3.9706	-2.6917*
9.	Always seeking innovative services	3.2117	3.9904	-2.8934*
10.	Switching is easier to me	3.3088	3.9221	-2.7114*

*Significant at five per cent level.

The highly viewed variables in CCB by the customers in PRSBs are 'consideration to change the bank' and 'ease to accommodate changes' since its mean scores are 3.4225 and 3.4117 respectively. Among the customers in PUSBs, these two are 'always seeking innovative services' and 'easiness to change the bank' since its mean scores are 3.9904 and 3.9706 respectively. Regarding the view on variables in CCB, the significant difference among the customers in PRSBs and PUSBs have been noticed in their view on nine out of 10 variables in CCB since their respective 't' statistics are significant at five per cent level.

Score on Customer Churn behaviour among the Customers

The level of churn behaviour among the customers in the banking industry has been measured by the mean scores of the variables in CCB. It is denoted by SOCCB. In the present study, the SOCCB is confined to less than 2.00; 2.00 to 3.00; 3.01 to 4.00 and above 4.00. The distribution of customers based on their SOCCB is illustrated in Table 3.

Table 3 Score on Customer Churn Behaviour (SOCCB) among the Customers

Sl.No.	SOCCB	Number of customers in		Total
		PRSBs	PUSBs	
1.	Less than 2.00	12	10	22
2.	2.00-3.00	21	20	41
3.	3.01-4.00	17	16	33
4.	Above 4.00	10	14	24
	Total	60	60	120

The important SOCCB among the customers are 3.01 to 4.00 and 2.00 to 3.00. The first two important SOCCB among the customers in PRSBs are 2.00 to 3.00 at 3.01 to 4.00. Among the customers in PUSBs, these two are 3.01 to 4.00 and above 4.00. The analysis reveals that the level of customer churn behaviour among the customers in PUSBs is higher than that among the customers in PRSBs.

Nativity and the Level of Customer Churn Behaviour among the Customers

By nativity, the customers are classified as rural, semi-urban and urban. The level of churn behaviour among the three groups of customers has been examined by the mean, standard deviation and co-efficient of variation of level of CCB. The one way analysis of variance has been administered to find out the significant association between the nativity and the level of CCB among the customers. The results are shown in Table 4.

Table 4 Nativity and the Level of CCB among the Customers

Sl.No.	Nativity	Mean	Standard deviation	Co-efficient of variation	'F' statistics
1.	Rural	3.3088	0.5096	15.40	
2.	Semi-urban	3.6172	0.6072	16.78	3.3189*
3.	Urban	4.0735	0.7142	17.53	

*Significant at five per cent level.

There is a significant difference among the three groups of customers regarding their level of CCB since its 'F' statistics is significant at five per cent level. The higher level of CCB has been noticed among urban and semi-urban customers since their mean scores are 4.0735 and 3.6172 respectively. The higher consistency in the level of CCB is seen among the rural customers since their co-efficient of variation is 15.40 per cent.

Summary of Findings

The summary of findings of the present study is given below:

Descriptive Statistics

The customers of the banks are classified into customers at private sector banks (PRSBs) and public sector banks (PUSBs). The dominant gender among the customers is male whereas the dominant age groups of the customers are 30 to 40 and 40.01 to 50 years. The dominant level of education among the customers is 'under graduation' and 'up to school education'. The important marital status among the customers is 'married' whereas the dominant family size among the customers is 3 to 4 members per family. The higher family size among the customers in PUSBs is noticed compared to customers in private sector banks. The dominant number of earning members per family among the customers is only one.

The dominant occupational background among the customers is private employment and agriculture. The most important occupational background among the customers in PRSBs and PUSBs are 'private employment' and 'business' respectively. The dominant present occupation among the customers is private employment and Government employment. The most important present occupation among the customers in PRSBs and PUSBs is private employment. The important nativity among the customers is urban and semi-urban whereas the personal income per month among the customers in PRSBs is higher than that among the customers in PUSBs. The family income per month among the customers in PRSBs is higher than that among the customers in PUSBs.

Banking Profile of the Customers

The dominant years of experience in banking among the customers are 10 to 13 years. The years of experience among the customers in PUSBs are higher than that among the customers in PRSBs. The dominant number of banks dealt at present is only one bank. The number of banks dealt at present among the customers in PUSBs is higher than that among the customers in PRSBs. The dominant nature of banks dealt by the customers is both private and public sector banks. The dominant number of accounts owned per branch among the customers is only one account. The dominant frequency of visit at bank among the customers is 'weekly'. The higher frequency of visit at bank among the customers in PRSBs is noticed compared to the customers in PUSBs.

The dominant monthly transaction at banks among the customers is Rs.90001 to 1,20,000. The higher monthly transaction is noticed among the customers in PRSBs than that in PUSBs. The important number of services availed at the present bank among the customers is three services. The higher number of services availed by the customers in PRSBs compared to customers in PUSBs. The dominant nature of customers in PRSBs and PUSBs are 'fresher' and 'switcher' respectively. The dominant nature of switching among the switchers in private is 'private to public sector banks'.

The highly viewed reasons for customers churn among the customers in PRSBs are 'attractive alternatives' and 'distance to work place/residence' whereas among the customers in PUSBs, these two are 'lack of commitment' and 'poor access'. Regarding the view on reasons for customers churn, the significant differences among the customers in PRSBs and PUSBs have been noticed in their view on six out of seven reasons.

Customers Churn Behaviour (CCB) in Banking Industry

The customer churn behaviour among the customers is measured with the help of ten variables. The highly viewed variables among the customers in PRSBs are 'consideration to change the bank' and 'easy to accommodate changes' whereas among the customers in PUSBs these are 'easiness to change the bank' and 'always seeking innovative services'. Regarding the view on variables in CCB, the significant difference among the two groups of customers has been noticed in their view 9 out of 10 variables in CCB. The level of churn behaviour among the customers in PUSBs is higher than among the customers in PRSBs.

Concluding Remarks

The present study concludes that the churn behaviour among the customers is higher at public sector banks than that at private sector banks. The profile of the customers is significantly associated with their level of churn behaviour in banking industry.

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