

## *A Study on Customer Loyalty and Online Banking Services*

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### **ABSTARCT**

In the present scenario, every competitive business must be required modern skills for attracting new customers and retaining the existing customers. thus, business people are give more importance to customer loyalty. Now a day's banking institutions more concentrates with customer loyalty, for that bank peoples are to achieve their goals with help of online banking services. Online banking is best way for bankers to reach new and existing customers. to enhance the understanding of customer loyalty towards online banking context researchers made interviews and constructed a questionnaire to make this study more authentic primary data is collected from the respondents of Hyderabad and statistical tools are used for analysis and reach on valid conclusion, with sample size 427 respondents and tested via descriptive statistics , percentages ANOVAs, correlations and multiple regressions. for conducting customers survey Likert scale based questionnaire was developed. collecting data was analysed using principle component using SPSS 20.0. the results of the correlation study showed that there is a strong correlation between e-banking services and customer loyalty and customer loyalty and age in and also there is strong impact customer loyalty and e-banking services have higher positive impact.

**keywords:** Banking, customers, customer loyalty, Online banking.

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### **1. INTRODUCTION**

Internet banking is one form of e-commerce that has gained a wider acceptance than others. In Australia all banks are now offering internet banking facilities to all its customers. As suggested by Chang [10] the evolution of information technology has significantly influenced the banking industry. Particularly, the advent of the Internet and the popularity of personal computers have created both an opportunity and a challenge for this industry. In only a decade Internet Banking has rapidly grown [2]. In 2001, the Market Intelligence Strategy Centre (MISC) reported that approximately 2.8 million people have used Internet Banking in Australia [50]. These figures increase rapidly with each new survey. A study from Taylor Nelson Sofre in 2002 revealed that 23% of Australians used Internet Banking and the Internet Banking adoption rate in Australia is greater than in the US and Britain [3]. In mid-2002, the MISC reported that 5 million Australians had used Internet Banking services [39]. Recent survey undertaken by the MISC shows that the number of Australians using Internet Bank had reached 7.7 million in September 2003, with an annual growth rate of 113% [33]. The

rapid growth of Internet banking in recent years is a clear indication of consumer acceptance of this media. However, the impact of Internet Banking on customer satisfaction and loyalty in Australia is yet to be established as few studies have addressed this issue. In this paper we present a review of literature on internet banking and the factors that may impact internet banking and customer satisfaction and loyalty.

Internet Banking is defined as the usage of Internet and telecommunication networks to deliver banking services to customers. Customers can inquire information and carry out most banking services such as account balance inquiry, inter-account transfers, and bill-payment via the Internet. There are different perceptions of Internet Banking between the literature and practitioners. With reference to most Australian banks' websites, the term 'Internet banking' has been construed as the transactions relating to current and credit card accounts such as viewing balances, paying bills, and transferring funds. In contrast, in the literature, Internet banking includes the services relating to financing, insurance, investment, and new banking services.

## **2. REVIEW OF LITERATURE**

Customer loyalty, in the behavioural approach, has often been construed as repeat purchase frequency, probability of future purchase and intentions of switching brand. Cunningham assesses customer loyalty based on the proportion of money that a customer spends with purchases from a single supplier. In the attitudinal approach, a loyal customer must have strong "attitudinal commitment" to a brand.

The terms 'customer retention' and 'customer loyalty' are often used interchangeably in literature. Customer retention has been conceptualized as a dimension of a customer loyalty construct as shown by [Boulding, Kalbra, Staeling, and Zeithaml (1993) & Zeithaml, Berry, and Parasuraman(1996)]. Customer retention and customer loyalty are not surrogate for each other because the two terms can refer to different things. Therefore it is suggested that the conceptualization of customer loyalty and retention needs further clarification. [Thorsten (2000)] Several studies have been made on which determinants retain bank customers [Beerli, Martin, and Quintana (2004)]. Research shows that customer satisfaction and switching costs are two main determinants, satisfaction the strongest one. Methlie and Nysveen (1999) has demonstrated that customer satisfaction and brand reputation are the most important determinants. Lewis & Soureli (2006) has stated that customer satisfaction, perceived service quality, service attributes, corporate image, perceived value, switching costs, interpersonal relationships with bank employees commitment-attachment, trust, customer characteristics and organizations efforts to make relationship all are precedents of customer loyalty. Abratt and Russel (1999) opined that customers with personal relationships are loyal to their bank. Through interaction between all these concepts, customer loyalty is created.

## **3. OBJECTIVES**

The objectives of the study are to realise the following

- To study the influence of E-Banking services on demographic variables
- To analyse impact of the Customer loyalty factors on E-Banking service

#### 4. HYPOTHESIS

The following are the hypothesis designed with above objective

- HO<sup>1</sup>: There is no significant impact of E-Banking services and demographical variables
- HO<sup>2</sup>: There is no significant impact of customer loyalty on E-Banking services

#### 5. RESEARCH DESIGN

The study is concerned with the customer loyalty towards E-banking services of banks based on that, both primary data and secondary data, the primary data were collected directly from the sample customers through a well devised questionnaire in Hyderabad city. Secondary data were collected from books, journals, research articles and magazines for the purpose of review of literature.

#### 6. SAMPLING METHOD

Convenience Sampling method is used for the study. The sample size of the bank customers is 427. The data analyzed by using percentage method, ANOVAs, Correlation and Multiple regression methods used for data analysis. Data was presented in the form of tables. The processing, classification, tabulation, analysis and interpretation of the data are done with the help of SPSS 20.0 Version.

#### 7. DISCUSSIONS

Demographic Variables: The frequency distribution of demographic variables is presented in the following table.

*Table-1: Demographical Analysis*

Particulars	Classification	No of Responses	Percentage
Age	20-25	95	22.2
	26-30	117	27.4
	31-35	115	26.9
	36-40	75	17.6
	41 and above	25	5.9
Gender	Male	296	69.3
	Female	131	30.7
Education	SSC	34	8.0
	Intermediate	26	6.1
	Degree	183	42.9
	Pg degree	121	28.3
	PhD and above	63	14.8
Occupation	Student	54	12.6
	Govt Employee	96	22.5
	Private Employee	166	38.9
	Business	60	14.1

	Self Employed	51	11.9
Monthly income (in rupees)	Below 20,000	35	8.2
	20,001-30,000	143	33.5
	30,001 - 40,000	123	28.8
	40,001-50,000	77	18.0
	50,001 and above	49	11.5
Total		<b>n = 427</b>	<b>100%</b>

The descriptive analysis of all the demographical variables is shown in the above Table, from that more than 27% of respondents in the group of 26-30 years and 26% of respondents in the group of 31-35 years, followed by 70% of the respondents belonged male and 30% of respondents belonged female, and 42% of respondents studied Graduation and with followed 28% of respondents studied Below Post Graduation, 38% of respondents working as a Private Employees, 22% are the Govt. Employee, and 33% of respondents earned Rs.20,001-30,000 for month and 28% of respondents earned above Rs. 30,001-40,000 respectively.

**ANOVA:** The analysis of variance (ANOVA) is used to determine whether there are any statistically significant differences between the means of two or more independent (unrelated) groups.

- **HO<sup>1</sup>:** *There is no significant impact of E-Banking services and demographical variables*

ANOVA is conducted in order to understand whether there is any significant difference in opinion of the respondents on E-banking services. It has been considered for the study is explained in the table

		Sum of Squares	df	Mean Square	F	Sig.
Age In Years	Between Groups	71.026	18	3.946	3.076	.000
	Within Groups	523.400	408	1.283		
	Total	594.426	426			
Gender	Between Groups	4.837	18	.269	1.275	.000
	Within Groups	85.974	408	.211		
	Total	90.810	426			
Education	Between Groups	27.176	18	1.510	1.360	.001
	Within Groups	453.002	408	1.110		
	Total	480.178	426			
Occupation	Between Groups	21.576	18	1.199	.889	.003
	Within Groups	550.293	408	1.349		
	Total	571.869	426			
Income in Rupees	Between Groups	24.275	18	1.349	1.041	.002
	Within Groups	528.344	408	1.295		

	Total	552.618	426			
Customer loyalty	Between Groups	6.423	18	.357	2.394	.001
	Within Groups	60.822	408	.149		
	Total	67.245	426			

In order to understand whether there is any significant difference in opinion of respondents towards e -banking service, with respect of the demographics i.e. Age, Gender, Education, Occupation and Income in rupees.

It is observed that from the above table, the sum of the squares of the difference between means of different respondents ages and e -banking service of banks, and the **Between groups** variation 71.026 is due to interaction in samples between groups. If sample means are the close to each other. The **Within** variation 523.400 is due to difference within individual samples. The table also lists the F statistic 3.076, which is calculated by dividing the Between Groups Mean square by the Within Groups Mean Square. The Significance level of 0.000 is less 0.05, so its indicating that null hypothesis can be rejected. so age is influence on the e -banking service. And followed with demographics like Gender, Education, Occupation and income status of between groups variations are 4.837, 27.176, 21.576, 24.275, and their Within group variations are 85.974, 453.002, 550.293, 528.344. **F-Statistic** values are 1.275, 1.360, .889 and 1.041 followed with **significant level** are 0.00, 0.01, 0.03 and 0.002 , all are less than 0.05. so its indicating that null hypothesis can be rejected. so all the demographic variables are influenced by the E -banking service.

- **HO<sup>2</sup>: There is no significant impact of customer loyalty on E-Banking services**

*Table-3: ANOVA*

Dimensions		Sum of Squares	df	Mean Square	F	Sig.
I will use Internet Banking product in the future	Between Groups	8.547	18	.475	1.474	.000
	Within Groups	131.401	408	.322		
	Total	139.948	426			
I will say positive things about Internet Banking when I talk to my friends or relatives	Between Groups	7.421	18	.412	1.043	.002
	Within Groups	161.249	408	.395		
	Total	168.670	426			
I will recommend Internet Banking to my friends or relatives when they need the related information	Between Groups	8.693	18	.483	1.185	.001
	Within Groups	166.351	408	.408		
	Total	175.044	426			
I will encourage my good friends or relatives to use Internet Banking services	Between Groups	27.772	18	1.543	4.142	.000
	Within Groups	151.993	408	.373		
	Total	179.766	426			
Internet Banking services will be my first choice when	Between Groups	10.402	18	.578	8.251	.000
	Within Groups	28.577	408	.070		

I need to use banking services	Total	38.979	426			
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In order to understand whether there is any significant difference in customer loyalty and e - banking service, with respect of the customer loyalty dimensions. It is observed that from the above table, the sum of the squares of the difference between means of different respondents customer loyalty 1st dimensions and e -banking service of banks, and the **Between groups** variation 8.547 is due to interaction in samples between groups. If sample means are the close to each other. The **Within** variation 131.401 is due to difference within individual samples. The table also lists the F statistic 1.474, which is calculated by dividing the Between Groups Mean square by the Within Groups Mean Square. The Significance level of 0.000 is less 0.05, so its indicating that null hypothesis can be rejected. so 1st dimensions is significantly different with the e -banking service. And followed with Customer loyalty dimensions like 2nd, 3rd, 4th and 5th of between groups variations are 7.421, 8.693, 27.772 and 10.402, and their Within group variations are 161.249, 166.351, 151.993 and 28.577. **F-Statistic** values are 1.043, 1.185, 4.142 and 8.251 followed with **significant level** are 0.02, 0.01, 0.00 and 0.000 all are less than 0.05. so its indicating that null hypothesis can be rejected. so all the dimensions significantly different with the e -banking service.

**CORRELATION:** Correlation is used to describe the linear relationship between two continuous variables. In general, correlation tends to be used when there is no identified response variable. It measures the strength (qualitatively) and direction of the linear relationship between two or more variables.

In order to develop further understanding of relationships among all the Customer satisfaction and E-banking dimensions constructs, the Pearson correlation technique was calculated in the study. Numerical values of the correlation coefficients reflect the degree of association between each of the Customer satisfaction dimensions constructs.

Table-4: Correlation

	Age	Gender	Education	Occupation	Income in rupees	E-banking services	Customer loyalty
Age	1	-.225**	.154**	-.374**	.045	.176**	.282**
Gender	-.225**	1	-.244**	.021	-.122*	.141	.124*
Education	.154**	-.244**	1	.015	.262**	.092	.101*
Occupation	-.374**	.021	.015	1	.200**	.135	.157
Income in rupees	.045	-.122*	.262**	.200**	1	.100*	.114*
E-banking services	.176**	.141	.092	.135	.100*	1	.416**
Customer loyalty	.282**	.124*	.101*	.157	.114*	.416**	1

From below Table, correlation results show that there is a strong correlation between E-banking services and Customer Loyalty ( $r = 0.416$ ) at the 1 per cent significance level and between Customer Loyalty and age in years ( $r = 0.282$ ).

**MULTIPLE REGRESSION:** Multiple regression analysis is a set of statistical processes for estimating the relationships among variables. It helps to understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. It also helps to determine the overall fit of the model and the relative contribution of each of the predictors to the total variance explained.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F	Sig.
1	.351 <sup>a</sup>	.473	.113	.29524	11.820	.000 <sup>b</sup>

a. Predictors: (Constant), Internet Banking services will be my first choice when, I need to use banking services, I will recommend Internet Banking to my friends or relatives when they need the related information, I will use Internet Banking product in the future, I will encourage my good friends or relatives to use Internet Banking services, I will say positive things about Internet Banking when I talk to my friends or relatives

From the above table, it reveals that R<sup>2</sup> value is found to be 0.473, meaning there by that 47% of the variation in dependent variable is explained by predictors. Since the F value is found to be significant, the null hypothesis is rejected and the alternative is accepted, meaning thereby that there is a significant difference in the variation caused by predictors towards E-banking services.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	2.065	.200		10.347	.000
	I will use Internet Banking product in the future	.094	.070	.117	2.139	.003
	I will say positive things about Internet Banking when I talk to my friends or relatives	.064	.052	.048	.442	.009
	I will recommend Internet Banking to my friends or relatives when they need the related information	.88	.051	.077	1.202	.000
	I will encourage my good friends or relatives to use Internet Banking services	.151	.068	.106	1.855	.004

Internet Banking services will be my first choice when I need to use banking services	.321	.095	.310	5.803	.000
a. Dependent Variable: E-banking services					

From the above table, it is evident that Customer loyalty 5th dimensions i.e. "Internet Banking services will be my first choice when I need to use banking services"- (.321), emerged as the most important E-banking service, followed with Customer loyalty 4th dimension like "I will encourage my good friends or relatives to use Internet Banking services"-(.161).

## 7. CONCLUSION

Now a day's banking institutions more concentrates with customer loyalty, for that bank peoples are to achieve their goals with help of online banking services and it helps to attracting new customers and retaining the existing customers.

The major aim of the research paper was to study customer loyalty on E-banking services in the Hyderabad city. There are three two major objective and data collected with through questionnaire. It was analysed by the percentages, ANOVAs, Correlation and multiple regression. As per the results 27% of respondents in the group of 26-30 years and 26% of respondents in the group of 31-35 years, followed by 70% of the respondents belonged male and 30% of respondents belonged female, and 42% of respondents studied Graduation and with followed 28% of respondents studied Below Post Graduation, 38% of respondents working as a Private Employees, 22% are the Govt. Employee, and 33% of respondents earned Rs.20,001-30,000 for month and 28% of respondents earned above Rs. 30,001-40,000. followed with the results of the correlations showed that . the results of the correlation study showed that there is a strong correlation between e-banking services and customer loyalty and customer loyalty and age in and also there is strong impact customer loyalty and e-banking services have higher positive impact.

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