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An Analytical Study on Customer Retention Strategies by Banks in India

Geeta Rani[1]*, Dr. Asha[2]

[1] Research Scholar, Baba Mastnath University

[2] Assistant Professor, Faculty of Commerce and Management, Baba Mastnath University

Email- aashu.dalal@gmail.com

Abstract - In recent years, the issue of client retention has risen to prominence in the marketing literature. Customers' wants and expectations in today's market are always shifting, making client retention a crucial business strategy. Customer retention is predicated on the idea that keeping existing customers increases profits by diverting resources from recruiting new ones. To increase customer loyalty, businesses need to be aware of the modern economic climate, in which consumers face reduced switching costs compared to the past. Survey research was employed as the approach. The detectives interviewed bank personnel in person and used a questionnaire to gauge consumer sentiment. Three hundred bank clients from different institutions were used to test the tool. The data was collected using a proportional sampling strategy. Measures of central tendency and dispersion as well as tests of significance and correlation are used. The purpose of this article is to learn about the most common methods banks employ to keep their existing clients. Customer churn may be reduced and retained customers can be retained at higher rates thanks to the study's results, which will be useful to the Indian banking industry, government, policy planners, and academics.

Keywords - Bank, Retention, Strategy, Service Quality, Management

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INTRODUCTION

In the banking industry, "customer retention" refers to a bank's efforts and skills in keeping clients for an extended period of time. When consumers stay with a bank longer, it's a sign that they have no plans to switch to another provider. Retaining customers begins with the first contact a business has with them and continues through their whole engagement with the firm, as well as any actions taken to keep them as customers. Providing clients with extra value beyond their first purchase is a key component of successful customer retention strategies. As a result, customers will become devoted brand advocates. When it comes to the core problem of the company framework, producing client loyalty puts 'customer esteem' respect ahead of rising benefits and financial specialist regard. In a highly competitive industry, the differentiation that often proves decisive is the delivery of a loyalty-raised requirement of client advantages. Additionally, as the number of clients available grows, it is crucial for businesses to focus on customer retention. Keeping your customers around has a direct impact on your productivity.

Foreign banks' participation in the Indian market has increased competitiveness. These financial institutions have superior resources to provide specialized banking products including derivatives, consulting services, trade financing, and so on to their clients. Foreign banks' participation in the market has increased healthy competition, which benefits local financial institutions. There is increased pressure on domestic financial institutions to improve operational efficiency and customer service in an effort to reduce client attrition. With a mix of governmental, private, and international institutions, banking in India is a highly competitive industry. Banks, in an increasingly competitive market, are emphasizing client retention strategies. Keeping current customers happy is crucial in today's cutthroat business climate. The bank must go above and beyond its basic functions to satisfy its clientele. A large increase in client retention is crucial to the financial services sector's profitability. It's important to learn what makes a consumer stay loyal to a certain bank. As a result, banks should prioritize establishing customer engagement strategies with these elements, which together considerably reduce customer churn.

Banks benefit from increased customer satisfaction because loyal clients bring down costs by continuing to use the bank rather than switching to a competitor. If a consumer is happy with the bank's services, he or she will not want to stop using them until it is really essential. Customer loyalty refers to this unique trait. (Gauba, 2016) If a consumer finds the bank's services to be above par, the bank has done everything that is necessary to keep the customer as a client. This not only increases consumer loyalty to the bank but also reduces operational expenses. It does the same for the bank's capital and reduces nonperforming loans. Relationship marketing (RM) is designed to help banks thrive in today's cutthroat financial environment. Banking is a service business that focuses on the needs of its clients. Indian financial institutions have just come to understand the importance of focusing on their clients' needs. This is persuading them to improve the quality of their service for the consumer, which will lead to stronger connections with those customers.

At the end of the day, respect is what keeps customers coming back. Even if you have the finest division, focus, positioning, innovation, information, or development in the world, it won't matter if you don't have any respect for it. When formulating a strategy to maintain and rebrand an existing clientele, it is essential to build upon the firm foundation already in place. When this occurs, and only then, will the means become available for increased customer retention and overall organizational success. Successful client retention strategies need top-down, all-encompassing approaches. True customer retention focus is proven effective since it influences almost every facet of your business. But a credible return on investment in practical enhancement and benefit initiatives is priceless. Here are six innovations that should be part of your go-to strategy for retaining customers. Banks incur increased expenditures for a variety of client retention operations. One of the most successful and significant actions is a follow-up contact from the employee who first opened the account, rather than a robo-call or an anonymous call center worker.

LITERATURE REVIEW

Njane (2014) should consider what makes customers stay with Barclays Bank of Nairobi. According to their findings, relationship-marketing-trained businesses have a far higher rate of client retention. As the two parties in a relationship get more comfortable with one another, the effort required to maintain it decreases. Plus, loyal consumers spend more and might spread the word about your company positively when they're happy. The study was motivated by a desire to better understand the factors that encourage and discourage customers from sticking with Barclays Bank of Kenya in Kenya. Researchers used a contextual analysis configuration strategy to get the job done. Information on Barclays Bank of Kenya clients was acquired via semi-structured polling and a meeting with bank employees. Accuracy in transactions, communication from management, the effectiveness of client perks, the bank's outward look, and the comfort of branch waiting spaces were shown to have a direct impact on customer retention. Additional research revealed that a bank's corporate image based on solidness, universality, and unwavering quality also influences clients' retention in the bank. The bank's business advantage, rare and unusual products, and aggressive pricing were all factors in clients leaving the bank.

Hettiarachchy & Samarasinghe (2016) In a global convention held in Sri Lanka, Hettiarachchy and Samarasinghe presented a paper on the topic of client retention. Separate, interconnected, and conclusive findings characterize this study. People who go inside a bank to use the services were regarded to be the sample population. The convenience sampling method was used to choose 250 participants from the metropolitan areas of Colombo and Kandy. The customer who walks into a bank to use its services was used as the unit of analysis. The hypotheses were surveyed using the Matched Sample T-Test, Mean Analysis, and Regression Analysis. Based on the results, it was clear that internal metrics are the most important part of RM. It is also highlighted that the relationship between RM and CR in the Sri Lankan banking business is quite good.

Bashir, (2017) claims that CRM helps businesses thrive in good times and bad, and that banks benefit when they focus on their customers. This study investigates how CRM strategies have affected client retention at a bank in Sialkot, Punjab. The research used a structured questionnaire to perform a sample analysis among 330 clients of three different private banks (Habib Bank Limited, United Bank Limited, and Faysal Bank Limited). There were 316 valid surveys. The responses provided by the statistics back up the hypothesis that CRM has a very favorable correlation with customer happiness. The results of this investigation showed the existence of a significant positive correlation between the factors. The results of this research show that if CRM is implemented correctly, it may boost customer satisfaction, foster long-term relationships with existing and prospective clients, and enhance the efficiency of services aimed at retaining existing clients.

Idrees & Xinping (2017) Management quality and customer retention were both investigated, who analyzed the mediating role played by general customer relationship qualities. Individuals who participated were bank clients. It's impossible to discount the impact that banks' management quality (in general) has on customers' propensities to stick around. Directors would need to be more careful in managing customers who have used the specialist co-op's product for a long time or with greater frequency and use and who are using the few results of similar specialist co-ops as relationship trademark rises as an essential component towards customer retention.

Mahapatra and Kumar (2017) to look at the factors affecting client retention and how these may be modified. National Capital Region bank clients of varying demographics (sexual orientation, age, marital status, degree of education, employment, and income) were given a structured survey. The data was collected efficiently from 500 people who either had an investing account or a current record. The opinions of the respondents were gathered on 20 factors thought to affect consumer loyalty. Substantial, consistent quality, response and confirmation, and compassion were identified as the four main clusters of customer retention criteria. Additional relapse studies were used to quantify retention factors and their influence on consumer decision-making. Many failures later, we know that "Inside Timeframe Service Delivery," "Earnest Efforts in Solving Customer Problems," and "Tolerating and Resolving Faults" are the most important factors influencing our retention target.

RESEARCH METHODOLOGY

Research Design

Exploratory studies, descriptive studies, and correlational or explanatory studies are the three most common kinds of study designs used in the academic literature. In this investigation, all three sorts of designs have contributed. To better understand the elements that clients consider when choosing a bank and how to keep them as customers, a self-administered questionnaire was created. In order to achieve these goals, we used a cross-sectional research design based on a survey to gather data. The survey approach was used because it allows for more in-depth exploration of respondents' inner experiences and motivations, which is particularly useful for gathering data on people's attitudes and beliefs.

Sampling size

Researching clients and middle-level bank officials in India was necessary to achieve the study's goals. It was decided to take a sample of 300 clients.

Methods of Statistics

To examine the dissimilarities between the means of the dependent variable in two or more populations, researchers used the ANOVA method, which uses means and percentages. Measures of central tendency and dispersion as well as tests of significance and correlation are used.

DATA ANALYSIS

Data on Customer Retention in General

The data also reveals that 34 percent of respondents identify customer retention as the main motivation for launching new products/services, while 26 percent cite consumer requirements and 21 percent cite competition.

Table 1: Banker's Observations about Customer Retention

Issues	F	%
Gender		
Male	210	70
Female	90	30
What justifications exist for launching new goods and services?		
Customer Needs	78	26
Customer Retention	101	34
Competition Purposes	63	21
Business Growth	36	12
Government Policies	21	7
Do you have a clear retention strategy?		
Yes	210	70
No	57	19
Other	33	11

In order to keep their current clientele happy and bring in new ones, banks use a variety of methods, which are summarized in Table 2. A total of 300 participants were sampled, with values ranging from one to five. The results range from a mean of 4.21 to 3.69 with a standard deviation of 0.623 to 1.091. The findings of this study show that the methods banks use to keep their customers satisfied pay off for the institutions and have a significant effect on the clients they serve.

Table 2: Standard Deviation and Mean Banks use a variety of client retention techniques

	N	Minimum	Maximum	Mean	Std. Deviation
Services of bank	300	1	5	4.21	.623
Physical appearance	300	1	5	4.05	.517
Info: about new products	300	1	5	3.68	1.091
Services through e-medium	300	1	5	3.78	.876
Location	300	1	5	4.02	.676
Financial requirements	300	1	5	3.90	.873
Suitable financial policies	300	1	5	3.90	.660
Trustworthiness	300	1	5	3.85	.861
Quality of service	300	1	5	3.98	.703
Advertisement	300	1	5	3.87	.777
Unique services	300	1	5	3.86	.816
Competitive advantage	300	1	5	3.85	.948
Relationship	300	1	5	3.87	.802
Complaint handling system	300	1	5	3.84	.778
Image of the bank	300	1	5	3.84	.844
Valid n (list wise)	300				

Table 3: Independent sample t-test comparing clients based on their gender

		Levene's Test of Variance Equivalence		t-test for Equality of Means		
Customer Retention	Equal variances assumed	f	sig	t	df	Sig(2-tailed)
		0.363	0.545	-.348	297	0.001
	Equal Variances not assumed			-.348	252.8	0.001

The t-test reveals a f value of 0.363, which is not statistically significant at the 0.545 level. The calculated value of t is -348. Because of this result, we accept the null hypothesis that banks do not significantly differentiate their retention methods for male and female clients.

CONCLUSION

The banking business, like many others in the service sector, places a premium on maintaining long-term relationships with its clientele. The research found that methods aimed at keeping existing customers engaged were very beneficial. Banks should work to increase customer satisfaction by providing better service, since pleased customers are more likely to recommend the bank to their friends and family, which is especially useful in the service industry. Customers' wants and expectations in today's market are always shifting, making client retention a crucial business strategy. Customer retention is predicated on the idea that keeping existing customers increases profits by diverting resources from recruiting new ones. To increase customer loyalty, businesses need to be aware of the modern economic climate, in which consumers face reduced switching costs compared to the past. The study's findings indicate that consumers are indifferent to the methods that banks use to keep them as clients. The research paper summarizes the many customers retention tactics banks use to keep their clients and get an edge over rivals in the dynamic banking industry. Therefore, it is essential to use certain methods to keep the consumers in the bank in this technologically competitive period.

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Corresponding Author

Geeta Rani*

Research Scholar, Baba Mastnath University