Minnesota Journal of Business Law and Entrepreneurship

Volume 2026, No. 3

ISSN: 1540-3270

An Analytical Study of the Key Customer Retention Strategies Persuading Customers in Banking Sector

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Abstract

Customers are living in a time of rapid technological advancement in regard to the recent significant changes to the banking industry. In the language of banking, customer loyalty and retention are similar aspects of bank marketing that are vital in today's cutting- edge corporate environment. Customer withholding commences with the initial link a bank makes with a client and lasts as long as the client maintains a relationship with the bank.

Therefore, banks must concentrate on key customer retention methods. A survey of 714 bank workers is undertaken to gather feedback on the customer retention strategies that have been implemented. The tabulated data was analysed using factor analysis to determine the predominant factors influencing the variables selected. The results indicate that on the basis of nine variables, the primary two aspects were extracted and termed mandatory and crucial. As a result, the purpose of this article is to learn about the primary customer retention methods that banks should focus on in today's competitive economy.

Keywords: Customer Relationship Management, Customer Retention, Customer satisfaction, Perception

Introduction

Consumers in the banking sector are looking for the newest, most effective technological developments. The set of practices a bank uses to increase the number of repeat customers it has in order to increase the earnings from its current clientele is known as customer retention. Of course, one of the most important factors in keeping clients is offering exceptional quality in both products and services. Maintaining current clientele is essential for banks to thrive in the current marketplace. If banks do not offer the best quality and price for their goods and services, customers will move to another bank to satisfy their banking needs. Therefore, in today's competitive market, banks should consider using client retention as a potentially beneficial weapon to acquire a strategic and competitive advantage.

Review of literature

Ali Mahmoud Ali Samaka, Muhammad Abdul-Hussein Kazem (2022) in their research aims to identify the main determinants that influence bank reliability as well as any relevant cultural, economic, or social indicators that may have an impact on these connection through a thorough meta-analysis. The study found that responsiveness, privacy, dedication, trust, and empathy were the most important predicators of bank loyalty. The links between trust and loyalty are considerably moderated by cultural factors such as masculinity and individualism. Another important economic mediator that was shown to have an impact on the connection between happiness and bank loyalty was the human development index (HDI).Due to the substantial influence on cost reduction and customer loyalty, the management of assessed banks should focus on minimizing pointless and insignificant motions while promoting banking services.

Duleepa e t.al (2021) Analysed the literature to identify the forms of customer loyalty programs and its influence on customer retention. Ten recently published research articles were evaluated for this study, and the analysis found four main types of consumer loyalty programs in the retail sector: point, reward, loyalty card, and gift card systems. According to research, the most popular kind of loyalty program in the retail sector is one that offers incentives based on the degree of client loyalty. The findings indicate a favorable correlation among customer retention and all four types of customer loyalty programs; additionally, the rewarding system exhibits the strongest link with customer retention.

Puspalata Mahapatraet.al (2020) in their research, determined the essential characteristics that will assist banks in retaining current customers. According to the report, the three most crucial elements of client retention are product pricing, customer service, and CRM. The study comprised primary and secondary data. A comprehensive assessment of the literature yielded 33 criteria, which were then divided into five categories. A questionnaire was used to rate the aforementioned components according to their weight. Five factors were identified as drivers of the banking industry's effectiveness in retaining customers, according to the study.

Simanjuntak Nadia et.al (2020concentrated on how customer satisfaction affects business image, how switching barriers affect customer retention, how consumer perceptions of value affect customer satisfaction, and how service quality affects customer satisfaction. A Structural Equation Modeling (SEM) analysis was applied on 310 client auto loans.

According to the study, a company's perceived value, service value, and corporate image possess a significant impact on how happy its consumers are.

Solangi et al. (2019analysed to find out how liaison marketing impacts the banking sector's ability to maintain customers. It was discovered that Larkana bank clients were devoted and would stick around if they benefited from the relationship marketing strategies employed by management. The forecasts state that the degree of client retention will increase with the application of these strategies. This study focuses on the belief held by Pakistani bankers that devoted clients who stick with their banks can lead to organizational success.

Statement of Problem

A customer's value to the bank increases throughout their second year of business because they interact with the bank more frequently. However, there is now more competition, giving clients a wide range of options when it comes to choosing a competitor. Bank if you have any complaints about the level of service that has been provided. Additionally, consumers are now more aware of the financial choices they make. Therefore, the finest loyalty programs can increase their likelihood of staying with the bank. Customers have several choices to switch banks if they are unable to receive higher-quality services and loyalty programs from the current bank. Therefore, banks need to concentrate on the many aspects of keeping their customers. This research has been conducted in this regard.

Objectives

1. To examine the participants' socioeconomic and demographic profiles.
2. To identify bank employees opinion towards the major factors of customer retention adopted by the banks.

Research Methodology Sources of data and Sampling

The information for the research were collected from 714 Employees of various banks in 8 Blocks of Tirupur District by employing a Stratified Random Sampling method. The research was carried out with the help of a well-structured questionnaire based on their age, education, gender, occupation, marital status, income and other variables. The secondary data was gathered from Internet web resources and from top journals. For this empirical study, the bank employees were chosen from all the banks located in the several blocks of Tirupur District.

Tools for Analysis

Finding the underlying variables that describe the general patterns of correlations among a variety of variables is the aim of component analysis. Therefore, factor analysis was applied to investigate the criteria influencing client retention in banks. Factor analysis is a co- relational method for identifying the clusters of shared variances. Finding a minimum number of factors that report for most of the variance in a huge quantity of variables is a common purpose for data reduction. Only continuous variables and variables with interval scaling can use it. By concentrating on a limited number of parameters, it attempts to reduce the correlations between the initial huge number of variables. After that, it searches for connections. At the end of the procedure, a blueprint of association appears and the different factors are extracted by combination of linked variables and the derived factors are named comparatively.

Results and Discussion

The factors considered by the bankers in customer retention was studied by measuring the concept of customer retention through 9 Statements. The opinions of the respondents on these aspects were collected through a five point scaling and finally, to determine the results, factor analysis was used, and comprehensive analysis and discussion were conducted at all stages.

Table 1

Major Customer Retention Strategies in Bank

S. No	Strategies
1	Well-organized services
2	Provides updated electronic products
3	Penetrating to customers' requirements
4	Appropriate branch location
5	Flexible banking strategies
6	Plenty of branch locations
7	Ambience of the branch
8	Reasonable system of charging fees
9	Prolonged banking hours

The primary elements of the customer retention strategy are listed in Table No. 1, and the bank staff's opinions about these variables are gathered using the scaling technique. Social scientists usually use factor analysis because it groups variables and ensures that they have been utilized to measure a certain notion. The Kaiser-Meyer-Olkin (KMO) test is employed in this study to assess the data's sampling fitness for factor analysis. According to Kaiser (1974), numbers higher than 0.5 are considered acceptable, whereas values below 0.5 are deemed unsatisfactory.

Table2

KMO and Bartlett'sTest

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.898
Bartlett's Test of Sphericity	Approx.Chi-Square	2480.142
	D.F	36
	Sig.	.000

The findings since from the Kaiser Meyer Olkin sample adequacy metrics and Bartlett's Sphericity test, which were applied to evaluate the factor model's viability, are shown in Table 2. Bartlett's test, which was applied to assess the null hypothesis, which demonstrates the lack of a relationship between the study's variables. It also shows

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ISSN: 1540-3270

the high KMO statistic value (0.898), suggesting that factor analysis can be a useful method for looking at the correlation matrix. The test yields a 1% significant value (2480.142) for the right chi-square, which supports the alternative hypothesis.

A correlation matrix was developed in accordance with the replies. Utilizing the correlation matrix among variables, the analytical procedure is directed. This matrix can be analyzed to yield helpful information. For the factor analysis to be valid, there must be correlation between the variables. In cases where there is little association among all the variables, factor analysis might not be suitable.

.Table 3 Correlation Matrix

Factor	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1	1.000	.431	.428	.419	.286	.358	.324	.369	.329
2	.431	1.000	.581	.632	.352	.473	.407	.452	.330
3	.428	.581	1.000	.546	.334	.372	.350	.349	.393
4	.419	.632	.546	1.000	.453	.517	.391	.458	.341
5	.286	.352	.334	.453	1.000	.544	.505	.479	.274
6	.358	.473	.372	.517	.544	1.000	.575	.618	.304
7	.324	.407	.350	.391	.505	.575	1.000	.536	.305
8	.369	.452	.349	.458	.479	.618	.536	1.000	.320
	.329	.330	.393	.341	.274	.304	.305	.320	1.000

Table 3 shows that the correlations between all of the variables are well-fitting, suggesting that a component analysis is acceptable.

The degree of variation in each variable that is in description is shown by communalities. The discrepancy in each factor accounted for all variables is estimated using initial communalities.

Table 4 Communalities

Va. No.	**Factors**	**Initial**	**Extraction**
1	Well-organized services	1.000	.484
2	Provides updated electronic products	1.000	.654
3	Penetrating to customers' requirements	1.000	.682

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4	Appropriate branch location	1.000	.631
5	Flexible banking strategies	1.000	.612
6	Plenty of branch locations	1.000	.719
7	Ambience of the branch	1.000	.647
8	Reasonable system of charging fees	1.000	.649
9	Prolonged banking hours	1.000	.380

Table 4 displays the communality values. Communality is the degree to which the extracted components represent the variation in any one of the original variables. This is constantly put to 1.0 for principal component extraction in correlation analysis. Using extraction communalities, the variance in each variable derived from the components is estimated.

Table No.5

Total variance explained

Total Variance Explained									
Component	**Initial Eigen Values**			**Extraction Sums of Squared Loadings**			**ums of Squared Loadings**		
	Total	**% of Variance**	**mulat ve %**	**Total**	**% of Varianc e**	**mulat ve %**	**Total**	**% of Varianc e**	**ulativ e %**
1	4.401	48.901	48.901	4.401	48.901	48.901	2.734	30.378	30.378
2	1.055	11.720	60.621	1.055	11.720	60.621	2.722	30.243	60.621
3	.754	8.373	68.994						
4	.643	7.149	76.143						
5	.542	6.020	82.163						
6	.496	5.507	87.670						

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ISSN: 1540-3270

7	.410	4.550	92.220						
8	.365	4.057	96.277						
9	.335	3.723	100.000						

The 'Initial Eigen values' in Table 5 provide the Eigen values. An Eigen value for a factor indicates the "Total Variance" assigned to it. The extraction sum of squared loadings exposed that the first component explained a variation of 4.401, or 48.901 percent, and the second factor displayed a variance of 1.055, or 11.720 percent. The overall percentage of variance was 60.621 when these two elements were combined. The components that have Eigen values superior than 1.00 are considered to be the two that have been extracted. In this process, all other factors are eliminated from the model and only elements with Eigen values larger than 1.00 are included.

Table 6 Rotated Component Matrix

S.No.	**Factors**	**1**	**2**
1	Penetrating to customers' requirements	.809	
2	Provides updated electronic products	.743	
3	Appropriate branch location	.686	
4	Well-organized services	.665	
5	Prolonged banking hours	.589	
6	Plenty of branch locations		.793
7	Ambience of the branch		.772
8	Flexible banking strategies		.756
9	Reasonable system of charging fees		.749

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.[a]

a. Rotation converged in3 iterations.

The outcome of the VARIMAX factor rotation technique is shown in Table 6. Finding factors that have significant loadings on a comparable component improves interpretation.

Consequently, factors with large factor loadings (values larger than 0.5) in each component were Chosen. Table 5 enumerates the selected factors with individual names.

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ISSN: 1540-3270

Table7

Naming of Statements Extracted

Factor	**Va.No.**	**Statements**	**atedFactor Loadings**
Obligatory	3	Penetrating to customers' requirements	.809
	2	Provides updated electronic products	.743
	4	Appropriate branch location	.686
	1	Well-organized services	.665
	9	Prolonged banking hours	.589
	6	Plenty of branch locations	.793
	7	Ambience of the branch	.772
	5	Flexible banking strategies	.756
	8	Reasonable system of charging fees	.749

Excluded are all loading factors having a loading value of less than 0.5. The most significant component, factor 1, accounted for 48.901% of the variation. The variables X1, X2, X3, X4, and X9 have a strong correlation with one another and " **Obligatory** is the new name for factor F1. 11.720% of the variations were explained by the second type of factor, or F2. At this point, the researcher used four significant factors that have a strong correlation with one another, such as "X5, X6, X7, and X8." and this component is also referred to as " **Crucial**."

Findings and Suggestions Findings

The Crucial Factors which influence customer retention in banks were analysed and found that out of nine variables considered by the bank employees in customer retention, only two factors have been extracted with Eigen values more than 1and the selected factors were named as **Obligatory** and **Crucial.**

Suggestions

It was found from the analysis that out of nine variables considered by the bank employees in customer retention, it is grouped into two factors.

- Bankers have to focus first on essential services like Quick response to customers Flexible bank locations, Additional banking hours, and the adoption of new electronic devices.
- The next focus of the bankers can be on Physical appearance of the bank, Flexible banking strategies and convenient bank locations.

Conclusion

The current state of the Indian financial sector is dynamic, with inconsistent performance from banks and customers in terms of administration quality, customer maintenance, exchanging prices, customer loyalty, and customer reliability. Therefore, banks must concentrate on their primary customer loyalty and retention initiatives to prevent consumers from switching. The research shows that out of nine variables considered by the bank employees in customer retention, two factors were grouped and showed high influence among bankemployees for retaining customers, and it was coined as **Obligatory** and **Vital** forces. This reveals that behind the stiff competition among banking industry, Bankers must understand the major customer retention strategies influencing the customers and focus on it for retaining the customers. .

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