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Factors Affecting Switching Behavior Of Customers In Indian Banking Industry

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Abstract
This study investigates determinants of customer switching in India's retail banking sector using an online questionnaire administered to 55 savings-account holders in Rajasthan. The instrument measured nine potential drivers on a five-point Likert scale and captured demographic data. Descriptive statistics identified high monthly average balance requirements and the absence of nearby branches as the most frequently endorsed motives for defection. One-way ANOVA revealed that gender influenced only perceptions of staff behavior ($p < 0.05$), whereas occupation significantly affected four reasons—high balance requirements, poor recovery from service failure, branch unavailability and low interest rates ($p < 0.05$). These patterns suggest that switching is multifaceted but ultimately rooted in perceived service shortfalls, underscoring the need for banks to align operational and relational strategies with segment-specific expectations. Findings provide actionable insights for relationship managers seeking to reduce churn and for scholars examining service switching in emerging markets. Future research should validate these patterns with larger samples.

Keywords: customer switching behavior; Indian banking industry; service quality

1. Introduction

Many small banks operate in the Indian banking industry. The way that businesses serve their clients has undergone a revolution as a result of the growing use of innovation, liberalization, and regulations. Technology is changing buyer behavior and upsetting older company procedures. However, the essential components of banking namely, the public's faith in and faith in the institution has remain unchanged. The administration has faced several possibilities and dangers as a result of this financial environment scenario.

In terms of present and future revenues, losing a client is a severe setback for any business, and gaining a new customer might be five times more expensive than keeping an existing one. Market share and profitability suffer from customer churn. This may be due to two factors: first, expensive advertising, marketing, sales, and needs analysis; and second, new clients require a grace period before they turn a profit. Since client switching has turned into a significant problem in the promotion of services, it is crucial for banking professionals to understand the reasons why customers switch banks in order to stay relevant. While many academics have researched brand switching conduct for products (Baruna, Dalimunthe & Triono, 2023), few scholars, mostly in the domain of financial services, have concentrated on customer switching behavior for services (Singh, Arora & Choudhry, 2023).

1.1 Background

The economic changes carried out by the Indian government in the early 1990s had considerable impact on the banking industry in India. The nation held deposits in 87 finance companies as of May 31, 2013, totaling Rs. 71,600 crores. About 70% of India's financial sector is made up of 26 public sector banks, 20 private banks, and 41 foreign banks. According to Yuen, Ng, and Wang (2023), borrowing climbed from 22.6% of GDP to 53.9% of GDP, while investment expanded from 37.3% of GDP in 1991 to 71.3% of GDP in FY11. Credit growth to the commercial industry went from 30.3% of GDP to 57.5% of GDP in that same year. Despite the incredible increase, just 35% of Indian people held a savings account with a recognized financial organization (Eleyan, Hyams-Ssekasi & Assaf, 2023). Following this great inauguration, the bank's attention turned to Indian customers. The rise in competition has altered customers' requirements. Customers are important, and banks' competitive strategies must take this into account.

Indian banking clients tend to maintain multiple relationships with service providers. Customers have a better experience when there are multiple retailers, and retailers face additional, often hidden, competition. Multiple banking, often known as split payment systems, is a strategy used to reduce bank collapse risk. Eighty-three percent of clients in India use two or more banks for their financial services. According to a latest survey, 48% of people who multibank do so to receive the finest services or goods and 47% do it to obtain the greatest rates and incentives. Additionally, there is more proof of shifting motives and actions shown (Eneizan et al 2023).

1.2 Aims and objectives

The aim of this research is to analyze various factors that affects customer's decision to switch the bank.
Following objectives have to be achieved in order to fulfill above aim:

- Determining the various factors that affects customer switching decision.
- Identifying whether gender has any impact on reason behind switching the bank.

2. Literature review

2.1 Switching behavior

At times, different authors have tried to explain the switching behavior. Whether the switch is a decision or a process, these definitions lead to the same conclusion: behavior change involves ending a relationship with a service provider for whatever reason, stopping the purchase of products and services and starting a new one with another supplier the same way. Using the Juster scale probabilistic measurement method, Manrai & Manrai (2007) estimated customer defection in personal retail banking in New Zealand and found an overall defect rate of 5%. By examining the factors responsible, Mosavi, Sangari & Keramati (2018) developed a model to identify customers of Australian banks at risk of churn. This model could not be summarized because the traces were associated with only one link.

In the few studies that have examined grievances before turnover, Ghouri et al. (2010) discovered that 80% of interviewees had protested to the bank before turnover. According to this, Gerrard and Cunningham (2004) looked at transformation as a dynamic process that develops through time and ends in protest. The findings of their study suggest that characteristics thought to be significant for defecting have some bearing on grievance behavior. In addition to investigations that concentrate on the variables that influence switching behavior, some authors have tried to analyze post-switch behavior in the form of word-of-mouth and the pursuit of new services (Ghamry & Shamma, 2020).

2.2 Drivers of switching behaviour

Since bank consumers are bound into a contract with their service supplier, switching banks is typically the result of numerous events rather than just one, unlike some of the other service industry (Thaichon et al 2017). Relying on more than 800 major situations that prompted clients to change service providers, Zhao, Noman & Asiaei (2021). suggested the first model of behavioural intention in the service sector. He divided these occurrences into eight main contextual factors, including price, interruption, failings in the core services, failures in the service experience, failed employee responses to failures in the core services, competitor issues, ethical considerations, and involuntary aspects.

3. Research methodology

3.1 Data collection

We searched the existing literature for an appropriate tool for data collection and found the (Caracelli & Greene, 1993) suitable for our research. There are two sections in the questionnaire: the first section asks about the profile of the respondents and the second section contains nine statements about the different characteristics of the service and other factors that could change them. This analysis gathered information from Rajasthan's retail banking customers. Respondents had to have at least one savings account in any public or private bank to be eligible. Using a five-point Likert scale (one for "strongly disagree" and five for "strongly agree"), respondents were asked how much they agreed or disagreed with these statements.

150 bank customers were selected for the sample, which was convenient; out of response 55. Social media was used to distribute the questionnaires; such as WhatsApp and Facebook. However, only customer data from Rajasthan residents was filtered. Due to high response bias or missing data, many questionnaires were not sent. This study did not include high net worth clients because these high net worth clients receive home services or have assistants handle banking on their behalf.

3.2 Data analysis

The relative significance of the factors influencing customers' switching behaviour was determined using descriptive statistics. On the other hand, in order to analyse whether gender has any bias on reason for switching, ANOVA test has been applied.

4. Results and discussion

4.1 Descriptive analysis

4.1.1 Age

Age	Frequency	%
20-30	33	60%
30-40	12	22%
40-50	10	18%
Total	**55**	**100%**

The result indicates that majority of the participants have age range between 20 and 30 years. On the other hand, very few participants of age range between 40 and 50 years have been found.

Inference

Based on the above observation, it can be stated that the result obtained from the research will be applicable for customers having range between 20 and 30 years. This further signifies that people ranges between this age group have shown positive attitude towards sharing their opinion related with their switching behaviour.

4.1.2 Gender

Gender	Frequency	%
Female	24	44%
Male	31	56%
Total	**55**	**100%**

Out of 55 respondents, 56.4% were male and 43.6% were female. This comprise of 24 females and 31 males.

Inference

Out of total 55 participants, majority of them are males. This signifies that the result obtained from the analysis will be applicable to male. Further, it can also be stated that male customers, having age ranges between 20 and 30 years are open to share their opinion on switching behaviour.

4.1.3 Occupation

Occupation	Frequency	%
Private Sector	27	49%
Professional	11	20%
Public Sector	10	18%
Student	7	13%
Total	**55**	**100%**

The above chart shows that majority of the participants are belong to private sector, which is equivalent to 49.1%. On the other hand, 20% participants are professionals and only 12.7% participants were student.

Inference

The result above shows that majority of private sector employees from Rajasthan has shown interest in sharing the information on Switching behaviour of employees. Since the participants have randomly approached, it can be stated that the result obtained from the research will be applicable to private sector employees.

4.1.4 Previous bank name

Previous bank	Frequency	%
Axis	7	13%
HDFC	9	16%
ICICI	10	18%
Other	10	18%
PNB	5	9%
Rural banks	8	15%
SBI	6	11%
Total	**55**	**100%**

The above chart indicates that majority of the participants previously have their account in ICICI and other banks. On the other hand, customers having account in HDFC are on second position.

Inference

Majority of the participants have switched their banks from ICICI and other banks. This signifies that even ICICI banks have also failed to fulfil the needs of the customers. As a consequence, customers have decided to switch their banks.

4.1.5 Duration of switching

Duration of Switching	Frequency	%
3	4	7%
6	10	18%
12	17	31%
12 <	24	44%
Total	**55**	**100%**

The above chart indicates that around 43.6% participants have switched their bank after 12 months. Very few customers have switched their bank within 3 months, which is around 7.3%.

Inference

The above result signifies that majority of the customers wait for at least 1 year before switching their banks. This further shows that the selected participants have high level of customer loyalty. Thus, the reason behind switching the bank after 12 months might be considered strong and also there might be very rare possibility for the banks to retain such customers.

4.1.6 Reason behind switching the bank

Likert Scale	R1	R2	R3	R4	R5	R6	R7	R8	R9
1	12	12	12	12	12	12	12	12	12
2	20	20	20	20	20	20	20	20	20
3	1	1	1	1	1	1	1	1	1
4	1	1	1	1	1	1	1	1	1
5	21	21	21	21	21	21	21	21	21
Total	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**	**55**

In the above chart, around 21 participants found high monthly average as the major reason; while 20 participants disagreed on it. Hence, high monthly average balance can be a reason based on occupation or average income of the customers. Moreover, poor service failure response has been disagreed by the majority of the participants. Furthermore, majority of the customers have agreed that unavailability of particular branch in their nearby location is also the reason behind switching.
Overall, the major reason found behind switching of the bank by the customers include high monthly average balance (MAB) and unavailability of branch in particular area.

4.2 Analytical analysis
4.2.1 ANOVA Output (Gender and the reason)

Reasons	Male	Female	P-value
High Monthly Average Balance required	31	24	0.088
Poor response to service failure	31	24	0.731
Unavailability of that branch at your new address	31	24	0.391
Staff behavioural issues	31	24	0.018
Threat of cyber crime	31	24	0.806
Low interest rates	31	24	0.782
Most of the time server down	31	24	0.516
Poor reward system	31	24	0.701
Additional services provided by other bank (Locker, Demat Account and Pay later facilities)	31	24	0.806

The above data has been extracted from the ANOVA test result, which was conducted in MS-Excel. The ANOVA test has been performed at 5% level of significance. The result shows that only "staff behavioural issues" has been found having significant impact of gender at 0.05 significant level.

4.2.2 ANOVA Output (Occupation and Reason)

Groups	Count
Student	7
Public	10
Private	27
Prof.	11

Reason	P-Value
High Monthly Average Balance required	0.005
Poor response to service failure	0.040
Unavailability of that branch at your new address	0.002
Staff behavioural issues	0.139
Threat of cyber crime	0.245
Low interest rates	0.032
Most of the time server down	0.179
Poor reward system	0.184
Additional services provided by other bank (Locker, Demat Account and Pay later facilities)	0.111

The above table indicates that Occupation has significant impact on some of the reasons, which are high MAB; Poor response to service failure; Unavailability of that branch; and Low interest rates. Occupation has influenced the reasons of selected participants at 5% significant level.

5. Conclusion and implications

5.1 Major conclusion

The key conclusion of this study is that the switching drivers are not autonomous; rather, their poor customer service is the consequence of any of these factors. All financial institutions who want to improve their client interactions should take into account these nine fundamental components. These nine factors try to quantify switching behaviour and call for attention to keep present customers were identified as the components behind the numerous parameters. When each of these aspects are taken into account, this becomes obvious that a banking must develop its corporate strategy around all over the demands of its clients and concentrate operational enhancements on the most crucial client encounters.

5.2 Managerial implications

Overall, the study aims to improve our understanding of banking services consumer behaviour and help service marketers understand customers and the factors that influence their ability to move towards negative perceptions of the service. Relationship Managers, in particular, who work to develop customer relationships, should be careful when considering the aspects mentioned. Banks should look for ways to increase positive behavioural responses to advertising, quality of service, interest rates and customer satisfaction. Also, they should discourage changing intentions with encouragement. Offering competitive pricing, dealing effectively with dissatisfied customers, meeting desired customer service levels, preventing service issues from occurring, and responding positively to customer complaints are all examples of these strategies. Customers should get competitive rates from the manager and the manager should do everything possible to make the switch less expensive for them.
Indian banks must create rewards programs that are specific to different types of relationships with customers. As a consequence, it's imperative to maximise the effectiveness of these organizations' current rewards programs by raising client enrolment and engagement.

5.3 Limitations of the study

The research has discovered several restrictions. First of all, the results of the study's many components determine any behavioural reaction. The scope of the current investigation is restricted to a few switching aspect antecedents. The future researcher may add more factors, for example the buying habits of clients, such as their tendency to seek out diversity, the length of their relationships, and accessibility.

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