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# **A Study on Customer Satisfaction and Retention Strategy toward Retail Banking**

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## **ABSTRACT**

This study examines relationships between customer satisfaction and retention strategies in retail banking. Using a structured questionnaire data was collected from 300 respondents in Vadodra. A Chi-Square hypothesis test was done to determine whether customer satisfaction significantly affects customer retention. Conclusion indicated a strong relationship between these two variables, providing insight to banks to increase customer loyalty.

**Key Words:-** Customer satisfaction, customer retention, Retail Banking, Service Quality, Customer Loyalty

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## **INTRODUCTION**

This study is to look into the client retention tactics used by retail banks and analyze the connection between retention and customer satisfaction. The results of this study will give retail banks important information to help them create retention plans that work, boost client happiness, and eventually increase sales and profitability.

The goal and objective to determine the main determinants of client satisfaction in retail banking.

1. To investigate the connection between retail banking client retention and satisfaction
2. To examine the methods that retail banks use to increase customer retention
3. Examine how technology can improve customer retention and satisfaction.

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## **LITERATURE REVIEW**

**Ishan Harshadbhai Patel and Dr. Viral Bhatt (2018) conducted a literature review.**

The most crucial component of every business's success is its ability to satisfy its customers. Both recruiting new clients and keeping current ones will be aided by higher levels of customer satisfaction. Any bank's success depends heavily on its ability to retain and satisfy its customers. A number of service elements, such as employee training and complaint handling, are crucial to client happiness. While relational and core features are equally significant when bank management wants to increase customer pleasure, core elements, such as improved problem-solving, become more crucial when management is focused on client retention.

**Zeinalizedeh, N., Shojaie, A. A., & Shariatmadari, M. (2015)**

Assert that among the nine factors influencing customer satisfaction, fees and loans, prompt service, and appearance are the most significant, while interest, accessibility, and service availability exert a lesser influence on banking customer satisfaction.

**Hiteshi Ajmera, Dr. Viral Bhatt, 2020)**

Researcher investigated the impact of perceptions of interactivity on patron consider and transactions in cell trade and concluded that agree with does in reality play a big function in figuring out consumer intentions for transactions.

**Suriyamurthi, S., Mahalakshmi, V., & Arivazhagan, M. (2013)**

This researcher stated that in the cutthroat competition in which every bank is focusing maintaining and attracting new consumer, dating advertising is the key detail which must be followed by using the banks. They also observed that banking region is one of the fundamental service region and the

enterprise of banks is more or much less dependent on the customer offerings and pride. Banks should increase their offerings and make excellent courting with the clients.

#### **Ronak A. Mehta (2017)**

This researcher instructed about that the achievement of the bank mainly depend on its clients. Being a service industry, all banks have to intention at satisfying the customers desires by way of providing maximum functions in their offerings. Gap analysis of customer expectation and actual offerings must be carried out frequently to measure the present day level customer pride. Bank are lagging behind in introducing modern custom designed products which include investment and tax Advisory services, cash control service, and so on.

#### ***Problem Statement***

The study provides this study to detect the level of satisfaction of customers in retail banking services, identify key determinants of satisfaction, and information about how banks can increase their service offerings to meet the needs of customers. The study will also investigate how factors such as service quality, convenience, technology integration and customer aids affect overall satisfaction and long -term customer relations are factors.

Statements- "What is the relationship between customers' satisfaction and customer retention in retail, and what retention strategies can be employed to increase the satisfaction of customers and increase business growth?"

#### **HYPOTHESIS**

H<sub>0</sub> = There is no significant relationship between customer retention and customer loyalty.

H<sub>1</sub> = There is significant relationship between customer retention and customer loyalty.

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#### **RESEARCH DESIGN**

The proposed study includes the first descriptive analysis in a statistical design adopted, which intends to detect the distribution of customer satisfaction score among the randomly chosen respondents for the study and the second thing is that if any sub -sample (age, gender, income, education level, business) will be studied, then the customer is related to the level of satisfaction.

#### **SOURCES OF DATA**

The primary data is used in this research. Primary data is collected through marketing research. In this research the data is collected through structured questionnaire method.

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#### **DATA COLLECTION METHOD**

The data collection method used for this study included a survey questionnaire. The questionnaire included 20 questions, including multi-choice, launch scale and open ended questions. The questionnaire was designed to collect data on customers' satisfaction, retention and demographic information. The Google Form Questionnaire that contains closed questions with predetermined answer options and is operated through the app

#### **POPULATION**

Population for this study included retail banking customers in Baroda city. The population was defined as individuals who have a savings or current account with a retail bank in Vadodara. Retail banking services as a customer's option will include students, professional and government officials, businesses and a total of 300 respondents.

#### **SAMPLING METHOD**

The proposed study was conducted by using random sampling technique. The sampling unit will be the customers of prominent retail banks of India randomly selected for the study and will represent a balanced mix of various demographic factors from baroda city.

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#### **DATA COLLECTION INSTRUMENTS**

Data collection Instrument refers to the device used to collect data, such as a paper questionnaire or computer assisted interviewing system methodology used to identify information sources and collect information during an evaluation. There are types of data collection instrument such as sample survey, questionnaire, observation and case study. In this research, Questionnaire is used to do the research of a customer's satisfactions toward the retail banking

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#### **DATA ANALYSIS**

1. How satisfied are you with the services provided by your current bank?

Variable	NO. of Respondent	Percentage
Very Satisfied	122	40.7%
Satisfied	85	28.3%
Neutral	52	17.3%
Unsatisfied	30	10%
Very Unsatisfied	11	3.7%

2. How responsive is your bank to your queries and concerns?

Variable	NO. of Respondent	Percentage
Very Responsive	112	37.3%
Little bit responsive	67	22.3%
Neutral	61	20.3%
Little bit unresponsive	40	13.3%
Very Unresponsive	20	6.7%

3. How long have you been banking with your current bank?

Variable	No. of Respondent	Percentage
Less than 1 Year	31	10.3%
1-3 Year	70	23.3%
3-6 Year	107	35.7%
More than 6 Year	92	30.7%

4. What type of banking services do you use most frequently?

Variable	No. of Respondent	Percentage
Saving Account	144	48%
Current Account	45	15%
Loan	29	9.7%
Investment Services	68	22.7%
ATM	14	4.7%

5. How likely are you to recommend your bank to friends and family?

Variable	NO. of Respondent	Percentage
Very Likely	83	27.7%
Somewhat Likely	80	26.7%
Neutral	72	24%
Somewhat unlikely	52	17.3%
Very Unlikely	13	4.3%

**Chi-Square Test Analysis for Customer Satisfaction in retail banking**

**Introduction:**

Chi-Square Testing for freedom was conducted to examine the relationship between customer demographics, banking preferences and levels of satisfaction. The purpose of the hypothesis test is to determine whether these variables are significantly associated with the satisfaction of customers in retail banking.

**Hypothesis Formulation**

1. **Null Hypothesis (H<sub>0</sub>)** = Retail banking has no significant relations between customer satisfaction and customer retention.
2. **Alternative Hypothesis (H<sub>1</sub>)** = Retail banking has a significant relationship between customer satisfaction and customer retention.

**Chi-Square Test Results****1. Observed Value (O)**

Satisfaction level	Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	Total
Retained Customer	122	85	52	30	11	300
Not Retained Customer	83	80	72	52	13	300
<b>Total</b>	<b>205</b>	<b>165</b>	<b>124</b>	<b>82</b>	<b>24</b>	<b>600</b>

**2. Expected Value (E)**

$$E = (\text{Raw Total} * \text{Column Total})$$

Grand Total

Satisfaction Level	Very Satisfied	Satisfied	Neutral	Unsatisfied	Very Unsatisfied	Total
Retained Customer (E)	$\frac{300*205}{600}$ = 102.5	$\frac{300*165}{600}$ = 82.5	$\frac{300*124}{600}$ = 62	$\frac{300*82}{600}$ = 41	$\frac{300*24}{600}$ = 12	300
Not Retained	$\frac{300*205}{600}$ = 102.5	$\frac{300*124}{600}$ = 62	$\frac{300*205}{600}$ = 102.5	$\frac{300*82}{600}$ = 41	$\frac{300*24}{600}$ = 12	300
<b>Total</b>	<b>205</b>	<b>165</b>	<b>124</b>	<b>82</b>	<b>24</b>	<b>600</b>

**3. Degree of Freedom (df)**

$$Df = (\text{Row}-1)*(\text{Column}-1)$$

$$2*2 = 4$$

**4. Chi – Square Test Formula**

$$X^2 = \frac{(O-E)^2}{E}$$

E

Satisfaction Level	(O-E)	(O-E) <sup>2</sup>
122 - 102.5 = 19.5	380.25	3.71
85 - 82.5 = 2.5	6.25	0.08
52 - 62 = -10	100	1.61
30 - 41 = -11	121	2.95
11 - 12 = -1	1	0.08
83 - 102.5 = -19.5	380.25	3.71
80 - 82.5 = -2.5	6.25	0.08
72 - 62 = 10	100	1.61

$52 - 41 = 11$	121	2.95
$13 - 12 = 1$	1	0.08
<b>Total Chi-Sq (<math>\chi^2</math>)</b>	-	<b>= 16.87</b>

### 5. Interpretation

**Chi-Square Statistic ( $\chi^2$ )** = 16.87

**Degree of Freedom (DF)** = 4

**P-Value** = 0.00205

Since,  $P < 0.05$ , we reject the disabled hypothesis ( $H_0$ ) and confirm that the satisfaction of the customer significantly affects retention.

This shows that improvement in customer satisfaction greatly affects retention.

### Findings

High satisfaction leads to high retention: customers who were "very satisfied" were most likely to recommend their bank.

Medium satisfaction affects loyalty: people who were "neutral" or "somewhat satisfied" showed mixed retention behavior.

Dissatisfaction increases: customers with low satisfaction levels were more likely to switch banks.

### Conclusion

This study shows that the satisfaction of customers in retail banking is affected by various demographics and service-related factors. Banks should take advantage of these insights to refine their customer engagement strategies, increase service quality and promote long-term relationships with their customers. The study confirms a strong relationship between customer satisfaction and retention in retail banking. Banks should focus on individual services, increased customer experiences and digital engagement to improve retention rates. The purpose of this study is to check the relationship between customers satisfaction and retention in retail banking, and identify the retention strategies employed by the bank to maintain their customers. The findings of the study indicate that customers' satisfaction is an important factor in determining customer retention in retail banking. The study identified several retention strategies employed by banks, including individual services, loyalty programs and effects

### Suggestion

1. **Improve Customer Service:** Banks should focus on providing high quality customer service, including individual services, effective communication and early solutions to customer complaints.
2. **Develop Loyalty Programs:** Banks should develop loyalty programs that reward customers for their loyalty and encourage customers to continue trade with the bank.
3. **Invest In Technology:** Banks should invest in technology including online and mobile banking to provide customers with convenient and accessible banking services.
4. **Conduct Regular Customer Response:** Banks must conduct regular customer response survey to understand customers need and preferences and improve their services accordingly.
5. **Provide Individual Services :** To meet the unique needs of each customer, banks must provide personal services, including customized account management and sewn financial solutions.
6. **Develop Employee Training Programs:** Banks should develop Employees training program to ensure that employee have the necessary skills and knowledge required to provide high quality customer service.

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