

Design and explain the factors affecting customer loyalty in online banking

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ABSTRACT : In E-banking, attracting and keeping customers is a difficult and challenging problem for commercial organizations. Therefore, banks and financial institutions strive to recognize factors which can attract customers and make them loyalty. The aim of this study is to identify variables related to customer loyalty in E-banking. The associated variables with Customer loyalty in e-banking are examined in the study. This study considers a conceptual model that is determinant of Customer loyalty in e-banking. To test the hypotheses, a questionnaire of 32 questions designed that is valued 0 to 100 and distributed among the population (Tejart bank), the total 320 patients of the main branches of clients who have had experience using the online system. The method used in this research is descriptive survey. The path analysis method was used to test the hypotheses, and the AMOS software is used for statistical analysis of data. The results of the study show the significant impact of variables on Customer loyalty, however, the Trust and Service Quality has had the greatest impact on loyalty among them.

Key word: Customer loyalty, Customer Value, Switching Cost, Reputation, Habit, Trust, Service Quality, Satisfaction.

INTRODUCTION

Satisfaction and loyalty of customers are important factors having effect on managerial thoughts in 1990's (Vilares and Coelho, 2003). Nowadays, in competitive economy there is no warranty for business companies to survive. Loyal customers can be of great help to companies to survive and improve. Therefore, companies need to concentrate on loyalty of customers and enjoy customers' loyalty as a main strategy for future. Although, many companies have accepted loyalty as a key strategy to survive they do not seem understand the meaning and apply it effectively. Many researchers believe that loyalty antecedents are complex and dynamic, changing and evolving over time (Johnson, Herrmann, and Huber, 2006). There are still a number of important gaps in understanding of the loyalty and other relationship marketing constructs (Taylor, Hunter, and Longfellow, 2006). Customer loyalty will eventually become visible in a company's bottom line through increased revenue, decreased customer acquisition costs, reduced costs of serving repeat customers, and increased profits. Consumer's behavioral motivation of loyal relationship is assumed from their satisfaction level. The role of creating customer value is meeting a target customer's needs and thus, increasing customer satisfaction (Porter, 1985). Thus, it can be argued that the objective of loyalty marketing, which is achieved through keeping and nurturing customers, rests upon delivering customer value and customer satisfaction (Fathollahzadeh et al., 2011). During the past few decades service quality has become a major area of attention to practitioners, managers and researchers owing to its strong impact on business performance, lower costs, customer satisfaction, customer loyalty and profitability (Nitin Sethi et al., 2004).

The expression

Service quality is one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector (Choudhury, 2008). Therefore, banks have to provide service carefully because of the availability of banks. Banks have to improve the service level continuously. There is no guarantee that what is excellent service today is also applicable for tomorrow. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers. In the competitive banking industry, customer satisfaction is considered as the essence of

success. According to Hofstede (2001), most of the Asian cultures (like India, Pakistan) are collectivist People in the collective cultures discriminate in-groups (relatives, institutions and organizations) and out-groups. In this case, word of mouth (WOM) advertisements are important for the banks. argued that the customers who are satisfied tell others about their experiences and this increases WOM advertising. In this way, banks can increase customers. Argued that profit and growth are stimulated primarily by customer loyalty and loyalty is a direct result of customer satisfaction(Kazi Omar ,2011).Creating loyal customers has become more important due to significant increase in competition and concentrated markets. Businesses are trying to attract and satisfy customers and to build longterm relationship through building loyalty among customers (Gremier et al., 1996). Developing a network of loyal and satisfied customers is critical for the survival of many corporations (Gould, 1995). Traditionally there are two approaches to treat customer loyalty. Some researchers have investigated the nature of different levels of loyalty; others have explored the influence of individual factors on loyalty. The starting point is to know the influence of factors including trustworthiness, product image, customer relationship and customer satisfaction on customer loyalty. In emerging markets like Pakistan it is more important to determine factors affecting customer loyalty due to the continuous influx of new players in potential industries (Hafeez et al., 2010). Massive privatization in Pakistan also triggered the need to analyze determinants of customer loyalty for long-term profitability. Long-term success and sustainable reputation of an organization depends on customer loyalty(Waheed Akhter,2011).

Significance of research

Nowadays,customer satisfaction is no longer sufficient and companies,organizations and banks should not depend on customer satisfaction alone.They should become sure that customers are not only satisfied but also loyal. Therefore,providing services and products quality for customers is necessary for banks to be successful and to survive in nowadays competitive banking condition,so providing quality services and products will result in reputation of businesses (banks)and enables them to keep customers and also attracts new customers by oral advertising among people and promotes financial performance and profitability.In the last few decades,marketing and businesses have experienced many changes.The result have been a development in new methods for doing business and also a change in banks approach towards customer ship. Therefore,these days,banks have shifted their attention towards customers.It must be noted that banks used to consider profitability as a result of attracting more customers.In contrast,Now,research shows that the cost of attracting a new customer is nearly twice the cost of keeping an old loyal customer.In this research ,first off,wetry to study the effective factors resulting in customer loyalty by literature and then they are tested and also the relationship between the structure of loyalty and these factors will be determined.Finally the question "could these factors result in customer loyalty in online banking"?will be answered.In this research,after testing the existence of relationship between any of the variables and loyalty,the question which arises here is that"how much does online E-banking influence any of these variables?"It seems like its worthy to perform a research measuring .The relationship between loyalty in online banking and any of these variables.By noticing the before mentioned statements,The results achieved through this research can be very important.Such results can be used by managers(bank industry)to design and create a structure based on customer loyalty to online networks in banks.

Research Objectives

Main Objectives

Examining effective factors influencing customer loyalty in Electronic banking.

SubObjectives

Identifying factors influencing customer loyalty in electronic banking.
Measuring any of the factors influencing customer loyalty in electronic banking.
Rating any of the factors influencing customer loyalty in electronic banking.
Extracting the conceptual model about the factors influencing customer loyalty in electronic banking.
Developing and drawing conclusions from the extracted conceptual model about the factors influencing customer loyalty in electronic banking.

Research hypotheses

Theres a significant and positive relationship between Customer Value and customer loyalty.
Theres a significant and positive relationship between SwitchingCost and customer loyalty.
Theres a significant and positive relationship between Reputation and customer loyalty.
Theres a significant and positive relationship between Habit and customer loyalty.
Theres a significant and positive relationship between Trust and customer loyalty.

Theres a significant and positive relationship between Service quality and customer loyalty.
 Theres a significant and positive relationship between Satisfaction and customer loyalty.

Table 1. Literature Review

Scholar	Year	Subject	Statistic society	The results
Mehdi Fathollahzadeh, AsgarHashemim, Mohammad Safari Kahreh	2011	Designing a New Model for Determining Customer Value Satisfaction and Loyalty towards Banking Sector of Iran	Customers of three biggest banks in iran	Customer satisfaction and loyalty are two dimension of important factors of relational marketing
Ashfaq Ahmad, Kashif-ur-Rehman and NadeemSafwan	2011	Testing a model of Islamic banking based on service quality, customer satisfaction and bank performance	Respondents of 60 branches of six Islamic developed banks in pakistan	The gap between customer satisfaction and Islamic banks performancemayresult from the lack of customership
WaheedAkhter, AbdusSattarAbbasi, Imran Ali, and HasanAfzal	2011	Factors affecting customer loyalty in Pakistan	Bank customers in pakestan	Success in the long term and longstanding popularity of an organization (bank)depends on the loyalty of customers.
Kazi Omar Siddiqi	2011	Interrelations between Service Quality Attributes, Customer Satisfaction and Customer Loyalty in theRetail Banking Sector in Bangladesh	Customers of retuil banking in bangladesh	All positive qualitative virtues of services relate to customer satisfaction and positive. Satisfaction of customers relate to customer loyalty.
Ahmed AuduMaiyaki, Dr. SanySanuriMohd. Mokhtar	2011	Determinants of Customer Behavioural Intention in Nigerian Retail Banks	Customers of retail banking in bangladesh	Perceived customer value is related to behavioral intention of customers (intention of using) by considering the offered services
Thomas OgoroOmbati, PetersonObaraMagutu, Stephen OnserioNyamwange, Richard BitangeNyaoga	2010	Importance and Performance of Various Factors Considered In the Electronic Banking Services	Users of banking services in Nairobi - kenya	Introducing and growth of technology ,while identification of an attitude is considered as a strategic factor in applying initial competition for service quality
David H. Wong, Claire Loh, Kenneth B. Yap, Randall Bak	2009	To Trust or Not to Trust: The Consumer's Dilemma with E-banking	The staff of the large university of Australia	The reason why customers would not like to use the traditional online banking system results from understanding the dangers of doing business through internet traditionally
Nick Bontis and Lorne D. Booker, Alexander Serenko	2007	The mediating effect of organizational reputation on customer loyalty and service recommendation in the banking industry	Visitors as ABC to banks of north America	Popularity is relatively a mediating factor between satisfaction and customer loyaty
David Cohen, Christopher Gan,HuaHwaAu Yong and Esther Choong	2006	CUSTOMER SATISFACTION:A STUDY OF BANK CUSTOMER RETENTION IN NEW ZEALAND	Inhabitants of Christ church county of New zealand	This study showed that customer satisfaction alone is effective in creating loyalty
BomilSuh, Ingoo Han	2002	E ffect of trust on customer acceptance of Internet banking	Customers of online banking in south korea	Trust is one of the most important beliefs in explaining customers attitudes towards using online banking

Literature Review

The studies in literature review have been mentioned to show profitable and capable of being profitable sections of banking and creating loyalty in customers. Nowadays,because of internal conditions and international status of governmental systems,the necessity of creating a change in countries banking system is feltmore than any other time.By considering the role that a qualified and efficient banking system plays in realizing its plans,it is necessary to payattention to loyalty as one of the fundamental elements of development Efficiency,effectiveness and finally performance improvement and customer satisfaction can be reached by identifying needs and expectations of customers and other factora in fluencing customers and workers behavior.

Customer loyalty

The customer-centric marketing encourages firms to seek individual customer's needs and wants. This trend will ultimately lead to firm's increasing marketing productivity and market diversity in household and business markets (Sheth et al, 2000). Customer loyalty is an important objective for strategic marketing planning and represents an important basis for developing a sustainable competitive advantage (Maydeu- Olivares and Lado, 2003).

Customer value

Designing and delivering superior customer value is the key to successful business strategy in the 21st century. Value reigns supreme in today's marketplace and market space; customers will not pay more than a goods or service is worth (Johnson and Weinstein, 2004). Customers are increasingly searching for and demanding value in products and services. Bhattacharya and Singh (2008) mentioned that managing organization from the perspective of customer value would increase the likelihood of success. Companies that provide superior value to their customers obtain a competitive advantage (Raich, 2008). Cohen et al. (2007) argued that customer value is more viable element than customer satisfaction because it includes not only the usual benefits that most banks focus on but also a consideration of the price that the customer pays. According to Day (1994), "Perceived Customer Value = Perceived benefits – Perceived cost". The core concept of the definition is benefits versus sacrifice. Roig et al. (2006) pointed out that the benefits component would include the perceived quality of the service and a series of psychological benefits. The sacrifice component, what the customer must contribute, would be formed by the monetary and non-monetary prices, i.e. money and other resources such as time, energy, effort etc.

Switching cost

As defined by Jones et al. (2002), a switching barrier is any factor that makes it difficult or costly for customers to change providers. Another brand loyalty determinant is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Shergill and Bing, 2006). For this reason, a switching cost can be seen as a cost that deters customers from demanding a rival firm's brand (Aydin and Ozer, 2005). When the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives (Kim, 2004).

Reputation

Herbig and Milewicz (1993) have defined reputation as an estimation of the consistency over time of an attribute of an entity. An organization can therefore have numerous reputations (i.e. price, product quality and innovativeness reputations) and/or global reputation. According to Casalo et al. (2008), reputation must be understood as referring not only to the website, but also the entire organization. The website is simply the main communication channel between consumer and organization. A more positive reputation tends to develop sales and market share (Shapiro, 1982) and to establish greater customer loyalty (Andreassen and Lindestad, 1998). When comparing on- and offline exchange, Standifird et al. (1999) argued that the reputation of online suppliers are significantly more important to online consumers than any offline context .

Habit

Gefen (2003) defined habit is what an individual usually does when there is a behavioral preference in the present. Most habitual behavior arises and proceeds efficiently, effortlessly, and unconsciously (Aarts et al., 1998) and habit can predict customers future behavior (Bamberg, Ajzen, & Schmidt, 2003). About 40–60% of customers' repeat purchase from the same store through force of habit (Beatty and Smith, 1987). Gefen (2003) found that habit alone can explain a large proportion of the variance in the continued use of a website. Lin and Wang (2006), customers visit websites out of habit, rather than through a conscious evaluation of the perceived benefits and costs entailed. When habit is well entrenched, people tend to ignore external information or rational strategy.

Trust

Chiou (2004) found that perceived trust had direct and positive impacts upon the loyalty of customers. Trust has been defined as the willingness to rely on an exchange partner in whom one has confidence (Ostrom and Iacobucci, 1999) . Trust causes dedication because it reduces the costs of negotiating agreements and lessens

customers' fear of opportunistic behaviour by the service provider (Bendapudi and Berry, 1997). In social psychology trust is considered to consist of two elements: trust in the partner's honesty, and trust in the partner's benevolence ('Wetzels et al., 1998).

Service Quality

The concept of service quality is linked to the concepts of perceptions and expectations. Service quality perceived by the customers is the result of comparing the expectations about the service they are going to receive and their perceptions of the retail baking's actions (Lapierre et al, 996). If perceptions exceed expectations, the service provided by the retail banks will be considered excellent (Vazquez et al, 2001).According to Zeithaml et al. (1998), the existence of a relationship between service quality and Customer retention at a higher level indicates that service quality has an impact on individual consumer behavior, where superior service quality leads to favorable behavioral intentions (ie customer loyalty), and while unfavorable behavioral intentions are a consequence of inferior service quality.

Customer satisfaction

The satisfaction is yet another important trait which must be taken in to account when shaping the overall loyalty of the customers towards their service providers. In banks, the customers ask themselves about the level of the services and decide about the lack of importance given to them and decide about repurchase behavior after using the services. The level of satisfaction is always high when the customer gives minimum price and gets maximum of usage and profit (Jamal and Kamal, 2004).Dissatisfaction usually occurs when the pricing issues are not suiting the needs of the customers. In banking industry also, the interest rates on loans and charges on the usage of online services such as ATM machines and the processing fee is a major bone of contention between the bank and its customers. If the customer thinks that the charges are more than the needs he churns. The customer initially tries to compromise with the bank but at a certain point he decides to defect. Nowadays, it has become too easy to open an account in any other bank so the switching cost is also minimal. These all factors help customers to switch from the current bank. The response of customer plays a pivot role in the overall satisfaction graph of the provider. If a customer is satisfied, the loyalty injects automatically and the customer remains with the current providers for a longer and longer period of time (Fox and Poje, 2002).

Model

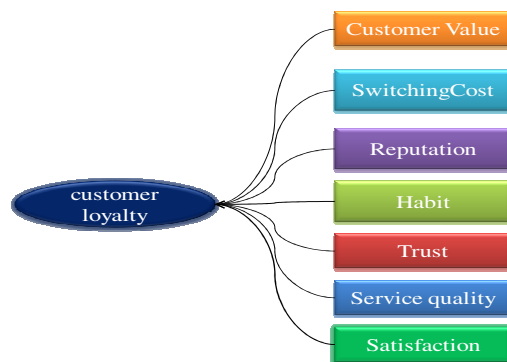


Figure1. The Conceptual model of examining the effective factors(Customer Value,SwitchingCost,Reputation,Habit,Trust,Service quality,Satisfaction.) influencing Loyalty in E- banking(taken from:Kazi Omar.2011Mehdi Fathollahzadeh et al.2011,Bilal Afsar et al.2010,Beh Yin Yee et al.2010, Pin Luarn et al.2003).

Theoreticalframework forresearch

Research Method

Considering the subject of this research,the universe of this study is the clients of the main branches of Tejart bank in kermanshah province-Iran.The sampling method and sample volume was determined by morgan

table. The universe was 1900 people and sample volume was determined 320 persons. samples were collected by the simple accidental sampling method. A closed questionnaire was used for collecting data and the questions were categorized into 7 sections with a value of 0-100. For analyzing data, path analysis was used.

Kolmogorov- Smirnov test

To use path analysis and regression method, errors must have a normal distribution. To examine this, Kolmogorov-Smirnov test is being used.

Table 2. One-Sample Kolmogorov-Smirnov Test

	Error
N	320
Kolmogorov-Smirnov Z	.331
Asymp. Sig. (2-tailed)	.082

In the table above, Since p-value = 0.082 and $p > 0.05$, the hypothesis of being normalized is accepted. A primary sample of 320 people were examined to do this research and as for getting sure of its reliability, cronbachs Alpha was used. As its shown in the table below, $\alpha = 0.832$, which proves the reliability of the questionnaire.

Table 3. Reliability Statistics

Cronbach's Alpha	N of Items
.832	32

In the table above, cronbachs alpha = 0.832 and $\alpha > 0.70$, then it can be said that this questionnaire is reliable. In this model, the impact of independent variables such as Customer Value, Switching Cost, Reputation, Habit, Trust, Service quality and Satisfaction on the dependent variable of customer loyalty is examined. Therefore, the model is illustrated as following:

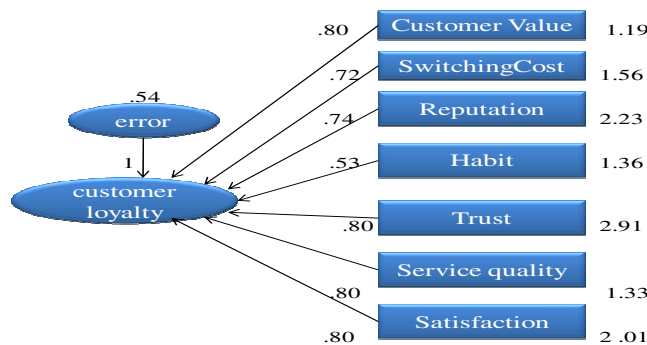


Figure 2. The regression coefficients of independent variables in Tejart bank.

In the figure above, 0.80 demonstrates regression coefficient between Loyalty and Customer Value variables, and 1.19 demonstrates the variance of reliability variable.

Regression coefficients of variables in Tejartbank

The table above shows the calculated regression coefficients of independent variables on dependent ones. According to this table, the regression coefficient of the variable Customer Value is 0.800. Also, the calculated regression coefficient of SwitchingCost is 0.721, Reputation=0.743, Habit=0.528, Trust = 0.799, Service quality = .802 and Satisfaction= 0.803. Considering the last column of this table which shows p-value related to independent variables coefficients being significant hypothesis. Customer Value 0.000, SwitchingCost 0.000, Reputation 0.019, Habit 0.021, Trust 0.003, Service quality 0.000, Satisfaction 0.001. Because all of these p-values < 0.05, as a result, it can be concluded that all of these coefficients are significant. In the second column, this table shows standard error and the third column shows the critical value, which is attained through dividing the coefficient estimation by the standard error.

Table 4. Regression coefficient of independent variables in Tejart bank

		Estimate	S.E.	C.R.	P
Loyalty <---	Customer Value	.800	1.091	.672	.000
Loyalty <---	SwitchingCost	.721	1.249	.462	.000
Loyalty <---	Reputation	.743	1.492	.333	.019
Loyalty <---	Habit	.528	1.166	.388	.021
Loyalty <---	Trust	.799	1.706	.274	.003
Loyalty <---	Service quality	.802	1.153	.603	.000
Loyalty <---	Satisfaction	.803	1.418	.399	.001

Structural equation

In this article, independent variables like Customer Value is shown by X₁, Switching Cost X₂, Reputation X₃, Habit X₄, Trust X₅, Service quality X₆, Satisfaction X₇ and the dependent variable of loyalty is shown by Y. According to the regression coefficients, the linear regression model being fitted to data, is as follows:

$$Y = 1.91 + 0.80 x_1 + 0.72x_2 + 0.74 x_3 + 0.53x_4 + 0.80 x_5 + 0.80 x_6 + 0.80 X_7.$$

Standardized Regression Weights

The standardized coefficients of independent variables have been shown in the graph below.

Table 5. the standardized coefficients of variables

		Estimate
Loyalty <---	Customer Value	.83
Loyalty <---	Switching Cost	.70
Loyalty <---	Reputation	.75
Loyalty <---	Habit	.65
Loyalty <---	Trust	.87
Loyalty <---	Service quality	.91
Loyalty <---	Satisfaction	0.78

As is obvious from the table above, the variable of Service quality has the most impact and Habit has the least impact on the variable of loyalty.

Comparing the independent model and the proposed model

In order to examine the suitability of the model, the following criteria are used. The nearer the values of these criteria to 1, the more suitable the model will be. The independent model is a kind of model in which there is no relationship among variables, being called a basic model.

Table 6. comparing the suggested and independent model in Tejart bank

RMSEA	AGFI	GFI	CFI	IFI	RFI	NFI	
0.051	0.859	0.748	0.750	0.833	0.716	0.924	proposed model
0.000	0.000	0.000	0.000	0.000	0.000	0.000	independent model

The values of the table above prove the suitability of the model.

K₂ of the suggested models

The following table shows the K₂ value for the suggested model.

Table 7. K2 of the suggested model in Tejart bank

CMIN	DF	CMIN/DF	P
22.176	21	1.056	0.000

For this model, $\chi^2 = 22.176$, degrees of freedom = 21 and sig = 0.000, and because sig < 0.05, it is concluded that the regression model being fitted among dependent and independent variables is significant and suitable.

CONCLUSION

H₁. There is a significant and positive relationship between customer value and Loyalty.

According to the achieved results; there is a significant and positive relationship between customer value and loyalty with a sig of 0.000 and a regression coefficient of 0.80. Therefore, it can be stated that there is a strong relationship between loyalty and customer value, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that customer value influences loyalty and in customers point of views; The more the customer value, the better the loyalty, therefore, the hypothesis is accepted.

H₂. There is a significant and positive relationship between switching Cost and Loyalty.

According to the achieved results; there is a significant and positive relationship between switching cost and loyalty with a sig of 0.000 and a regression coefficient of 0.72. Therefore, it can be stated that there is a strong relationship between loyalty and switching cost, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that switching cost influences loyalty and in customers point of views; The more the switching cost, the better the loyalty, therefore, the hypothesis is accepted.

H₃. There is a significant and positive relationship between reputation and Loyalty.

According to the achieved results; there is a significant and positive relationship between reputation and loyalty with a sig of 0.019 and a regression coefficient of 0.74. Therefore, it can be stated that there is a strong relationship between loyalty and reputation, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that reputation influences loyalty and in customers point of views; The more reputation, the better the loyalty, therefore, the hypothesis is accepted.

H₄. There is a significant and positive relationship between Habit and Loyalty.

According to the achieved results; there is a significant and positive relationship between habit and loyalty with a sig of 0.021 and a regression coefficient of 0.53. Therefore, it can be stated that there is a strong relationship between loyalty and habit, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that habit influences loyalty and in customers point of views; The more the habit, the better the loyalty, therefore, the hypothesis is accepted.

H₅. There is a significant and positive relationship between Trust and Loyalty.

According to the achieved results; there is a significant and positive relationship between trust and loyalty with a sig of 0.003 and a regression coefficient of 0.80. Therefore, it can be stated that there is a strong relationship between loyalty and trust, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that trust influences loyalty and in customers point of views; The more trust, the better the loyalty, therefore, the hypothesis is accepted.

H₆. There is a significant and positive relationship between Service quality and Loyalty.

According to the achieved results; there is a significant and positive relationship between service quality and loyalty with a sig of 0.000 and a regression coefficient of 0.80. Therefore, it can be stated that there is a strong relationship between loyalty and service quality, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that service quality influences loyalty and in customers point of views; The more the service quality, the better the loyalty, therefore, the hypothesis is accepted.

H₇. There is a significant and positive relationship between Satisfaction and Loyalty.

According to the achieved results; there is a significant and positive relationship between satisfaction and loyalty with a sig of 0.001 and a regression coefficient of 0.80. Therefore, it can be stated that there is a strong relationship between loyalty and satisfaction, and the regression coefficients between the two stated variables is direct (positive). As a result, it can be said that satisfaction influences loyalty and in customers point of views; The more the satisfaction, the better the loyalty, therefore, the hypothesis is accepted.

The results attained from analyzing data demonstrates that all effective factors in influencing customer loyalty have a strong and significant impact, but the factor of Trust has more impact on customer loyalty in online banking and also services quality can impact customer loyalty through bringing about customer satisfaction. In online banking systems, customers are the main focus and all efforts being done by this type of banking are in fact

to keep old customers and attract new ones. Now, The following are several suggestions to keep and attract customers which in other words, is creating loyalty in customers to banks:

studying the risk variables perceived; perceived safety in creating customer satisfaction in E-banking.

studying reasons for decreasing trust of customers and providing fixes for gaining their trust in E-banking.

studying the relationship between such variables as reliability, responsiveness, assurance, citizen support, graphic style and service quality in E-banking.

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