CHAPTER - I
INTRODUCTION

1.1 General Background

Most of the Nepalese business institutions or trading organizations whether they are service oriented or profit oriented all they are competing and focusing their efforts towards only attraction of new customers. They are ignoring the another aspect of maintaining large volume of customers by preventing the switching of customers to one business organization to another or one product to another product. Retaining old and attracting ex-customers of the business organization is less costly than the attracting new customers. To reduce the switching behavior of customers the business organization must be able to provide satisfaction to the customers via their offered goods and services.

Hence, to compete into this cut throat market of this new business age business firms should make broader their concern towards retention of customers and preventing switching of customers here and there as well as with attraction of more new customers. Preventing the customers switching at the zero level is impossible because only one single business and its products can not satisfied all customers of the market. Although this, business organizations always make focus their concentration towards attraction and retention of customers too because there is two extra benefits of retaining old customers rather than attracting new ones. The first benefit is that old and satisfied becomes less price conscious and they are promoting to use that product to others which creates free advertising and also increases the business goodwill. The next benefit is that retaining old customers is less expensive than attracting any new customer which saves the volume of costs that must be expensed into advertising and assuring them towards the offer which the company offered to them.

Switching behavior is defined as defection or customer exit (Stewart, 1994; Hirschman, 1970). According to Boote (1998) and Bolton & Bronkhurst (1995), switching behavior reflects the decision that a customer makes to stop purchasing a particular service or patronizing the service firm completely. In a bank industry context, customer switching behavior means customers' shift from one bank to another (Garland, 2002). The longer a bank can retain a customer, the greater revenue and cost savings from that customer. Maintaining an existing customer is five times cheaper than obtaining a new one as the advertising, sales, and set-up costs can be amortized over am longer customer lifetime (Morgan, 2007; Clemes, Gan & Zheng, 2007; Reichheld & Sasser, 1990). Keaveney (1995) uses a generalized model to examine consumer switching behavior across a broad spectrum of service providers including banks. The model includes eight factors influencing service switching: pricing, inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition, and involuntary switching.

Gerrard and Cunningham (2000) also identified six incidents that they considered to be important in gaining an understanding of switching between banks. These incidents were: inconvenience, service failures, pricing, unacceptable behavior, attitude or knowledge of staff, involuntary seldom mentioned incidents, and attraction by competitors. Colgate and Hedge (2001) identified three general problems, pricing issues (fee, charges, interest rate), service failures (mistake, inflexible, inaccessible, unprofessional), and denied services (denied loan, no advice) that contributed to customers' switching banks in New Zealand. With the intense competition and increasing globalization of the financial markets, building customer loyalty has become a critical strategy for most financial institutions. The banking industry must develop strong relationships with their customers in order to compete successfully in the competitive retail banking environment. Numerous studies have shown that banks' profitability is closely associated with customer retention (Garland, 2002; Anderson, Fornell & Lehmann, 1994; Reichheld &

Sasser, 1990). The longer a bank can retain a customer, the greater revenue and cost savings from that customer. Maintaining an existing customer is five times cheaper than obtaining a new one as the advertising, sales, and set-up costs can be amortized over a longer customer lifetime (Morgan, 2007; Clemes, Gan&Zheng, 2007; Reichheld & Sasser, 1990).

Duncan & Elliot (2002) noted that customer loyalty is an important factor that contributes to an organization's earnings and profits. Loyal customers normally establish a stable relationship with an organization compared to non-loyal customers (Zeithaml, Berry & Parsuraman, 1996). Customer loyalty can contribute to anincrease in a firm's revenue; reduce customer defection rates; and develop new business through positive word-of-mouth advertising (Reichheld, 1996; O'Brien &Jones, 1995; Reichheld & Sasser, 1990). Thus, at the end of the day, the bank's assets are not only primarily registered on the balance sheet, but also related to the fact that customers have been successfully retained (Scharioth, 2002).The deregulation and the emergence of new technology in the financial service industry have had a critical impact upon consumer behavior. When customers can purchase nearly identical financial products provided by the retail banks, customers are also more prone to change their banking behavior (Beckett, Hewer & Howcroft, 2000). Chakravarty, Feinberg & Rhee (2004) state that "the competitiveness of banking combined with the relative homogeneity of banking products and services appears to make banking particularly susceptible to customer switching behavior". As a result, service quality or product is no longer the only factor that banks need to focus on as customers are more value-oriented and cautious in making tradeoffs between benefits and costs (Mazumdar, 1993).To stay competitive, bank providers have to understand their customers in order to not only anticipate, but also influencing banking switching behavior (Beckett et al., 2000). Furthermore, a detailed understanding of bank customers' switching behavior can effectively avoid the harmful consequences of defection, and enhance long-term relationships with customers (Lees, Garland & Wright, 2007; Andreasen, 1988). Some researchers have studied customer switching behavior in developed countries (for example, Clemes, Gan & Zheng, 2007; Colgate & Hedge, 2001; Gerrard & Cunningham, 2000; Stewart, 1998; Keaveney, 1995). However, limited studies have focused on developing countries (Zhou, 2004). Due to cultural differences, consumers' evaluation of service quality and associated constructs such as behavior intention can be considerably different (Smith & Reynolds, 2001; Furrer, Liu & Sudharshan, 2000; Winsted, 1997).

There are altogether thirty two commercial banks are registered as 'A' grade commercial banks in Nepal till the end of September 2012. Nepalese banking sector has faced the problem of switching from one bank to another due to severe competition in related field.

1.2 The Banking Industry in Nepal

Commercial banks are the supplier of finance for trade, land, and industry, which plays vital role in the economic and financial life of the country. They help in the information of capital by investing the saving in productive areas.
The history of the systematic development of joint venture Bank in Nepal as compared to other developed countries is of resent origin. In Nepal, efforts are being made to accelerate the pace of economic development after the adaptation of first five year plan in 1994 Nepal Bank Ltd, the first and oldest bank in modern banking history of Nepal, was established in 1973 A.D. (30 Kartik 1994 B.S.) with 51% Government equity. Nepal Bank Ltd also used to function as Central Bank of the country up to 2012 BS on 2013 BS. Nepal Rastra Bank was established as Central Bank of Nepal under the Nepal Rastra Bank Act 2012.

Government initiated some corrective measures to stabilize the economy with the assistance of if standby arrangement in mid 1980s in FY 1985, in subsequently: embarked upon the structured adjustment programs encompassing measures to increase mobilization, strengthen financial sectors, and liberalize industrial and trade policies (World Bank:1992:381) Since then several financial institutions and commercial joint venture bank has been established in the process of development and liberalization policy for the economic development of the nation. In the early 1980s, the government permitted the establishment of foreign joint venture banks in Nepal. As a result, three joint venture banks; Nabil, NGBL and NIBL came into existence by the end of the first half of the 1980s. Henceforth, a number of joint venture Banks came into existence. The basic objective to allow joint venture Banks to operate in Nepal was mainly to develop the banking sector, to create healthy competition for further development of already existing old banks, and to introduce new technological banks.

The commercial banks collect the scattered merger saving and place then into productive channels. They hold the deposit of many persons; government establishments and business units. They make funds available through their lending and investing activities to borrowers, individuals, business firms, and government establishments. In doing so, they assist both the flows of goods and services form the government. They are media through which monetary policy is affected the joint venture banks help to build country's holistic development agenda. They are the keys to help the bank understand better the political and social contexts in which it operates. "It is resources for economic development; it maintains economic confidence of various segments and extends credit to people." (Grywinshki: 1993)

In case of Nepal till the period of this present research has been conducted there are thirty two commercial banks operated within the span of boundary of Nepal whose name list has been presented below into the table 1.1.

Table 1.1

List of Commercial Banks in Nepal

S.N	Commercial Banks	Operation Date (B.S.)	Head Office	Paid up Capital (Rs. In Millions)
1	Nepal Bank Limited	1937/11/15	Kathmandu	380.40
2	Rastriya Banijya Bank Limited	1966/01/23	Kathmandu	1172.30
3	Agriculture Development Bank Limited	1968/01/02	Kathmandu	9437.50
4	NABIL Bank Limited	1984/07/16	Kathmandu	2029.80
5	Nepal Investment Bank Limited	1986/02/27	Kathmandu	2409.10
6	Standard Chartered Bank Limited	1987/01/30	Kathmandu	1398.50
7	Himalayan Bank Limited	1993/07/07	Kathmandu	1600.00
8	Nepal SBI Limited	1994/06/05	Kathmandu	1653.60
9	Nepal Bangladesh Bank Limited	1994/10/18	Kathmandu	1860.30
10	Everest Bank Limited	1994/10/18	Kathmandu	1079.60
11	Bank of Kathmandu Limited	1995/03/12	Kathmandu	1359.50
12	Nepal Credit and Commercial Bank Limited	1996/10/14	Siddhartha Nagar	1399.60
13	Lumbini Bank Limited	1998/07/17	Narayangadh	1294.50
14	NIC Bank Limited	1998/07/21	Biratnagar	1311.50
15	MachhuPuchhe Bank Limited	2000/10/03	Pokhara	1627.20
16	Kumari Bank Limited	2001/04/03	Kathmandu	1306.00
17	Laxmi Bank Limited	2002/04/03	Birgunj	1613.50
18	Siddhartha Bank Limited	2002/12/24	Kathmandu	1561.00

19	Global Bank Limited	2007/01/02	Birgunj	1473.40
20	Citizens Bank Int. Limited	2007/06/21	Kathmandu	1207.00
21	Prime Commercial Bank Limited	2007/09/24	Kathmandu	1210.00
22	Sunrise Bank Limited	2007/10/12	Kathmandu	1625.00
23	Bank of Asia Nepal Limited	2007/10/12	Kathmandu	1500.00
24	DCBL Bank Limited	2008/05/25	Kathmandu	1920.90
25	NMB Bank Limited	2008/06/05	Kathmandu	1651.60
26	Kist Bank Limited	2009/05/07	Kathmandu	2000.00
27	Janta Bank Nepal Limited	2010/04/05	Kathmandu	1400.00
28	Mega Bank Nepal Limited	2010/07/23	Kathmandu	1631.50
29	Commerz & Trust Bank Nepal Limited	2010/09/20	Kathmandu	1400.00
30	Civil Bank Limited	2010/11/26	Kathmandu	1200.00
31	Century Bank Limited	2011/01/23	Kathmandu	1120.00
32	Sanima Bank Limited		Kathmandu	

(Source NRB Report, 2011/12)

1.3 Statement of the Problems

Presently Nepalese commercial banks are implementing their all efforts to attract new customers and they are ignoring other side of customers' retaining existing customers. So, customers switching from one bank to another are increasing. Banks are the focus of this study because there is no empirical research conducted about customer switching behavior in context of Nepalese banking industries. In Nepalese economy, banking sector is most emerging and is considered as the vital which has significant contribution over the National GDP. Banking sector is laid at the core level of the service sector business. There has been no empirical research focused on the factors that have impact on bank switching behavior in Nepalese banking industry. Understanding the determinants of customer switching may help to make the congenial climate for employees to retain their customers in favor of organization.

The research will be oriented towards the answers of following sub-questions:

- ❖ What are the determinants of customer switching behavior in context of Nepalese Banking Sectors?
- ❖ What is the effect of moderating variables over the relationship of dependent and independent variables?

1.4 Objectives of the Study

The main objective of this study will be to analyze the relationship between different Customer Switching Behavior (CSB) predictors and the CSB, more specifically the objectives of the study will be as follows.

i. To identify the factors that influence customers switching behavior in the Nepalese banking sector.

ii. To examine the effect of moderating variables in relationship with dependent and independent variables.

1.5 Limitations of the Study

Some limitations were inherent in the present study and are acknowledged here.

➢ First, the data from the sample may not reflect the universe; since it is restricted only to the area of Biratnagar and only 103 customers.

➢ Second, a self-administered questionnaire was used as a medium for data collection in this study. This method of data collection has been criticized for being inherently susceptible for the possibility of subject response bias.

➢ Third, only seven dimensions related to the bank switching behavior were selected in this study. Some dimensions are not included; their inclusion

11might have led to different results. Examples of such dimension include personal influence and legal constrains.

- Forth, only 19 statements were included in the questionnaire for seven variables which are not sufficient. At least 3 statements for each variable should be included for better result.

These are the issues that require closer examination by future researchers**.**

1.6 Organization of the Study

It is dealing with the holistic concept of research report. It is explained the research report as a complete form. The organization of the study divided into five forms. To complete this study conveniently and efficiently, it is organized into five major chapters. They are: Introduction, Review of Literature, Research Methodology, Presentation and Analysis of Data and Summary, Conclusions and Recommendations.

Chapter I : Introduction
Chapter II : Review of Literature
Chapter III : Research Methodology
Chapter IV : Presentation and Analysis of Data and Findings
Chapter V : Summary, Conclusion and Recommendation

Chapter 1: Introduction
Consists of and background, some key concepts of this study about the research work. This is then followed by Problems discussion, research question, and purpose of the study.

Chapter 2: Literature of Review
Discussed related literature and theories signifies the research topics, which leads to the development of conceptual model.

Chapter 3: Research Methodology

Will explain how the research has been carried out.

Chapter 4: Data Presentation and Analysis

Data with the Present the empirical data from the conducted interview and Present the analyzed help of relevant theories.

Chapter 5: Conclusion and Recommendation

Answer the research question, summarizes the thesis findings and also outlines the implication for theory, implication for further research and the limitations.

CHAPTER - II
REVIEW OF LITERATURE

Review of literature is a necessary part of all studies. A literature review is the process of obtaining, locating, reading, and evaluating the research literature in the area of the interest of researcher. It is a way to discover what other researches in the area of problem selected has uncovered. The purpose is to develop some expertise in one's area, to see what can new contributions be made? And, will be able to receive some ideas for developing a research design. It is also a way to avoid investigating problems that have already been definitely answered (Wolf and Pant, 2005).

This chapter presents an overview of customers' switching behavior and examines the effect switching has on the banking industry. The literature review focuses on the major factors influencing customers' bank switching behavior, such as price, reputation, service quality, effective advertising competition, involuntary switching, service product and convenient location.

2.1 Conceptual Framework

The conceptual framework provides the clear concept about the subjects as well as topics which are related with the study conducted by the researcher. That's why; it helps to draw the theoretical concept of the research work. Hence, here also in this section those related and relevant theories, matter and other theoretical concepts have been presented to give the more about the research in the theoretical way also. So, in this section of the literature review only the theoretical framework about the switching behavior of customers and its effects has been tried to present.

2.2 Switching Behavior

Switching behavior is defined as defection or customer exit (Stewart, 1994; Hirschman, 1970). According to Boote (1998) and Bolton & Bronkhurst (1995), switching behavior reflects the decision that a customer makes to stop purchasing a particular service or patronizing the service firm completely. In a bank industry context, customer switching behavior means customers' shift from one bank to another (Garland, 2002). By analyzing these statements it can be said that switching behavior of any customer has been reflected the following activities of customer.

- Stop to purchase and abandon present consuming products either it is goods or services.
- Searching of new goods and services for compensating present consuming products.
- Select new goods and services in place of existing consumed goods and services and use that new product.

Hence, the term switching behavior of customers not only refers to the meaning of terminating the use of present consuming goods and services by the customers. It also denotes the term of adaptation of new goods and services in the place of presently consumed goods and services. Thus, in short the switching behavior of customers defines the behavior of them replacement of existing or presently consumed products by its nearly substituting goods and services.

2.2.1 The Effect of Switching Behavior

Keaveney & Parthasarathy (2001) and Reichheld (1996) find that customers' switching behavior reduces firms' earnings and profits. Additional profits are lost because the initial investment on the customer (e.g. consulting or advertising costs) are wasted and further costs are required to obtain a new customer (Colgate, Steward& Kinsella, 1996; Reichheld & Sasser, 1990;

Fornell & Wernerfelt, 1987). In Reichheld & Sasser's (1990) study, customer defection is seen as having a stronger ability to impact on revenue than on scale, market share, unit costs, and other factors that are usually associated with competitive advantage. Customers tend to behave unfavorably such as switching banks if a bank's performance is inferior (Zeithaml etal., 1996). Furthermore, customer switching can bring negative word-of-mouth advertising which can hurt a bank's reputation and image (Diane, 2003).

The competitive banking industry has been concerned with customers' switching behavior as it normally reduces a bank's market share and profit (Ennew & Binks, 1996). Garland (2002), Trubik & Smith, (2000) and Rust & Zahorik (1993) study the financial implications of customer retention and find that there is a strong relationship between customer loyalty and profitability in personal retail banking. Since it is hard for banks to meet all customers' requirements, the customer defection rate is quite high in some countries. For example, customer defection rates in the United Stated banks were 20 percents in 1997 & 1998, and Europe had similar defection rates in the1990's (Rongstad, 1999; Shedd, 1996). Colgate (1999) investigated the New Zeeland and bank industry and found that the annual switching rate was 4 percent, and a further 15percent of personal retail banking customers intended to switch banks. In order to minimize the negative effects of defection and enhance long-term relationships with Customers, researchers have focused their attention on various factors that stimulate customers to switch banks (Matthews & Murray, 2007; Gerrard & Cunningham, 2004; Colgate & Hedge, 2001; Keveaney, 1995).

2.3 Switching Factors

Switching behavior of customers may be the voluntary or completion to the customers but whatever be the reasons there are several factors which have created the situation in with customers should take the decisions of abandon the present test of consuming goods and services and adopt the new one to consume. Hence, the switching behavior of customers is loss to that company whose product either goods or services have been left to consume by customers and it is risky to the customers to use new test of goods and services in place of existing consumed goods and services. That's why, consumers are not taking easily the decisions of switching their consuming behavior from one goods and services to another goods and services. To take this type of decisions there are several types of factors are played vital role which have been created dissatisfaction to the customers into the presently consumed products and motivate to leave it and adopt the new test to compensate presently consumed goods and services. So, to conduct analysis which factors are affecting switching behavior of customers that should be well known and it will help to control and resist switching customers from one product to another for satisfying their consuming needs.

Some of the major factors which are playing vital role for switching customers are price of presently consumed good and services, price of new (substitute) goods and services, reputation of presently consumed product and desired product to use, switching costs, influenced from effective advertising, services products, service quality, availability of product at needed locations, compulsory situation, satisfaction of customers, feeling of belongingness with presently used goods and services and other many more situational factors which motivate or create the compulsory switching environment to the customers. In brief some of major factors which have been greatly affected the switching behavior of customers have been deal following.

2.3.1 Price

2.3.1.1 The Definition of Price

Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 1998). Perceived price normally combines monetary price and non-monetary price together (Chen, Gupta & Rom, 1994). In Keaveny's research (1995), the "pricing" factor included all critical switching behaviors that involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, and/or price promotions. In the financial service industry, price has wider Implications than in other services industries. For example, in the financial service industry, price includes fee implementation, bank charges, interest rates charged and paid (Gerrard & Cunningham, 2004). From a customer's cognitive conception, price is something that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 1998).

Pricing, in the context of banking, has additional components. Banks charge not only fees for the services, but also impose interest charges on loans and pay interest on certain types of accounts, thus pricing has a broader meaning in the banking industry (Gerrard and Cunningham, 2004). Dawes (2004) empirically demonstrated that price increases were associated with increasing defection rates in automobile insurance. Similarly, in a qualitative study of customer switching among services, Keaveney (1995) reported that more than half the customers had switched services due to poor service price perceptions. This finding suggests that unfavorable price perceptions may have a direct effect on a customer's intention to switch. Colgate and Hedge (2001) empirically confirmed that pricing had the most impact on customer switching in the New Zealand and Australian banking industries.

2.3.1.2 The Importance of Price

Customers in general are price conscious in their purchasing behavior (Beckett et al., 2000; Levesque & McDougall, 1996a). Price is an important factor in choice a situation as a consumer's choices typically relies heavily on the price of alternatives (Engel, Blackwell & Miniard, 1995). Similarly, Varki & Colgate (2001) identify that the role of price, as an attribute of performance, can have a direct effect on customer satisfaction and behavioral intentions. Several studies show that price has an important impact on customers' switching decisions (Stewart, 1998; Colgate et al., 1996; Keaveny, 1995). Almossawi (2001) empirically identifies price as a critical factor in bank selection for college students. Since price has a wider implication to bank customers, Gerrard & Cunningham (2004) showed that pricing seems to influence switching behavior among bank customers more than customers of other services. In Colgate & Hedge's (2001) study of bank customers' switching behavior in Australia and New Zealand, the authors identify price as the top switching determinant, followed by service failures and denial of services. Similar results are found in Javalgi, Armaco & Hoseini's (1989) study investigating the factors influencing customers' bank selection decisions in the United States.

2.3.2 Reputation

2.3.2.1 The Definition of Reputation

Reputation has been described as a social identity, and an important and intangible resource that can significantly contribute to a firm's performance and its survival (Rao, 1994; Hall, 1993; Formbrun & Shanley, 1990). Rust, Zeithaml & Lemon (2001) and Aaker (1996) define reputation as brand equity or customer equity, and combine it with the credibility and faithfulness of the firm. Reputation is a key asset to firms as it is valuable, distinctive, difficult to duplicate, non-substitutable, and provides the firm with a sustainable competitive advantage (Wang et al., 2003; Hall, 1993). Furthermore, Gerrard & Cunningham (2004) identify bank reputation as one of the factors that cause customers to switch banks in the Asian market and refer to reputation as the integrity of a bank and the bank's perceived financial stability. The first historical phase in the study of corporate reputation was from the1950's to the 1970's (Balmer, 1998) and there is growing evidence that many banks are concerned with their reputation and its effect on market behavior.

In the banking industry, Rao (1994) suggested that bank reputation was a function of financial performance, production quality, service quality, management effectiveness or some combination of these various factors that appeal in one way or another to a bank's multiple customers. Gerrard and

Cunningham (2004) also referred to bank reputation as the integrity of a bank and its senior executives and the bank's perceived financial stability. Bank reputation plays an important role in the determining the purchasing and repurchasing behaviors of customers (Wang, Lo, and Hui, 2003). Customer loyalty is similarly enhanced, especially in the retail banking industry, where quality cannot be evaluated accurately before purchase (Nguyen and Leblanc, 2001). Researchers suggest that bank reputation is regarded as an important factor in customers' bank selection decisions (Erol, Kaynak, and Radi, 1990; Yue and Tom, 1995). In addition, Gerrard and Cunningham (2004) investigated switching incidents for Asian banks and empirically demonstrated that bank reputation was one of the primary factors that contributed to customer's switching banks. The authors argued that a good reputation may enhance customers' trust and confidence in banks, whereas an unfavorable reputation tended to strengthen a customer's decision to switch banks.

2.3.2.2 The Importance of Reputation

Intensive competition offers customers greater varieties and choices in the market. Thus, reputation is identified by firms in the services sector as an essential part of their competitive strategies. The intangible characteristic of reputation forces researchers to analysis reputation with other elements. For example, reputation has been analyzed by economists relating to product quality and price (Shapiro, 1983). Product quality and services produce benefits not only by lowering costs, but also by increasing competitiveness through the establishment of a good reputation and the attraction and retention of customers (Wang et al., 2003). In addition, reputation can enhance customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase (Nguyen & Leblanc, 2001; Andreassen & Lindestad, 1998; Barich & Kotler, 1991).

Nguyen & Leblanc (2001) concluded that reputation may be regarded as a critical strategic tool to predict the outcome of the service-production process, and as the most reliable indicator of the ability of a service firm to satisfy a customer's desires. Barr (2009) stated that a bank's reputation has a strong effect on customer choice after investigating 7,500 customers in 25 national and regional banks in the United States. Barr's (2009) results show thirty percent of customer deliberately excluded a bank if the bank had perceived financial instability or practiced questionable ethics. Weigelt & Camerer (1988) noted that a positive reputation is a strategic tool that can be used by banks to earn additional profits. A positive reputation can provide a halo effect for the firm as it positively influences customer evaluations, increases future profits, acts as a barrier to imitation, links to intention to purchases a service, and strengthens the competitive capability of firms (Anderson et al., 1994; Yoon, Guffey & Kijewski, 1993; Barney, 1991; Formbrun & Shanley, 1990).

2.3.3 Service Quality

2.3.3.1 The Difference between service and goods

Service is largely intangible and is normally experienced simultaneously with the occurrence of production and consumption, and it is the interaction between the buyer and the seller that renders the service to customers (Gronroos, 1988). In order to distinguish services from goods, Gronroos (1990) identifies five unique characteristics of service: intangibility, inseparability between production, delivery, and consumption, heterogeneity, perish ability, and no ordinary transfer of ownership.

2.3.3.2 The Definitions of Service Quality

Since the interactions between a customer and a service provider create opportunities for customers to evaluate services, service quality is defined as a customer's overall impression of the relative inferiority/superiority of the organization and its service provisions (Gronroos, 1988; Bitner & Hubbert, 1994). Similarly, Lewis & Booms (1983) define service quality as a measure of how well the service level delivered matches customer expectations. Perceived service quality is developed from the perspective of a customer's attitude to judge the overall service prevision (Spathis, Petridon & Glaveli, 2004). Lewis (1989) suggests perceived service quality is a consumer judgment which is derived after comparing consumers' expectations of service with their perceptions of actual service performance. In general, customer expectations can be established from pervious experiences with the organization, the competitors of an organization, the traditional marketing mix, or external influences such as word-of-mouth communication (Parasuraman, Zeithaml & Berry, 1988Gronroos, 1984b).

In regards to banking, Kamilia and Jacques (2000) noted that perceived service quality results from the gap between customers expectations of the service provided by the bank and the perception of the actual services provided by the bank. Service quality has become an increasing important factor for success and survival in the banking industry. Many banks have employed the quality of service as a sustainable competitive advantage because products offered by most banks are almost identical and are duplicated easily. Gronroos (1984a, 1984b) suggested that the perceived quality of a given service was the outcome of an evaluation process where consumer's compared their expectations of the service with the service that they experienced in the service encounter. Good perceived quality was achieved when expected service quality was at least equal to experienced service quality. Parasuraman, Zeithaml, and Berry (1988) employed the expectation-perceptions gaps definition of service quality to define perceived service quality as the degree of discrepancy between customers' normative expectations for the serviceand their perceptions of service performance.

In the context of banking, Kamilia and Jacques (2000) suggested that perceived service quality resulted from the difference between customers' perceptions for the service offered by the bank (received service) and their expectations from the bank that provided such services (expected service).SERVQUAL as a measurement instrument, and the five SERQUAL dimensions identified by

Parsuraman, Zeithaml, and Berry (1985, 1988, 1991), have been used in the banking industry (Zhu, Wymer, and Chen, 2002). The SERVQUAL methodology has also been used in assessing banking service quality. For example, Levesque and McDougall (1996) adapted a selection of service quality items from Parasuraman, Zeithaml, and Berry's (1988) SERVQUAL measurement in order to gain insights into service quality from the customers' perspectives and to improve the understanding of the determinants of customer satisfaction.

Avkiran (1994), in a study of an Australian trading bank, identified four valuable service quality dimensions: staff conduct, credibility, communication, and access to teller services. Ennew and Bink (1996) used factor analysis to identify three banking service quality dimensions in the United Kingdom: knowledge and advice offered personalization in the service delivery, and general product characteristics. Bahia and Nantel (2000) identified six perceived service quality dimensions in the banking industry: effectiveness and assurance, access, price, tangibles, service portfolio, and reliability.

The service quality dimensions used in this research to analyze the relationship between service quality and bank switching behavior are based on an extensive literature review and the results of focus group sessions. They represent a customer's overall impression of his/her banking service experience. The three dimensions are: inconvenience, reliability, and staff that deliver services. The inconvenience dimension includes two aspects: geographical inconvenience and time inconvenience (Gerrard and Cunningham, 2004). The former refers to either the nearest bank branch or automatic tellermachine (ATM), while the latter refers to shorter opening hours. Keaveney (1985), Colgate and Hedge (2001) and Gerrard and Cunningham (2004) have empirically confirmed that inconvenience was an important factor that influenced customers to switch banks. The authors argued that the inconvenience dimension was negatively associated with customers switching banks. Reliability, as a service quality dimension, may be represented in a number of ways (Parasuraman, Zeithaml and Berry, 1985; Bahia and Nabtel, 2000).

Reliability has a time component. If a bank promises to do something by a certain time, the bank should do so. For example, a bank customer may have applied for a loan and the bank's guidelines mandate that the customer will be advised of the outcome within forty-eight hours of the loan application. In this scenario, the bank should provide the customer with its decision within the specific timeframe. Colgate and Hedge (2001) found that, in the context of banks, performing poorly on the reliability dimension prompted customers to switch banks. Philip and Bart (2001) found that bank customers had high expectations about the staff that deliver the service; in particular, that customers were concerned about staff appearance, courtesy, efficiency, and knowledge. Colgate and Hedge (2001) and Gerrard and Cunningham (2004) empirically demonstrated that an unfavorable experience with the staff that deliver the service was a principal factor that caused customers to switch banks.

2.3.3.3 Service Quality Dimensions

Lehtinen & Lehtinen (1982) describe three service quality dimensions: physical quality, which represents the tangible aspects of the service (e.g. machines or building), corporate quality which involves the company's image or profile, and inter-action quality which is derived from the interaction between service providers and customers as well as the interaction between customers (Parasuraman, Zeithaml & Berry 1985). Gronroos (1984a, 1984b) illustrates three service quality dimensions, namely technical, functional and image qualities. Technical quality is the quality of what the customer is actually receiving from the service; functional quality is the quality of how the service is delivered, and corporate image quality relates to the portrait of a service organization.

Parsuraman et al. (1988) identify five service quality dimensions for their service quality measurement model-SERVQUAL. The five service quality dimensions are: tangibles, reliability, responsiveness, assurance, and empathy. Tangibles relates to the effect of physical facility, equipment, personnel and communication materials on customers, and reliability, responsiveness, assurance, and empathy correspond to the element of human interaction/intervention in delivery of the service. SERVQUAL Service Quality Dimensions (Parasuraman et al. 1998).

SERVQUAL

Dimensions

Description of SERVQUAL Dimensions

Tangibles Physical facilities, equipment, and appearance of personnel Reliability Ability to perform the promised service dependably and accurately Responsiveness Willingness to help customers and promote service Assurance Knowledge and courtesy of employees and their ability to inspire trust and confidence Empathy Caring such as individualized attention which the employees provides for its customers Several researchers have also demonstrated that service quality is a multi-dimensional construct, and the dimensions can vary across different industries (Clemes, Gan & Kao, 2007; Alexandiris, Dimitriadis & Markata, 2002; Brady & Cronin, 2001;Dabholkar, Thorpe & Rentz, 1996, Lehtinen & Lehtinen, 1991).

Empirical Studies on Service Quality Dimensions in the Banking Industry

The five SERVQUAL dimensions that identified by Parasurman et al. (1985, 1988, 1991) have been widely used in assessing banking service quality. For example, Levesque & McDougall (1996) select a series of service quality items based on SERVQUAL measurement in order to find the determinants of customer satisfaction from the bank customer’s perspective. Avkiran (1994) examines service quality in the Australia retail banking industry and identifies four dimensions containing 17 items based on the SERVQUAL model. The four dimensions are: staff conduct, credibility, communication, and access to teller services.

Based on Gronroos (1984) service quality framework, Aldlaigan & Buttle (2002) propose four dimensions to measure customer service quality perceptions in the retail banking industry. These dimensions are: service system quality, behavioral service quality, service transactional accuracy, and machine service quality. Ennew and Bink (1996) study bank customers in the United Kingdom and develop three banking service quality dimensions. These are knowledge, advice offered, personalization in the service delivery, and general product characteristics. With the popularity of internet banking services, Jun & Cai (2001) summaries internet banking service quality from three perspectives: banking service product quality, customer service quality, and online systems quality. Product variety and the diverse features of the service products are categorized into bank service product quality. Customer service quality focuses on the difference between customers' expectations of banks' performance and their evaluation of the services they perceived. Online system quality relates to the quality that the customer perceived when they use the internet. Jun & Cai (2001) develop seventeen service quality dimensions base on these perspectives.

The Importance of Service Quality

Service quality has become a pivotal concern for service industries since consumers are increasingly demanding high quality in their service experiences (Clemes et al., 2007; Leonard & Sasser, 1982). High service quality can enhance reputation, increase customer retention, attract new customers through word-of-mouth, generate repeat sales, create competitive product difference, and improve financial performance &profitability of the firms (James 1998; Zeithaml et al., 1996; Julian & Ramaseshan, 1994). Many researches find that service quality is associated with customer satisfaction which can lead to behavior consequence. For example, Bloemer, Ko & Peeters(1998) identify that service quality can directly and indirectly effect customer satisfaction, and that satisfaction has a direct effect on bank customer loyalty. The reason is that customers' expectations on key service attributes, and each new service experience, combine to form an evaluation of service and this affects what customers believe will and should occur in future service encounters (Parasuraman et al., 1994).

In regards to bank customers' switching behavior, high service quality is an essential in order to prevent customers from leaving their current bank. Berggren & Dewar (1991) investigated the United Stated banking industry in 1990 and found 42% of consumers closed an account or switched to another institution as a result of service-related problem. Furthermore, Levesque & McDougall (1996) point out that service problems and the bank's service recovery ability have a major impact on customer satisfaction and customers' intentions to switch banks. In respect to the Asian financial market, Dusuki & Abdullah (2006) study the main factors that motivate customers to select Islamic banks in Malaysia. Their results show that the service quality of Islamic banks contributes to customer satisfaction, and influences customers' support for Islamic banking.

2.3.4 Service Products

Service products are an important component of service quality in intangibly based services as identified in several studies focusing on the hierarchical nature of service quality. Service products can be components of interaction quality, physical environment quality, and outcome quality in a hierarchical context (Dagger, Sweeney& Johnson, 2007; Clemes et al., 2007). For example, access and service portfolio are a component of service quality in Bahia & Nantel's (2000) study in retail banking. Rust and Oliver (1994) suggested that service products include a core service, plus additional specific features, service specifications, and targets.

Several studies revealed that the wide range of bank service products offered to customers was one of the most important criteria for customers when they select a bank (Levesque and McDougall, 1996; Kamal, Ahmad, and Khalid, 1999). In addition, Ogilvie (1997) empirically determined that a lack of service products for bank customers was a major factor that caused bank switching. Ogilvie's (1997) finding was also supported by Kiser (2002), who suggested that banking products appeared to be central to customer behavioral intentions, including switching behavior.

2.3.4.1 Service Products Characteristics

In the context of commercial marketing, product considerations include the actual product or service as well as the brand name, reputation, and packaging. Rushton &Carson (1989) conclude that products based on goods tend to have more tangible characteristics, and products based on services tend to be more intangible. Service products normally include a core service, which associates with specific features, service specifications, and targets (Rushton & Carson, 1989; Rust & Oliver, 1994).

2.3.4.2 The Importance of Service Products

In a technology-driven, fast-paced environment, delivering a wide range of products to customer is essential for businesses' success and survival (Strieter, Gupta, Raj & Wilemon, 1999). Today's competition is not only between organizations, but alsobetween products. Easingwood & Storey (1995) state that one of the more important business development strategies is the introduction of successful new products. Service products associated with technologies can reduce transaction costs, switching rates, and encourage customers to create services outcomes on their own (Bitner, Ostrom & Meuter, 2002).Delivering a broad range of service products is very important in the banking industry because of the intensive competition between financial and non-financial institutions.

Dixon (1999) suggests that a key determinant in attracting customers is the diversity of features of service products introduced to the marketplace via different technology mediums. Stewart (1998) reveals that it is necessary for banks to offer certain types of financial products, such as 24 hours ATM self-service, phone, and internet banking. These developments provide customers with unlimited access to financial service products and offer them a wider range of choices than before (Gonzalez & Guerrero,2004). Gerrard & Cunningham (2004) conclude that service products combined with high technology can attract the customers who are techno-seekers to the more innovated banks, which offer a quick, convenient, and higher quality service. Alternatively, the less innovated banks which cannot offer these types of delivery method effectively may cause customers to switch banks.

2.3.5 Effective Advertising Competition

In an era of mature and intense competitive pressures, effective advertising can broaden the communication channel between customers and institutions which enhances the chance of success. According to Cengiz, Ayyildiz & Er (2007), advertising refers to activities undertaken to increase sales or enhance the image of a service, firm or business, and the primary purpose of advertising is to inform the potential customer of the characteristics of products or services. Dunn (1995) stated that advertising plays an important role in attracting customers to the business in the beginning stage, and maintaining customer traffic levels during slow periods. Rust & Zahorik (1996) showed similar results where advertising can improve utilization during slow periods as it may offer opportunities to educate customers about businesses' service characteristics and operation process which can increase productivity from existing technical capacity.

Davies (1996) explained that advertising can strength the communications between organizations and customers, and effectively reduces consumers' perceived risks. Furthermore, advertising can affect customers' behavior because it can provide information to guide customers' purchasing decisions. According to Hite & Faster (1988), professional services advertising including bank advertising can change customers' attitudes and perceptions toward the service provided. Similarly, Cengiz et al. (2007) study bank customer behavior in Turkey and find that efficient advertising could enhance a bank's customer loyalty and help retain customers. However, Blanchard & Galloway (1994) argue that advertising could produce a sterile image. Advertising may reinforce similarity of financial service providers rather than the differences (Balmer & Stotvig, 1997; Blanchard & Galloway, 1994).

Effective advertising competition may stimulate switching because bank customers have been informed about more opportunities for their purchasing choices (Balmer & Stotvig, 1997). In a service context, advertising is most commonly used to create awareness and stimulate interest in the service offering, to educate customers about service features and applications, to establish or redefine a competitive position, to reduce risk, and to help make services more tangible (Lovelock, Patterson, and Walker, 1998). Hite and Fraser (1988) suggested two significant consequences for customers' attitude changes toward advertising professional services.

The attitudes of customers toward advertising professional services had become more positive with greater expected customer benefits and customers still favored increased usage of advertising to guide their purchasing. In a banking context, Blanchard and Galloway (1994) argued that advertising created a sterile image. Similarly, Balmer and Stotving (1997) suggested that advertising, as a means of marketing communication, was blamed for reinforcing the similarity of financial service providers, rather than differences. Devlin (1997) has suggested that effective advertising should add value in the eye of the customer. Therefore, the author proposed that effective advertising competition could provide bank customers with more opportunities for their purchasing choices, which in turn, could contribute to customer switching.

2.3.6 Involuntary Switching

Switching behavior is caused not only by distinct decision, but also by involuntary factors not related to the distinct decision (Rose, 1999). Keaveney (1995) describes the factors beyond the control of either customers or the service provider's as involuntary switching factors. Customers may switch unintentionally, such as by moving house, changing jobs, or branches being closed in their resident area. Therefore, relocation or other factors that are beyond the control of customers or service providers can destroy even the most satisfied service relationship (Taylor, Rose & Hamer, 2009). In addition, Friedman & Smith (1993) and Ganesh, Arnold &Reynolds (2000) note that involuntary or unavoidable switches represent the most common switching behavior in their studies. East, Lomax, and Narain (2001) defined involuntary switching as an unwilling behavior by customers.

The authors also suggested that involuntary switching could be attributed to a customer moving house and to a service provider opening and closing facilities. The authors also empirically demonstrated that involuntary switching could force customers to switch serviceproviders in the service sector (Keaveney, 1995; East, Lomax, and Narain, 2001). Involuntary switching is, for the most part, beyond the control of marketers but is included in many switching behavior models (Keaveney, 1995). Involuntary switching is measured in this study as the in collusion of the construct aids in identifying all of the factors that contribute to bank switching behavior.

2.3.7 Inconvenient Location

Convenient location is a critical factor influencing customers' evaluation about firms' performance (Levesque & McDougall, 1996). Keaveney's (1995) explains that a service provider's location is an important factor influencing switching behavior under the inconvenience category. Customers tend to switch to a new provider if the new provider is closer to their work or home. Location has special meaning in the financial service industry because it is at the branch or office that banks and the customer are connected; it is where the customers have their accounts (Peppard, 2000).

Levesque & McDougall (1996) suggested that a convenient bank location is an important factor influencing customers' switching behavior because it directly determines whether the customers can access their banks on a regular basis. Gerrard & Cunningham (2000) investigate the bank switching behavior of Singapore's graduates and find that inconvenience is the most important switching factors. However, Peppard (2000) argues that location is irrelevant in the current e-business environment because more and more customers are using internet banking.

2.3.8 Responses to Service Failure Factors.

Hirschman (1970) demonstrated that service failures could provoke two active negative responses: voice and exit. Day and Landon (1977) described the notion of voice by explaining that voice can be complaining to the service provider, complaining to acquaintances (negative word of mouth), or complaining formally to third parties in order to help seek redress. For exit, Singh (1990) referred to the voluntary termination of an exchange relationship. Financial services are often provided at a service counter with direct contact between a bank's employees and the customer, or by telephone, or by having the customers interact with the bank's automatic teller machines (ATM). Simultaneity in delivering and receiving a service is a common characteristic in the banking sector.

Although banks try to provide error free services, service failures are inevitable because the bank-customer interaction is influenced by many uncontrollable factors (Stefan, 2004). Service failures may lead to customer dissatisfaction. Stewart (1998) argued that dissatisfaction in relation to a particular problem or incident may not be sufficient to cause a customer to exit. The exit is likely to be promoted when the customer remembers prior instances or when the same problems have emerged. However, the author also stated that tolerating a problem on one occasion does not mean that the problem "dies" as a lack of response to service failures may also exaggerate the circumstance and increase the likelihood of a customer switching banks. Keaveney (1995) empirically confirmed that responses to service failure were a factor contributing to customer switching behavior.

Customer switching, in the banking industry, is often the result of a customer complaining and then experiencing the bank service provider's recovery efforts (Colgate and Norris, 2001). Customers may become more dissatisfied, and even leave, if recovery efforts are poor. Customers may also be satisfied with the recovery they have received but still exit. These situations may result from a perceived lack of exit barriers by the customer, or the recovery may not fully compensate unfavorable incidents that bank customers have experienced, or the service failures may be so bad that even a good service recovery will not change the customer's decision to switch banks (Colgate and Norris, 2001).

2.3.9 Customer Satisfaction Factors

Many researchers have provided different definitions of customer satisfaction. Hunt (1977) stated that "satisfaction is not the pleasure of the experience, it is an evaluation rendered that the experience was at least as good as it was supposed to be" (p. 459). Churchill and Surprenant (1982) conceptually considered satisfaction as "an outcome of purchase and use resulting from the buyer's comparison of the rewards and costs of the purchase in relation to the anticipated consequences" (p. 493). Based on previous definitions, Oliver (1997) offered a formal definition that "satisfaction was the customer's fulfillment response and it was a judgment that a product or service feature, or the product or service itself, provided a pleasurable level of consumption-related fulfillment" (p. 13).

Customer satisfaction is often recognized as a main influence in the formation of customers' future purchase intention (Taylor and Baker, 1994). Customers who gain satisfaction from services are inclined to repeat purchase. Thus, customer satisfaction serves as an exit barrier to help an organization retain its customers and lower its switching rate (Fornell, 1992). In contrast, Ahamad and Kamal (2002) found that dissatisfied customers contributed to an increase in the switching rate. Athanassopoulos, Gounairs, and Banks and Bank Systems, Volume 2, Issue 4, 2007 54 Stathakopoulos (2001) investigated the relationship between customer satisfaction and switching behavior in the Greece banking industry. The authors empirically confirmed that the perceptions of high customer satisfaction are negatively related to switching behavior, alternatively, when bank customers have inferior perceptions of customer satisfaction, they engage in unfavorable behavior responses (e.g. switching banks).

2.3.10 Customer Commitment Factors

Dube and Shoemaker (2000) suggested that there is also a need to understand switching behavior from a relationship marketing perspective. In a relationship marketing context, customer commitment was seen as an attitude that reflects the desire to maintain a valued relationship. In a three-component model, Allen and Meyer (1990) defined three commitment constructs: affective commitment, continuance commitment, and normative commitment. Bansal, Irving, and Taylor (2004) extended Allen and Meyer's (1990) model to a customer setting where commitment is conceptualized as a force that binds an individual to continue to purchase services (i.e., not switch) from a service provider. From a customer-basis, the authors also suggested that affective commitment bound the customer to the service provider out of desire, normative commitment bound the customer to the service provider out of perceived obligation, and continuance commitment bound the customer to the service provider out of need.

From the organizational behavior literature, research supports that affective, continuance, and normative commitment may mediate the relationship between satisfaction and intention to leave (Clugston, 2000). There is evidence from the marketing literature that supports the contention that commitment mediates relational exchanges (Garbarino and Johnson, 1999). In particular, Gordon (2003) empirically confirmed that committed customers were less likely to switch than consumers who lacked commitment to an organization, such as banks. This exploratory study treats commitment as a single construct as measuring it at the particular psychological state that underlies the construct would add substantially to length of the questionnaire. The contention is that committed customers, regardless of their level of commitment, are less likely to switch banks than those customers who lack any commitment.

2.3.11 Demographic Characteristics Factors

Customers' demographic characteristics have been widely used to distinguish how one segment of customers differs from another one (Kotler, 1982). In terms of assessing customer switching in the context of banking, demographic characteristics, such as age, income and education may have an effect on customers switching banks. Colgate and Hedge (2001) empirically examined Australian and New Zealanders' banking behavior and found that switching banks was more common with younger customers, high-income customers and customers with a higher education. There is also evidence in previous research that supports the contention that additional demographic characteristic such as gender, race, and occupation have an impact on customer switching behavior in the banking industry.

2.3.13 Switching Costs

Switching cost is a catch-all phrase to describe the variety of costs, both financial and non-financial occurred in changing suppliers (Matthews & Murray, 2007). Lee & Cunningham (2001) demonstrate that a customer's loyalty can be determined not only by the costs which arise from dealing with the service provider, but also those costs from switching to another provider. Fornell (1992) added switching costs to customer satisfaction in the customer loyalty function. Switching cost is categorized in different ways by many researchers. For example, Fornell (1992) summarizes switching costs into search costs, transaction costs, learning costs, loyal customer discounts, and emotional costs. Similarly, Dick & Basu (1994) describe switching costs in terms of time, monetary, and psychological costs. Switching costs also include perceived risk which can be interpreted as customers' perception of the uncertainty and adverse consequences of buying a product or service (Dowling & Staelin, 1994).

In regards to the perceived risks of switching, Murray (1991) summarized six components: financial, performance, social, psychological, safety, and time convenience loss. Recently, Matthews & Murray, (2007) divide switching costs into three types: procedural switching costs indicating the expenditure of time and effort; financial switching costs measuring the loss of financially quantifiable resources, and relational switching costs reflecting psychological and emotional discomfort. In the banking context, Matthews & Murray (2007) interpret switching costs as the range of costs that bank customers incur if they wish to transfer their banking relationship, in part or in full, from one financial institution to another. Kiser (2002) stated that switching costs for bank customers may include the time necessary to open a new account close an old account and notify parties with who automated payments occur.

2.3.12.1 The Importance of Switching Costs

Many researchers have investigated relationships between switching costs and customers' switching behavior. For example, Fornell (1992) stated that switching costs can prevent switching behavior by making it costly for customers to change service providers. These costs discourage customers to leave the current organization because customers may perceive switching costs to be higher than the expected benefits of changing service providers (Lees et al., 2007). Gronhaug & Gilly (1991) noted that a dissatisfied customer may choose to stay if switching costs are too high. Investing effort, time and money changing service providers can act as significant barrier to a consumer taking action when dissatisfied with the current service provider. Therefore, Hauser, Simester & Wernerfelt (1994) conclude that consumers become less sensitive to satisfaction level when switching costs are high.

Colgate & Lang (2001) investigated the switching barriers in the New Zealand financial industry and find that switching costs play an important role in forcing customers not to switch, even though they have seriously considered doing so. Anderson & Sullivan (1993) show similar results in the airline and banking industries.

2.4 Relationship between Customers Switching and Satisfaction

Customers are switching one product to another mostly due to dissatisfaction. So, there is direct relationship in between these two variables customers switching and satisfaction. As the level of dissatisfaction has been increased customers switching have been increased. That' why; to prevent switching of existing customers any business organization has to been concerned to upgrade the level of customers' satisfaction obtained from their offered products. For this reasons improvement in product quality, test, features and other many more should be done by any organizations that have to sustain long live into present competitive market. To prevent customers switching business firms should apply the following functions which upgrade the level of customers' satisfaction.

❖ Complaint and Suggestion System

To assess the customers' satisfaction, business organization can use complaint and suggestion system which prevents customers switching from their organization to another one. Restaurants and hotels provide forms on which customers can check off their likes, dislikes, and suggestions. Many organizations are set up customer hotlines with toll-free numbers to make it easy for customers to inquire, suggest or complaint. Some customers centered companies are: P&G, General Electric, Whirlpool, etc. they establish hot lines with toll-free numbers. Companies are also using websites and e-mail for quick, two-way communication. They help the companies to generate good ideas for improved products and services which ultimate reduce the volume of customers switching and defection.

❖ Customers Satisfaction Survey

The business organization can take direct measures of customers' satisfaction by conducting customers' satisfaction surveys in regular basis. They can send questionnaires or make direct visits or telephone calls to customers to find out how they feel about company's products, services and performances.

Studies show that although customers are dissatisfied with one out of every four purchases, less than five percent customers will complaint. Most customers buy less or switch suppliers. Responsive companies measure customer satisfaction directly by conducting periodic surveys. While collecting customer satisfaction data, it is also useful to ask additional repurchase intentions and to measure the likelihood or willingness to recommend the company and brand to others.

❖ Ghost Shopping

It is also a way of assessing customer satisfaction. Under this, company can hire some people to pose as potential buyers to report on strong and weak points experienced in buying the company's and competitor's products. These mystery shoppers can even test how the company's sales personnel handle various situations and customers inquire about product about which they want to purchase. Managers themselves should leave their offices from time to time, enter company and competitors sales situations where they are unknown and experience firsthand the treatment they receive. A variant of this is for managers to phone their own company with questions and complaints to see how the calls are handled. All these activities are conducted helps to increase customer satisfaction which ultimately reducing the behavior of customers switching.

❖ Lost Customers Analysis

Another useful technique or way of assessing customer satisfaction and preventing customers switching behavior and activities is to contact customers who have stopped buying or those who have defected to a competitor, to learn why this happened. Company can recapture a substantial proportion of lost customers simply by contacting them, listening to their concerns, and making s sincere efforts to correct the problems.

Hence, any business organization can upgrade the level of customers satisfaction received from their offers i.e. products either goods or services. And this function of business organization will add some blocking to switch customers to another product or company.

2.5 Research Gap

There are none of any one study has found as the research work and conducted by Nepalese commercial banks research entitled "Determinants of Customer Switching Behavior on Nepalese Banking Sector" before. So this study could be helpful for further research to planner, researcher and students in future. Form this study Nepalese commercial banks could take some degree of advantage to increase the level of customer satisfaction to block customers switching from one bank to another bank. This study will also try to focus out the significance of customer retention to any business organization especially to the Nepalese banking sectors.

CHAPTER - III
RESEARCH METHODOLOGY

This chapter serves the readers with a detail idea about how the research has been carried out. It includes the research design, research approach, data collection sources and the data analysis method. It also includes the referencing methods and the theories that had been used for conducting of the thesis. This chapter helps the reader to clearly understand how the research had been conducted.

3.1 Research Design

This thesis has been conducted into the format of descriptive cum analytical research design. The present study is based on descriptive and analytical research design. Research design is the specification method and procedure for acquiring the information needed. It deals with what information is to be collected from which source and by what procedures. If research design is good, it ensures that the information obtained is relevant to the research questions and collected by objective and economic procedures. To achieve the specific objective of the study, descriptive and analytical research has been carried out in terms of customer switching behavior into Nepalese commercial banking industry. For an empirical investigation; an opinion of study has been conducted. Research design is overall framework for the achievements of the goals and objectives of the research. Thus, research methodology followed in the study can be termed as analytical as well as descriptive research design.

3.2 Population and Sample

The target population of this study includes all customers of Nepalese Banking sector (Biratnagar Branch) who have switched to other bank during the past three years. Ideally, to make generalizations about such population, one should start with a sampling frame from which a judgemental sample should be drawn.

However, due to the absence of the prospect for obtaining the list of switched customers and their contacts, a convenient sampling approach was followed as the best possible alternative. To insure high degree of representation of customers in the sample it was decided to distribute as many questionnaires as available resources would permit and to reach customers in different locations. A total of 120 questionnaires were distributed in academic institutions, business enterprises, government organization, financial institutions and individual. Out of these distributed questionnaires, 103 filled questionnaires were returned. 17 questionnaires were eliminated from the data as they were incomplete, and therefore, not suitable for the use of in this study. The resulted in 103 completed usable questionnaires generating a 100% usable response rate.

3.3 Source of Data

The primary data will be used in this study to identify the causes of switching behaviors and questionnaires will be asked to the customers who partially or completely switch to other banks. Primary data will be collected by distributing questionnaire personally visiting the sample organizations. The fully structured six-point Likert scale questionnaires will be developed for the respondents.

3.4 Statistical Tools

Cross tabulation (mean) has been used to measure the relationship among the variables similarly Chi-square analysis has been used to examine the relationship between dependent and independent variables.

3.4.1 Cross tabulation

Researchers are interested in understanding the differences that exist between two or more sub-group. Researchers use cross tabulation when they identify characteristics common to other sub-group. In marketing research situations very often, the researchers have to deal with more than one variable to seek the answer to the research question. Cross-tabulation represents the simple form of associative data analysis where two variables, such as age and occupation are cross-tabulation. Cross-tabulation provides a means of data display and analysis that is clearly interpretable with the help of percentage. In marketing research, the researcher often has to include more than two variables in the analysis and resort to cross tabulation analysis tools. Cross-tabulation analysis simultaneously analyzes the behavior of more than two variables.

3.4.2 Chi-square Test

Chi-square tests, often called goodness of fit, are used when the researchers is interested in the number of observations or responses that occur in various categories. In this method the researchers tests whether a significant difference exits between the numbers of responses in each category. Chi-square tests can be effectively utilized to determine if an association exists between two variables. This test can be effectively utilized to measures the existence of association between two variables in cross-tables, and how strong is this association. Chi-square test is applied to such frequency of occurrence as against the expected ones without reference to population parameters, which were being done earlier in significance testing. The chi-square, denoted by Greed Letter χ^2, is one of the simplest and most widely used non parametric tests in statistical work. The test was given by Karl Pearson in 1990. The quantity of χ^2, describes the magnitude of the discrepancy between theory and observations, it is defined as,

$$\chi^2 = \Sigma \frac{(O-E)^2}{E} = \Sigma \frac{O^2}{E} - N$$

3.5 Measures

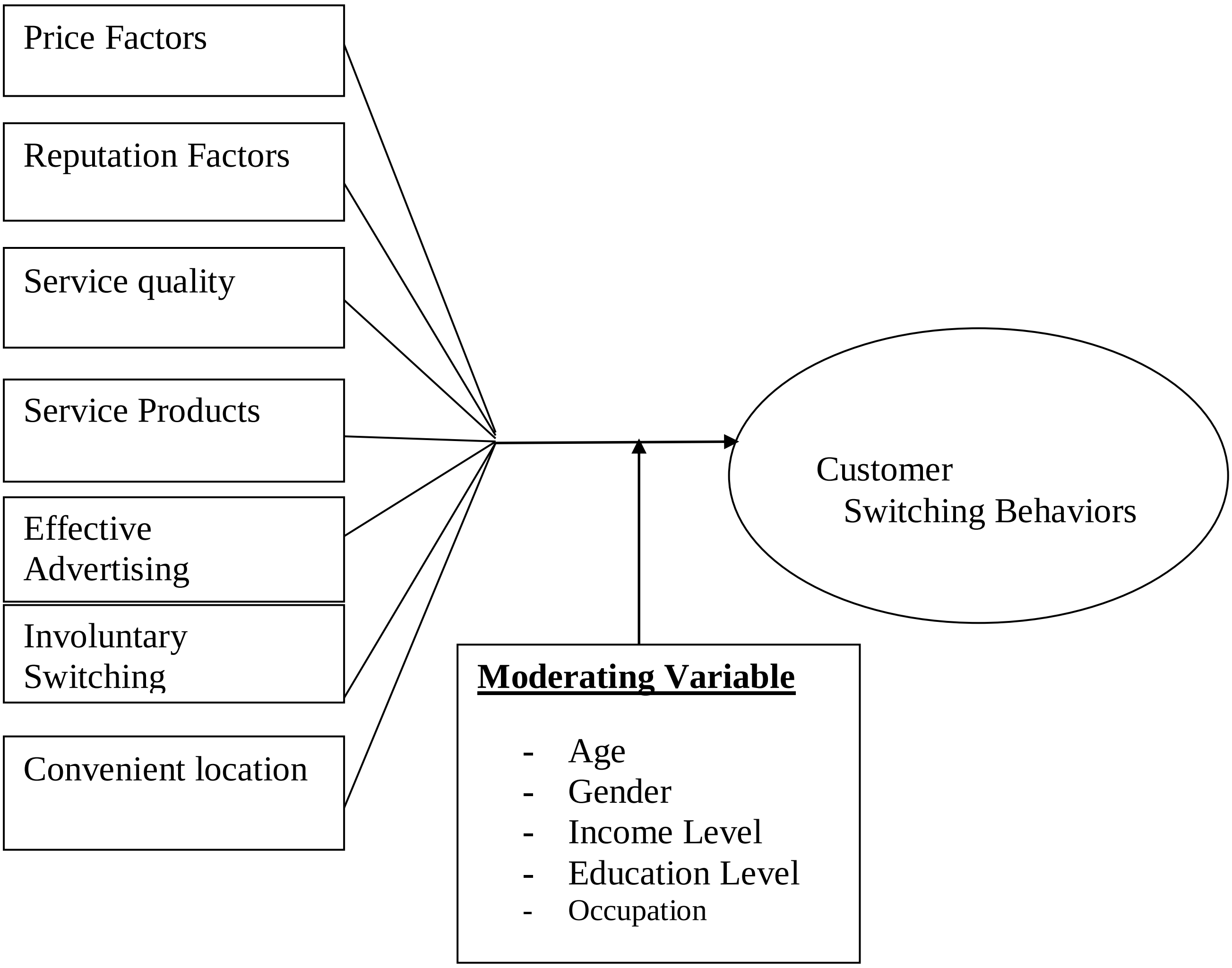
The following measures will be consisted of Likert scale items ranging from 1, “strongly disagree,” to 6, “strongly agree.”

(a) Price factors (b) reputation factors (c) service quality (d) service product (e) convenient location (f) involuntary switching (g) effective advertising competition (h) customer switching behavior.

3.6 Theoretical Frame work

This research work has been designed as the following chart has been presented. So, theoretically present research has been analyzed as per the following chart shown the relationship between dependent and independent variables of customer switching.

Independent Variables **Dependent Variables**



3.7 Hypotheses

To support these research questions, the study proceeds to test the following hypotheses:

H1: There is positive relationship between gender and customers' switching factors.

H2: There is positive relationship between age group and customers' switching factors.

H3: There is positive relationship between occupation and customers' switching factors.

H4: There is positive relationship between level of education and customers' switching factors.

H5: There is positive relationship between income level and customers' switching factors.

CHAPTER - IV
PRESENTATION AND ANALYSIS OF DATA

This chapter focuses on the presentation and analysis of data obtained from research interviews. A description of the respondents who took part in the study will be given. The researcher will present the data from the customer's interview schedule. Data analysis will also be discussed. "Data analysis in qualitative research is a challenging and highly creative process. It starts with data collection. The researcher is intimately involved with the respondents and the data are generated." The data presentation and analysis are based on the primary sources of information.

4.1 Analysis of Collected Primary Data Results

This section deals with the analysis of this present research work on the matter of determinants of customers switching behavior held in selected Nepalese commercial banks from the investors' perspective as well as bank's perspective too. For this the required data has been obtained from the primary source. The research has made ample efforts to explore information about how investors' are making decisions to switch their transactions from one bank to another commercial bank. A structured questionnaire was distributed to respondents who are customers with the commercial banks and some respondents are customers as well as related with bank's management too. They have been asking to provide their views and information on the point expressed in the question. Following section presents analysis of investors' views and information in the same order as they were asked in the questionnaire.

This presents research has the objective to identify the factors that influence customers' switching behavior in the Nepalese banking industry. Because to control customers switching at the first the banks' management should identify major factors that are influencing customers to switch their accounts and transaction from one commercial bank to another commercial bank. To fulfill this objective the researcher has been asked one question about the factors that determining switching decisions and activities of customers. Responses received from the selected respondents into the matter of diagnosis of reasons behinds switching of customers from one bank to another have been presented below on the basis of factors rated as their rank value given by respondents which have been shown into the following table 4.1.

Table 4.1

Classification of Bank Switching Factors with their Mean Rank

Variables	Ranking
Price	3
Reputation	6
Service Quality	2
Service Product	1
Advertising Competition	5
Involuntary Switching	7
Inconvenience Location	4

Source: Direct field survey, 2012.

Table 4.1 presents the factors that have influenced customers switching with their ranking. The ranking is based on the mean rank obtained from cross tabulation. The result shows that the service product is most important factor for switching decisions as it is ranked number one by respondents. Similarly service quality, price and inconvenience location are the second, third and fourth important influencing factor on the switching decisions respectively. The advertising competition and reputation are ranked fifth and sixth. The involuntary switching is the last factor since it has very low rank.

Hence, as the responses provided by the selected persons mostly customers are taking their switching decisions from the effects created by service products offered by commercial banks, service qualities provided by that related banks and price or costs paid by the customers. Thus, it proves that most of customers of Nepalese commercial banks have switched their transactions from one bank to another due to dissatisfaction of them over these variables of existing banks or better offers provided by other banks into the same factors. So, to correct switching behavior of customers, banks should be more conscious to these matters rather than other.

All these arguments have been proved by the mean score held by the each factor that have been provided to rank to the selected respondents as their views which have been presented into the following table 4.2.

Table 4.2

Classification of Bank Switching Factors with their Mean Score

Variables	Mean Score
Price	3.76
Reputation	2.99
Service Quality	3.78
Service Product	4.20
Advertising Competition	3.41
Involuntary Switching	2.91
Inconvenience Location	3.58

Source: Direct field survey, 2012.

Above table 4.2 shows the mean score gained by seven factors of: price, reputation, service quality, service product, advertising competitions, involuntary switching and inconvenience location. All dimension is measured in a Likert scale ranging from 1(strongly disagree) to 6 (strongly agree), so the mean scored of more than 3.5 is considered as agreement and the mean score which is less than 3.5 is taken as disagreement. Therefore price, service quality, service product and inconvenient location are seen as influencing factors since their rated mean is more than 3.5. Whereas reputation, advertising competition and involuntary switching are not the factors which caused customer to switch since they have mean score below 3.5.

This research also has the objective of examining the effect of moderating variables in relationship with dependent and independent variables. So, into this section below, tests of hypothesis have been conducted to achieve above explained objective of the research. Into this process of conducting test of hypothesis test relationship between above explained seven variables and other selected components like age, education etc. have been measured. Here into the following table 4.3 the relationship in between determinants or factors selected above seven variables and gender of customers have been tested to analyzed switching behavior of customers of Nepalese commercial banks during the research period.

Table 4.3

Relationship between Gender and Customers' Switching Factors

Variables	**Calculated Value**	**d. f**	**Tabulated Value**
Price Factor	6.364	5	0.272
Reputation Factor	6.691	4	0.153
Service Quality	5.769	5	0.329
Service Product	4.463	5	0.485
Advertising Competition	3.510	5	0.622
Inconvenient Location	1.971	5	0.853
Involuntary Switching	11.618	5	0.040

Source: Direct field survey, 2012

Here, into the above table 4.3 the researcher has been tried to find out relationship in between gender of customers and their switching behavior in

Nepalese commercial banks. In case of this the researcher has been used the chi-square test of hypothesis to measure whether gender of customers played vital role or it affects decision taken by them in the matter of customers switching. The hypothesis has been tested as shown below.

H1: There is positive relationship between gender and customers' switching factors.
Ho: There is no relationship between gender and customers' switching factors.

Since the calculated value of χ^2 of all factors is greater than the tabulated value of χ^2 as shown in table 4.3, the null hypothesis H1 is rejected and hence the alternative hypothesis Ho is accepted. Therefore, there is no relationship between gender and customers' switching behavior factors. It means that gender doesn't influence the customers' switching behavior.

Similarly, into the process of testing relationship of customers' age group with their switching behavior have been tested on the basis of responses expressed by selected respondents as the selected seven indicator variables have been gained the value in the matter of testing of chi-square hypothesis. The value of calculated and tabulated chi-square hypothesis test have been shown into the following table 4.4 and relationship of customer age group and their switching decisions has been tested and analyzed on the basis of gained values of hypothesis test.

Table: 4.4

Relationship between Age Group and Customers' Switching Factors

Variables	**Calculated Value**	**d. f**	**Tabulated Value**
Price Factor	29.28	20	.082
Reputation Factor	32.62	16	.008
Service Quality	24.86	20	.207
Service Product	19.26	20	.505
Advertising Competition	28.8	20	.092
Inconvenient Location	40.76	20	.004
Involuntary Switching	24.02	20	.242

Source: Direct field survey, 2012.

Here, into the above table 4.4 the researcher has been tried to find out relationship in between age group of customers and their switching behavior in Nepalese commercial banks. In case of this the researcher has been used the chi-square test of hypothesis to measure whether age group of customers played vital role or it affects decision taken by them in the matter of customers switching. The hypothesis has been tested as shown below.

H2: There is positive relationship between age group and customers' switching factors.

Ho: There is no relationship between age group and customers' switching factors.

Since the calculated value of χ^2 of all factors is greater than the tabulated value of χ^2 as shown in table 4.4, the null hypothesis H1 is rejected and hence the alternative hypothesis Ho is accepted. Therefore, there is no relationship between age group and customers' switching behavior factors. It means that age group doesn't influence the customers' switching behavior.

On the same way, into the process of testing relationship of level and types of occupations in which selected respondents are involved and with their switching behavior have been tested on the basis of responses expressed by selected respondents as the selected seven indicator variables have been gained the value in the matter of testing of chi-square hypothesis. The value of calculated and tabulated chi-square hypothesis test have been shown into the following table 4.5 and relationship of customers occupations and their switching decisions has been tested and analyzed on the basis of gained values of hypothesis test.

Table: 4.5

Relationship between Occupation and Customers' Switching Factors

Variables	Calculated Value	d. f	Tabulated Value
Price Factor	20.89	15	0.141
Reputation Factor	12.5	12	0.406
Service Quality	25.243	15	0.047
Service Product	23.72	15	0.070
Advertising Competition	23.69	15	0.071
Inconvenient Location	16.714	15	0.336
Involuntary Switching	18.423	15	0.241

Source: Direct field survey, 2012.

As the above table 4.5 shows, the researcher has been tried to find out relationship in between occupations of customers and their switching behavior in Nepalese comme

rcial banks. In case of this the researcher has been used the chi-square test of hypothesis to measure whether kinds of occupations of customers on which they are engaged have been played vital role or it affects decision taken by them in the matter of customers switching. The hypothesis has been tested as shown below.

H3: There is positive relationship between occupation and customers' switching factors.

H0: There is no relationship between occupation and customers' switching factors.

Since the calculated value of χ^2 of all factors is greater than the tabulated value of χ^2 as shown in table 4.5, the null hypothesis H1 is rejected and hence the alternative hypothesis Ho is accepted. Therefore, there is no relationship between occupation and customers' switching behavior factors. It means that occupation doesn't influence the customers' switching behavior.

On the same way, into the process of testing relationship between level of educations that the selected respondents are gained and their switching behavior have been tested on the basis of responses expressed by selected respondents as the selected seven indicator variables have been gained the value in the matter of testing of chi-square hypothesis. The value of calculated and tabulated chi-square hypothesis test have been shown into the following table 4.6 and relationship between level of educations that customers have and their switching decisions has been tested and analyzed on the basis of gained values of hypothesis test.

Table: 4.6

Relationship between Level of Education and Customers' Switching Factors

Variables	Calculated Value	d. f	Tabulated Value
Price Factor	20.889	15	1.40
Reputation Factor	39.479	12	0.000
Service Quality	19.898	15	1.76
Service Product	14.628	15	0.479
Advertising Competition	16.233	13	0.367
Inconvenient Location	40.626	15	0.000
Involuntary Switching	31.370	15	0.008

Source: Direct field survey, 2012.

As the above table 4.6 shows, the researcher has been tried to find out relationship in between level of education that the selected customers are gained and their switching behavior in Nepalese commercial banks. In case of this the researcher has been used the chi-square test of hypothesis to measure whether educational factors or level of education of banking customers have will create effects on the activities they have taken into the matter of switching or it affects decisions taken by them in the matter of customers switching. The tested hypothesis has been shown as shown below.

H4: There is positive relationship between Education Level and customers' switching factors.
H0: There is no relationship between Education Level and customers' switching factors.

As the above table have been indicated since the calculated value of χ^2 of all factors is greater than the tabulated value of χ^2 as shown in table 4.6, the null hypothesis H1 is rejected and hence the alternative hypothesis Ho is accepted. Therefore, there is no relationship between education level and customers' switching behavior factors. It means that education level doesn't influence the customer switching factors.

Similarly, into the process of testing relationship of customers' monthly income level with their switching behavior have been tested on the basis of responses expressed by selected respondents as the selected seven indicator variables have been gained the value in the matter of testing of chi-square hypothesis. The value of calculated and tabulated chi-square hypothesis test have been shown into the following table 4.7 and relationship of customers' level of monthly income they have and their switching decisions has been tested and analyzed on the basis of gained values of hypothesis test.

Table: 4.7

Relationship between Monthly Income and Customer's Switching Factors

Variables	Calculated Value	d. f	Tabulated Value
Price Factor	22.874	20	0.295
Reputation Factor	13.658	16	0.624
Service Quality	32.896	20	0.035
Service Product	30.10	20	0.069
Advertising Competition	20.545	20	0.424
Inconvenient Location	26.586	20	0.147
Involuntary Switching	23.441	20	0.268

Source: Direct field survey, 2012.

Here, into the above table 4.4 the researcher has been tried to find out relationship in between level of monthly income the selected customers have and their switching behavior held in Nepalese commercial banks. For this purpose the researcher has been taken the help of statistical tool chi-square test to test the set hypothesis about the relationship of monthly income of selected customers and their activities in the matter of their switching behavior. So, in case of this the researcher has been used the chi-square test of hypothesis to measure whether monthly income customers played vital role to determine their switching from one bank to another or it affects to take decisions by them in the matter of customers switching. The hypothesis that has been made and conducted during the research period has been tested as shown below.

H5: There is positive relationship between income level and customers' switching factors.

H0: There is relationship between income level and customers' switching factors.

Since the calculated value of χ^2 of all factors is greater than the tabulated value of χ^2 as shown in table 4.7, the null hypothesis H1 is rejected and hence the alternative hypothesis Ho is accepted. Therefore, there is no relationship between monthly income and customers' switching behavior factors. It means that monthly income doesn't influence the customers' switching behavior.

4.2 Analysis of Hypotheses Test

In the process of conducting the research the researcher has been identified seven variables that are affecting the switching decisions of customers. The research is about the switching behavior of customers held in Nepalese commercial banking. So, all these factors are concerned with all customers preferred in the marketing field but here only related with the Nepalese commercial banking area as the research area has been selected. So, these seven variables have been tested into the matter of relationship of them in switching of customers from one bank to another bank for holding transactions or purchase different accounts that the selected bank has been offered. For this purpose of research questionnaire has been prepared and distributed selected respondents who have relation with customers as either customers or as the service providers. They are requested to rank those seven variables according to their views in case of those variables have played role to conducting customers switching decisions. Those variables are: price or the costs of services, service product, service quality, reputation factors, effective advertising, inconvenient location, and involuntary switching held by customers. These seven variables are selected as the key variables that have effects into the switching behavior shown by the customers. Besides these variables other five moderating variables are also selected by the researcher to confirm that they have any role to determine switching decisions taken by Nepalese commercial banks' customers during the research duration. Those five moderating variables are: gender of customers, age group of the customers, types and level of occupations of the customers, educations earned by the customers, and level and volume of monthly income that the customers have. The researcher has tested the chi-square test of hypothesis to decide about these five selected moderating variables with the customers' switching behavior of

Nepalese commercial banking industry. And into this process of testing chi-square hypothesis of customer switching behavior the following results have been found which have been shown into the table 4.8 and analyzed with the above five tables from the table 4.3 to the table 4.7.

Table: 4.8

Summary of the Results of Hypothesis Tests

Hypotheses	**Supported**	**Non Supported**
H1: There is positive relationship between gender and customers' switching factors.		√
H2: There is positive relationship between age group and customers' switching factors.		√
H3: There is positive relationship between occupation and customers' switching factors.		√
H4: There is positive relationship between level of education and customers' switching factors.		√
H5: There is positive relationship between income level and customers' switching factors.		√

As the above table 4.8 has been indicated there is no direct relationship has been found in between moderating variables that have been selected by the researcher with the customers' switching behavior in the context of Nepalese commercial banking products transaction held in the boundary span of Nepal. There is five different hypothesis have been set by the researcher and tested them with the help of statistical tool of chi-square test. As the calculated values of the chi-square test have been found greater than the tabulated values of them in case of testing all moderating variables and their relationship with customers decisions and activities of switching here and there from one bank to another commercial bank in Nepal especially in the location of Biratnagar because all the research has been conducted within the area and location of that place from where the sample banks have been taken as well the selected sample respondents are also from the place Biratnagar.

As the researcher has shown into the above table 4.8 there is not direct relation among the gender, age group, occupations, education level, and monthly income level of selected customers with their behavior of switching banking transactions and trade in case of Nepal especially in case of Biratnagar location. Although these five moderating factors are affecting to determine attitude of customers in case of taking decisions about the purchase and use of any prodct i. e. either goods and services as well as terminating its use and purchasing as well as in about the adaptations of new one.

4.3 Major Finding

The major findings of this present research entitle "A Study on Determinants of Customers' Switching Behavior in context of Nepalese Banking Industries" held by the researcher can be pointed out as following:

1. Nepalese commercial banking industry as well as individual banking institutions are ignoring the customers retaining in the matter of concerning all their efforts to make attraction to new customers.

2. To get success the Nepalese banking industry should be able to retain its existing customers as with the attracting new customers in the span of their services.

3. Service product, service quality, and price are the major factors which influence customers' switching behavior in the Nepalese banking industry.

4. Convenience Location, Advertising Competition, Reputation and Involuntary Switching are also affected the decisions taken by the customers of Nepalese commercial banking sector in the matter of customer switching from one bank to another.

5. The selected moderating variables, Gender, Age Group, and Occupation, are not much effective in case of influencing customers' behavior and activities about their switching in the Nepalese commercial banking industry.

6. The level and volume of educations gained by the Nepalese commercial banking customers and monthly income of them have not be much more able to generate more effects to customers' switching activities and their behavior in the same matter.

7. Timely adjustment of customers switching behavior of Nepalese banking sectors should be done by the related banks' management to get success and retain long live into this competitive market of commercial banking.

CHAPTER - V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

It is the last chapter for any research work. Into this chapter basically overview of the whole study has been mentioned in brief with the possible suggestions and recommendations if the researcher feels needed. So, this chapter is mainly classified into three different sections. The first section is summary which deals in short about the whole research work conducted and mentioned into previous three chapters. Similarly, the second one is conclusions which consists all those matters of analysis and findings from the research work completed. At last the final section is recommendations. It included all those suggestions and advices that are given by the researcher about the research. Recommendations are presented as the feedback to the related sector of research. Thus, in this way formally the research work is completed after the completions of this section with possible suggestions and feedbacks. This chapter summarizes the research findings presented in Chapter Four and their theoretical and managerial implications. Out of two research objectives, second objective in this study were addressed by testing 5 hypotheses.

Summary

Switching behavior is defined as defection or customer exit (Stewart, 1994; Hirschman, 1970). According to Boote (1998) and Bolton & Bronkhurst (1995), switching behavior reflects the decision that a customer makes to stop purchasing a particular service or patronizing the service firm completely. In a bank industry context, customer switching behavior means customers' shift from one bank to another (Garland, 2002). By analyzing these statements it can be said that switching behavior of any customer has been reflected the following activities of customer: Stop to purchase and abandon present consuming products either it is goods or services, Searching of new goods and services for compensating present consuming products, and Select new goods and services in place of existing consumed goods and services and use that new product.

Hence, the term switching behavior of customers not only refers to the meaning of terminating the use of present consuming goods and services by the customers. It also denotes the term of adaptation of new goods and services in the place of presently consumed goods and services. Thus, in short the switching behavior of customers defines the behavior of them replacement of existing or presently consumed products by its nearly substituting goods and services.

The longer a bank can retain a customer, the greater revenue and cost savings from that customer. Maintaining an existing customer is five times cheaper than obtaining a new one as the advertising, sales, and set-up costs can be amortized over am longer customer lifetime (Morgan, 2007; Clemes, Gan & Zheng, 2007; Reichheld & Sasser, 1990). Keaveney (1995) uses a generalized model to examine consumer switching behavior across a broad spectrum of service providers including banks. The model includes eight factors influencing service switching: pricing, inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition, and involuntary switching.

As Gerrard and Cunningham (2000) identification of six incidents that they considered to be important in gaining an understanding of switching between banks. These incidents were: inconvenience, service failures, pricing, unacceptable behavior, attitude or knowledge of staff, involuntary seldom mentioned incidents, and attraction by competitors. Similarly, Colgate and Hedge (2001) identified three general problems, pricing issues (fee, charges, interest rate), service failures (mistake, inflexible, inaccessible, unprofessional), and denied services (denied loan, no advice) that contributed to customers' switching banks in New Zealand. With the intense competition and increasing globalization of the financial markets, building customer loyalty has become a critical strategy for most financial institutions. The banking industry must develop strong relationships with their customers in order to compete successfully in the competitive retail banking environment.

While conducting the research by the researcher, it has been identified mainly seven variables are affecting the switching decisions of customers in Nepalese commercial banking industry. The research is about the switching behavior of customers held in Nepalese commercial banking. So, all these factors are concerned with all customers preferred in the marketing field but here only related with the Nepalese commercial banking area as the research area has been selected. So, these seven variables have been tested into the matter of relationship of them in switching of customers from one bank to another bank for holding transactions or purchase different accounts that the selected bank has been offered. For this purpose of research questionnaire has been prepared and distributed selected respondents who have relation with customers as either customers or as the service providers. They are requested to rank those seven variables according to their views in case of those variables have played role to conducting customers switching decisions. Those variables are: price or the costs of services, service product, service quality, reputation factors, effective advertising, inconvenient location, and involuntary switching held by customers. These seven variables are selected as the key variables that have effects into the switching behavior shown by the customers.

These major seven variables that affecting customers decisions in the matter of switching from one bank to another, other five moderating variables are also selected by the researcher. This has been conducted to confirm that they have any role to determine switching decisions taken by Nepalese commercial banks' customers during the research duration. Those five moderating variables are: gender of customers, age group of the customers, types and level of occupations of the customers, educations earned by the customers, and level and volume of monthly income that the customers have.

Conclusions

This present research has two different objectives. The first one is: To identify the factors that influence customers' switching behavior in the Nepalese banking industry. And, the second one is: To examine the effect of moderating variables in relationship with dependent and independent variables. As the researcher has found from present research work influencing factors of Nepalese commercial banking industry in case of customers' switching are: service products of banking, service quality, price or costs of services, effective advertising, reputations, inconvenient location, and involuntary switching factors. On the other hand, moderating variables of customers' switching that have been tested by the researcher are: age group of customers, gender of them, education level, occupations and monthly income.

Research objective was satisfied as the factors that influence customers switching behavior in the Nepalese banking industry were identified. The result of the cross tabulation (mean) showed that there was a significantly positive relationship between customers' switching behavior and influencing factors: service product, service quality, price and inconvenient location. This result somehow support but not exactly findings of Gerrad & Cunningham (2004), Colgate & Hedge (2001) Almossawi (2001) and Keaveney (1985), as these authors regard price &reputation as important factors that influence customer to switch banks The result showed that there was a significantly negative relationship between customers' switching behavior and the influencing factors: reputation, advertising competition and involuntary switching. These findings are consistent with those of these findings are consistent with those of Clemes et al. (2007), Matthews & Murray (2007), Ganesh etal. (2000), and Levesque & McDougall (1996) that these factors significantly affected customers' switching behavior.

The second objective of examining relationship in between moderating variables and customers' switching was satisfied with the identification of there is no direct relationship in between selected dependent variables and independent variables that have been tested in Nepalese commercial banking industry in the matter of customers switching behavior held in this sector. There were no relationship between gender, age group, occupation, education level and monthly income and customers' switching behavior factors. Thus hypothesis H1, H2, H3, H4, and H5 all were rejected. Since all the hypothesis were rejected as gender, age group, occupation, education level and monthly income did not significantly impact on customers' switching behavior factor.

Nepalese commercial banking industry as well as individual banking institutions are ignoring the customers retaining in the matter of concerning all their efforts to make attraction to new customers. To get success the Nepalese banking industry should be able to retain its existing customers as with the attracting new customers in the span of their services. Service product, service quality, and price are the major factors which influence customers' switching behavior in the Nepalese banking industry. Convenience Location, Advertising Competition, Reputation and Involuntary Switching are also affected the decisions taken by the customers of Nepalese commercial banking sector in the matter of customer switching from one bank to another. The selected moderating variables, Gender, Age Group, and Occupation, are not much effective in case of influencing customers' behavior and activities about their switching in the Nepalese commercial banking industry. The level and volume of educations gained by the Nepalese commercial banking customers and monthly income of them have not be much more able to generate more effects to customers' switching activities and their behavior in the same matter. Timely adjustment of customers switching behavior of Nepalese banking sectors should be done by the related banks' management to get success and retain long live into this competitive market of commercial banking.

Recommendations

This research makes a number of contributions to customers' switching behavior in the banking industry. Firstly, this research contributes to the no empirical studies currently available on consumers' retail bank switching behavior, especially in the Nepalese banking context. This study provides useful knowledge about consumers' switching behavior in the Nepalese banking industry by empirically identifying the factors that influence customers to switch banks. Secondly, a cross tabulation (mean) &chi-square analysis is used as the tools to examine customers' switching behavior in this research. The results of this research support cross tabulation (mean) analysis as an appropriate tools that can be applied in examining customers' bank switching behavior.

Thirdly, this research confirms that some of the factors influencing customers' switching behavior identified in previous research can also be applied to Nepalese banking such as Price, Reputation, Service Quality, Effective Advertising Competition, Involuntary Switching and service product. Furthermore, this research also identifies a factor that may be particularly important to the Nepalese banking sector – Inconvenient location. This factor may also be appropriate as a factor to consider for other international studies on customer bank switching behavior. On the basis of present research analysis and major findings the researcher has been focus out some recommendations which have been indicated below as the factor-wise that have been identified.

Price

The results of this study confirm that price is the important factor influencing customers to switch banks. Due to the complicated nature of the banking industry, price includes not only fees implementation, and bank charges, but also the interest rates charged and paid. As a result of banking complexities, banks find it challenging to develop pricing strategies that are markedly different from their major competitors. Occasionally, banks may offer low borrowing rates or high deposit rates to attract customers and reduce defection. However, focusing only on the price variable may not be an optimum strategy. Simply offering high deposit rate, imposing minimum charges on customers, and increasing fee rates at the same time, is not an effective way to reduce customer defection rate. These pricing changes may result in negative effects, such as encouraging customers to switch to another bank that provides better price options. Reducing a bank's own costs is one strategy that may reduce the number of customers who switch.

Service Quality

This study also reveals that service quality is the most important factor influencing customers' bank switching behavior. Several researchers indicate that service quality plays an important role in supporting business development as service quality has favorable impact on customer satisfaction, repurchase behavior and business profitability. Bank management needs to focus more on achieving high service quality as a competitive differentiation method. Service attributes, such as ease of access, provision of information and innovative products, can enhance customer loyalty. In addition, the results show that service quality is a more important switching factor among Old Age and High Education Groups. This finding suggests that the more experiences and the better knowledge people have the greater their expectation of service quality. Therefore, focusing on the needs of customer segments is necessary, such as providing resting areas and consulting services to older people, or offering personalized investment-consulting services to knowledgeable customers. Basically, service quality should focus not only on the service offered, but also on the people who deliver the service (Gerrard & Cunningham, 2004).

Reputation

The result confirms that customer's switching behavior can also be affected by reputation factor. A good reputation plays an important role in creating positive signals to the public about the firms' capability and reliability. Thus, bank managers have to find ways to encourage the development of trust between customers and banks that eventually leads to loyalty. Other than providing timely and accurate services, managers need to encourage their employees to communicate with customers in a manner that inspires trust and confidence.

Effective Advertising Competition

Based on the empirical finding of this study, advertising plays a significant role in determining customers' switching behavior. Bank managers should develop strategies that enhance the communication channels between customers and banks. Once customers understand the offerings and processes of their current bank, the probability of switching to an alternative bank is considerably reduced. With the emergence of high technology (the Internet), Television and radio are not the only ways to communicate information and advertise a bank's offerings.

Convenient Location

The findings show that convenient location is another antecedent that affects customers' switching behavior, and location is perceived differently by Females and Males. Convenient location may play an important role in influencing customers that are concerned more convenience as it allows them to save time. This result also suggests that customers (e.g. housewife) may tend to choose the nearest bank, especially if there is limited geographical accessibility to alternative banks. Although internet banking reduces the distance between customers and banks, the technology does no help those customers who prefer face-to-face communication, especially for older people who may be reluctant to use the Internet. This result may encourage bank management to carefully consider closing bank branches that may not be profitable, but are conveniently assessable by customer segments.

Service product

The results indicate that service product is also one of the important factors that influence customers' switching behavior factors. Several studies revealed that the wide range of bank service products offered to customers was one of the most important criteria for customers when they select a bank.

Involuntary Switching

The results confirm that customers' switching behavior can also be affected by involuntary switching factors, such as moving house, changing jobs, and the opening or closing of a bank branch. Under these circumstances, bank managers may use electronic banking services such as Automatic Teller Machine (ATM), telephone and internet banking, to lower defection rates. Electronic banking can efficiently and effectively improve the traditional marketing functions of a financial institution, especially when there is time or geographical location constraints.

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APPENDIX - I

Dear Sir/Madam,

You are invited to participate in a research that constitutes part of our M.B.S. program in management at Tribhuvan University, Nepal. The research is about why customers switch from one commercial bank to other commercial banks for making deposits or taking loan or for other banking services.

Your participation is very important to this research. All responses will be aggregated for analysis only, and no personal details will be reported in the research or any resulting publications.

QUESTIONNAIRE

This questionnaire contains two sections. Please respond to all of the statements in the two sections if you qualify as a target respondent for this research. Listed below are a series of statements that relate to your overall banking experience.

SECTION "A"

Please CIRCLE how strongly you agree or disagree with each of the following statements on a scale of 1 to 6. 1-you strongly disagree, 6-you strongly agree. Please relate your responses to Nepalese commercial bank. You left within the last three years.

Why did you switch your previous bank?	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
1. The bank charge high fees.	1	2	3	4	5	6
2. The bank charged high interest for loans.	1	2	3	4	5	6
3. The bank charged high	1	2	3	4	5	6

interest for mortgages.						
4. The bank provided low interest rates on saving accounts.	**1**	**2**	**3**	**4**	**5**	**6**
5. The bank provided on-line system was unreliable.	**1**	**2**	**3**	**4**	**5**	**6**
6. The bank was untrustworthy.	**1**	**2**	**3**	**4**	**5**	**6**
7. The bank was financially unstable.	**1**	**2**	**3**	**4**	**5**	**6**
8. The bank provided services that were not as promised.	**1**	**2**	**3**	**4**	**5**	**6**
9. Bank staffs were impolite and rude.	**1**	**2**	**3**	**4**	**5**	**6**
10. Bank staffs were slow to provide service.	**1**	**2**	**3**	**4**	**5**	**6**
11. The bank did not offer a wide range of service products (e.g. loans, mortgages, credit cards, ATM cards, online and	**1**	**2**	**3**	**4**	**5**	**6**

phone banking direct bill payment service.)						
12. The service product offered did not satisfy my specific needs.	**1**	**2**	**3**	**4**	**5**	**6**
13. The competing banks' advertising content influenced my decision to switch banks.	**1**	**2**	**3**	**4**	**5**	**6**
14. The design of competing banks' card influenced my decision to switch banks.	**1**	**2**	**3**	**4**	**5**	**6**
15. The promotion activity of the competing bank influenced my decision to switch banks.	**1**	**2**	**3**	**4**	**5**	**6**
16. The principal bank branches in my area are	**1**	**2**	**3**	**4**	**5**	**6**

closed.						
17. I moved to a new geographic location and my principal bank is not in the area.	**1**	**2**	**3**	**4**	**5**	**6**
18. The bank branch location is too far away from my home to be convenient.	**1**	**2**	**3**	**4**	**5**	**6**
19. The bank branch location is too far away from my work place to be convenient.	**1**	**2**	**3**			

SECTION "B"

The questions below relate to personal data. Please TICK the most appropriate BOX.

1. Gender

Male ☐

Female ☐

2. Age Group

Below 20 ☐ **20-30** ☐ **30-40** ☐ **40-50** ☐

Above 50 ☐

3. Level of Education

SLC ☐ **Intermediate** ☐ **Bachelors Degre** ☐

Postgraduate Degree ☐

4. Occupation **...**
....

5. Monthly Income

Below 5000 ☐ **5000-10000** ☐ **10000-15000** ☐
15000-20000 ☐ **Above 20000** ☐

If you have further comments about "Bank Switching Behavior", please feel free to comment in the space provided below.
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Thank you for your time