CHAPTER I
INTORDUCTION

1.1. Background of the study

Switching behavior is defined as defection or customer exit (Hirschman, 1970). According to 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 in five times cheaper than obtaining a new one as the advertising, sales, and set-up costs can be amortized over a longer customer lifetime (Clemes, Zheng & Gan, 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 price inconvenience, core service failure, service encounter failure, response to service failure, ethics, competition, and involuntary switching.

Gerrad and Cunningham (1997) also identified six incidents that they consider to be important in gaining an understanding of switching between banks. These incidents were: inconvenience, service failures, pricing, unacceptable behavior, attitude or knowledge of staffs, 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; 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 long customer lifetime (Clemes, Gan & Zheng, 2007; Richheld & Sasser, 1990).

Duncan & Elliot (2002) noted that customer loyalty is an important factor that contributes to an organixations earnings and profits. Loyal customers normally establish a stable relationships with organizations compared to non-loyal customers (Zeithaml, Berry & Parsuraman, 1996). Customers loyalty can contribute to an increase in a firm’s reveneue; reduce customers defections rated; and develop new business through positive word-of-mouth advertising (Reichheld & Sasser, 1990). Thus , at the end of the day, the bank’s assests 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 on customer 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 & How croft, 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 no longer a 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 (Beckket 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 (Lesss, Garland & Wright, 2007; Andreasen, 1988). Some researchers have studied customers switching behavior in developed countries (Clemess, 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 difference consumers' evaluation of service quality and associated constructs such as behavior intention can be considerably different (Smith & Reynolds, 2001; Furrer. Liu & Sudharsan, 2002; Winsted 1997).

In the Nepalese context bank are facing several issues relating to customer loyalty. There are altogether 27 commercial banks in Nepal. With the large number of bank there is a competition among them to attract the customer. The bank has pressure to increase their profitability and which there has been tough competition among the banks to attract more customers due to which the bank switching customers are on rise. The issues of the research is variability in quality or maket price fluctuations which may lead to customers to consult price comparison services where alterative suppliers may be offered. Declining customers satisfaction may be due to poor service quality but also a lesser degree – be symptom of boredom with the brand of choice. The other issues related to customer switching is reputation and location factors which plays a vital role for the customers to switch the bank.

1.2. Statement of the Problems

Presently Nepalese commercial banks are implementing their all efforts to attack new customers and they are ignoring other side of customers' retaining existing customers. Gerrad and Cunningham (1997) identified six incidents that they consider to be important in gaining an understanding of switching banks that were: pricing, service failures, inconvenience. Colgate and Hedge (2001) identified three general issues like fees, interest, service failures that contributed to customers switching the banks. 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:

a) What is the impact of price on customer switching behavior?

b) What is the impact of reputation on customer switching behavior?

c) What is the impact of service quality on customer switching behavior?

d) What is the impact of location on customer switching behavior?

1.3 Purpose of the Study

The main objectives 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 analyze the impact of price on customer switching behavior.

ii. To identify the impact of reputation on customer switching behavior.

iii. To study the impact of service quality on customer switching behavior.

iv. To analyze the impact of location on customer switching behavior.

1.4 Research Hypothesis.

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

H2: There is positive relationship between reputation factors and customers' switching behavior.

H3: There is positive relationship between service quality and customers' switching behavior.

H4: There is positive relationship between location and customers' switching behavior

1.5 Significance of Study

This study will contribute to existing literature on Customer switching behavior. The study will be conducted inside Kathmandu valley, where customer switching behavior in banking sector is in increasing trends. That means this study will helps the policymakers, researchers, and other people to know about this issue and help for further research on customer switching behavior. This study will help to analyze the status of switching behavior among the people in Nepal which provide good opportunity to analyze the condition of switching behavior in financial sector. This study will be helpful to stakeholders and banks to develop and implement the various program related to this issue. Similarly, this study will be helpful to financial institutions to lunch different schemes and program. It will also help the future researcher for further research on this topic by taking more variables than this study. The general public can also get benefit from this research study at large.

1.6 Limitations of the Study

As every study is conducted within certain limitations the present study is not an exceptional. The study will be based on a customer switching behaviour in banking sector in Nepal in Kathmandu district, which may not represent the overall scenario of Nepal. Basically, the study is limited with-in the following factors.

1. First, the data from the sample may not reflect the universe; since it is restricted only to the area of Kathmandu and only 120 customers as sample.
2. Second, a self-administered questionnaire will be 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.
3. Third, only four variables related to the bank switching behavior will be selected in this study. Some other variables will not be included; their inclusion may lead to different results. Examples of such dimensions include advertising and involuntary switching. These are the issues that require closer examination by future researchers.

1.7 Chapter Plan

The study is divided into five chapters.

Chapter I: Introduction

This chapter will explain background of the study, Statement of the problem, Objectives of the study, Significance of the study, research hypothesis and limitation of the study.

Chapter II: Review of Literature

This chapter will include review of literature which incorporates the theoretical review, the review of previous studies, conceptual framework and research gap.

Chapter III: Research Methodology

This chapter will include research design, Justifications for the Selection of the Unit, Population and sample size, Nature and Source of Data, Data Collection Procedures, Data Processing and Analysis Tools.

Chapter IV: Data Presentation and Analysis

This chapter is Data presentation and analysis. This chapter will include Data presentation, Data analysis and Major finding of the study.

Chapter V: Conclusion

This chapter will deal with summary, conclusion and implications, reference and appendices will also be attached at the end of the study.

CHAPTER II

LITERATURE REVIEW AND THEORITICAL FRAMEWORK

Review of literature is the process of learning and understanding the concept of the related topic. After selecting the topic of research, researchers should study different materials (like Books, Journals, Magazines, Newspapers, Articles etc) to collect the information's about the subject matter of the study. This process of studying different education materials which are related with the selected topic of the research is called "Review of Literature". It helps to find out the research gap.

2.1 Theoretical Review

2.2.1 Switching Behaviour

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.

2.2.2 Price

Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithml, 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 price promotions. In the financial service industry, price includes fee implementation, bank charges, interest rates charged and paid (Gerrard & Cunningham, 2004).

2.2.3 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 (2002) 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.

2.2.4 Service Quality

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

2.2.5 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.

2.2.6 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 interaction 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.

Parasuraman 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.

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).

2.2.7 Response 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). Similarly in delivering and receiving a service 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 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 foes not mean that the ‘‘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 failures were a factor contributing to customer switching behavior.

Customer switching, in the banking industry, is often the result of customers 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 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 customers, or the recovery may not fully compensate unfavorable incidents that bank customers have experienced, or the service failures may be so sad that even a good service recovery will not change the customer's decision to switch banks (Colgate and Norris, 2001).

2.2.8 Customer Satisfaction Factors

Many researchers have provided different definitions of customer satisfaction. Hunt (1997) stated that satisfaction is not the pleasure of experiences, it is an evaluation rendered that the experience was at least as good as it was supposed to be. 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. 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.

Customer satisfaction is often recognized as a main influence in the formation of customers future purchase intentions (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. 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).

2.2 Empirical Review

Keaveney & Parthasarathy (2001) and Reichheld (1996) find that customers' switching behaviour 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. 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 et al., 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, (2010) and Rust & Zahorik (2016) 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 the 1990's (Rongstad, 1999; Shedd, 1996). Colgate (1999) investigated the New Zealand bank industry and found had the annual switching rate was 4 percent, and a further 15 percent 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).

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 behaviours 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).

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) show 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.

Nguyen & Leblanc (2001) conclude 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) states 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) note 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).

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 (1984a) 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 - 17 - 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.

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.

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 organisations, but also between 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.

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 behaviour - 22 - 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) suggest that a convenient bank location is an important factor influencing customers' switching behaviour because it directly determines whether the customers can access their banks on a regular basis. Gerrard & Cunningham (2000) investigate the bank switching behaviour 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.

Haque etal (2009) done a study in Malaysia. The Malaysian market working according to the Islamic banking and he observe that the companies and organizations of the Malaysia are positive relationship toward service and availability of services and peoples of the Malaysia are very attract and confidence towards Islamic banking system. This is similar result like Haron et al, (1994) and Dusuki and Abdullah (2007). Lone & Ahmad (2017) it has been found that customers are equally satisfied with both types of banks and also no difference of customer satisfaction was found from different regions. This is a good sign for Islamic banking as it is competing with a conventional banking system which has its long history. At the end suggestions for developing Islamic banking in Saudi Arabia were presented.

Khadka & Maharjan (2017) studied about customer satisfaction and loyality based on qualitative and quantitative research method by means of questionnaire and found out that improvement on certain things needs to be done in order to increase the level of customer satisfaction. They recommended that the company should improve its service regarding feedback system, implement staff training as well as conduct regular advertising campaign to attract new customers and also to inform existing customers about upcoming events.

Thomas and Tobe (2013) emphasize that "loyalty is more profitable." The expenses to gain a new customer is much more than retaining existing one. Loyal customers will encourage others to buy from you and think more than twice before changing their mind to buy other services. Customer loyalty is not gained by an accident; they are constructed through the sourcing and design decisions. Designing for customer loyalty requires customer-centered approaches that recognize the want and interest of service receiver. Customer loyalty is built over time across multiple transactions.

Ghammari & Ahmed (2017) investigated about customers switching behavior in Oman's banking industry by using qualitative research approach in the form of interview with focus groups and outcomes suggest that more than half of respondents are inclined to transfer to another banks despite the fact that 64% are satisfied with their current banks. Hence it can be noted that belief in the reputation of the bank plays an important role and create an influence to the customer switching pattern.

Alaaddin (2018) studied about customer switching behavior in banking industry where customers are offered cash in order to convince them to switch their financial service provider and found that customers loyalty can be bought with cash and other provided benefits to make customers switch their current service provider into new bank. For this a special loyalty membership program was offered for organizations employees.

Bhatt & Bamrara (2018) investigated the complaint behavior of customer and specific factors towards switchover of mobile service provider and cluster sampling method was used and they concluded that most of the customers are satisfied with their service providers but they are interested in switching over and claim that network problem such as poor connectivity and high prices are the main reason which influence and force them to switch to another operator who is perceived better offers/schemes and value added service plays the least important role. Quach, Bavalur & Nair (2017) explored the factors that lead to the intention to stay and the intention to switch in the banking industry. The research adopted a qualitative, inductive approach to data collection and found that the factors that are important to the customers decision to change banks or to diversify their accounts include: (a) customer service and customer intimacy; (b) response to service failure; (c) effect of advertising; (d) reputation; (e) ease of banking; and (f) customer value.

Table 2.2: Summary of Literature Review

Authors, Years	Focus on	Key Findings
Keaveney & Parthasarathy (2001)	Customers switching behavior	Additional profits are lost because the initial investment on the customer are wasted and further costs are required to obtain a new customer
Reichheld & Sasser (1990)	Customer defection	The study suggests that 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

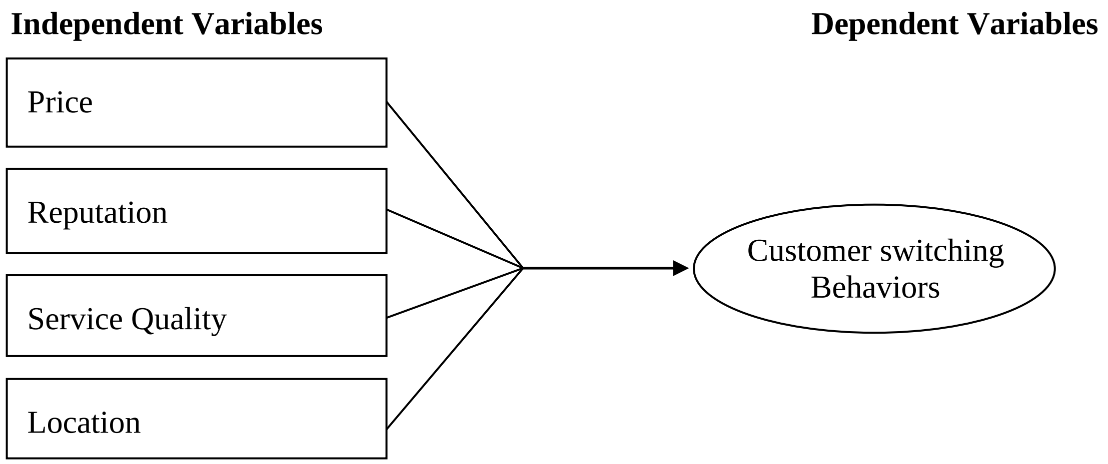
		competitive advantage.
Trubik & Smith (2010) and Rust & Zahorik (2016)	Financial implication of customer retention	The study found that financial implications of customer retention and found that there is a strong relationship between customer loylity and profitability in personal retail banking
Colgate (1999)	Customer switching behavior in New Zealand bank industry	This study found that the annual switching rate was 4 percent, and a further 15 percent of personal retail banking customers intended to switch banks.
Colgate & Hedge (2001)	Bank customers switching behavior	The study found that price as the top switching determinant, followed by service failures and denial of services.
Nguyen & Leblanc (2001)	Effect of reputation on customer switching	This study 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)	Impact of reputation on customer switching in banks.	The study states that a bank’s reputation has a strong effect on customer choice after investigating 7500 customers in 25 national and regional banks in the United States. The results show thirty percent of customer deliberately excluded a bank if the bank had perceived financial instability or practiced questionable ethics.
Weigelt & Camerer (1988)	Effect of positive reputation on banking industry	The study concluded 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 purchase a service, and strengthens the competitive capability of firms.
Jun & Cai (2001)	Effect of service quality in banking sector.	The study summaries internet banking service quality from three perspectives: banking service product quality, customer service quality, and online system quality. Customer service quality focuses on the difference between customer's expectation 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. They developed seventeen service quality dimensions based on these perspectives.
Keaveney (1995)	Impact of location in banking industry	The study revealed that a service provider's location is an important factor influencing switching behavior under inconvenience category. Customer tends to switch to a new service provider if the new service provider is closer to their work or home.
Gerrard & Cunningham (2000)	Bank switching behavior of Singapore graduates	The study showed that inconvenience location is the most important switching behavior of Singapore's graduates.
Ghammari & Ahmed (2017)	Customer switching behavior in Oman's banking industry.	The study was conducted based on qualitative research approach and found that more than half of respondents are inclined to transfer to another banks despite the fact that 64% are satisfied with their current banks. Hence it can be noted that belief in the reputation of the bank plays an

		important role and create an influence to the customer switching pattern.
Aladin (2018)	Customer switching behavior in banking industry regarding customer loyalty.	The study focused about customer switching behavior in banking industry where customers are offered cash in order to convince them to switch their financial service provider and found that customers loyalty can be bought with cash and other provided benefits to make customers switch their current service provider into new bank. For this a special loyalty membership program was offered for organizations employees.
Bhatt & Bamrara (2018)	Complain behavior of customer and specific factors	They investigated the complain behavior o customer and specific factors towards switchover of mobile service provider and cluster sampling method was used and they concluded that most of the customers are satisfied with their service providers but they are interested in switching over and claim that their network problem such as poor connectivity and high prices are the main reason which influence and force them to switch to another operator who is perceived better offers/schemes and value added service plays the least important role.
Quach, Bavalur & Nair (2017)	Factors affecting customer retention in banking industry.	The research adopted a qualitative, inductive approach to data collection and found that the factors that are important to the customer decision to change banks or to diversify their account like customer service and customer intimacy, response to service failure, effect of advertising, reputation, ease of banking and customer value.

2.3 Conceptual 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.



Following hypotheses has been formulated for the study:

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

H2: There is positive relationship between reputation factors and customers' switching behavior.

H3: There is positive relationship between service quality and customers' switching behavior.

H4: There is positive relationship between location and customers' switching behavior.

2.4 Research Gap

A review of literature on switching behavior shows that most of the studies focused on the bank of foreign country. In the context of Nepalese banking limited research has been done on the topic of determinants of customer switching behavior. Some studies were found which solely studied on the service quality and customer satisfaction but did not studied other factors like price, service reputation and location.

The main variables that can impact the customer switching behavior have been included in this research i.e. Price, Service Quality, Reputation and Location. The gap can be fulfilled by studying on the above mentioned variables. Because of this reason the outcome of this research will be different than the previous research. The research using all these variables was not found in the context of Nepal. Research gap also can be found because of the long gap between these studies in the context of Nepal. Some studies have been found by using demographic variables for studying customer switching behavior.

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 the thesis. This chapter helps the reader to clearly understand how the research had been conducted.

3.1 Research Design

The present study is based on co-relational research design. A full-fledged questionnaire is constructed covering five areas namely price, service quality, reputation and location with reference to Schall (2003). Survey participants are asked 22 questions on the scale of 1 to 6. The questionnaire is distributed among 120 customers. 100 were received out of 120. So the response rate is 83.33 percent. 100 entries were taken as usable entries. Data are described by frequency, percentage, mean and standard deviation and four hypothesis tested using ANOVA and regression analysis.

3.2 Population and Sample

The target population of this study includes all customers of Nepalese Banking sector (Kathmandu Branch). Ideally, to make generalizations about such population, one should start with a sampling frame from which a random sample should be drawn. A convenient sampling approach was followed as the best possible alternative. On the basis of the research conducted by Shrestha (2015) total of 120 questionnaires were distributed in different banking institutions. Out of these distributed questionnaires, 100 filled questionnaires were returned, 20 questionnaires were eliminated from the data as they were incomplete, and therefore, not suitable for the use in this study. This resulted in 100 completed usable questionnaires generating an 83.33% usable response rate.

3.3 Sources of Data

The primary data has been used in this study to identify the causes of switching behaviors and questionnaire has been asked to different variety of individuals. Primary data was 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 Data Collection Processing Procedures

This study is based on primary data to draw the conclusion of the research. A full-fledged questionnaire is constructed covering five areas namely price, service quality, reputation and location with reference to Schall (2003). Six point Likert scale has been used to collect the data. Questionnaires on a scale of 1 to 6 (1-Strongly disagree, 2- disagree, 3- slightly disagree, 4- slightly agree, 5- agree, 6-strongly agree).

3.5 Data Analysis Tools and Techniques

This study has analyzed with the help of SPSS and MS-Excel. Descriptive and inferential statistic has been implied to achieve the objective of the study. Tables, percentage, means and t-test, correlation and regression have been used to evaluate the effectiveness of switching behavior through banks. The p-value was compared to the significance level on the basis of which the null hypothesis has either rejected or not. If the p value has less than the significance level (0.05), then the null hypothesis has rejected. If p value has greater than or equal to significance level, the null hypothesis has not rejected.

The statistical tools used for analyzing the primary data are percentage method, average/mean scores, correlation and regression. Percentage analysis has been used for analyzing almost all the questions highlighting major variables of the study to help compare and highlight the general outcomes of the study. Correlation and regression test has been applied to find the association between two variables. Mean scores and Standard deviation have been used to highlight the difference in the mean values of empowerment variables and correlation and regression. R^2 measures how much variation in the dependent variable can be explained by the independent variables.

CHAPTER IV

RESULTS

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 100 respondents. Data were analyzed with reference to the purpose of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results of the questionnaire survey. The main purpose of this research study will be fulfilled with the outcomes derived from the analysis of the data.

4.1 Data Presentation

Table 4.1 Position of Customer switching behavior.

Variables	N	Minimum	Maximum	Mean
Price	100	1	6	5.09
Service Quality	100	1	6	4.69
Reputation	100	1	6	4.71
Location	100	1	6	4.53

Source: Field Survey, 2019

From table 4.1 we can see that the mean value price is 5.09 which means customers agree that price can be considered as an important factor that motivates the customers to switch the bank whereas the mean of service quality is below 5. The mean value of reputation is 4.71 which means that customers more than slightly agree that reputation as an important factor that motivates the customer to switch the bank whereas the mean value o location is 4.53.

Table 4.2 Frequency of Bank charging high fees.

Variables	Frequency	Percent
Strongly Disagree	1	1.00
Disagree	1	1.00
Slightly Disagree	3	3.00
Slightly Agree	4	4.00
Agree	46	46.00
Strongly Agree	45	45.00
Total	100	100.00

Source: Field Survey, 2019

From table 4.3 we can see 45% of the respondents strongly that bank charges high fees while 1% of the respondents strongly disagree with the statement. Majority of the respondents (46%) agree that bank charges high fees. The respondent who slightly agrees with the statement is 4%.

Table 4.3 Frequency of bank charged high interest for loans.

	Frequency	Percent
Strongly Disagree	1	1.00
Disagree	2	2.00
Slightly Disagree	1	1.00
Slightly Agree	16	16.00
Agree	55	55.00
Strongly Agree	25	25.00
Total	100	100.00

Source: Field Survey, 2019

Table 4.4 shows that 25% of the respondents strongly agree that bank charged high interest for loans whereas majority of people with 55% agree that bank charged high interest for loans. The respondents have responded to strongly disagree, disagree, and slightly disagree with 1%, 2% and 1% respectively.

Table 4.4 Frequency of bank charged high interest for mortgages.

	Frequency	Percent
Disagree	3	3.00
Slightly Disagree	5	5.00
Slightly Agree	12	12.00
Agree	53	53.00
Strongly Agree	27	27.00
Total	100	100.00

Source: Field Survey, 2019

Table 4.5 shows that majority of the respondents agree with the statement that bank charges high fees for mortgages while only 3% of the respondents disagree with the statements. People who strongly agree with the statement have percentage of 27.

Table 4.5 Frequency of bank provided low interest rates on saving account.

	Frequency	Percent
Disagree	3	3.00
Slightly Disagree	5	5.00
Slightly Agree	12	12.00
Agree	53	53.00
Strongly Agree	27	27.00
Total	100	100.00

Source: Field Survey, 2019

Table 4.6 shows that 53% of the respondents agree that bank provided low interest rates on saving account whereas 27% strongly agree. The frequency on disagree and slightly disagree is 3% and 5% respectively. From this data we can say that majority of the respondents agree that bank provides low interest rates on saving account.

Table 4.6 Frequency of bank did not offer a wide range of service products

	Frequency	Percent
Strongly Disagree	5	5.00
Disagree	6	6.00
Slightly Disagree	11	11.00
Slightly Agree	7	7.00
Agree	56	56.00
Strongly Agree	15	15.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 56% agree that the bank provided services that were not as promised while 5% strongly disagree that bank did not offer a wide range of service products. 15% respondents strongly agree that bank did not provided wide range of service products.

Table 4.7 Frequency of bank provided services that were not as promised.

	Frequency	Percent
Strongly Disagree	1	1.00
Disagree	6	6.00
Slightly Disagree	8	8.00
Slightly Agree	11	11.00
Agree	48	48.00
Strongly Agree	26	26.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that majority of the respondents agree that bank provided services that were not as promised while only 1% of the respondents strongly disagree with the statement. 26% of the respondents strongly agree that bank provided services that were not as promised.

Table 4.8 Frequency of bank staffs were slow to provide service

	Frequency	Percent
Disagree	3	3.00
Slightly Disagree	7	7.00
Slightly Agree	16	16.00
Agree	48	48.00
Strongly Agree	26	26.00
Total	100	100.00

Source: Field Survey, 2019

Table 4.9 shows that 48% of the respondents agree that bank staffs were slow to provide services while 3% of the respondents strongly disagree with the statement. 26% of the respondent also strongly agree that bank staffs were slow in provide services to the customer.

Table 4.9 Frequency of service product offered did not satisfy my specific needs.

	Frequency	Percent
Disagree	3	3.00
Slightly Disagree	9	9.00
Slightly Agree	15	15.00
Agree	49	49.00
Strongly Agree	24	24.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 49% of the respondents agree that service product offered by bank did not satisfy their specific needs while only 3% of the respondents disagree with the statement. 24% of the respondents strongly agree that service product offered did not satisfy their specific needs.

Table 4.10 Frequency of bank staffs were impolite and rude.

	Frequency	Percent
Strongly Disagree	3	3.00
Disagree	5	5.00
Slightly Disagree	9	9.00
Slightly Agree	11	11.00
Agree	59	59.00
Strongly Agree	13	13.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 59 % of the respondents agree that bank staffs were impolite and rude while 3% of the respondents only strongly disagree with the statement. 13% strongly agree with the statement stating bank staffs were impolite and rude.

Table 4.11 Frequency of bank online system was unreliable.

	Frequency	Percent
Strongly Disagree	2	2.00
Disagree	7	7.00
Slightly Disagree	6	6.00
Slightly Agree	20	20.00
Agree	40	40.00
Strongly Agree	25	25.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that majority of the respondent with 40% agrees that bank online system was unreliable while 2% only strongly disagree with the statement.

Another 25% of the respondents strongly agree that bank online system was unreliable.

Table 4.12 Frequency of evening counter was not available in the bank

	Frequency	Percent
Strongly Disagree	5	5.00
Disagree	3	3.00
Slightly Disagree	5	5.00
Slightly Agree	13	13.00
Agree	50	50.00
Strongly Agree	24	24.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 50% of the respondents agree that evening counter was not available in the bank while only 5% only strongly disagree with the statement. 24% of the respondents also strongly agree evening counter was not available in the bank.

Table 4.13 Frequency of bank was financially unstable.

	Frequency	Percent
Strongly Disagree	5	5.00
Disagree	7	7.00
Slightly Disagree	7	7.00
Slightly Agree	5	5.00
Agree	32	32.00
Strongly Agree	44	44.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 44% of the respondents strongly agree that bank was financially unstable while 5% only strongly disagree with the statement. 32% of the respondents also agree that bank was financially unstable.

Table 4.14 Frequency of bank was not trustworthy.

	Frequency	Percent
Strongly Disagree	3	3.00
Disagree	4	4.00
Slightly Disagree	11	11.00
Slightly Agree	15	15.00
Agree	51	51.00
Strongly Agree	16	16.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 16% of the respondents strongly agree that bank was not trustworthy where as 51% of the respondents agree that bank was not trustworthy. On the other hand 3% of the respondents strongly disagree while 4% disagree with the statement.

Table 4.15 Frequency of other bank advertising content influenced my decision to switch

	Frequency	Percent
Strongly Disagree	1	1.00
Disagree	3	3.00
Slightly Disagree	4	4.00
Slightly Agree	17	17.00
Agree	52	52.00
Strongly Agree	23	23.00
Total	100	100.00

Source: Field Survey, 2019

Table shows that majority of the respondents agree with the statement that other bank advertising content influenced their decision to switch with 52% while only 1% of the respondent strongly disagree with the statement. 23% of the respondents also strongly agree that other banks advertising content influenced their decision making.

Table 4.16 Frequency of reputation of bank in market is low

	Frequency	Percent
Strongly Disagree	4	4.00
Disagree	6	6.00
Slightly Disagree	9	9.00
Slightly Agree	14	14.00
Agree	39	39.00
Strongly Agree	28	28.00
Total	100	100.00

Source: Field Survey, 2019

From above table it can be said that 39% of the population agree that reputation of bank in market is low where as 28% strongly agree that reputation of bank in market is low. Those respondents who strongly disagree with the given statement is 4%. Higher percentage of people feel that reputation of bank in the market is low.

Table 4.17 Frequency of bank branches near my area was closed

	Frequency	Percent
Strongly Disagree	9	9.00
Disagree	8	8.00
Slightly Disagree	9	9.00
Slightly Agree	8	8.00
Agree	39	39.00
Strongly Agree	27	27.00
Total	100	100.00

Source: Field Survey, 2019

From the table we can see that the 39% of the people agree that bank branches near their area were closed leading to their switching behavior. 27% of the respondents strongly agree that branches near there was closed leading to their switching habit.

4.18 Frequency of moving to a new geographical location and bank was not there

	Frequency	Percent
Strongly Disagree	3	3.00
Disagree	7	7.00
Slightly Disagree	9	9.00
Slightly Agree	19	19.00
Agree	53	53.00
Strongly Agree	9	9.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 53% of the respondents agree that moving to a new geographical location and their principal bank not being there has lead to switching of the bank. Only 3% of the populations disagree with the statement.

4.19 Frequency of bank branch location is too far away to be convenient

	Frequency	Percent
Strongly Disagree	3	3.00
Disagree	7	7.00
Slightly Disagree	6	6.00
Slightly Agree	17	17.00
Agree	47	47.00
Strongly Agree	20	20.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 47% of the respondent agree that bank branch location being too far away has lead to customer switching the bank whereas only 3% of the population disagree with the statement. 20% of the population strongly agree with the statement.

4.20 Frequency of branch location is too far away from my work place to be convenient.

	Frequency	Percent
Strongly Disagree	5	5.00
Disagree	5	5.00
Slightly Agree	18	18.00
Agree	55	55.00
Strongly Agree	17	17.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 55% of the people agree that branch location of the bank is too far away from workplace to be convenient which has lead to customer switching the bank. Only 5% of the population disagree with the mentioned statement.

4.21 Frequency of customer switching another bank that offer better customer service.

	Frequency	Percent
Strongly Disagree	1	1.00
Disagree	1	1.00
Slightly Agree	15	15.00
Agree	39	39.00
Strongly Agree	44	44.00
Total	100	100.00

Source: Field Survey, 2019

The table shows that 44% of the respondent strongly agree that they would like to switch another bank that provide better customer service whereas only 1% disagree with the statement. 39% of the respondent also agree that they would like to switch to another bank that provide better customer service.

4.22 Frequency of switching to another bank that offers better profit

	Frequency	Percent
Strongly Disagree	5	5.00
Slightly Disagree	5	5.00
Slightly Agree	1	18.00
Agree	55	55.00
Strongly Agree	17	17.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 55% of the population agree that they would like to switch to another bank that offers better profit while 5% of the respondent strongly disagree with the statement. 17% of the respondent strongly agree that they would like to switch to another bank if it provides better profit.

4.23 Frequency of switching to another bank that offers a variety of products and services

	Frequency	Percent
Strongly Disagree	1	1.00
Slightly Disagree	3	3.00
Slightly Agree	20	20.00
Agree	30	30.00
Strongly Agree	46	46.00
Total	100	100.00

Source: Field Survey, 2019

Above table shows that 46% of the respondent strongly agree that they would like to switch to another bank that provides better products and services whereas only 1% of the respondent disagree with the statement. Also 30% of the respondent agrees that they would like to switch if another bank provides better product and services.

Table 4.24 Regression analysis of price, reputation, service quality and location with switching behavior.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.557[a]	.310	.281	.63667

Table shows regression analysis. We know that R^2 measure how much of the variation in the dependent variable can be explained by the independent variables. In this study, we have found R^2=0.310. It means 31% of variation of switching behavior can be obtained because of the changes made by independent variable (price, reputation, service quality and location).

Table 4.25 ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1. Regression	17.332	4	4.333	10.689	.000[b]
Residual	38.508	95	.405		
Total	55.840	99			

a. Dependent Variable: Customer switching behavior

b. Predictors: (Constant), Price, Service Quality, Reputation, Location.

In the above table, ANOVA shows if the overall model is significant and it can be said that here the model is statistically significant because the value of p is less than 0.05. If the value of p was more than 0.05 then the regression model would be insignificant

Table 4.26 Association between determinants of switching behavior

	Price	Service quality	Reputation	Location	Switching behavior
Price Sig. (2-tailed)	1				
Service quality Sig. (2-tailed)	.140 .166	1			
Reputation Sig. (2-tailed)	.376** .000	.396** .000	1		
Location Sig. (2-tailed)	.484** .000	.268** .007	.674** .000	1	
Switching behavior Sig. (2-tailed)	.515** .000	.211* .035	.404** .000	.662** .000	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 4.2 shows the association of relationship between variables where the correlation lies between +1 and -1. The variables close to +1 shows the relationship between variables that are highly significant whereas -1 shows the relationship between variables that are less significant. The correlation between service quality and price is .140 which is less significant whereas the relationship between reputation and location factor has correlation of 0.674 which is highly significant among other variables. The relationship between reputation and price is 0.376 which is less significant than the relationship between reputation and location. The association of variables between service quality and reputation has the correlation of 0.396 which is significant. The correlation between location and price is 0.484 which shows that there is a significant relationship among the variables. The correlation between location and service quality has the correlation of 0.268 which is significant but less significant than price. The correlation between switching behavior and price is 0.515 which is highly significant which means there is positive association between the variables. The relationship between switching behavior and service quality has the correlation of 0.211 which is less significant than other variables which means there is less association between the variables than price. The correlation between switching behavior and reputation is also significant which shows that there is close association between the variables. The correlation between switching behavior and location is 0.662 which is highly significant than most of the relationships between the variables.

Table 4.27 Coefficient of (price, reputation, service quality and location) and switching behavior.

Coefficients

Model	B	Std. Error	Beta	T	Sig.
1. (Constant)	2.783	.680		4.092	.000
Price	-.049	.137	-.033	-.356	.723
Reputation	.138	.127	.132	1.089	.279
Service quality	.124	.106	.165	1.169	.245
Location	.281	.089	.359	3.144	.002

Dependent Variable: Customer switching behavior

The purpose of analysis of variance was to test differences in means (for variables) for statistical significance. This is accomplished by analyzing the variance; that is, by partitioning the total variance into the component that is due to true random error and the components that are due to differences between means and testing for statistical significance to lead to a conclusion that the means (in the population) are different from each other or not. The result showed that the p value of price is 0.723 which is more than 0.05 means it is not statistically significant. The p value of reputation is 0.279 which is also not statistically significant. The p value of service quality is 0.245 which is more than 0.05 which means it is not significant. The p value of location is 0.002 which is less than 0.05 which means the location variable is statistically significant.

4.2 Major findings

The major findings of the research title Determinants of Customer Switching Behavior in Banking Sectors of Nepal are as follows:

1. The variable price is one of the factors which influence customers switching behavior in the Nepalese banking industry with the mean value of 5.09 which means customers agree that price as an important factor that motivates the customer to switch the bank. The p values for price is 0.723 which is more than 0.05 (5% level of significance) which shows it is not significant through the regression where as in correlation there is significant relation between price and switching behavior with correlation of 0.515.
2. The service quality has the mean value of 4.69 which means customers more than slightly agree that service quality as a part of switching process. The p-values for all the dimensions of price were not statistically significant as the p-value is more than 0.05 (5% level of significance) in regression while in correlation service quality is correlated with switching behavior at 0.211
3. The reputation has the mean value of 4.71which means respondents slightly agree that reputation as a factor which influences the customer switching behavior. The coefficient p value reputation (p more than 0.05) indicate that the result is statistically insignificant at the 95% confidence level through regression whereas reputation is statistically significant with switching behavior at 0.404.
4. The location factor has the mean value of 4.53 which means customers slightly agree that location factor as a reason for customer switching the bank. The p-value for the dimensions of location were statistically significant as the

p-value is less than 0.05 (5% level of significance) whereas it is correlated with switching behavior with 0.662 being significant.

5. Hence, we can say that price, reputation and service quality does not have positive influence on the customer switching behavior through regression analysis because their coefficient value p is more than 0.05 (5% level of significance). The p value of location is less than 0.05 which means that the effect of location has positive influence on switching behavior as the p-value is less than 0.05. The location factor has a positive influence on the switching behavior through both regression and correlation analysis. People take the location of the bank as the main factor and a change in location of the branch and closing of the bank lead to customer switching another bank.
6. Overall at the point of switching behavior, the R^2 measure how much of the variation in the dependent variable can be explained by the independent variables. In this study, we have found $R^{2=}$ 0.310. It means 31% of variation of switching behavior can be obtained because of the changes made by independent variable (price, reputation, service quality and location).

CHAPTER V
CONCLUSIONS

5.1 Summary

The primary purpose of this study is to examine the determinants of customer switching behavior in banking sectors of Nepal to examine the impact of different variables on customer switching behavior.

The research employs a correlational research design. The main research strategy use in this study is a survey which allows quantitative data collection and analysis using descriptive and inferential statistics. Quantitative research methodology is also concerned with the collection and analysis of data in numeric form. The study employs a questionnaire designed to cover major aspects of customer switching behavior. It includes variables such as price, service quality, reputation, location and its impact on customer switching behavior. Several considerations are made in the selection of questionnaire items for the study.

A full-fledged questionnaire is constructed covering five areas namely price, service quality, reputation and location with reference to Schall (2003). Survey participants are asked 22 questions on the scale of 1 to 6. The questionnaire is distributed among 120 customers. 100 were received out of 120. So the response rate is 83.33 percent. 100 entries were taken as usable entries. Data are described by frequency, percentage, mean and standard deviation and four hypotheses tested using ANOVA and regression analysis.

The variable price is the major factor which influences customers switching behavior in the Nepalese banking industry with the mean value of 5.09 which means customers agree that price as an important factor that motivates the customer to switch the bank. The p value for price is more than 0.05 (5% level of significance) which shows it is not significant.

The service quality has the mean value of 4.69 which means customers more than slightly agree that service quality as a part of switching process. The p-values for all the dimensions of price were not statistically significant as the p-value is more than 0.05 (5% level of significance).

The reputation has the mean value of 4.71which means respondents slightly agree that reputation as a factor which influences the customer switching behavior. The coefficient p value reputation (p more than 0.05) indicate that the result is statistically insignificant at the 95% confidence level.

The location factor has the mean value of 4.53 which means customers slightly agree that location factor as a reason for customer switching the bank. The p-value for the dimensions of location were statistically significant as the p-value is less than 0.05 (5% level of significance).

Hence, we can say that price, reputation and service quality does not have positive influence on the customer switching behavior because their coefficient value p is more than 0.05 (5% level of significance). The p value of location is less than 0.05 which means that the effect of location has positive influence on switching behavior as the p-value is less than 0.05. The location factor has a positive influence on the switching behavior. People take the location of the bank as the main factor and a change in location of the branch and closing of the bank lead to customer switching another bank.

5.2 Conclusion

The result showed that there is a negative relationship between price and customer switching behavior. Previous research has suggested that a high price (e.g bank charges, interest charges on loans) and low interest paid on accounts have an impact on customer switching behavior (Keaveney, 1995; Colgate & Hedge, 2001). According to the findings of this study, these relationships were not evident in the Nepalese banking industry. The negative impact of price on bank switching behavior in Nepal may be attributed to a somewhat low variability of bank charges, interest charges and interest paid in a sector that has most recently been heavily dominated by private sector banks. The reason for the difference in the outcome may also be because of the different culture of banking environment

The result showed that there is negative relationship between reputation and customer switching behavior. The findings contradict with the findings of Barr (2009) that stated that a bank’s reputation has a strong effect on customer choice. It does not have major influence on customer switching in Nepalese banking sector that may be due to a good image of bank as it is highly monitored by central bank of Nepal (NRB).

Nepalese people have not lost the deposited money because of the negligence of bank unlike other countries. That may be the reason people do not consider reputation as the service switching elements. Positive reputation is a strategic tool that can be used by banks to earn additional profits but it is not supported by the customer.

The service quality and customer switching behavior also has a negative relationship according to the findings. The result does not support the findings of (Berggren & Dewar 1991) and (Adbullah, 2006). This may be because all the Nepalese banks provide similar banking service quality and it may not be a differentiating factor among banks. The service qualities of banks are similar and not many bank services stand out in the market.

The location and customer switching behavior has a positive relationship according to the findings. The result supports the findings of (Levesque & McDougall, 1996), (Keaveney, 1995) which explained that a service providers location is an important factor that influence customer switching behavior. 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 customers are connected. (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. Peppard (2000) argues that location is irrelevant in the current e-business environment because more and more customers are using internet banking.

5.3 Implications

1. This study can be a good reference for customers and banks which are focusing on increasing their customer base.

2. This study has considered only four factors. Further research can be conducted considering more factors.

3. This study is concentrated only in Kathmandu District for customers, further research can be conducted considering for wider and different areas.

4. This study can be useful for customers, Stakeholders, Banking and Financial Institutions, researchers and general public.

Further research can be done by using moderating variables like age, gender, income level, education level, Occupation and increasing sample size.

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APPENDIX

Questionnaire on determinants of customer switching behaviour in banking sector in Nepal (Kathmandu District).

This survey is conducted for academic research work which has to be submitted at Central Department of Management (CDM), TU, Kirtipur. I assure you that this information will be exclusively used for the academic research purpose. Thank you so much for your cooperation.

Name (Optional) : …………………………………………………………………..

QUESTIONAIRE

Please respond to all of the statements on a scale of 1 to 6. 1-you strongly disagree, 6-you strongly agree. Please relate your responses to Nepalese commercial bank.

Price Factor:

Responses	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 interest for mortgages	1	2	3	4	5	6
4. The bank provided low interest rates on saving accounts	1	2	3	4	5	6

Service Quality and product factor:

Responses	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
5. The bank did not offer a wide range of service products (eg. Loans, mortgages, credit cards, ATM cards, online and mobile banking, direct bill payment service).	1	2	3	4	5	6
6. The bank provided services that were not as promised	1	2	3	4	5	6
7. Bank staffs were slow to provide service	1	2	3	4	5	6
8. The service product offered did not satisfy my specific needs	1	2	3	4	5	6
9. Bank staffs were impolite and rude	1	2	3	4	5	6
10. The bank's online system was unreliable	1	2	3	4	5	6
11. Evening counter was not available in bank	1	2	3	4	5	6

Reputation Factors:

Responses	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
12. The bank was financially unstable	1	2	3	4	5	6
13. The bank was not trustworthy	1	2	3	4	5	6
14. Other banks advertising content influenced my decision to switch banks	1	2	3	4	5	6
15. Reputation of bank in market is low.	1	2	3	4	5	6

Location Factor:

Responses	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
16. The bank branches near my area was closed	1	2	3	4	5	6
17. I moved to a new geographic location and my principal bank was not in that 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	4	5	6

Switching Behavior:

Responses	Strongly Disagree	Disagree	Slightly Disagree	Slightly Agree	Agree	Strongly Agree
20. I would like to switch to another bank that offers better customer services	1	2	3	4	5	6
21. I would like to switch to another bank that offers better profit.	1	2	3	4	5	6
22. I would like to switch to another bank that offers a variety of products and services	1	2	3	4	5	6

If you have any further comments about Customer switching Behavior in bank, please feel free to comment in the space provided below.

……………………………………………………………………………………………