

Impact of service quality on customer switching propensity in the retail banking ...

[Finance](#), [Banks](#)



The banking industry of Sri Lanka has undergone tremendous shift due to intense competition and technological developments. While banks are becoming more customer focused and market driven, customers are becoming more demanding and selective in their preferences. Minimizing of customer switching is one of the biggest challenges facing bankers today. This paper aims to examine the role of the service quality in determining switching behavior of the retail banking customers.

Data gathered through a survey questionnaire from a random sample of 360 retail? banking customers in the Western Province of Sri Lanka. Correlation Analysis and Multiple Linear Regression Analysis used to analyze data to examine degrees of impact on switching propensity from each individual component of service quality. Service quality has measured through tangibles, reliability, responsiveness, assurance and empathy. These are the five dimensions, which are using to measure quality of the services in the service industries.

Research findings revealed that five variables measuring the various dimensions of service quality significantly reduces switching propensity of retail banking customers and highlighted that empathy and reliability are the two most critical service quality factors which impacts on switching propensity of retail banking customers of Sri Lanka. The results demonstrate how service quality help limiting bank switching behavior and deliver a strong message to bankers about the importance of service quality in retaining retail banking customers.

Banks need to improve overall service quality while putting special attention on empathy and reliability. It is worth spending money on improving tangibles and train banking employees for responsive and empathetic behaviour towards customers. It is required to assure the customers that dealings with the bank are safe and banking services are reliable. Research findings underscore the existing body of knowledge about impact of service quality on switching propensity of retail banking customers to understand the behavior of retail banking customers of Sri Lanka.