

Impact of reference group influence on customer switching propensity: retail banking industry of Sri Lanka

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Abstract

This paper aims to examine the role of reference group influence in determining switching behavior of retail banking customers. Data gathered through a survey questionnaire from a random sample of 300 retail banking customers in the Western Province of Sri Lanka. Correlation Analysis and Multiple Linear Regression Analysis were mainly used to analyze data to examine the degrees of impact on switching propensity from each individual component of reference group influence on switching behavior. Reference group influence have been measured through influence of spouse ,family members other than spouse, ,relatives, friends ,colleagues, neighbors and inspirational figures .

Research findings revealed that four variables measuring the various dimensions of reference group influence significantly impact on switching propensity of retail banking customers and highlighted that spouse ,family members other than spouse, friends and colleges are the main parties who impact on switching propensity of retail banking customers of Sri Lanka. It was found that even though many banks try to influence retail customers using inspirational figures to attract and retain retail customers it has no significant influence on to reduce switching behavior or retain or attract retail customers in Sri Lankan context. The findings also revealed some differences in reference group influence according to product categories, age groups and gender.

The results demonstrate how referral group influence on limiting bank switching behavior and deliver a strong message to bankers about the importance of impact of reference group influence on in retaining retail banking customers. Bankers need to improve overall relationships with reference groups as to remain their customers with them. It indirectly

announces that it is better to maintain strong image about the bank with public and the mechanisms need to build to gather information about key influential parties to customers while attracting and filling applications to become customers of a bank. Research findings underscore the existing body of knowledge about impact of reference group influence on switching propensity of retail banking customers to understand the behavior of retail banking customers of Sri Lanka.

Keywords : Customer, Reference Group, Sri Lanka, Switching Propensity, Retail Banking