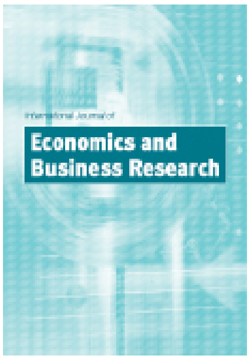

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An explanatory study of predictive factors of customer retention with Cypriot retail banks

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An explanatory study of predictive factors of customer retention with Cypriot retail banks

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Abstract: This paper aims to investigate the impact of relational constructs on the intention of Cypriot retail banking customers to sustain a loyal banking custom. It aims to identify factors that repress switching behaviour or positively influence customers to stay with their current banking provider. The study's conceptual underpinning is based on seven relational constructs that deter customer switching intention and lead to customer retention, namely: satisfaction, affective commitment, continuance commitment, normative commitment, attitudinal loyalty, behavioural loyalty, and trust. An online survey based on self-completed questionnaires was used in the vicinity of Cyprus. The data analysis revealed that affective commitment and attitudinal loyalty are important motivators for customers to stay with their current banking providers. Behavioural loyalty and continuance commitment were not found to be significant predictors of staying. In conclusion, attitudinal bonds and affective commitment seem to matter more in staying with a bank than switching costs, habitual purchasing and trust.

Keywords: staying intention; relational constructs; switching; satisfaction; loyalty; commitment; trust.

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This paper is a revised and expanded version of a paper entitled ‘Why customers stay? An explanatory study of predictive factors in the Cyprus retail banking context’ presented at the 39th Business & Economics Society International (B&ESI) Conference in Rome, Italy, 6–9 July 2022.

1 Introduction

Customer retention can have numerous financial advantages for businesses (Ang and Buttle, 2006; Buttle, 2004). More specifically, long-term client relationships result in higher purchases, more customer recommendations, and lower relationship maintenance costs (Ang and Buttle, 2006). Existing customers are more likely to pay higher prices than new customers and are less likely to receive discounts that are typically offered to attract new customers when customer turnover decreases (Ang and Buttle, 2006). Consequently, it becomes practical for service providers (including banks), to keep their customers loyal and prevent them from switching to other service providers.

In recent years, customer retention became even more important, due to worldwide and local volatile circumstances. The Great Financial Crisis of 2008–2009, as well as the outbreak of the COVID-19 pandemic in spring 2020, have had devastating economic consequences (European Banking Federation, 2020), which affected all developing and developed countries, including Cyprus. The above economic changes had an impact on almost every sector of the Cypriot economy, including the banking sector. As a result, the need for Cypriot banks[1] to find ways to retain their customers is currently more imperative, than ever before.

When banks are aware of the factors that lead consumers to stay, they can better design relevant marketing strategies to retain their current clientele and attract new customers. As stated by Fishbein and Middlestadt (1987), identifying the factors that contribute to a particular behaviour is a critical first step in creating educational interventions that are effective in altering that behaviour. Therefore, the concern of why customers stay with their service provider has been given considerable attention by researchers in recent years (Jones et al., 2000; Veloutsou et al. 2004; Yanamandram and White, 2006; Colgate et al., 2007; Mosavi et al., 2018).

Existing literature has made very useful contributions concerning the factors influencing staying behaviour and has identified several relational constructs, such as trust (van Esterik-Plasmeijer and van Raaij, 2017), satisfaction (Fornell, 1992; Taylor and Baker, 1994; Bansal and Taylor, 1999; Veloutsou et al., 2004), commitment (Hansen and Hem, 2004; Jones et al., 2010; Bansal and Taylor, 1999), attitudinal loyalty (Jung and Yoon, 2012; Calvo-Porral and Lévy-Mangin, 2012) and behavioural loyalty (Bansal and Taylor, 1999; Dabholkar and Walls, 1999), as drivers of staying behaviour. However, to the best of the researchers' knowledge, no previous research in Cyprus managed to demonstrate why customers choose to stay with their current retail banking provider. The purpose of this study is to provide an understanding of the factors influencing Cypriot retail banking customers to remain loyal to their banking institutions.

The study's findings have implications for both theory (adding to the body of knowledge by shedding light on aspects of Cypriot retail-banking customers' behaviour that have not been investigated yet) and practice (aiding banks to develop the appropriate marketing strategies required to avoid defection, strengthen long-term relationships with customers, and attract customers from the competition), which are discussed in later sections of this paper.

2 Research objectives and questions

Based on the theory of planned behaviour, which declares that 'the stronger the intention to engage in a behaviour, the more likely should be its performance' [Ajzen, (1991), p.181], this study intends to investigate the factors influencing staying behaviour in a retail banking context. The research objective is to investigate the impact of various relational constructs on the retention behaviour of Cypriot retail banking customers. The following research question was developed to achieve the above objective: 'Which factors (relational constructs) influence retail banking customers' staying intention?'

3 Theoretical background

In making rational decisions to meet their needs and preferences, economic entities, and individuals, usually engage in a systematic process of evaluation of available alternatives and select appropriate options for implementation (March, 1994). Such decisions may be programmed (i.e., repetitive/routine) or non-programmed (i.e., one-time) and they can be influenced by several factors such as timing, opportunism, and emotion (Kantarelis, 2020). They frequently involve a small, big, or infinite number of alternatives, and several criteria and constraints must be taken into account before selecting the most appropriate one (Kantarelis, 2020). When it comes to banking services and customers' decision to remain with their bank, given that this is a conscious decision, customers might possibly consider various constraints, different alternatives, and several other factors, before coming to their final decisions. For example, clients who consider switching banks might be subject to constraints concerning geographic location or access to services. In light of these constraints, they might weigh a variety of options, including several other banks, financial institutions, or digital platforms, each with its own advantages and disadvantages, and rank these options according to factors that are significant to them (e.g., interest rates, service quality, institution's reputation). Their ultimate decision may be based on this subjective ranking. Based on this subjective ranking, there is a possibility that some customers choose a bank they believe provides superior customer service (a more subjective criterion) and has lower interest rates on savings, instead of a bank that offers higher interest rates on savings (a more objective criterion).

However, according to behavioural economics, human decision-making is also influenced by a variety of behavioural factors. People make choices guided by their aspirations and feelings, they are often irrational and use *heuristics* (simple, empirical rules and simplified strategies) to help them judge and decide, which can lead to systematic deviations from rational decision-making, which are called *cognitive biases* (Tversky and Kahneman, 1974; Kahneman and Tversky, 1979; Camerer and Loewenstein, 2004). In the above banking example, some customers may choose to remain with their current bank, if factors such as trust, commitment, attitudinal loyalty or behavioural loyalty will prevail. Several studies support that customers may choose to remain with their current bank because they trust it (Moorman et al. 1993; Garbarino and Johnson, 1999; Sirdeshmukh et al., 2002; Dalton, 2003; Ball et al, 2004), exhibit affective commitment (Morgan and Hunt, 1994; Garbarino and Johnson, 1999; Hansen and Hem, 2004), normative commitment (Jones et al.; 2010), or continuance commitment, i.e., switching costs (Fornell, 1992; Hauser et al., 1994; Bansal and Taylor, 1999; Lee et al., 2001; Colgate et al., 2007) and lack of better alternatives (Ping, 1993; Sharma and Patterson, 2000; Colgate et al., 2007). Customers may also show status quo bias, a tendency to resist change (Samuelson and Zeckhauser, 1988). This bias may affect some customers to stick with their current bank even though another bank may provide better services or greater interest rates, just because they want to remain in their current position. Some customers might even stay with their bank because of loss aversion, which is the idea that people are more prone to avoid losses than to seek gains (Kahneman and Tversky, 1979), to avoid possible losses related to bank switching. Therefore, the investigation of behavioural and emotional influences is essential in examining the factors affecting customer decision-making and consequently customers' decision to remain with their bank.

Jones et al. (2000) examined switching barriers in banking and hairstyling/barber services in the USA and developed a contingency model to explain the relationship between service satisfaction and switching barriers, such as interpersonal relationships, perceived switching costs, and the attractiveness of competitors. Their findings revealed that while core service satisfaction was a major factor in customer retention, switching barriers also had an impact on a customer's choice to remain with a service provider, as these make it difficult and costly for customers to defect. Furthermore, according to their findings, when switching barriers are high, the impact of core-service satisfaction on repurchase intentions is weakened. When satisfaction was high, repurchase intentions were not affected by switching barriers, but when satisfaction was low, they were affected positively by them (Jones et al., 2000).

Veloutsou et al. (2004) investigated customer retention in the Greek retail banking sector. They examined the degree to which image, satisfaction, and perceived quality could be used to predict bank loyalty across different institutions. T heir study revealed that *satisfaction* and *perceived quality of personal interaction* and *employees* are good predictors of bank loyalty. However, bank loyalty was not well predicted by the *quality of the tangibles*. The *quality of the offer* was only indirectly linked with bank loyalty (Veloutou et al, 2004).

Yanamandram and White (2006) conducted a qualitative study in Australia to investigate switching barriers in business-to-business services among dissatisfied consumers. The customer retention model they presented contains five factors that prevent dissatisfied customers from changing to an alternate service provider (switching costs, alternative attractiveness, inertia, interpersonal relationships, and service recovery). In that study, the effect of alternative service providers and switching costs were regarded as the most significant switching barriers (Yanamandram and White, 2006).

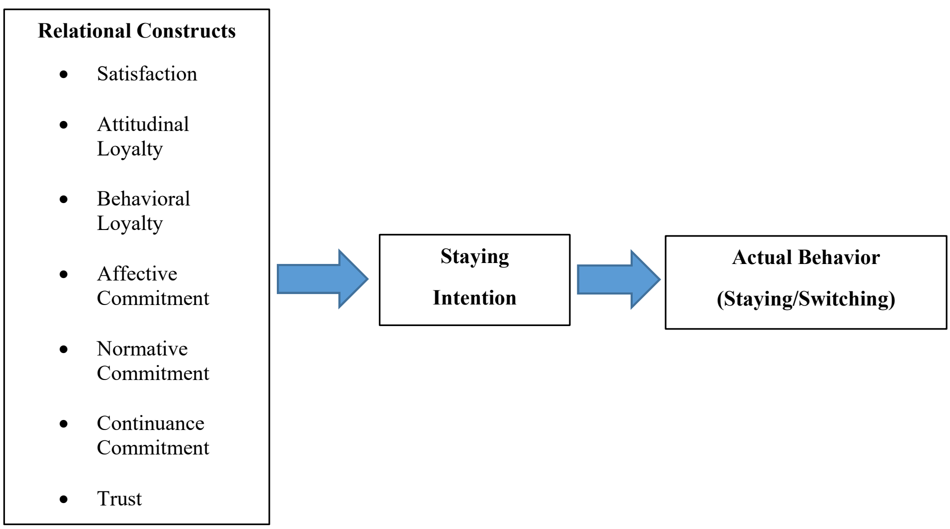
Colgate et al. (2007) researched customers in China and New Zealand who considered switching service providers, but chose to stay with their current provider. They discovered two distinct groups of factors that explain why customers stay with a certain service provider: *switching barriers* and *affirmatory factors*. According to Colgate et al. (2007), switching barriers are factors that may discourage customers from switching, such as the amount of time and effort, switching costs, emotional attachments, and lack of alternatives. These authors explain that affirmatory factors are factors that affirm to customers that sticking with their current provider is the correct decision, and they include social bonds, confidence, and good service recovery.

Mosavi et al. (2018) investigated the effect of customer satisfaction, loyalty, trust, and perceived value on customer switching intentions in the banking services sector in Iran. They looked into the influence of switching barriers on the relationship between customer loyalty and the intention of customers to switch, as well as the relationship between customer satisfaction and switching intention. Their study demonstrated that switching barriers strengthen the effect of customer loyalty and satisfaction, on customers' intention to switch.

4 Discussion of constructs included in the research

The reviewed literature revealed that several relational constructs can influence customers' decision to stay with their current banking service provider. This section discusses the seven relational constructs used in the proposed conceptual framework of factors influencing staying behaviour in retail banking, which underpinned this study: satisfaction, attitudinal loyalty, behavioural loyalty, affective commitment, normative commitment, continuance commitment, and trust (see Figure 1).

Figure 1 Proposed conceptual framework of factors influencing staying behaviour in retail banking (see online version for colours)



4.1 Satisfaction

Customer satisfaction is the level of gratification a customer experiences after consuming a product, or using a service (Oliver, 1997). It is determined by how well a product or service performs in comparison to the expectations of the customer (Kotler et al., 2005). Customers who are satisfied with a bank's service provision are more likely to stay with the bank and less likely to switch (Taylor and Baker, 1994; Bansal and Taylor, 1999). Customer satisfaction helps businesses retain customers and reduces customer switching rate (Fornell, 1992). This is because satisfaction is the primary driver of customer loyalty, as well as the primary means of value creation for an organisation (Drengner et al, 2012; Kotler and Keller, 2009). Jones and Sasser (1995) found that in markets with intense competition, satisfaction is a key factor in determining customer retention. Veloutsou et al. (2004) investigated customer retention in different retail banks and found that customer satisfaction was a good predictor of loyalty in four out of the five banks under investigation. Taylor and Baker (1994) found that customer satisfaction has a significant impact on shaping customers' future purchase intentions. A study conducted by Athanasopoulos et al. (2001) showed that the more satisfied customers are, the less likely they are to switch banks. On the other hand, when customers are dissatisfied, their rate of switching rises (Jamal and Naser, 2002). The above, aid us infer that customers who are satisfied with their bank, will be loyal and will most likely remain with their bank, for a long time. Dissatisfied customers, display lower levels of loyalty, and their intent to switch is increased. As a result, the following hypothesis is formed:

H1 The higher the customers' satisfaction with the service provision of their main bank, the higher their intention to stay with their main bank.

4.2 Attitudinal loyalty

Attitudinal loyalty (also called true loyalty) is defined as a deep desire to maintain a relationship with a particular provider, product, or brand (Czepiel and Gilmore, 1987). This kind of loyalty is accompanied by an emotional attachment (or commitment) to the brand (Jacoby and Chestnut, 1978; Samuelson and Sandvick, 1997). According to Jacoby and Kyner (1973), it is distinguished from other types of repeat purchasing behaviour because of the attitudinal bond to the brand, which is included in the conceptualisation of the loyalty issue (Jacoby and Kyner, 1973). It is associated with product or service recommendation (Anderson and Sullivan, 1993; Butcher et al., 2001; Johnson et al., 2006). Attitudinally loyal customers tend to promote their favoured brand, or service provider through positive word of mouth (Maxham, 2001; Algesheimer et al., 2005; Morrison and Crane, 2007). Mitra and Lynch (1995) connected attitudinal loyalty with a strong preference for a particular service provider. Several studies have found that customers with attitudinal loyalty are more likely to remain with a service provider (e.g., Jung and Yoon, 2012; Calvo-Porral and Lévy-Mangin, 2012). The attitudinal bond that comes with this type of loyalty binds customers to their bank. They value their bank and are happy to be serviced by it, therefore they do not want to switch. Instead, they are willing to remain with the bank, and recommend it to their friends and acquaintances. As a result, the following hypothesis concerning attitudinal loyalty is formulated:

H2 The higher the customers' attitudinal (true) loyalty, the higher the intention to stay with their main bank.

4.3 Behavioural loyalty

Behavioural loyalty, also known as inertia purchasing, is a type of repeat purchasing behaviour for a specific product or service (Jacoby and Chestnut, 1978). With this type of loyalty, there is a consistent pattern of repurchasing behaviour, but the purchase is made out of habit, due to minimal required effort (Solomon, 2004; Czepiel and Gilmore, 1987, East, 1997). Repeat purchasing can be motivated by a variety of factors, including convenience, high switching costs, or the belief that other providers offer the same services (Hawkins and Vel, 2013). It does not imply an attitudinal bond or commitment to the brand (or service provider), as in the case of attitudinal loyalty (Hawkins and Vel, 2013). Consumers with high behavioural loyalty may continue to repurchase from the same provider, even if they are dissatisfied with the product or service, thus it is also labelled as *spurious loyalty* (Dick and Basu, 1994). According to the reviewed literature, behavioural loyalty is associated with lower intentions to switch to another service provider (Bansal and Taylor, 1999; Dabholkar and Walls, 1999). Customers who exhibit behavioural loyalty are more likely to stick with a particular brand (Lau and Lee 1999; Chaudhuri and Holbrook 2001) or make repeat purchases from a particular service provider (Zeithaml et al., 1996; Jones et al., 2000). This is potentially the case because customers with high behavioural loyalty prefer to stick with their service provider (in this case, their bank) to avoid changing their habits. Thus, the following hypothesis is formulated:

H3 The higher the customers' behavioural (spurious) loyalty, the higher the intention to stay with their main bank.

4.4 Affective commitment

Affective commitment measures how psychologically bonded customers are to a service provider based on how positive they feel about it (Gruen et al., 2000). It relies on emotions and attachment (Hansen and Hem, 2004) and involves customers' desire to keep a relationship they consider valuable (Morgan and Hunt, 1994). Affective commitment positively influences consumers' overall intentions of continuing to do business with their provider, as well as their intentions to repurchase and recommend its products and services (Morgan and Hunt, 1994; Garbarino and Johnson, 1999). Hansen and Hem (2004) supported that affective commitment can lead to a strong motivation and desire (positive feelings) for customers to maintain their relationship with a provider. Furthermore, it was found that affective commitment had a negative significant effect on switching intentions (Fullerton, 2003). Moreover, a study conducted by Bansal et al. (2005) revealed that low affective commitment could predict service switching. All the above indicate that people with high affective commitment are more likely to stay with their service provider. Customers with high affective commitment are usually loyal to their bank and do not want to switch because they like their relationship with it. Therefore, the following hypothesis is formed:

H4 The higher the customers' affective commitment to their main bank, the higher their intention to stay with their main bank.

4.5 Normative commitment

A customer's normative commitment to an organisation is the level of psychological attachment the customer feels for the organisation due to a sense of obligation (Gruen et al., 2000). This type of commitment emerges primarily due to a person's conformity to social norms (Jones et al., 2010). It is motivated by feelings of obligation or reciprocity (Jones et al., 2010). For instance, some individuals, may feel obligated to the bank and continue to maintain their relationship with it because the bank assisted them in a difficult financial situation. Some other people may stick to their current bank because they have a friend who works there, which makes them feel obligated to the bank. Having a friend or relative working in a specific bank is a common reason for choosing that bank and/or remaining a customer of that bank in Cyprus. Jones et al. (2010) investigated commitment to a service organisation among customers of personal and non-personal services, including banks, and found that normative commitment had an indirect effect (via affective commitment) on customer focal responses (such as repurchase intentions) and discretionary responses (such as willingness to pay more, altruism, fidelity and advocacy). They also discovered that higher levels of normative commitment led to higher levels of affective commitment. Regarding normative commitment, the following hypothesis is formed:

H5 The higher the customers' normative commitment with their main bank the higher their intention to stay.

4.6 Continuance commitment

Continuance (or calculative) commitment is the extent to which a customer is psychologically connected to an organisation, due to the perceived costs of ending the relationship (Gruen et al., 2000). Hansen et al. (2003), suggest that continuance commitment is caused by either switching costs or the perceived lack of better alternatives. Previous retail banking research showed that high switching costs reduce switching intention (Bansal and Taylor, 1999). Grønhaug and Gilly (1991) observed that very high switching costs may influence dissatisfied customers to stay with their current provider. Similarly, it is observed in the literature that a perceived lack of better alternatives is a favourable factor in customer retention (Rusbult, 1980; Farrell and Rusbult, 1981; Ping, 1993). If there is a slight competition or little perceived difference between other service providers, customers may remain with their existing service provider, even if dissatisfied (Sharma and Patterson, 2000). Thus, continuance commitment can influence customers to stay with their bank because they either do not want to have extra costs incurred by switching, or because they believe that there are no better alternatives. In such cases they may remain with their bank, even if they are dissatisfied. Therefore, the following hypothesis is formed:

H6 The higher the customers' continuance commitment with their main bank the higher their intention to stay with their main bank.

4.7 Trust

Gambetta (2000) defines trust as an expectation that others(or an organisation) will act in a way that is advantageous or, at the very least, not damaging to us, even if we cannot monitor their actions. Trust is closely related to the concept of confidence, which is the faith or belief that one will act in a right, proper manner (Luhmann, 2000). For a variety of reasons, trust is essential in customer-bank relationships. Customers who trust their bank are less concerned about their savings and the financial products they have purchased or plan to purchase from the bank, and they are confident that the bank serves their interests well (van Esterik-Plasmeijer and van Raaij, 2017). Van Esterik-Plasmeijer and van Raaij (2017) claim that trust can sometimes act as a shield against unfavourable customer experiences. According to these authors, customers who trust their bank are more likely to forgive and overlook a negative experience. However, if they lack trust in the bank, a negative experience can be interpreted as 'proof' that the bank is untrustworthy. Furthermore, according to Dalton (2003), *trust* is one of the three factors that positively influence customer loyalty. The other two factors are *value* and *going the extra mile*. Dalton (2003) states that people are loyal to those they trust because they perceive that they prioritise their interests. Similarly, several other studies have demonstrated a positive relationship between trust and loyalty (Moorman et al., 1993; Garbarino and Johnson, 1999; Sirdeshmukh, 2002; Dalton, 2003; Ball et al, 2004). The preceding discussion points out that trust directly affects bank customers' intention to stay. On the basis of the foregoing, the following hypothesis is formulated:

H7 The higher the trust in customers' main bank, the higher their intention to stay with their main bank.

5 Methodology

This section outlines the research methodology employed to test the suggested theoretical model:

5.1 Research philosophy

The study examines the influence of relational constructs on the switching intention of Cypriot retail-banking customers. It investigates causal relationships in data, so the problem lends itself to objective philosophy. As a result, a positivistic paradigm was adopted, which generated a quantitative design as the basis of the researchers' epistemology.

5.2 The survey of the study

The tool used to address the research question and the research hypotheses was an online survey, consisting of a self-completed quantitative questionnaire, distributed online among retail customers of Cypriot banks. Initially, a first version of the questionnaire was developed and pilot tested on a convenience sample of 20 respondents, who displayed similar characteristics to the subjects of the study. The goal of the pilot test was to improve the questionnaire in terms of ambiguities, difficult-to-understand questions, and other issues that would make it difficult for respondents to properly use it. Also, pilot testing was necessary to ensure no problems arose in recording the data. Once the pilot test was conducted, the questionnaire was reedited in its final form and prepared for circulation to the sample. All of the constructs were investigated using a five-point Likert-type scale. Respondents were asked to note the extent to which each item included in the questionnaire contributes to staying with their current main bank (1 = not at all, 2 = slightly, 3 = moderately, 4 = a lot, 5 = very).

In order to measure how the seven constructs affect staying intentions of customers in relation to their banks, 27 items were used in the questionnaire. All the items were based on established theory and findings of prior studies, in order to establish validity and reliability. Some of the items were adopted from questionnaires of published studies, some items were adapted to better suit the phrasing needs of the questionnaire and others were developed by the researcher especially for the current study.

5.3 Target population sampling technique and distribution of the questionnaire

The target population of this study consisted of adult Greek-speaking residents of the Republic of Cyprus (excluding bank employees), who are retail banking customers in either one or several banks authorised by the Central Bank of Cyprus. The sampling method used was a combination of three non-probability sampling techniques, namely: self-selection sampling, snowball sampling and convenience sampling. The questionnaire was distributed online in several ways. First, it was shared as a post at the personal Facebook a/c of the researchers. Recipients could click on a hyperlink which led to the web questionnaire that was developed using Google Forms, to answer it. Moreover, the hyperlink was sent via personal message or email to several of the researchers' acquaintances, who were asked to complete the questionnaire, under the provision they met participation criteria of the target population and were also invited to share the link with their contacts. Also, an email containing the hyperlink of the questionnaire was sent to existing contacts in two big organisations which operate all over Cyprus, who were asked to share it with the firm's employees. In total 339 questionnaires were gathered, yielding to 324 usable questionnaires. Data were analysed via IBM SPSS Statistics 28.

6 Factor analysis

The 27 items used in the survey to measure the relational constructs influencing staying behaviour were subjected to principal component analysis (PCA with Direct Oblimin rotation) which revealed the presence of 6 components (factors) with eigenvalues exceeding 1, explaining cumulatively a total of 67% variance:

1. affective commitment
2. trust
3. continuance commitment
4. behavioural loyalty
5. attitudinal loyalty
6. normative commitment. (see Table 1).

The factors that emerged from the factor analysis are six, as opposed to seven that emerged from the literature, because Factor 1 (affective commitment) includes items related to satisfaction with the bank, which (satisfaction) is a separate relational construct in the reviewed literature. However, it is not surprising that items related to satisfaction are included in this factor because it is suggested that satisfaction may act as a motivator for affective commitment (Garbarino and Johnson, 1999; Hennig-Thurau et al., 2002). Moreover, the two constructs are both closely related to customer loyalty. Customer satisfaction, according to Homburg and Giering (2001), is required to achieve customer loyalty, whereas Dick and Basu (1994) report that the emotional attachment associated with affective commitment translates into strong attitudinal loyalty.

In order to measure the reliability of the data, Cronbach alpha was used. Cronbach's alpha coefficients for each of the components were 0.884, 0.954, 0.764, 0.751, 0.687 and 0.626 respectively, which are in excess of 0.7 or near 0.7, meaning that reliability of the measures is established. Thus, all components were retained for the analysis.

Table 1 Factors influencing staying behaviour

	Component					
	1	*2*	*3*	*4*	*5*	*6*
Factor 1: Affective commitment						
I would be happy to remain a customer of my main bank for the rest of my life	0.826					
My bank has significant personal meaning to me	0.789					
I am overall satisfied with my main bank	0.744					
My main bank meets my expectations in servicing my request	0.736					
I would be disappointed If I had to switch to a different bank	0.732					
I feel a strong sense of belonging with my current main bank	0.722					
Factor 2: Trust						
I feel that my money is safe in my main bank		0.946				
My banking transactions are executed securely by the bank		0.945				
My main bank keeps my personal data securely		0.937				
The bank fulfills all the promises it undertakes		0.932				
I feel that I can completely trust my main bank		0.854				
Factor 3: continuance commitment						
I feel that the cost in money to switch my main bank would be high			0.814			
Switching banks is too much of a bother			0.688			
I am concerned about possible problems that could arise from switching my main bank			0.687			
I cannot switch banks because I am tied to my current bank			0.620			
If I switch banks, I am worried about losing the benefits I currently have with my main bank	0.393		0.466			

Table 1 Factors influencing staying behaviour (continued)

	Component					
	1	*2*	*3*	*4*	*5*	*6*
Factor 4: Behavioural loyalty						
I remain with my current main bank out of habit				0.888		
I do not like changes				0.856		
I fear that if I switch my main bank, I will regret it later			0.365	0.520		
I am staying with my current bank because the process of searching for new alternatives is too stressful			0.455	0.481		
Most of the banks in Cyprus offer similar services, hence I do not see any point in switching				0.419		
Factor 5: Attitudinal loyalty						
Although it would be easy to end my relationship with my main						
bank, I do not want to switch because I value my bank					0.840	
I will remain with my main bank even in times of crisis					0.813	
I will recommend my main bank to relatives and friends	0.513				0.482	
Factor 6: Normative commitment						
A person close to me works in my main bank (e.g., friend, relative)						0.839
If I switch my current main bank, I will miss its staff	0.318					0.523
I do not want to switch my current main bank because I feel a sense of obligation to it						0.457
Eigenvalues	6.255	4.600	3.135	1.713	1.285	1.157
Variance explained	23.167	17.038	11.613	6.346	4.760	4.286
Cronbach's alpha	0.884	0.954	0.764	0.751	0.687	0.626
Extraction method: Principal component analysis						
Rotation method: Oblimin with Kaiser normalisation						
Rotation converged in 11 iterations						
Coefficients > 0.3						

Table 2 Results of multiple regression analysis

Model		Unstandardised coefficients		Standardised coefficients	t	Sig.	95.0% confidence interval for B		Correlations			Collinearity statistics	
		B	*Std. error*	*Beta*			*Lower bound*	*Upper bound*	*Zero-order*	*Partial*	*Part*	*Tolerance*	*VIF*
1	(Constant)	2.918	0.261		11.173	< 0.001	2.404	3.432					
	Affective Commitment	0.367	0.076	0.326	4.824	< 0.001	0.217	0.516	0.229	0.263	0.255	0.611	1.637
	Trust	0.023	0.050	0.025	0.453	0.651	–0.076	0.122	0.011	0.026	0.024	0.918	1.089
	Continuance Commitment	–0.095	0.073	–0.083	–1.297	0.196	–0.240	0.049	–0.087	–0.073	–0.069	0.686	1.457
	Behavioural loyalty	–0.074	0.068	–0.065	–1.093	0.275	–0.207	0.059	–0.070	–0.062	–0.058	0.789	1.267
	Attitudinal loyalty	0.137	0.060	0.134	2.265	0.024	0.018	0.255	0.209	0.127	0.120	0.794	1.260
	Normative commitment	–0.250	0.076	–0.215	–3.281	0.001	–0.400	–0.100	–0.067	–0.183	–0.173	0.647	1.545

Note: Dependent variable: intention to stay.

7 Multiple regression analysis

Multiple regression analysis was used in order to test the hypotheses and define the variables of the model that contribute to the prediction of customers intention to stay with their bank. The variable intention to stay was used as the dependent variable and the 6 relational constructs that came up from the factor analysis were used as the independent variables.

As demonstrated in Table 2, multiple regression analysis showed that only 3 out of the 6 independent variables are significant at 5% level of significance, meaning that only these variables of the model are making a significant unique contribution to the prediction of staying intention. These variables are: affective commitment, attitudinal loyalty, and normative commitment. The other 3 variables are not making a significant unique contribution to the prediction of staying intention. According to Pallant (2011, 159), 'this may be due to overlap with other independent variables in the model'.

The results of multiple regression concerning the three variables contributing to the prediction of intention to switch in relation to the testable hypotheses are discussed below:

7.1 Affective commitment

Affective commitment has a Beta value of 0.326 indicating that it is statistically positively related to staying intention. Furthermore, the sig value is less than 0.05 (sig value < 0.001), indicating that affective commitment contributes significantly to the prediction of staying intention. This finding implies that customers with high affective commitment to their bank are more likely to stay with the bank. The testable hypothesis (H4), which suggests that 'the higher the customers' affective commitment to their main bank, the higher the intention to stay' is supported.

7.2 Attitudinal loyalty

The Beta value for *attitudinal loyalty* is 0.134. This finding indicates that attitudinal loyalty is positively associated with *staying intention*. Also, the sig value is less than 0.05 (sig value = 0.024), meaning that attitudinal loyalty makes a significant unique contribution to the prediction of staying intention. This finding suggests that customers with a high level of attitudinal loyalty to their bank are more likely to remain with it. The testable hypothesis (H1) suggesting that 'the higher the customer attitudinal loyalty, the higher the intention to stay' is supported.

7.3 Normative commitment

This variable has a beta value of -0.215 and a sig value of 0.001, indicating that *normative commitment* is statistically negatively associated with *staying intention*. This finding implies that the higher a customer's normative commitment to the bank, the lower his or her intention to stay with the bank. Therefore, the testable hypothesis (H5) suggesting that 'the higher the normative commitment with main bank, the higher the intention to stay' is not supported. Given that the reviewed literature supports that normative commitment is positively associated with staying intention, this finding is surprising. However, there could be a logical explanation for the negative relationship between the two variables. Customers who stay because of a perceived obligation to the bank, may not necessarily want to stay. They may stay because they believe they ought to do so, but in fact they may want to switch. As a result, intention to switch may be high and intention to stay may be low. Therefore, the negative relationship makes sense (the higher the normative commitment with the bank the lower the intention to stay).

Contrary to the reviewed literature, our study suggests that the *intention to stay* is negatively related to *normative commitment*, meaning that customers with normative commitment are more likely to have a lower intention to stay. It is thus inferred that customers who stay with their bank out of perceived obligation (rather than true attitudinal loyalty) may have strong intentions to switch, but they tend to stay because they believe they should do so. We report this discovery as an extraordinary finding of the study.

8 Conclusions and managerial implications

This study aimed to investigate the impact of various relational constructs on the staying behaviour of Cypriot retail banking customers. It examined the impact of attitudinal loyalty, behavioural loyalty, affective commitment, continuance commitment, normative commitment and trust on customers' staying intention. The analysis showed that affective commitment and attitudinal (true) loyalty are critical motivators for customers to stay with their current banking providers, as they were found to be statistically positively related to staying intention. On the other hand, normative commitment, although it was found to make a significant unique contribution to the prediction of staying intention, was negatively related to staying intention, implying that staying intention is low when normative commitment is high. This was an extraordinary finding of this study, which was justified. Behavioural loyalty and continuance commitment were not found to be significant predictors of staying intention. Therefore, true loyalty, attitudinal bonds and affective commitment seem to matter more in staying with a bank than switching costs, habitual purchasing and trust.

Understanding the factors influencing staying behaviour appears to be important from both an academic and a practical perspective. Therefore, the study's findings have implications for both theory and practice.

8.1 Theoretical value of the study

In terms of theory, the results of the research add to the existing literature's body of knowledge. The study is comprehensive regarding the range of variables used to explain staying behaviour in the banking sector and sheds light on aspects of Cypriot retail-banking customers' behaviour that have not been as yet investigated. To the best of the researchers' knowledge, no previous research work has been conducted in Cyprus concerning the factors influencing staying behaviour of Cypriot bank customers. Therefore, the study can provide a foundation for further research.

8.2 Value of the study for business practice

Because of the continuing economic crises around the world. banks worldwide, including banks in Cyprus, currently operate in highly competitive environments. A thorough understanding of the factors influencing customers to stay with their banks may assist banking firms in developing appropriate marketing strategies to avoid customer defection, to strengthen customer relationships, and to attract customers from competitors. Also, banks may wish to better understand which variables influence customer retention, in order to be able to provide targeted service and value to their valuable customers. The current study's findings can aid banks with this task.

The study's results highlighted the importance of *attitudinal* (true) *loyalty* and *affective commitment* in customers' decision to stay with a bank. Although behavioural loyalty and continuance commitment were positively related to staying intention in the literature review, they were not found to significantly contribute to the prediction of *customers' staying intention* in this study. True loyalty, affective commitment, and attitudinal bonds appear to be more important to customers' decision to continue their custom with banking firms, than switching costs, habitual purchasing, and staying with the bank out of obligation. Therefore, in order to be competitive, banks should consider making customer loyalty and commitment their primary strategic focus in developing marketing strategies. Also, they are advised to invest in generating customer true loyalty and affective commitment, by placing emphasis on the creation of bonds that are difficult for competitors to break. These bonds must be based on solid foundations, such as customer trust and satisfaction and should be gradually strengthened.

Banks may endeavour to train and empower their employees to maintain high standards of conduct with customers, to sustain politeness, care for customers' needs, and to build positive relationships with customers to inspire their loyalty and affective commitment. In order to keep their customers loyal, banks may develop offers that consistently provide value to customers and focus on providing successful service recovery, when needed. Both emotional and financial benefits are useful to customers and banks must find ways to demonstrate to long-term customers that they recognise and value them.

Furthermore, considering that affective commitment and attitudinal loyalty are crucial for customer retention, it is important for banks to find ways to influence customer sentiment to increase retention. This can be achieved by placing special attention to behavioural banking issues and the ways in which various elements of the banking experience affect consumers' emotions and, consequently, their decisions. Creating a welcoming and comfortable banking environment is something that could be done by banks to affect customer sentiment. By designing warm and inviting settings (similar to cafes), banks could make customers feel welcome, relaxed and satisfied, thus fostering positive customer sentiments. In such settings, customers may feel a sense of belonging with the bank and their loyalty might be strengthened. Another factor that could affect customer sentiment is personalised service versus standardised service. Many clients appreciate individualised attention and a personal relationship with bank employees. The arrangement of specific appointments with bank employees could offer them a chance for customised financial advice and make them feel important to the bank, which could lead to increased customer satisfaction and consequently increased retention and loyalty. Finally, although digital banking provides convenience, it can be impersonal. Sometimes clients may prefer human touch and in-person banking. Thus, it would be beneficial for banks, not to exclusively rely on digital banking for the delivery of their services, but to combine it with the provision of in-person banking and human-centric services, to foster positive customer sentiment.

To conclude, the development of targeted marketing strategies by banks, which focus on affective commitment and attitudinal loyalty, effective employee training that promotes positive relationships with customers, and fostering customer sentiment by investing in behavioural banking aspects can create positive customer experiences, and ultimately increase customer retention and loyalty.

9 Limitations and future research

Although the study adds to the limited knowledge on switching behaviour in retail banking in Cyprus, there are some methodological and other limitations that have to be mentioned. This section discusses the limitations of the study and the method:

9.1 Limitations of the method

The use of non-probability sampling for data collection was the primary methodological limitation of this study. Non-probability sampling can cause problems with sample representativeness and generalisability of the results from the sample to the population. Such problems can be avoided by using probability sampling, but, due to the lack of a sampling frame and the difficulty in obtaining respondents in Cyprus, using probability sampling was extremely difficult. However, in future research, probability sampling could be used in order to obtain a more representative sample.

Another limitation was that only quantitative methods were used to collect data (the data was gathered through an online survey). Although it is acknowledged that qualitative data are important in providing direction for quantitative studies (Hanson and Grimmer, 2007; Malhotra, 2004; Ruyter and Scholl, 1998) and can aid in creating a preliminary knowledge of people’s motives (Malhotra, 2004), no qualitative data was used in this study. Furthermore, using mixed methods for data collection may result in a more comprehensive understanding of the phenomenon under investigation (Saunders et al., 2016). Therefore, in future research, qualitative data could be collected (for example, through personal interviews) to gain more insight and a more comprehensive understanding of the phenomenon under investigation.

9.2 Limitations of the study

The study was limited to individuals living in Cyprus because the cost and challenges related to the expansion of the study to other nations, prevented the researchers from doing so. Hence, the results and conclusions are tentative to Cypriot retail banking customers. Future research could employ a design that includes international populations, to generate comparisons across populations as well as results that could be generalised to other countries.

Finally, a cross-sectional design was used in this study to investigate the factors influencing bank customers’ staying intention and behaviour at a specific point in time. Due to time constraints, there was no possibility for a longitudinal study, that would allow for multiple observations of the same subjects over time, enabling a better understanding of the phenomenon of staying with a bank over longer time periods. This can be viewed as a study limitation because no change or development was observed. A longitudinal study that allows for more observations of the same subjects over time could be used in the future.

10 Challenges

Artificial intelligence (AI) technology is increasingly being used in the banking sector because it has a wide range of applications that can improve operations, help retain existing clients, and attract potential clientele (Ghandour, 2021). AI in banking can re-shape the relational constructs used in the study (i.e., satisfaction, commitment, trust loyalty) and consequently, customers' decision to select a specific bank or stay with the existing bank. Banks use AI to improve client experiences, strengthen customer connections, streamline company processes, increase service efficiency, promote business growth and competitiveness, and react rapidly to internal and external changes (Ghandour, 2021). Through the use of AI and chatbots, banks can offer 24/7 customer support, making it simple for both existing and new customers to make inquiries whenever they need to (Kaya, 2019; Shetty et al., 2022; Husain et al., 2022). The use of AI chatbots can increase customer satisfaction and attitudinal loyalty, due to the convenience and efficiency they offer. Moreover, AI can provide customised product recommendations by analysing vast amounts of data, and also, can help with risk management, fraud detection, and prevention of money laundering (Shetty et al., 2022), which can increase trust and commitment. Furthermore, AI-powered loan decision algorithms can speed up the formerly time-consuming loan approval procedure, thereby attracting potential clients who require instant access to funds (Husain et al., 2022). In general, the use of AI and technology can lead to avoiding unnecessary delays in service delivery, bottlenecks, and human errors (Sheth et al., 2022), which might be appreciated by potential customers who value convenience in their banking transactions, thus increasing customer satisfaction, trust, affective commitment, and attitudinal loyalty.

However, some clients might have concerns about the use of AI in banking. Extensive automation and reduction of customer contact can cause loss of the human touch and depersonalisation of services (Ghandour, 2021). Many customers might value the human touch in their relationship with their bank, which cannot be provided by AI. When dealing with complex financial matters, they might prefer discussing their options with bank employees who can empathise with their problems and offer useful advice. These customers might be dissatisfied with the increasing implementation of AI, and their satisfaction, trust, commitment, and loyalty might weaken. According to Mogaji (2018), traditional banking services are time-consuming, but people trust them because of human involvement (Mogaji, 2018). Potential customers who value human touch and human involvement might probably not prefer banks that extensively use AI. Furthermore, the use of AI might entail security and data privacy concerns (Kaya, 2019). Existing or potential clients may be wary of sharing sensitive financial information with AI systems. Also, AI systems can be vulnerable to cyber-attacks (Kaya, 2019), thus, banks must put strong cybersecurity measures in place to guard against intrusions. Security and data privacy concerns might lead to decreased satisfaction and trust. Another issue is the digital divide (Ghandour, 2021). While consumers who are tech-savvy might welcome AI-driven banking, others who are not so comfortable with technology, or may be socioeconomically deprived and do not have access to it, might feel left out, thus their affective commitment and attitudinal loyalty might be decreased, and the bank's potential clientele might be reduced.

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Notes

1 A banking system that develops, operates, and fulfils its duties effectively, can contribute to the sound and effective operation of the financial system of a nation, hence fostering economic growth and development (Nguyen, 2022). According to Levine (2005), financial development is the process by which financial intermediaries, financial markets, and financial instruments perform well in processing information, reducing transaction costs, and ensuring the execution of financial transaction contracts so that the financial system of a country can efficiently perform its functions. In this sense, the banking system is a crucial component of the financial system of a nation and therefore of its financial development. In the first place, the banking system aids in the better allocation of scarce financial resources by giving credit to the most efficient companies or investment projects (Nguyen, 2022). Furthermore, through savings and bank borrowing, the banking system helps households plan and carry out appropriate consumption (Allen and Gale 2001). Also, the banking system provides liquidity to the economy by taking in deposits and using them to fund loans and long-term investment projects (Diamond and Dybvig 1983). In addition, the banking system accelerates the flow of capital, payments, and goods and services, thus contributing to the overall economic growth of a nation (Nguyen, 2022). From the macroeconomic policy management perspective, the banking system is a channel that central banks can employ to carry out the transmission of monetary policy and achieve their policy goals for each period (Nguyen, 2022).