

Factors Affecting Customer Loyalty Towards Licensed Commercial Banks in Sri Lanka : (With Special Reference to Colombo District)

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Customer Loyalty has been identified as a significant dimension in the achievement of competitive edge in services sectors. Loyalty can increase overall business value for the firm giving it the opportunity of decreasing serving costs for customers. The financial sector in Sri Lanka has a number of licensed commercial banks which further increases the competition and complexity among the banks. Analyzed closely it is evident that there are only slight differences which are existing in different financial services across companies and due to this reason, many banks have initiated a variety of activities to improve customer loyalty. The purpose of the study is to establish the factors affecting customer loyalty in the banking sector with special reference to the Licensed Commercial Banks in the Colombo District.

The literature review contributed to identify six factors leading into customer loyalty, i.e. customer value, switching cost, reputation, habit, trust and service quality. The sub objectives of the research looked into analyzing the effect of each factor on building customer loyalty towards licensed commercial banks in Sri Lanka. The primary data collection was done using a self-administrated questionnaire from 150 banking customers, selected using cluster sampling method and convenience sampling method. The study revealed that all six factors are positively affecting towards building customer loyalty in the banking sector. Further the trust, service quality and reputation are generating the highest correlation with the dependent variable customer loyalty.

Key words: *Customer loyalty, licensed commercial banks, factors affecting customer loyalty*