

An Empirical Investigation on the Factors Influencing Customers' Decision in Choosing Banks

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ABSTRACT

In this modern age, people are immensely dependent on the plastic money and bank is one of the biggest facilitators of this service. But the perception of bank customers in case of selecting banks varies due to various factors related to banking services. The study basically focuses on some selected factors which affect the perception of customers in case of selecting banks. For the study purpose, a field survey has been done for primary data collection. Total 71 bank customers have been surveyed through a structured questionnaire. Principal Component Analysis has been used to analyze primary data. Different statistical tools such as mean values, standard deviation, Principal Component Analysis have been used. SPSS 16.0 is used for the analysis. The study reveals that factors such as effective communication of transaction information given by a bank via internet and mobile, service charges, availability of ATM booths and use of advanced technology in services are affecting customer's attitude significantly. On the other hand, branch outlook and infrastructural facilities, variety of microcredit facilities provided by a bank and corporate social activities done by the banks are affecting customer's attitude insignificantly. There are some other factors which also influence customer's attitude such as interest rates offered by a bank, suitable location and so on.

Keywords: Customer's Attitude, Bank Selection, Commercial Banks, Bangladesh.

1. INTRODUCTION

A bank is a financial institution or intermediary that accepts deposits from the public and creates credit (Wikipedia, 2017). It is a service-oriented industry and customers basically deal with the banks by the help of employees and internet. The study focuses on the factors which actually influence the customers' decision in the time of selecting banks. A field survey has been conducted to collect data for analysis. The study is descriptive in nature. The following section focuses on the literature review. The third section shows the objectives and the fourth section narrates the methodology. The fifth section details the analysis and findings and the last section shows the conclusion.

2. LITERATURE REVIEW

Siddique (2012) analyzed the factors which customers considered important in selecting between private commercial bank and nationalized commercial bank in Bangladesh. The study showed that the most important factors influencing customers for selecting a private commercial bank are effective and efficient customer services, speed and quality of services, bank image, online banking, and well management. Moreover, the most important factors for

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choosing a nationalized commercial bank are low interest rate on loan, convenient branch location, safe investment, offering variety of services and low service charges.

Rasheed *et al.* (2015) investigated on how different factors of customer loyalty influence the behavior and intentions of the respondents. The study result showed that trust, customer satisfaction and service quality significantly affect customer loyalty. The study also revealed that customer satisfaction is the most influential variable for customer loyalty.

Khondaker and Mir (2011) analyzed the influence of customer satisfaction indicators on the policy measures in reforming the state-owned banks which are giving low quality service and affected by corruption. The result of the study showed that some essential factors of customer satisfaction such as responsiveness, physical comfort and assurance are needed to improve customer satisfaction.

Pirzada *et al.* (2014) observed different banks of Pakistan to investigate the factors affecting customer's switching behavior in banks. The study showed that customers' attitude, perception, satisfaction and loyalty depends on number of bank branches, improved service quality according to market, profit or interest rates offered by banks.

Subramaniam and Ramachandran (2012) analyzed the factors influencing customers' Bank switching behaviour in Malaysia. The result of the study showed that attracting new clients, strengthening customer data-base and retaining customer confidence are the main factors of customers' switching behavior.

Tweneboah-Koduah and Farley (2016) examined the relationship between the factors of customer satisfaction and customer loyalty in the retail banking sector of Ghana. The outcome of the study showed that assurance and age group are the main factors to drive customer loyalty.

Sarker, Bose & Khan (2012) analyzed the factors affecting customers' attitude towards various types of banks in Bangladesh. The study result reveals that customers' are more satisfied with the services provided by the private commercial banks than the services provided by the nationalized commercial banks.

Johara (2014) identified different factors that affects mobile banking users' behavior towards mobile banking usage. The outcome of the study reveals that social influence, availability, security and cost of services are the main factors that affect mobile banking customers significantly. Moreover, the results showed that socioeconomic class and age of respondents also significantly influence customer's attitude towards mobile banking.

Lee *et al.* (2015) analyzed the factors affecting customers' behavioral intention towards choosing banks in Perak, Malaysia. The study result reveals that convenience, service quality, security and technology positively influence customers in selecting banks and cost of services negatively influence customers in selecting banks.

Hassan *et al.* (2012) investigated customer's loyalty in Islamic banking in Bahawalpur region. The study outcome revealed that customers' satisfaction, switching cost, customers' perception, success philosophy, trust and commitment are the significant factors affecting customer's loyalty.

Islam and Hossain (2014) analyzed the factors that affects customer acceptance of mobile banking in Bangladesh. The research outcome reveals that the availability of updated user friendly technology and infrastructural facility are the most significant factors which affects customers' attitude towards mobile banking services.

Vinayagamoorthy and Magdaline (2015) investigated customers' attitude towards the service quality of private sector banks in Krishnagiri District. The study outcome reveals that efficient and knowledgeable employees in the banks, technical and behavioral training of the employees and sufficient branches in every possible area influence customers' attitude to choose banks for different services.

Jebran and Hossain (2012) examined different factors affecting customers' perception on commercial bank's general banking activities. The result of the study showed that customer's reliance, customer's value and safety issues are significant factors that influence customers' perception towards banking services.

The paper focused to fulfill the following objectives;

- i. To identify the factors which affect customer's perception in case of selecting banks.
- ii. To rank the factors according to their importance in influencing customer's decision.

3. METHODOLOGY OF THE STUDY

3.1 Selected Variables

We have selected following variable for the study;

Type of the Variable	Name of the Variable	Items Under each variables
Independent Variables	Service availability	Suitable Location Availability of branches Availability of ATM Booths
	Service efficiency	Employee expertise Efficiency in providing services
	Promotional activities	Corporate social activities Branch outlook and interior Advertisements and direct marketing Brand image or reputation
	Variation in services	Variety in Credit card facilities Diversified loan facilities Locker facilities Variety of microcredit facilities Availability of various services offered by the bank
	Transactional efficiency	Simplicity in transaction process Usage of hi-tech equipment and process Effective communication
	Financial factor	Service charges or costing Offered interest rates Soundness in financial health
	Dependent Variable	Customer retention and satisfaction(Attachment)

3.2 Sampling and Data collection

For the study a questionnaire has given to the 80 bank customers of commercial banks on a random basis. The questionnaire has constructed using likert scale having 5-point scale starting from 1 as strongly disagree to 5 as strongly agree. Among 80 respondents, 71 respondents filled up the questionnaire properly which are usable for the analysis. So the response rate is 88.75%.

Table 1 Demographic information of the respondent

Gender	Male	53	74.65%
	Female	18	25.35%
Age	18-24 years	16	22.53%
	25-34 years	37	52.11%
	35-44 years	10	14.08%
	45-54 years	5	7.04%
	55 years and above	3	4.23%
Profession	Student	14	19.72%
	Service-holder	43	60.56%
	Business	10	14.08%
	Others	4	5.63%
Education level	HSC	5	7.04%
	Graduate	33	46.48%
	Postgraduate	30	42.25%
	PhD or higher	3	4.23%
Retention with the exiting bank	Less than 6 months	4	5.63%
	6 months- 1 year	20	28.17%
	1-3 years	31	43.66%
	4-6 years	14	19.72%
	7 years and above	2	2.82%

3.3 Research Hypothesis

For regression analysis following hypothesis has been established

H₀: There is no significant relationship between selected independent variables and customer retention and satisfaction.

H₁: There is a significant relationship between selected independent variables and customer retention and satisfaction.

4. ANALYSIS AND FINDINGS

4.1. Graphical analysis

The following graphs are showing the different scenario of differences or variation of choice of customers in different demographic stages by using crosstab analysis (SPSS 16.0).

Figure 1 and Figure 2 shows the e-banking or financial technology influence on the respondents' decision by educational level and profession. In Figure 1, can be derived that e-banking or financial technology significantly influences the graduate persons and PhD or higher and moderately influence HSC and Postgraduate persons. In Figure 2, can be seen that e-banking or financial technology significantly influences the students and service holder and slightly influence Businessmen.

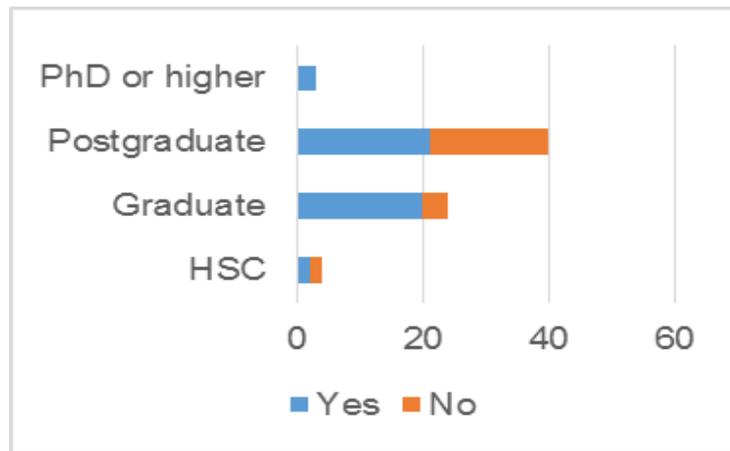


Figure 1. Influence of E-banking or fin-tech [Educational Level].

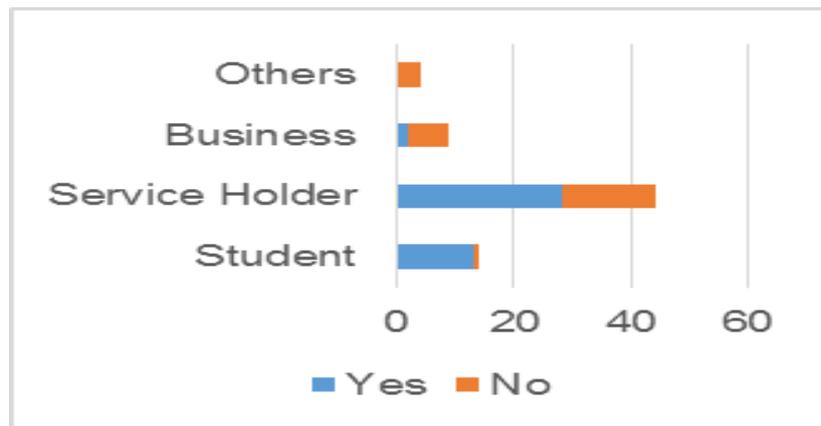


Figure 2. Influence of E-banking or fin-tech [Profession].

Figure 3 and Figure 4 display the preference of banks which use Green Banking by educational level and profession. In both graphs, it can be seen that maximum people are indifferent in giving opinion about green banking may be because of limited knowledge of this concept.

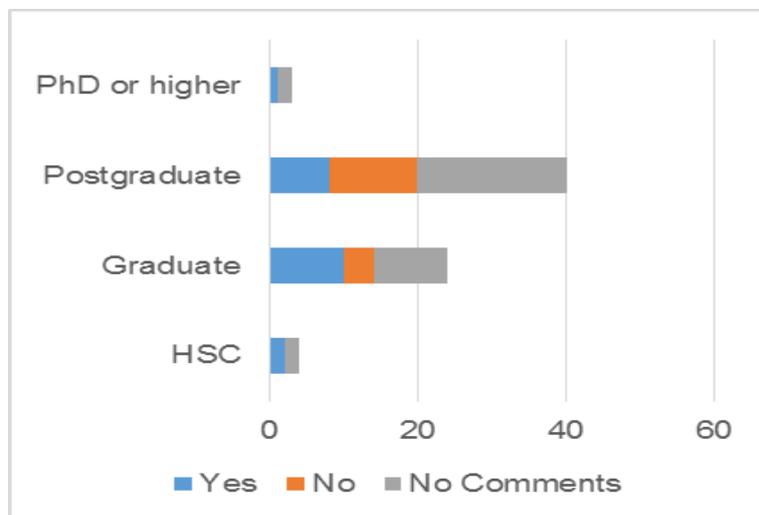


Figure 3. Green banking preference [Educational Level].

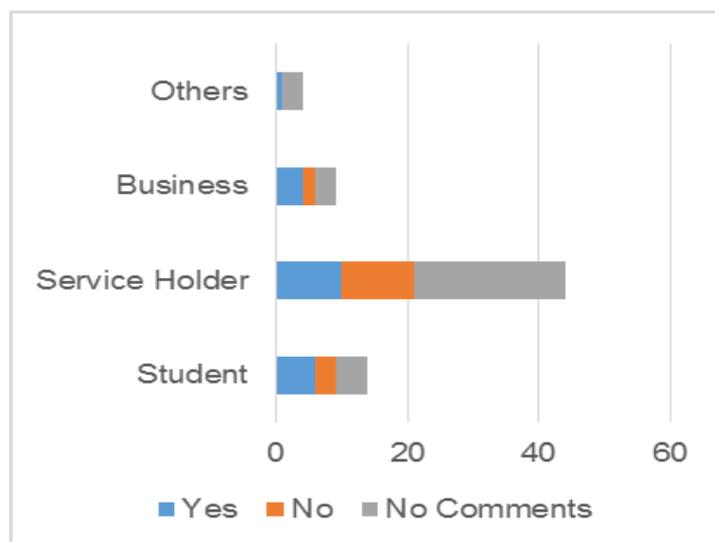


Figure 4. Green banking preference [Profession].

Figure 5 shows the preference of global or dual currency facilities from a bank according to age of the respondents. It can be derived that significant number of respondents of all the age ranges prefer global or dual currency facilities.

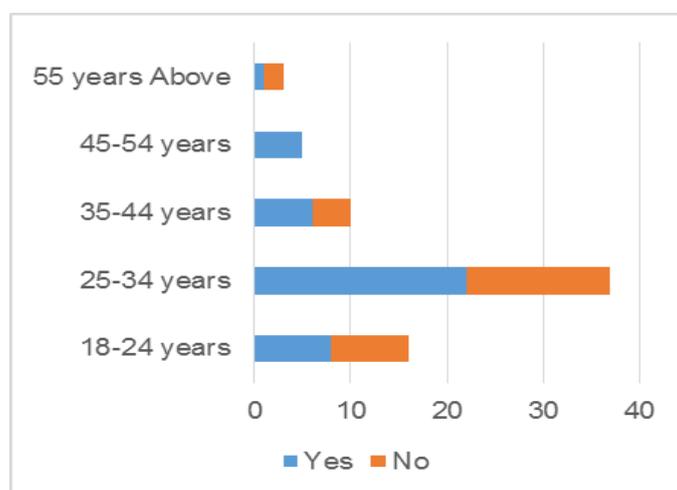


Figure 5. Global or dual currency preference [Age].

Figure 6 and Figure 7 display respondent's satisfaction with the bank in which they are performing transaction. In Figure 6, can be seen that maximum male and female respondents are satisfied with their bank. In Figure 7, can be interpreted that Service Holder, Businessman and other professionals are satisfied with their bank, whereas students are slightly dissatisfied with bank.

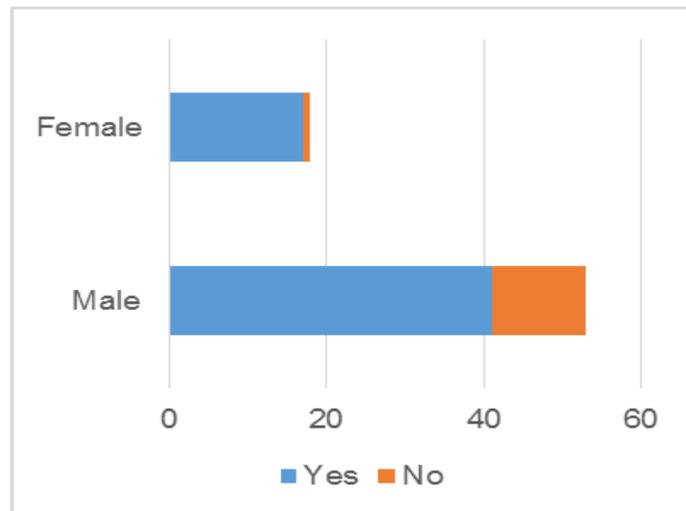


Figure 6. Satisfaction with bank [Gender].

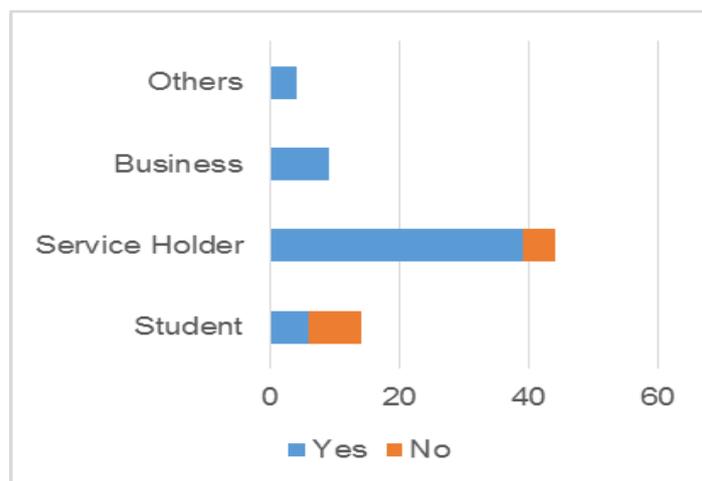


Figure 7. Satisfaction with bank [Profession].

Figure 8 shows the perception of respondents of all professions regarding getting all the mentioned factors in the questionnaire from their existing bank by the respondents. It can be derived that significant number of people from all the professions are getting all the facilities from their existing bank.

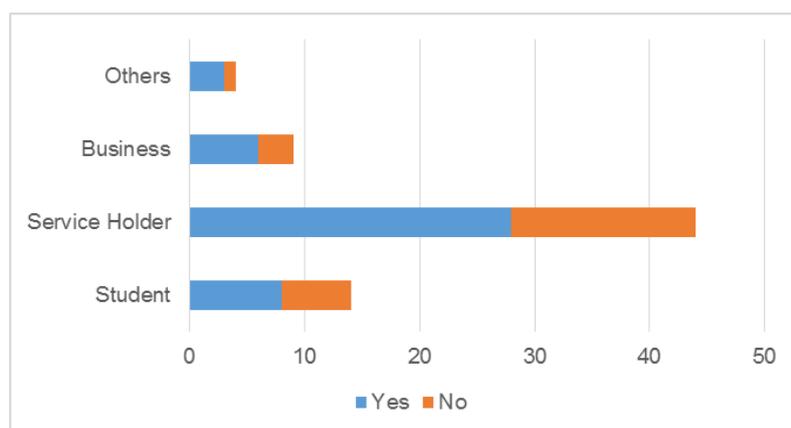


Figure 8. Getting the mentioned factors [Profession].

It can be seen from the graphical presentation that in each crosstab analysis respondents basically focus on the option "Yes". It shows that they are now-a-days think about such facilities and issues. It can be assumed from graph that green banking is not already clear to the layman or general customers. They are still satisfied with existing banking services. But banks must concentrate on other new facilities which already given by the other country.

4.2. Statistical Analysis

Table 2 Results of principal component analysis and reliability test

Variable	Items	Mean	Factor Loading	KMO test of adequacy	Bartlett's test of sphericity	Sig.	Cronbach's Alpha
Service Availability	Q1	4.37	0.822	0.508	11.682	.009	0.589
	Q2	4.21	0.755				
	Q3	4.42	0.418				
Service Efficiency	Q5	3.94	0.799	0.500	5.418	.020	0.532
	Q6	4.00	0.799				
Promotional activities	Q13	3.48	0.766	0.601	36.531	.000	0.592
	Q15	3.46	0.762				
	Q17	3.52	0.684				
	Q20	3.99	0.456				
Variation in services	Q4	4.14	0.812	0.606	34.476	.000	0.532
	Q10	3.70	0.689				
	Q11	3.80	0.644				
	Q14	3.52	0.618				
	Q16	3.68	0.879				
Transactional Efficiency	Q7	4.23	0.751	0.580	9.150	.027	0.538
	Q8	4.31	0.667				
	Q19	4.25	0.650				
Financial factor	Q9	4.38	0.814	0.525	13.015	.005	0.519
	Q12	4.14	0.802				
	Q18	3.63	0.379				
Customer retention and Satisfaction(Attachment)	Q21	4.31	0.874	0.814	128.484	.000	0.863
	Q22	4.15	0.851				
	Q23	4.20	0.829				
	Q24	4.18	0.822				

Here all of the results of KMO test have shown that the collected data is consistent as all of them are above 50%. The results of significance level also show the collected data for all of the variables are strongly consistent except service efficiency and transactional efficiency as these two are moderately strong. The cronbach's alpha of all the variables are also evident the reliability of data. So the data is consistent and reliable for the analysis.

Table 3 Model summary

Independent Variable	Dependent variable	R	F	Sig.	D
Service Availability	Customer retention and Satisfaction (Attachment)	0.413	5.157	.041	2.068
Service Efficiency					
Promotional activities					
Variation in Services					
Transactional Efficiency					
Financial factor					

The result of F test has proven that the independent variables jointly influence the customer attitude toward the banking industry. D test has focused that there is no autocorrelation problem exist among the variables. It means all of the factors influence the customer's attitude which eventually leads to their satisfaction and retention tendency. The coefficient of correlation has also shown that independent variables moderately explained the dependent one.

Table 4 Results of hypothesis testing

Independent Variable	Dependent variable	Mean	S.D.	Beta	T	Sig.
Service Availability	Customer retention and Satisfaction (Attachment)	4.33	0.48469	0.126	3.869	0.008
Service Efficiency		3.97	0.60289	0.240	2.733	0.038
Promotional activities		3.61	0.63638	-0.040	0.256	0.589
Variation in Services		3.76	0.52005	0.057	2.422	0.005
Transactional Efficiency		4.26	0.54603	0.233	1.703	0.093
Financial factor		4.05	0.60066	0.031	3.256	0.009

Here it can be seen that all of the independent variables have positive relation with the customer retention and satisfaction except promotional activities and transactional efficiency. It may be because banks include in the service oriented industry and still they have plenty of potential customers in market and also people of Bangladesh still not aware of transactional complexity. They believe in wallet sharing rather than market sharing. The relationship is negative as promotional activities increases costs which hamper profitability and growth of the banks. Among the independent variables only promotional activities and transactional efficiency have insignificant relation with the dependent variables.

5. CONCLUSION AND RECOMMENDATIONS

The study concluded that all of the selected variables have significant impact over the customer satisfaction and retention tendency except promotional activities and transactional efficiency. But still all of the variables do not influence strongly. The banking industry still is not concerned about using marketing tools to attract customers like other industry and customers also do not think so much in case of selecting banks as they have lots of options but due to busy life they do not think so much of it. The further study can be performed by focusing on the importance of marketing techniques and promotional activities for the banks and influential factors customers must focus in selecting banks and so on. The recommendation can be given that banks must concern on the promotional activities as near future they need to compete as number of banks are increasing day by day.

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