

Bank Selection Criteria in a Customers' Perspective

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Abstract: Nowadays, with the emergence of the many financial institution, customers have variety choices of product and services and they are concerned towards the value of money. This study is to present the most important factor influencing customers in respect of selecting a bank by customer in Kelantan, Malaysia. In particular, it finds those criteria, which have become significantly important in motivating the choice. A quantitative methodology by using responses given by the respondents employed in the analysis. The finding shows that the Accessibility is a significant choice criterion, which includes ATM facility, convenient ATM locations, 24 hours availability of ATM services and speedy service. Other factors, which have also increased in importance, are the Reliability, Responsiveness, Value added service, Convenience and Assurance. Besides that, the five important criteria bank have ATM facility, convenient ATM locations, 24hours availability of ATM services, internet banking facility, and lastly the bank have a several branches

Keywords - Accessibility, Bank Selection Criteria, Customers Perspective, Kelantan, Malaysia

I. INTRODUCTION

Since 1960 the rapid growth of economy has changed the Malaysia banking to be more from their mainly role of financing trade into mobilizing and channeling resources more effectively. It is now a fact that consumers of all products and services tend to become more demanding due to the current market place that are becoming more competitive. Customer retention is an important element of banking environment in an increasingly competitive environment today. Banks not only compete among each other but also with non-bank and other financial institution. Bank management must identify and improve all the factors that can limit customer defection. It is because to increase bank's profit the banks must reduce their customer's defection. The Customer may defection because of lack knowledge about the bank, poor service utilized offer by the bank, and the criteria of the bank (Haron, 1994). Due to this highly competitive environment, it is important for financial institution to obtain more information about their customers concerning what influence them before selecting the financial institution.

In Malaysia, there are 23 commercial banks and 17 Islamic banks and it show that the customers in Malaysia have a many choices in selecting the bank. In Kelantan there are also many branches that consist of conventional and Islamic bank. The intense competition that exists in the market for financial services presents a big challenge to the profitability of retail banking institutions of all sizes (Mokhlis, 2009). Competition among the financial institution required the financial institution to be more focused to their customers.

Understanding customers' banks selection criteria has might be helpful to banks in identifying the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak, E; Kucukemiroglu, O, 1992). The growing competitiveness in the banking industry (Grady, B; Spencer, H, 1990) and similarity of services offered by banks (Holstius, K; Kaynak, E, 1995) has made it increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services.

This research focuses on studying the bank selection criteria among customer in Kelantan. Thus for the purpose of this study, the terms customer refers to the person that have an account in commercial bank or Islamic banks. The findings of the study can carry significant managerial implications for bank marketers and understanding of the salient criteria used by customers in choosing a bank. It should help bankers to develop more precise, targeted marketing strategies for bank in order to attract a larger number of customers and to better cater to the needs of both current and potential customers.

II. LITERATURE REVIEW

2.1 Reliability

Based on the study of (Kaynak, 1991) in Turkey, friendly employees, branch locations close to their homes, fast and efficient service, availability of credit and financial services counseling are particularly important in banking selection. Owing to these differences in findings, research on banking selection remains inconclusive and needs further investigation.

2.2 Convenience

A study of (Renman and Ahmed, 2008) reveal that that convenience is one of the most important variable influencing customer choices among other factors namely customer services, online banking facilities and overall bank environment. Customers devote much emphasis on electronic services (ATM) which gives them quick and convenient access to the bank service (Mokhlis, 2009). A study conducted by (Sharma & Rao, 2010) on bank selection criteria employed by MBA students in India concludes that convenience is an important determinant. Factors such as parking facility, free delivery of demand, phone banking, and free home cash delivery suggest that consumers want convenience in banking and they want to save time. According to (Mokhlis, 2009) service provision came second in terms of relative importance considered by female customers than a male customer when selecting their banks. The importance of service provision is further evidenced by the study conducted by (Gerrard and Cunningham, 2001) on how undergraduate students choose the bank to patronize in Singapore.

Based on the study of (Kaufman, 1967), he found that the most influential factors in customer's selection of a bank were convenient location to home or place of business, length of bank customers relationships and quality of services offered by the bank. According to (Mason & Mayer, 1974) they suggested that among other important selection criterions used by the customer, convenient location came on the top the priority, followed by other important factors like friendly personnel, favorable loan experience, and advice of friends and influence of relatives' opinion. Findings of various studies reveal that consumer choice of bank depends on a multiple set of criterions including bank location, availability of loans and the default salary account of a particular bank based on study of (Martenson, 1985). (Gerrard & Cunningham, 2001) found that convenience factors were of paramount importance in banking in banking selection criteria as compared to other factors based on their survey conducted on conventional banking customers in Bahrain and Singapore respectively (Almossawi, 2001).

2.3 Assurance

Another study found that customer selection of banking services was mainly determine by dependability of institutions, accessibility, "easiness" of processes for transactions, variety of services offered and availability of loans at competitive interest rates. Based on the study of (Beckett & Hewer, 2000) he point out that consumers are inclined to prefer the prospect of long-lasting relationships as a selection criterion due to them avoiding disruption and switching costs. They also confirm that the cost and type of bank product is important in the purchasing behavior of consumers and that a relationship based on trust is important, especially those of professional associations that "protect consumers from third parties acting opportunistically". Coupled with the relationship with a bank, perceived service quality was also seen to be an important bank selection criterion used to select a bank (Aregbeyen, 2011). Indeed, aspects of the service delivery process, such as ease of handling queries, delivering on services as promised, and the length of waiting time, are central tenets of the service related criterion.

2.4 Value Added Services

According to (Omar Masood, 2009) research attempt was made to assess the degree of customer awareness, satisfaction, as well as selection criteria. A sample of 200 respondents took part in this study. The responses where shows a certain degree of satisfaction, there few respondents also have expressed their dissatisfaction with some of the Islamic bank's services.

Based on the study (Elliot & Shatto, 1996) investigated bank customers in the USA and found that price, speed, and access are particularly important. According to their research findings, most customers place a higher value on lower prices and higher transaction speeds than they do on personalized service, and they are willing to accept lower service levels in exchange for price breaks (Elliot & Shatto, 1996). On the other hand, according to (Reeves & Bednar, 1996) they suggested that customer service may be more important than price and that customers may use additional criteria beyond price, speed and access when choosing between banks, according to where they live (large cities or countryside) and other market conditions. According to (Khazeh & Decker, 1992) they investigated bank customers' decision criteria and found that service-charge policy, reputation, competitiveness of loan rates, time required for loan approval and friendliness of tellers, are the most important factors in explaining how customers choose banks.

2.5 Accessibility

According to (Almossawi, 2001) points out that proximity and service quality are important factors for commercial banks. This suggests that university students will prefer to the commercial banks with offices or ATM facilities that are close to their campuses. Based on the study of (Almossawi, 2001) he adds that even though there are schemes, which enable ATM cardholders to use ATMs of any bank, they still need to visit the bank when necessary to perform some services, which cannot be done through ATMs. According to (Zineldin,

1995) concludes in his study that functional quality in bank selection to be more important than traditional marketing activities. More specifically, the study found factors such as accuracy in account management, efficient mistake correction, and speedy service and decision-making more important than the convenience of location, advertising, and price

2.6 Responsiveness

A selection criterion is one of the factors that influence of selecting the financial institution among the customers. According to (Mokhlis, 2009) the fast and efficient service, friendly and helpful staff and reputation of the bank are important factors in the selection of a bank. Some customer were found to be sensitive to the core services offered, some were conscious of every aspect of their banks and some others would shop around for the best deal. Except for a few differences in the selection criteria, both Muslim and non-Muslim have the same value traits in selecting the financial institution. According to found that friendliness of staff plays the major role in the bank decision process, followed by hours of operations, size of waiting lines, convenience of location and efficiency of personnel.

III. METHODOLOGY

3.1 Data Collection Method

To meet the objectives of the research and for further analysis and references, the required data were collected through a structured questionnaire. The questionnaire designed to gather the information based on the bank selection factors. A 100 set of questionnaires were distributed to people in Kelantan, Malaysia which include Muslim and non-Muslim, and pertain to the year 2012-2013. The customers were selected by using a random sampling technique through pre-tested questionnaire. To ensure all respondents can understand and answer questions precisely, the researcher provide questionnaires in both English and Malay language. The questions were measured on a five point Likert-type scale of importance ranging from 1 (not important at all) to 5 (very important).

3.2 Data Analysis

Exploratory factor analysis is used in order to identify constructs and investigate relationships among key interval scaled questions regarding reasons for choosing a bank services from 100 respondents. All analyses were conducted using SPSS statistical software version 20 for Windows. Besides that, The Kaiser- Meyer-Olkin (KMO) were also used in order to measure the sampling adequacy.

IV. RESULTS AND DISCUSSION

4.1 Factor Analysis

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (MSA) for individual variance was studied. It found sufficient correlation for all the variables (KMO & Bartlett's Test) presented in **Table-1**. To test the sampling adequacy, Kaiser- Meyer- Olkin MSA is computed which was found to be 0.837. It indicates that the sample is good enough for sampling. The overall significance of correlation matrices tested with Barlett's Test of Sphericity provided supported for the validity of the factor analysis of the data set. High value of KMO which is above 0.5 indicate that factor analysis is appropriate.

Table-1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.837
Approx. Chi-Square	1511.004
Bartlett's Test of Sphericity	
df	300
Sig.	.000

Table-2: Results of factor analysis

Factor and items	Extraction
Factor 1 - Reliability	
Bank has a good brand name	.803
Bank has a good security management	.785
Bank has a low bank charge	.698
Factor 2 - Convenience	
Available parking space nearby	.692

Bank has phone banking facility	.617
Convenient branch locations	.720
Bank have a several branches	.636
Factor 3 - Assurance	
Low services charges	.796
Bank provide good interest rate	.845
Low interest rate on loan	.771
Ease of opening a current account	.589
Ease of obtaining loans	.627
Factor 4 - Value Added Service	
The bank has a debit card facility	.748
The bank has a credit card facility	.733
Free gifts for customer	.663
The bank has a loan facility	.665
Factor 5 - Accessibility	
Bank has ATM facility	.796
Convenient ATM locations	.701
24hours availability of ATM services	.796
Bank has a speedy service	.756
Bank has a internet banking facility	.552
Factor 6 - Responsiveness	
The employees in the bank friendly and courteous	.751
Knowledge, skill and expertise of staff.	.764
Employees dress and appearance	.632
Interior decor of building.	.675

Table-2 above shows that all of the factor loadings is to regard as significant because the entire variable with a greater than 0.4 as associated with the appropriate factor. All the loading in research are positive because > 0.4 . The banks provide good interest rate show the higher factor loading that is 0.845. The lowest factor loading is bank has an internet banking facility that is 0.552.

Table-3: Ranking Importance of Bank Selection Factors' Items

Factor and items	Mean	Ranking
Factor 1 - Reliability		
Bank has a good brand name	3.97	12
Bank has a good security management	4.01	9
Bank has a low bank charge	3.81	20
Factor 2 - Convenience		
Available parking space nearby	3.73	22
Bank has phone banking facility	3.71	23
Convenient branch locations	4.05	7
Bank have a several branches	4.16	5
Factor 3 - Assurance		
Low services charges	3.87	18
Bank provide good interest rate	4.01	10
Low interest rate on loan	3.89	17
Ease of opening a current account	4.07	6
Ease of obtaining loans	3.91	16
Factor 4 - Value Added Service		
The bank has a debit card facility	3.98	11
The bank has a credit card facility	3.75	21
Free gifts for customer	3.67	25

The bank has a loan facility	3.92	14
Factor 5 - Accessibility		
Bank has ATM facility	4.50	1
Convenient ATM locations	4.34	2
24 hours availability of ATM services	4.29	3
Bank has a speedy service	4.04	8
Bank has a internet banking facility	4.18	4
Factor 6 - Responsiveness		
The employees in the bank friendly and courteous	3.93	13
Knowledge, skill and expertise of staff.	3.92	15
Employees dress and appearance	3.86	19
Interior decor of building.	3.67	24

Based on the **Table-3** above it show that the five important factors are bank has ATM facility, convenient ATM locations, 24hours availability of ATM services, bank has a internet banking facility, and bank have a several branches. Besides that the least five factors in the bank selection criteria are the bank has a credit card facility, available parking space nearby, bank has phone banking facility, interior decor of building, and free gifts for customer.

Table-4: Mean and Ranking Based On Factors

Factor	Mean	Ranking
Reliability	3.9300	3
Convenience	3.9125	4
Assurance	3.9500	2
Value Added Services	3.8300	6
Accessibility	4.2700	1
Responsiveness	3.8450	5

Based on the **Table-4**, the ranking show that Accessibility are more important (mean 4.27) followed by Assurance (mean 3.95), Reliability (mean 3.93), Convenience (mean 3.9125), Responsiveness (mean 3.845), and lastly is Value Added Service (mean 3.83).

V. CONCLUSION

This paper conducted with the involvement of 100 respondents to answer the structured questionnaires. To meet the objectives, the factor analysis conducted by using SPSS statistical software version 20 for Windows. Findings from this study reveal that the most significant factor affects the customers in choosing a bank is the Accessibility. This factor is consist of several items which are the bank has ATM facility, convenient ATM locations, 24 hours availability of ATM services, the bank has a speedy service and the bank has an internet banking facility. This study suggesting that such factors should be considered seriously by the commercial banks in designing their marketing strategies.

The second objective is to examine the most and least important factors in determining bank selection among customer based on the factors' items. Findings also indicate that the most important items are bank has ATM facility and the least important is gifts for customer. By tailoring their marketing strategies to stress the factors' item, bank marketers may be better able to influence the target market segments dealt with in this study(Mokhlis, 2009).

The finding also indicate about the factors loading which explained that all the criteria are more than 0.4 that is good, so the conclusion for the research question is all the factors that are Reliability, Convenience, Assurance, Value Added Service, Accessibility, and Responsiveness are influencing the customer selection criteria. On a closing note, it should be noted that this research is clearly based on the people live in Kelantan and thus not represent the people in Malaysia as a whole. It would be interesting to examine the applicability of findings by conducting similar studies in other state or country.

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