

## **Bank Selection Criteria: Special Reference to Bank Customers in Ampara District**

***Maury. R***

BBA(Hons) Spl. in HRM(SEUSL), MBA<sub>(R)</sub> (SEUSL)

Assistant Lecturer, Department of Management, Faculty of Management and Commerce, South Eastern University of Sri Lanka

### **Abstract**

The most important financial institution having maximum contribution towards the economy of a country is bank. The economic stability of a country is directly related with the performance of banks. Banks survive by offering a large number of financial services to its customers. So, it is crucial for the banks to pay much attention towards its customers and also due to the presence of several alternatives in each and every aspect it is necessary for the customers to analyse them when they access banks. The study focuses on the criteria used by banking customers in selection of banks in Ampara district. Data were collected using self-administered questionnaires to a sample of 281 Banks customers in Ampara district. Their responses on the importance of eight different selection criteria were rated and analysed. Mean analysis is applied to rank the most important determinants of bank selection. The main results concluded that Quality of the service is the most important determinant that has influenced the customer's selection decision. Other factors perceived to be important include technology adoption, Privacy and confidentiality, convenient location, bank reputation and bank ownership. Friendly employees and recommendation by peers have less impact on the selection criteria.

Keywords: Bank, Criteria, Customers

### **1. Introduction**

It is crucial for the banks to identify the critical success factors for achieving sustainable competitive advantage and long-term survival. This forces banks to pay more attention on the products and services of them and identify the factors that drive customers continuously to them.

The health of the country is its financial system. Banks play an important role in enhancing the financial position of a country and enriches the economy through the adoption of marketing strategy. Banks in Sri Lanka generally provide services like cash deposits/withdrawal, cheque transactions, provides loans, credit and debit cards, insurance, e-banking, mobile banking, fulfil working capital, assist in policy implementation of Central bank of Sri Lanka etc. Banks are most important need for all the human beings to enhance their lives. In fact, many people hold more than one accounts in different banks. Banks may diverge a lot in terms of great quantity of parameters such as their brand name, use of up-to-date technology, environment of the bank, rapidity of service, promotion and marketing offers, variety of products and services, behaviour of employees, and cost of banking operations etc.

The products of the banks are relatively similar owing to the competitiveness in the banking industry. The competition existing in the banking industry often lead to unhealthy profits of the banks (Mokhlis, 2009). Understanding about the factors determining bank selection is much important for the banks as it helps in formulation of strategies for the purpose of attracting new customers and retaining the stand-up customers (Precious Ezech & Ireneus C. Nwaizugbo, 2016).

Diverse people use different criteria for choosing a bank for using numerous banking services. Sometimes, aspects like location of the branch, the timing of the branch, less minimum balance requirement and interest rates play a foremost role in the assortment of a bank by a person for opening an account or manipulating other banking services. Commendation of friends and relatives also act as a determining factor of banking selection. This study is an attempt to find out all such important factors which determine the process of selection of a bank by an individual.

## **2. Literature review**

Several researches have been conducted in the banking industry from time to time focusing on several different aspects. Banking industry is very competitive as it generates more income and attract many investors(Hinson, Owusu-Frimpong and Dash, 2009). In order to improve their performance, it is vital for the banks to analyse the trends and changes among customers. Here the research focuses on the variables that serve as a criteria for banking customers for the selection of banks. Numerous literatures are available to support the factors determining the selection of banks.

The study of Nkamnebe et al. (2014) concluded that financial stability of the banks, availability of ATM, Distance, infrastructure of the banks were the factors that determined the selection of banks. The research conducted by Narteh and Owusu-Frimpong (2011) in Ghana conclude that brand reputation, attitudes of the staffs, delivery of service technology related factors influence high in the selection of banks. Service quality, convenience, price was observed to be the most significant factors among the customers during the process to select banks in Pakistan (Zulfiqar et al, 2014). The study of Thanh (2013) in Vietnam derived that the conduct of staffs, value of core services, convenience and tangibles dominated the selection of banks.

Hinson et al.(2013) found that convenience is the most significant variable in selecting banks. The study of Almossawi (2001) have concluded that convenience, locations of ATM, reputation of the bank, 24/7 availability of ATM services and parking facilities nearby are some of the factors determining the selection of bank among the banking customers. Further Salih Turan Katircioglu, Mustafa Tumer and Ceyhun Kılinc (2011) in his attempt to identify the criteria the people use for the selection of banks have concluded that the significant factors influencing on it were number of ATM and branch office, availability of telephone and e-banking, attention towards customers, reputation of the bank, confidentiality of customer records, presentable appearance of the staffs.

The study of Sayani and Miniaoui (2013) conducted in United Arabic Emirates concluded bank selection highly depend on the reputation of bank and expectations on profit. Quality services, innovation, behaviour of staff and attitude and price highly influence on customers to choose their banks (Hedayatnia and Eshghi, 2011). The research conducted by Binuyo and Aregbeshola (2015) in a comparative study of Nigeria and South Africa revealed that socio-economic and demographic characteristics impact on the selection of a bank and product. It included variables such as age, gender, income, education and employment status.Superior customer services, rapid quality services, image of the bank, online banking and bank management were observed to be the significant selection factors for Private Commercial Bank customers in Bangladesh (Siddique, 2012). Youngsters are much interested in dealing with the banks with more technical devices like ATM in Nigeria (Ogbuji et al.,2011).

Reliability, convenience, value added services, assurance, accessibility and responsiveness were the critical factors impacting on the selection of banks among MBA students in India (Rao and Sharma (2010). And also, it is the accountability of the banks to build up a good brand image, because most of the customers prefer to maintain accounts in reputed banks. Further it was corroborated by Iruka and Igwe (2010) whose study resulted in the findings as reputed brand image leads to a positive picture among the banking customers.Customers prefer the banks with the qualities like reasonable service charge, proximity and the convenience of ATM (Khaitbaeva, Al-Subaiey, &Enyinda, 2014).Here the study focuses on Quality of services provided, Convenient

location, Recommendation by peers, Bank reputation, Friendly employees, Technology adoption, Privacy and confidentiality and Bank ownerships the variables for the selection of banks among banking customers in Ampara district.

### 3. Motivation for the study

Due to the increase in the competition in the banking industry, it has become important to find out the answer how the customer chooses banking service. So, it is intended to analyse the important factor associated with decision regarding banking service by people as well as in order to gain competitive advantage and sustain in the industry it is vital for the banks to discover the critical success factors that attracts customers towards them. Further due to lack of studies carried out in the area of Ampara district related to this issue, it is intended to measure the criteria used by banking customers in Ampara district.

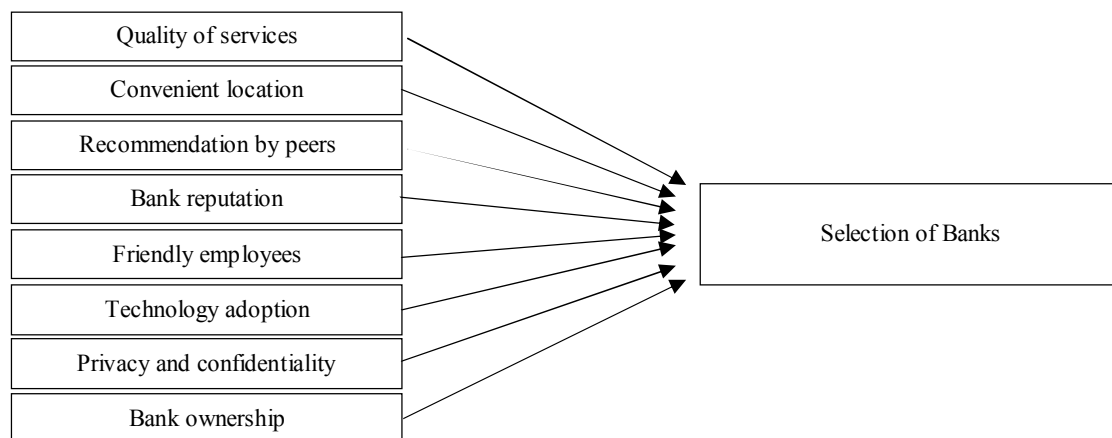
### 4. Objectives of the study

The objectives of the study are:

- To determine the criteria used in the selection by banks customers in Ampara district.
- To establish the rank of importance of criteria used for the selection of banks in Ampara district.
- To recommend strategies for banks based on the needs and wants of banking customers in Ampara district.

### 5. Conceptual framework

The conceptual framework for the study is as follows:



Source: Researcher's Construction (2020)

**Quality of service:** the degree to which the bank satisfies the customers than of its competitors by delivering promised services.

**Convenient location:** The location of the bank should be closer to the residence or the workplace so that the customers feel convenient to visit the bank.

**Recommendation by peers:** The criticisms and opinions about the bank through reviews and comments which in turn shape attitudes and behaviours of other potential customers.

**Bank reputation:** The goodwill and the brand positioning the bank holds in the banking industry among the customers.

**Friendly employees:** The staff who serves to customer should be friendly and have better communication skill to distinguish the necessity of the customer and please them.

**Technology adoption:** The expansion of ATM, mobile banking, internet banking etc. is owing to rise in the service efficacy which unswervingly affects the consummation level of banking customer.

**Privacy and confidentiality:** The degree to which the personal information including the financial position is confidentially kept and maintained in the bank.

**Bank ownership:** The nature of the ownership whether the bank is a state bank or private bank.

## 6. Methodology

The study was conducted among several customers of different banks in Ampara District. In order to identify the criteria determining the selection of banks. A quantitative research method using descriptive statistic is used. The target population of the research is the banking customers in Ampara district. Convenient sampling technique is used to collect the data. Questionnaires were used to collect the data. The first part of the questionnaire comprises demographic details of the respondents and the second part includes the statements related to the selected variables. Validity and reliability of the questionnaires were checked, and Primary data were collected through the distribution of structured questionnaires to the respondents using five-point Likert scale. 376 questionnaires were distributed among the target population and 302 were collected back and among that 281 were completed acceptably and used for the analysis.

## 7. Results and findings

The summary of demographical characteristics for bank customers is depicted in Table 1. Majority of the respondents are males around 61.9%. most of the respondents are youngsters where few respondents use banking services after 60 years. Undergraduates and graduates are highly involved accessing bank services followed by school and postgraduate qualifications. Public sector employees are receiving the banking services highly. Majority of the respondents are experiencing banking services around 4 to 6 years.

Table 1 - Respondents' Demographic Details

Demographic variables	Frequency	Percentage
Gender		
Male	174	61.9%
Female	107	38.1%
Age		
Less than 20 years	37	13.2%
21 – 30 years	66	23.4%
31 – 40 years	57	20.3%
41 – 50 years	57	20.3%
51 – 60 years	55	19.6%
More than 60 years	09	3.2%
Education		
School	59	21%
Undergraduate	65	23.1%
Diploma	32	11.4%
Graduate	65	23.1%
Postgraduate	44	15.7%
Doctorate	16	5.7%
Occupation		
Public sector	96	34.2%
Private sector	49	17.4%
Retired	13	4.6%
Student	44	15.7%
Self-employed	48	17.1%
Unemployed	31	11%
Banking experience		
Less than one year	45	16%
1 – 3 years	44	15.7%

4 – 6 years	101	35.9%
6 – 10 years	59	21%
More than 10 years	32	11.4%

The table 2 shows the ranking of the variables in an ascending order based on the mean value obtained from the responses of respondents. According to the table, banking customers give more priority for the Quality of services offered by the bank as it has earned more mean value. Further other significant factors are Technology adoption, Privacy and confidentiality, Convenient location, Bank reputation, Bank ownership, Friendly employees and Recommendation by peers respectively.

Table 2 – Factor Ranking

Variables	Mean	Standard Deviation	Rank
Quality of services	4.88	0.1710	1
Technology adoption	4.50	0.1665	2
Privacy and confidentiality	3.99	0.1607	3
Convenient location	3.71	0.1705	4
Bank reputation	3.47	0.1219	5
Bank ownership	3.22	0.1806	6
Friendly employees	2.88	0.4932	7
Recommendation by peers	2.72	0.3217	8

## 8. Recommendation

The findings have revealed that banking customers choose their banks based on Quality of services, Technology adoption, Privacy and confidentiality, Convenient location, Bank reputation, Bank ownership, Friendly employees and Recommendation by peers respectively. Based on the findings of the study followings are some strategies recommended for the banks to attract new and retain existing customers.

- Adoption of Drive-through video teller devices. It provides a platform for the customers to interact face to face with their teller. Such update on financial technology can enhance the service quality as well as the attraction of new customers.
- Personalize customer experiences by maintaining a proper client base and individualized customer experience through prioritizing high touch customers and members, individualizing customer interactions based on their preferences, delivering information to customer based on their prior behaviour and recent transactions, introducing CRM, lead scoring, robust email marketing, and ROI reporting in the marketing automation effect.
- Promote virtual banking by making the presence of online consultants and clients to enable their contact with bank via the integration of popular messaging apps like Facebook, messenger or WeChat, using biometric facial recognition and the use of modern onboarding technology.
- Execute tailored marketing campaigns such as click campaigns, customized e-mail campaigns to increase customer awareness, reinforce brand integrity, promoting CRM for banking etc.
- Build up several the branches and the ATM to provide more exposure to the public to induce the usage.
- Create a good brand image among the customers through the provision of extra ordinary service delivery and promotion activities like sponsoring in the areas where the preference for the bank is less.
- Provide training or educate the employees on the importance of handling and dealing with the customers, most specially the front-line employees as they highly expose the image of the organization.

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