

Factors Determining the Bank Selection Criteria of Consumers: A Banking Customers Survey

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Abstract

The Indian banks are laying the groundwork for financial inclusion or opening financial services to everyone. Banks are working as a pillar for sustainable growth due to the expanding economy. The ability of banks to draw in and keep customers these days is a challenge. Due to the proliferation of financial institutions, customers now have many options. They are worried about the worth of their goods and services. It identifies those criteria that have grown to be essential in influencing the decision. The results demonstrate that accessibility, which includes ATM availability, convenient ATM locations, round-the-clock ATM service, and quick ATM transactions, is a crucial selection consideration. Additional elements, such as dependability, responsiveness, value-added service, convenience, and assurance, have also gained significance. Many aspects, including reputation, technology, branch accessibility, appearance, word-of-mouth, customer services, price, and facilities, were found using exploratory factor analysis. The customers carefully considered these considerations, putting the criteria for choosing a bank first. The sample size of the study was 187 respondents. The data analysis was performed with the help of t-test and mean.

Keywords- Financial inclusion, Proliferation, Bank selection criteria, Customer perspective, ATM service, Sustainable growth.

INTRODUCTION

The consumer is critical in driving up demand for various goods and services in growing economies. Client retention is crucial for all businesses, but it is especially essential for financial assistance. Banks confront fierce competition from other banks, non-banking financial institutions, and other financial intermediaries. The management of banks must acknowledge and expand every service that influences consumer decisions. Because banks must enhance business turnover and profitability, customer retention is a need.

The contentment of current clients results in more services being provided at lower operational costs, which more directly leads to a rise in a bank's earnings. As a result, maintaining customers' business depends on their happiness. Consumer perception of the banking services received at the bank influences whether a customer is satisfied. Research has been approved to examine the factors affecting how customers perceive banking services (Kaur & Arora, 2019). These studies have substantially contributed to the body of knowledge on how clients select a bank for various banking services. The research outcomes can differ based on cultural, regional, economic, and legal views. According to the currently available literature, a substantial amount of research has been done to examine the factors consumers of all types should consider when choosing a bank. Commercial banks, both private and nationalized banks, have been offering a range of services to draw clients for business expansion on the one hand and to broaden clientele networks on the other (Oluwaseyitan et al., 2018). Knowing the selection criteria and elements consumers use can help banks identify the most effective marketing strategy to attract new customers and keep existing ones. Better knowledge of a bank's banking services boosts customer preference and further improves quality, efficiency of services, and cost-effectiveness.

In order to develop on such lines in the increasingly competitive environment, banks must obtain more information about their clients to understand their preferences, priorities, and types of services and products. In India, there are both

public and private sector banks, which function differently (Agarwal, 2016). Customers of banks have a wide range of options for selecting a bank based on convenience, facility types, and overall service effectiveness at a reasonable price. Understanding the criteria individuals use to select a bank may assist the bank in determining and developing the optimal marketing plan to draw in new consumers while retaining existing ones. In this study, an effort has been made to examine the variables customers in India consider while choosing a bank. The critical consideration while choosing a bank has been to focus on providing the consumer with good and quality service (Martin, 2014). By concentrating on these elements, banks will better position themselves in the market and satisfy their current and potential clients. Studying "Factors Affecting Consumer Criteria for Choosing a Bank" will help bank managers understand the most important things to remember as they work to increase the overall level of quality services, which will keep customers happy and boost performance.

LITERATURE OF REVIEW

Htaya et al. (2014) found that the significant repercussions of the study are felt in both theory and practice. Theoretically, the study will support subsequent research to close a significant vacuum in the literature about Bangladeshi clients' bank choosing criteria. This study has provided fresh empirical evidence to show how the Theory of Constraints (TOC) may be used in the banking sector to draw in, keep, and grow lifetime value from valuable customers. In conclusion, the findings of this study can be used as a partial body of knowledge in experiments and types of literature relevant to bank marketing. Conversely, this research can help bank management and authorities classify the essential elements influencing customers' choices.

Ta et al. (2000) said the study aimed to identify the relevant elements Sudanese bank clients felt were crucial in choosing their bank. The main conclusion of the study is that the command and control effectiveness of the bank in terms of Loyalty and Arrangements, Privacy and Confidentiality, Performance in Conducting Business, Efficiency of Dealing With customers, and the polite and responsive Attitude of Staff significantly influences customers' decisions about which bank to use (**Paul, Mittal & Srivastav, 2016**). This finding is consistent with earlier studies of a similar nature. To draw in and keep bank customers, bankers should consider these variables when developing their marketing strategy and corporate policies.

Ali et al. (2021) found that banking is the most well-known and fiercely competitive industry. Several banks strive to outperform their rivals by offering consumers effective services. This study analyzes the variables influencing customers' choice of bank services in the big town. The researcher made an effort to study several elements that customers take into account while choosing bank services. This study can assist bankers in determining the key elements that clients view as crucial when choosing a bank and can serve as a guide for banks as they develop their long-term plans in a cutthroat market. According Gupta & Mittal (2012), various kinds of banks like Commercial Bank, Nib Bank, and United Bank are the three banks that clients most frequently choose.

Akinci et al. (2004) discovered that current banks could use the study's findings to strengthen their competitiveness and strategy and satisfy consumers' expectations. This study also informs other regional banks about future branch openings and expansion. The top five demands that various customers have for banks should be considered by those institutions, including adding more ATMs, offering effective services to meet those needs, emphasizing brand recognition, maintaining financial stability, and maintaining customer privacy. However, carrying out a study on tiny islands and small villages, with their sparsely populated area, differs from carrying out a similar study elsewhere in the world.

Aldlaigan and Buttle (2005) found that the research significantly contributes to the body of knowledge already in existence and the literature on the variables that affect a customer's decision to choose a commercial bank, where empirical studies are nearly nonexistent. The reliability of a bank is the main factor affecting a customer's decision, according to a study conclusion. This element comprises ATM facilities, several branches, a reputable brand name, rapid and efficient service, and security measures.

Srivastav and Mittal (2016) also found that the least taken into-account factor is bank responsiveness, which includes client organizations utilizing that bank, the accessible location, the availability of internet/online banking, the

availability of phone banking, and the provision of dependable customer service. The understanding of the factor analysis showed that convenience and dependability are the critical criteria for choosing a bank.

Babakus et al. (2004) found that the study's results can aid bank professionals in determining the key elements that clients may consider when choosing a bank. Giving insight into this issue can aid banks in determining the most effective marketing tactics required to draw in and keep consumers. So, it is advised that bank managers use these criteria as guidance in their future planning in order to get a competitive advantage. Future studies might examine other groups of people, such as college students or bank customers from other states, who could behave differently while making selections. This research is restricted to the visiting clients of banks, a particular market sector. Intriguing results should come from future study examining bank patronage behaviour according to gender, age, and across different Sudanese states.

Sharma & Rao (2010) told the results of this study show that accessibility is the main aspect that influences customers' decisions about banks. This element includes a number of components, including the bank's ATM capability, convenient locations of ATMs, availability of ATM services around-the-clock, quick service from the bank, and availability of internet banking. According to this study, commercial banks should take these elements seriously when developing their marketing strategy. The research question's conclusion is that all the factors, including dependability, convenience, assurance, value-added service, accessibility, and responsiveness, influence the customer selection criteria. The findings also show that the factors load, which explains why all the criteria are more, is good.

Devlin J, Gerrard P. (2005) showed the purpose of the work is to examine bank selection criteria used by undergraduate students and to examine how consistent the results of this study are when compared to previous research. This study's theoretical contribution comprises highlighting bank selection criteria for prospective youthful clients in the southern part of the world. As a result, this study's findings add to already existing knowledge and can serve as a foundation for more research. From the standpoint of the management implications, this study can assist bank practitioners in identifying the key elements that may influence young consumers' judgments about which bank to choose. Providing insight into occurrences will help banks decide the appropriate marketing strategies needed to attract and retain customers.

Rehman and Ahmed (2008) showed the study looks on bank clients' selection criteria. It also demonstrated that the availability of numerous ATMs, cell phone and online payments, individualised customer care, the image and reputation of the banks, the data protection of the treasury for customer records, the staff's appearance in order to be aesthetically pleasing, and the amount of branches located across the nation are the most crucial factors that people focus on. People pay little attention to bank rewards, swift and efficient service, mass media advertising, and recommendations from people in their neighbourhood, according to the survey's findings. Finally, big cities and income levels are statistically different when it comes to bank selection criteria.

Objectives

1. To identify the factors determining bank selection criteria of customers.
2. To ascertain different elements that determine selection of banking by customers.

Methodology

Nature of study is empirical. 187 participants were included in study. Questionnaire was structured in nature to collect data. To ascertain result of Mean and t-test applied. Method of sampling was convenience sampling.

Demographic Result

Table 1 displays gender of participants, male are 58.82%, and female are 41.18%. Age of participants is, 26 to 29 years are 27.28%, 29 to 33 years are 39.04%, and Above 33 years are 33.68%. With regards to Educational Level, below graduation are 30.48%, Graduates are 32.62%, and Post graduates are 36.90%. Looking at the regions, rural regions are 55.61%, and urban regions are 44.39%.

Table1. Demographic Details of participants

Variable	No. of participants	%
Gender		
Males	110	58.82%
Females	77	41.18%
Total	187	100 %
Age		
26 - 29 years	51	27.28%
29 – 33 years	73	39.04%
Above 33 years	63	33.68%
Total	187	100 %
Educational Level		
Below Graduation	57	30.48%
Graduates	61	32.62%
Post Graduates	69	36.90%
Total	187	100 %
Regions		
Rural regions	104	55.61%
Urban regions	83	44.39%
Total	187	100 %

Table2. Factors determining selection of Bank by Customers

Sr. No.	Statement of Survey	Mean Values	T-Values	Significance.
1.	Accessibility provided by bank like ATM services, its locations,	4.33	18.507	0.000

	and 24x7 services			
2.	Types and categories of services provided by bank is also selection criteria by customers while choosing a bank	4.13	15.824	0.000
3.	Quality of services provided by banks is highly important for customers to choose a bank	4.19	16.929	0.000
4.	Privacy and confidentiality agreements provided by banks is essential criteria that make customers choose between different banks	4.00	13.939	0.000
5.	Polite and responsive attitude of bank employees to customers attract them towards banks	4.10	15.585	0.000
6.	Financial stability of banks is another important element that help customers to choose between different banks in market	4.21	16.855	0.000
7.	Reputable brand name is important for customers while choosing a bank for themselves and to become their customers	4.27	17.858	0.000
8.	Customers also look for rewards, efficient and effective services while choosing a bank	3.17	2.401	0.009
9.	Accessibility of branch is important while choosing a bank by customers	3.13	1.814	0.036
10.	Technology adoption by bank is important to attract customers towards themselves	4.07	15.192	0.000

Table 2 shows mean values of the “Factors determining selection of Bank by Customers” the first statements of T-test is One of the major factor that determine bank selection is the accessibility provided by bank like ATM services, its locations, and 24x7 services (mean value 4.33), next statement is about types of services, Types and categories of services provided by bank is also selection criteria by customers while choosing a bank (mean value 4.13), Quality of services provided by banks is highly important for customers to choose a bank (mean value 4.19), Privacy and confidentiality agreements provided by banks is essential criteria that make customers choose between different banks (mean value 4.00), another statement is about behavior and attitude of bank employees towards customers, Polite and responsive attitude of bank employees to customers attract them towards banks (mean value 4.10), Financial stability of banks is another important element that help customers to choose between different banks in market (mean value 4.21), Reputable brand name is important for customers while choosing a bank for themselves and to become their customers (mean 4.27), Customers also look for rewards, efficient and effective services while choosing a bank (mean value 3.17), Accessibility of branch is important while choosing a bank by customers (mean value 3.13), Technology adoption by bank is important to attract customers towards themselves (mean 4.07). T-value of survey statements with regards to Factors determining selection of Bank by Customers are significant as t-value of statement is positively significant as the value is less than 0.05.

CONCLUSION

The survey is being done to find out what factors Indian consumers use to choose their banks. According to the study's findings, people choose a bank based on aspects such as Reputation & Technology, Branch accessibility, Appearance & word of mouth, Customer services, Pricing & cost, and Amenities. Customers have specific criteria to consider whether

choosing a public sector bank or a private sector bank. The executive leadership of the bank will benefit from the assessment of the aspects that customers take into account when selecting a bank in establishing suitable marketing strategies to entice new customers and keep existing ones. Furthermore, given the fierce competition in the banking sector, this kind of studies can give businesses a competitive advantage over their rivals. The study's findings also suggest that the bank should lower its rate on loan base in order to compete with other banks. Banks should increase their presence in more places for the convenience of their clients. They ought to start an awareness campaign and employ additional publicity strategies. However, the study has certain limitations. For example, a larger sample size may have been used. Second, a comparison study between the northern and southern regions can be done to examine how the selection criteria differ according to geographical locations. T-value of every statement in the context of Factors determining selection of Bank by Customers is significant because t-value statements are found to be positive and significance value also less than 0.05.

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