

Prioritizing Factors In The Selection Of A Bank By The Customer

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Abstract:

The Indian banking industry is paving the way to the digitalization of customer services. The customers have more choices in choosing their banks to meet out their expectations. Intoday's competitive environment banks attract more customers to provide efficient services based on their need. Due to the technological development bank customers expect more on banking services. This paper focus on the factors prioritized by the 'customers' for selection of the bank and expectation level of the customers toward services offered by the banks. Convenience sampling technique was applied to collect the data from the customers of the banks and the sample size was determined as 400. The data were collected and analysed with various tools like anova, t-test and Friedman comparison test to study the expectations and the priorities in which it is expected.

Keywords: expectation, service dimension, selection, customer, banking

Introduction:

A bank is a financial institution providing banking and financial services to its customers. A bank is naturally understood as an institution providing core banking services such as accepting deposits and providing loans. The banking system in India not only friction free but it should be able to meet the new opportunities and challenges opened up by the technology and other external and internal factors. The Banks are the important role players in the financial system in India. The Banking sector offers presents with service facilities and opportunities for the customers.

Banks plays prominent and active role in the economic development of a country. Banking systems of a country has to be relevant, fruitful and disciplined because it brings about progressive growth in various sectors. The customers are able to select their banker from different banks offering range of services and delivering with quality. Banking industry is fast growing with the use of technology in the form of ATMs, on-line banking, Telephone banking, Mobile banking etc. Kanhaiya sing(2018) found that digital banking has been more benefit for the customers under the financial inclusion and there is a scope for further improvement the use of digital banking system in these unbanked areas. Rishabh Adukia (2018), advancement in technology, more process will be automated lead to lesser requirement of physical facilities of banks and in the future it will help in increase the overall profitability of the banks.

Banking is an activity which involves acceptance of deposits for the purpose of lending or investing. In addition to deposits acceptance and lending that money deposited,

banking involves in providing various other services to customers along with its main banking activity. These are mainly agency services, but include several general services as well.

Services offered by banks

The basic type of services offered by a bank depends upon the type of bank and the country in which it operates, services provided usually include:

- Accepting deposits from their customers and providing current accounts and savings accounts to individuals and businesses
- Increase loans to individuals and businesses
- Cashing cheques
- Promote money transactions
- Distributing Credit , ATM, and Debit cards
- Consumer & commercial financial advisory services
- Retirement and Pension benefit planning

Service:

Service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solutions to customer problems (Gronroos,1984).According to Lovelock(2001) service is an act or performance offered by one person to another. The process may be connected to a physical product but the performance is necessarily intangible and does not result in ownership of any of the factors of production.Rohit Verma(2001), Services are inherently multifunctional in nature, operations, marketing, technology, and human issues are intimately connected to each other.

Review of Literature:

Customers can be segmented on two major proportions of service quality performance and convenience in financial institutions. Customer satisfaction will depend on the delivery of these primary benefits. Gordon H.G. Mc Dougall et al., (1994).The nature of relationship depends largely on co-operation, closeness, the economic, technical, legal, social environment and social exchange between banks and corporate clients. This study also investigated the major criteria that can be used for the selection of lead banks by corporations. The result has shown that confidence and trust, price competitiveness on loans, adaptations and speed of bank decisions were the decisive criteria as the most important factors for corporations in the choice of their bank. Mosad Zineldin(1995).The influences of two dimensions viz., tangibles and responsiveness on service quality vary with equipment based firm , an entertainment park, people based firm an aerobic school , and an investment consulting firm. The variables used for this study are tangibility, reliability, responsiveness, assurance and empathy. It found that tangible appeared to be more essential factor in the facility / equipment based industries, responsiveness is more essential factor in the people based industries. Haksik lee (2000). The private sector bank is doing fairly well in credibility, access, communication, understanding the consumer, tangible, reliability, responsiveness, competence and courtesy these values are better in private banks than public sector banks. The only parameter in which the public sector bank is leading is 'security'. Public sector bank

still commands the trust of the customers and they believe that the public sector banks are more secure for their money. Jaskaran Singh Dhillon et al., (2003).

Mukherjee, A. et al., (2003), have analyzed the linkage between resource, service quality and performance for measuring the effectiveness of banking services. To study the customers of 27 Indian public sector bank branches, on the basis of area sampling was used to select the bank branches and non probabilistic systematic sampling was used to select the customers. It was found that almost 70 percent of the Indian public sector banks are inefficient in utilizing their infrastructure, human resource, and other capabilities for optimal service delivery. The service quality gaps in the aspect of responsiveness, reliability and empathy are significant and high precedence items in the customers list. Tangible features alone cannot solve customer dissatisfaction. The variables are trust, commitment, customer satisfaction, behavioural loyalty and random sampling was employed. It was found that the department of loan, deposit, credit card has positive significant influence on customer satisfaction. Chung Ju Liang et al.,(2004). In improving bank's performances, bank management are driven to identify the services to improve on status, number of branches, customers who are affluent, so that satisfaction level can be enhanced. Bobby Boon- Hui Chai, et al.(2016).

Peter Kangis, et. al.(1997) revealed that understanding of services given and its effect on perception and expectations of customers on quality banking. It found that customer's who were aware of banking charges, perceived receiving a higher quality service than those who were not aware. Johanna Gummerus, et. al., (2004) trust was found to be the strongest predictor of customer satisfaction mediating the effect of online quality. Nor Asiahomar et. al., (2009) found that satisfaction as the most important dimension of trust than perceived service quality. Andreas B. Eisingerich, et. al., (2008) customer education has a significant, direct, and positive effect on customer trust. Most significant service quality factor of banks is personal attention to the clients followed by transparent records, protection in transaction, and concrete physical facilities of the bank. The perceived service quality factors have strong impact on the overall service quality of the bank. (Nazrul Islam et. al.,1999). Ayfer Basar(2014), number of branches with different and variety of service facilities to be offered to customers with different expectations thus saving operating costs with increased efficiency. HasinulH. Siddique(2012) for determining selection for a particular bank findings disclosed that males and females have distinct priorities and Indian expatriates consider technology and convenience as very crucial.

Objectives:

1. To identify the factors influencing the predictors of bank selection.
2. To analyse the priority given by the respondents towards bank facilities
3. To find the difference in perception and expectation of tangibility.

Hypothesis:

1. There is no significant influence on perception of service and facilities of the bank.
2. There is no difference in the perception and expectation factors regarding tangibility.
3. There is no significant difference in the priority level of bank facilities

Methodology:

This study is descriptive in nature. Primary data were collected by the questionnaire. The questionnaire consists of ten service quality dimensions with 32 statements (parasuraman and zeithmal, 1985) expectation of bank customers and priorities given by the respondents were analysed. Sample size was determined as 400. Keeping non- response in mind 426 questionnaire were distributed among private and public sector banks customers respectively. Convenience sampling technique was used to collect the data from the customers of the banks.

Secondary data have been collected from journals, magazines, bulletins and internet sources. Statistical tools used for the study includes Regression Analysis, t-test, Friedman’s multiple comparison test.

Analysis Results and discussion:

In order to answer the research objective one multiple linear regression test was applied. The calculated t-value and Beta value were displayed in the table -1.

Table 1.Importance Level and Perception of Service

Model	R	R Square	Adjusted R Square	Standard error of the Estimate	F	p
1	0.659	0.434	0.425	0.72494	45.198	0.001

Perception	B	Standard error	Beta	t	p
Constant	1.435	0.261		5.494	0.001*
X ₁ . Tangibility	0.039	0.041	0.039	0.950	0.343 (NS)
X ₂ . Reliability	-0.007	0.050	-0.007	-0.141	0.888 (NS)
X ₃ . Responsiveness	0.133	0.027	0.185	4.894	0.001*
X ₄ . Assurance	0.210	0.042	0.198	5.016	0.001*
X ₅ . Understanding consumer	0.053	0.022	0.084	2.422	0.016**

X ₆ . Access	0.046	0.043	0.043	1.053	0.293 (NS)
X ₇ . Communication	0.036	0.042	-0.044	-0.850	0.395 (NS)
X ₈ . Competence	0.036	0.047	0.041	0.769	0.442 (NS)
X ₉ . Courtesy	0.087	0.041	0.107	2.132	0.033**
X ₁₀ . Security	0.274	0.045	0.294	6.151	0.001*

Source : Primary data computed, * significant at 1 percent level,** significant at 5 percent level, NS - Non Significant

Ho: There is significant influence on perception dimension and priority given for the facilities of the bank.

Here, the importance given by the respondents towards facilities extended in the bank is considered as dependent variable and the service level perceived as variable. From the regression model it has been noted that the perceptions dimension are significantly influences the priorities given for the facilities extend in a bank. From the adjusted R² value, it is inferred that the perception dimension has influenced at 43.8 percent level which is significant at one percent level. Hence the hypothesis is rejected.

The influencing factors of the priority given by the respondents to the facilities extended by bank is expressed by the equation

$$\text{Weight age on priority} = 1.434 + 0.133X_3 + 0.210X_4 + 0.053X_5 + 0.087X_9 + 0.274X_{10}$$

The equation explained that responsiveness, assurance, understanding consumer, courtesy and security have a positive impact on the priority on given to respondent towards the bank. From the results it has been identified that weight age criteria are significantly influenced by perception dimension. Security, assurance are the strongest predictors on weight age criteria. But, tangibility and reliability were the two variables which were highly expected. But, these two variables did not enter as predictors while considering the perception of service variables. It is clear that expectations of consumers are not met.

Table 2: Perception and Expectation of Tangibility

Sl.No.	Factors	Perception		Expectation		Mean Difference	t	p
		Mean	SD	Mean	SD			
1.	Up-to date Equipment	5.6733	1.17	6.0517	1.04282	-0.3784	7.417	0.001*
2.	Physical Facilities visually appealing	5.5450	1.152	5.8717	1.12	-0.3267	6.301	0.001*
3.	Employees well dressed & appear neat	5.4867	1.229	5.8767	1.078	-0.39	6.996	0.001*
4.	Communication material	5.408	1.321	5.7917	1.296	-0.3837	6.765	0.001*

Source: Primary data computed, * significant at 1 percent level

H₀: There is no significant difference in the perception and expectation factors regarding tangibility.

In order to answer the research objective two, t- test was applied. The calculated t-value and p-value displayed in the above table.

The respondents are expected towards up-to- date equipment with the mean score of 6.05 which is high but the respondents perceived mean score is 5.67 which is moderate. The mean difference indicates there is variation between expectation and perception towards up-to date equipment. ‘p’ value is 0.001 and so the null hypothesis is rejected.

From the ‘P’ value it is also confirmed that the respondents are significantly differed with perception and expectation. The respondents are expected toward employees to be well dressed and appear neat with mean score is 5.87 which is high but the respondents perceived mean score is 5.48 which in comparatively low than expectations.

There is variation between perception and expectation towards employees well dressed and appear neat. ‘p’ value is 0.001 and so the null hypothesis is rejected. The ‘P’ value indicates the respondents are significantly differed with perception and expectation. Purohit H.C et. al.,(2007) found that the perception of the consumers on different banks may differ due to the behaviour of the individual employees.

The respondents’ expectation and perception mean difference towards appearance of the physical facilities are visually appealing. The ‘P’ value shows the respondents are significantly differed with perception and expectation. The respondents are expected towards keeping the type of services provided mean score is 5.79 which in moderate but the perceived

mean score is 5.40 which is comparatively low than expectation. There is difference between perception and expectation towards keeping the type of services provide. P-value is 0.001 and so the null hypothesis Ho is rejected. The p- value shows the respondents are significantly differed with perception and expectation.

Table 3: Priority given by the Respondents towards the Bank’s

Priorities	Mean	Standard Deviation	Friedman’s Mean Rank	Friedman’s X ² Value	p	Friedman’s Multiple Comparison Test
1. Safety	6.4417	1.15129	5.73	189.114	0.001*	1,2,3,4,5,6 (First Group)
2. Overall Service	6.1700	1.54329	5.32			
3. Loan Facilities	6.2650	1.26125	5.31			
4. Good assistance and guidance	6.1467	1.42895	5.14			
5. Interest Rate	6.1117	1.37198	4.90			
6. Convenience	6.0867	1.30076	4.76			
7. Speedy Service	6.0950	1.30082	4.71			7,8,9 (Second Group)
8. Wide range of products	5.9967	1.36984	4.59			
9. Easier to open an account	5.9983	1.39580	4.54			

Source : Primary data computed, * significant at 1 percent level

The respondents are asked to indicate the priority given to the facilities by the banks is displayed in the table 3. The mean scores and standard deviation values are calculated for all the facilities.

The calculated mean value lies from 5.99 to 6.44. The value shows that the respondents have given priority for all the facilities extended by banks.

H₁: There is no significant difference in the priority level of bank facilities.

Friedman’s test is applied to know the intensity level of the respondents towards bank’s facilities. The Friedman’s chi- square value (189.114) express that the respondent's priority is significantly varied as the p- value is significant at one percent level. The null hypothesis Ho is rejected. so, there is difference in the priority level of bank facilities.

Friedman's multiple comparison test is applied to identify the highest priority of bank facilities. The Friedman's test mean value rank ranges from 4.54 to 5.73. From the test result the facilities of the bank fall in two groups; safety, overall service, loan facilities, good assistance and guidance, interest rate, and convenience fall in the first group. Speedy service, wide range of products and easier to open an account fall in second group. Jaskaran singh Dhillon et. al., (2003) Public sector bank still commands the trust of the customers and they believe that the public sector banks are more secure for their money.

Findings:

1. Responsiveness, assurance, understanding consumer, courtesy, and security have positive impact on the priority towards the bank.
2. The mean difference indicates there is difference between expectation and perception towards up-to date equipment.
3. Difference between perception and expectation towards employees well dressed and appear neat.
4. Safety, overall service, loan facilities, good assistance and guidance, interest rate, and convenience fall in the first group. Speedy service, wide range of products and easier to open an account fall in second group.
5. The dimensions reliability, responsiveness, access, security, courtesy and tangibility. So, these service dimensions influence the importance given to the selection of Bank.

Suggestions:

1. Safe and secured transactions and confidentiality levels were not met by the banks as expected by their customers. These are very important and their core feature is essentially to be ensured to the customers.
2. Service dimensions are very much expected by elders. Banks can pay more attention to elders to meet their expectation.
3. While targeting educated segment banks can focus the theme "Responsiveness" of employees to attract.

Managerial Implications:

The competition in banks is paving the way for better services implementing technology changes in the industry, wider choices with secured benefits. Being customer as a king, the banks needs to keep in tune with competition of public sector and private sector participations. This updating and quality of services will ultimately benefit the customer and help the banks to survive with growth in the long run.

Conclusion:

The banks are main participants of the financial system in India. This paper studied various services offered by banks. The weight age criteria are significantly influenced by perception dimension. The respondent's expectation and perception are more on up to-date updating of technologies by banks. Security, assurance are the strongest predictors on weight age criteria. Responsiveness, assurance, understanding consumer, courtesy, and security have positive impact on the priority. The customer's given more priority to safety of the banks. The banks have to concentrate and improve their services to attract new customers and retain existing customers of the banks.

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