

Factors Influencing Consumer's Choice of a Bank: Empirical Investigation ...

Factors Influencing Consumer's Choice of a Bank: Empirical Investigation from Nawabshah, Sindh

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Received on: 03-07-2022

Accepted on: 05-08-2022

Abstract

The objective of this study is to understand the factors that have an effect on consumer choice of bank. Primary data has been collected from 103 respondents using a closed-ended questionnaire based on a 5-point Likert scale using a purposive sampling technique. The results show that three factors "security" "service quality" and "brand image" are significant whereas "convenience" and "price and cost" were found to be insignificant. The banking sector in Nawabshah need to consider providing convenience and curtailing its cost for consumers

Keywords: Banking choice, consumer, factors affecting, purposive sampling

JEL: C12; E50; G20

1. Introduction

Background of the study

In banking, success would be one who is oriented to understanding consumer behaviour (Safakli, 2008) Consumers are more concerned with the value of money with having the option to choose (Ntaganzwa & K. Mung'atu, 2014), Customer satisfaction and loyalty are the important factors for the success (Abdalla & F. Mansour, 2018) sustaining loyalty of consumers will help achieve competitive advantage (Abdalla & F. Mansour, 2018). Extensive research has been carried out in the market with respect to understanding the behaviour of consumers buying certain products in multiple disciplines. The banking sector in Pakistan is vast consisting of 32 banks in a total of which 4 banks are public sector and the remaining 22 are scheduled banks operating. Every bank offers its consumers a variety of financial services like credit cards, loan facilities, saving accounts, current accounts, and others. Implementation (Siddique, 2012) of technology in banks has made banking sector more competitive as now the consumer has more choices to select for his bank account. Service industry usually do not offer differentiated products (Friedmann & Lowengart, 2016) to

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maintain the competitive edge services companies need to understand the changing needs of demographic groups (Friedmann & Lowengart, 2016). Trust is not the only factor for formation of consumer preference in financial service sector but standard of living of population, psychological, cultural, and other factors have an impact (Marina V. Vinogradova, 2018) Also important is the risk profile of the consumer, the level of his solvency, skill level and much more (Marina V. Vinogradova, 2018)

Banks mainly earn from customer deposits, so they influence customers to open bank accounts by providing different services (Kattel & Shah, 2020) Consumer choice of a certain bank for his routine transaction has a greater impact for banks if studied about the factors which influence any customer will be beneficial for financial sector in attracting more new customers. As Nawabshah is growing business city in the province of Pakistan it offers a variety to the resident consumers financial market of Nawabshah is consisting of almost all major banks which are registered with the regulator state bank of Pakistan. The results generated will give an understanding of the financial market and will be beneficial for the banks.

Enormous work has been carried out on various aspects of the banking sector. (Friedmann & Lowengart, 2016) studied the effects of gender differences in choosing a bank. (sohail & Shanmugham, 2002) online banking and adoption of the online system in banks. (Jarvinen, 2014) identified the trust factor in banking. This study we are carrying out aims at understanding consumer choice of a bank in the Pakistan

1.2 Aims and objectives of the study

To know factors that determine consumers' choice of a certain bank.

To contribute on consumer choice in banking sector

Scope of the study

This study is carried out to understand the various factors which a consumer consider in choosing a bank in Nawabshah SINDH

Research questions

Does price and cost affect consumer's choice?

Does brand image of bank affect consumer's choice?

Does quality of service affect consumer's choice?

Does consumer convenience affect on consumer's choice?

Does security arrangement of bank affect consumer's choice?

Problem statement

To understand how a consumer chooses his banking decision and what factors influence him while making a choice of bank

Significance of the study

This study will be helpful for banks to exploit factors which have a positive effect on consumer choice to attract more consumers and provide better services. Further, this study will also be helpful for researchers to carry forward work. Study will be profitable for bankers in understanding consumers need (Ansari, 2019)

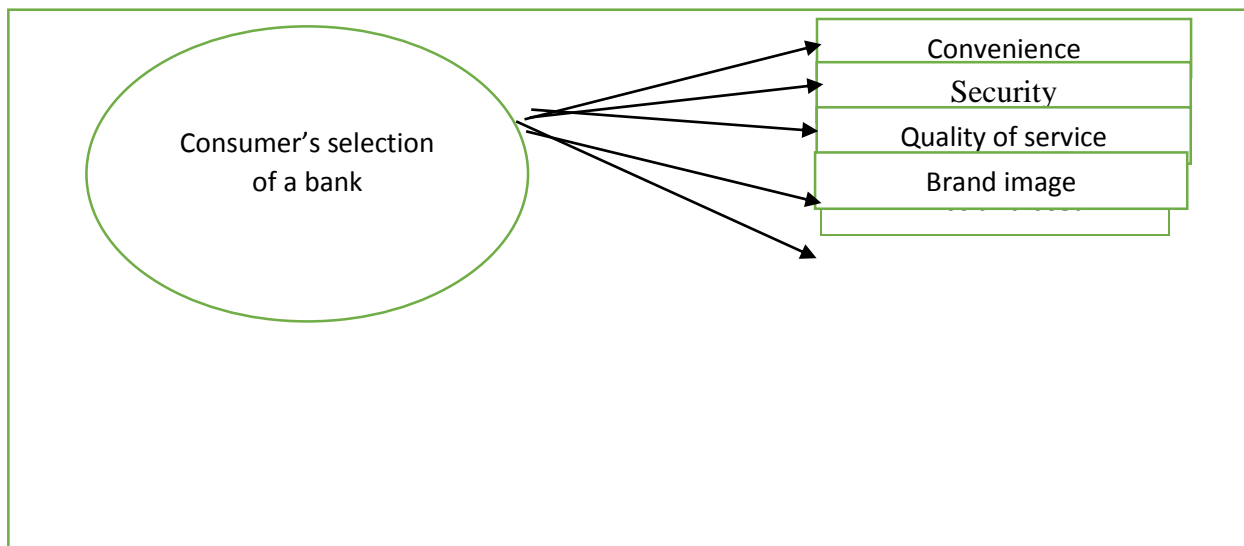
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2. Literature review

Literature reviewed shows that an enormous work with the perspective of consumers in banking industry has been carried out

(Friedmann & Lowengart, 2016) studied the gender differences in choosing a bank he surveyed 408 respondents using stratified sampling. In Results he found that men focused more on cost while women on personal service. (Marina V. Vinogradova, 2018) evaluated the criteria of consumers bank selection in Russia and found that standard of living has a greater role in deciding. (devlin, 2005) found in his study that location and recommendations were reasonably important choosing criteria for the consumer in selection of the main bank. (sohail & Shanmugham, 2002) studied the e banking and consumer perspective and finding show that consumers of younger age are more inclined to online services of a bank. (Lelissa & Lelissa, 2017) used 38 components bearing questionnaire to survey 101 respondents to determine personal and bank factors that determine consumers bank selection seed of service, location and branch network are the determinantal factors. (Zulfiqar, Arshad, Fareed, Shahzad, & Hussain, 2014) price and cost, convenience, and quality of service are significant factors. (Bhatt & Jain, 2020) to assess the important factors in consumers selection of a certain bank 137 respondents were included in the study from which it was found that security arrangement is most important factor for Nepalese consumers. (Ilham & Fathelrahman, 2019) corporal efficiency, which is an indicator of confidentiality, trust, commitment. (Abdalla & F. Mansour, 2018) privacy has been recorded as an important factor in his study in the Sudanese consumer of banks (Lajuni, Ching Wing, & Ghazali, 2014) revealed that Labuanese consumer prefer efficiency and services like ATM, confidentiality, and look for strong brand name. (Ntaganzwa & K. Mung'atu, 2014) emphasized on considering the consumers of commercial banks to identify the determinants impacting consumers choice and utilized principal component approach. (Siddique, 2012) identified that consumers had influence of mostly banks image, effective and efficient customer service, speed and quality of service for the selection of commercial bank for them. (Siddique, 2012) factors that influence consumer for nationalized and commercial bank differ from each other. (Chigamba & Fatoki, 2011) studied the consumer banking behavior of students and identified that ease of opening account atm location and financial stability of bank were most important factors. (Hammoud, Bizri, & Baba, 2018) studied e banking quality of service and consumer satisfaction and found that there is significant relationship between quality of service and consumer satisfaction

2.2 Conceptual framework



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2.3 Hypotheses

H₁ convenience of consumer is found to be insignificant.

H₂ security arrangement is found to be insignificant.

H₃ Quality of service is found to be insignificant.

H₄ banking brand image is found to be insignificant.

H₅ banking price and cost is found to be insignificant.

3. Methodology

3.1 Data method

Primary Data collected through a questionnaire from the residents of Nawabshah, questionnaire contained three segments first Part consisted of demographic questions, second Part of the questionnaire consisted of banking history of respondents and third Part asked respondents questions related to factors that have influence on their choice. Questionnaire were distributed among respondents using google forms on 5-point Likert scale

3.2 Inclusion criteria

Individuals of 18 years of age from Nawabshah who have a bank account.

3.3 Sample and sampling technique

Sample consisting of all consumers of banking services. purposive sampling technique used to approach respondents to record their response

3.4 Statistical model

Descriptive statistics were calculated on SPSS from the data collected through questionnaire and for statistical analysis one sample T test was applied to test the hypothesis and interpretation of results

4. Results and Discussion

Table no: 01 Demographic profile

Gender	Frequency	Percent
female	20	19.4
male	83	80.6
Total	103	100.0
AGE	Frequency	Percent
20 years or less	7	6.8
20 – 29 years	77	74.8
30 – 39 years	10	9.7
40-49 years	7	6.8
>50 years	2	1.9
Total	103	100.0
Bank	Frequency	Percent
Habib bank HABIB BANK LIMITED	35	34.0

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UNITED BANK OF PAKISTAN	13	12.6
NATIONAL BANK OF PAKISTAN	6	5.8
AL-HABIB BANK	18	17.5
MCB	6	5.8
HABIB METRO	2	1.9
FAYSAL BANK	1	1.0
ALFALAH	2	1.9
MEEZAN BANK	10	9.7
ASKARI	1	1.0
ALLIED BANK	6	5.8
JS BANK	1	1.0
SUMMIT BANK	1	1.0
SONERI BANK	1	1.0
Total	103	100.0
Time with bank	Frequency	Percent
1 year OR LESS	24	23.3
1-4 years	54	52.4
4-7 years	7	6.8
7-10 years	12	11.7
10 years OR MORE	6	5.8
Total	103	100.0
Account Type	Frequency	Percent
CURRENT	87	84.5
SAVING	16	15.5
Total	103	100.0

Table no 01: demographics show that out of 103 respondents 19.4% were female and 80.6% were male. Most of respondents from sample were found in between 29-30 years of age group which is 74.8% of the 103 respondents, only 6.8% of respondents were 20 years of age or less, 9.7% of respondents were in 30-39 years of age group, 6.8% of respondents were from 40-49 years of age group and only 1.9% of respondents were 50 years of age or more. In above table 34% of respondents were consumers of HABIB BANK LIMITED, 12.6% were from UNITED BANK LIMITED, 5.8% of respondents were from NATIONAL BANK OF PAKISTAN, 17.5% were from BANK AL-HABIB, 9.7% from MEEZAN, 5.8% from allied and MCB respectively, 1.9% of respondents were from HABIB METRO and ALFALLAH respectively and 1% of respondents were from rest of the banks mentioned in table no 01 respectively. 23.3% consumers were found to be using services of their bank for 1 year or less, 52.4% of respondents using the services of their bank had been using since 1 to 4 years, 6.8% had been using banking services since 4 to 7 years, 11.7% of respondents had been with their bank since 7 to 10 years, only 5.8% of respondents had been with bank of their choice for 10 or more years. Out of 103 respondents 84.5% were current account holders and 15.5% were savings account holder

4.1 Reliability Test

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Table no:01

Reliability Statistics

Factors	Cronbach's Alpha	N of Items
Convenience	.615	4
Security	.854	4
Quality of service	.803	3
Brand image	.752	4
Price and cost	.672	3

Table no:1 show the reliability statistics of all attributes of each construct with a certain value. Acceptable value of Cronbach alpha is .6 or more in our study all the constructs are above the threshold which means these are all reliable to interpret the results

4.2 Hypotheses testing

Table no:3 one sample inferential statistics (test value=3)

factors	N	Mean	Std. Deviation	T-value	P-value
CONVENIENCE	103	2.8131	.99368	-1.909	.030
SECURITY	103	3.1998	1.21326	1.672	.049
QUALITY_OF_SERVICE	103	3.1812	1.32084	1.393	.083
BRAND_IMAGE	103	3.0364	1.12263	.329	.371
PRICE_AND_COST	103	2.7864	1.03727	-2.090	.020

Table no 03: show that for the consumers of banking services in Nawabshah security arrangement is the most important factor in selecting a bank as the mean value of security as a factor is 3.19 which is considered significantly by the consumers as its mean is greater than the test value of (3 level of agreement) p value is less than 0.05. quality of service with mean of 3.18 is also greater than test value of 3 which show consumer perception towards the quality of service is significant in deciding a bank. Brand image has a mean of 3.03 which is slightly greater than a test of the value of three and shows consumers' inclination towards the brand image of the bank.

Based on the above results we have rejected our three-research hypotheses out of five H2: security arrangement is found to be insignificant, H3: Quality of service is found to be insignificant, H4: banking brand image is found to be insignificant

However, H1: and H5 are not statistically significant which means convenience and price and cost are not considered by the consumer of banks for selecting a bank in Nawabshah.

4.4 Hypotheses assessment summary

Table no:4 Hypotheses assessment summary

S.no	Hypothesis Statement	Decision
H1	H1 convenience of consumer is found to be insignificant.	Retained
H2	H2 security arrangement is found to be insignificant	Rejected

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H3	H3 Quality of service is found to be insignificant.	Rejected
H4	H4 banking brand image is found to be insignificant	Rejected
H5	H5 banking price and cost is found to be insignificant	Retained

Table no:6 shows the summarized table of hypothesis based on retention and rejection. Convenience and banking cost and price were insignificant for the consumers of Nawabshah in deciding a bank however security, quality of service, and brand image had significant influence on banking consumers of Nawabshah

5. Conclusion, Limitations & Recommendations

5.1 Conclusion

This study is important from the point of view of the bankers as they can understand the consumer behavior and shape their services accordingly. Further our research study has contributed to the literature by exploring banking consumers of Nawabshah. There are various factors that influence a consumer in selecting a bank This study shows the analysis of factors that influence's consumers selecting a bank. After the analysis of the data on SPSS we found that security arrangements of a bank seemed more important to consumers than the quality of service and brand image. However, convenience and price and cost were the factors not considered by the consumers as deciding factors

5.2 Limitation

This study is limited to city of Nawabshah and consumer behaviour may vary in other states of Pakistan and cities further the number of respondents was limited to 103 however 200 respondents were approached.

5.3 Recommendation

This study reveals that most of the consumers of banking services in Nawabshah are young aged between 20-29 the banks need to focus on this younger segment of the population and need to ensure the convenience of the consumer in order to retain them.

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