Analysis of Factors Influencing Customer Perception towards Selection of   Bank

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Abstract

The rapid development of the banking sector with strong competition has given a powerful push to traditional banking services in India. Banking sector with traditional banking services started providing innovative, value added financial services which adds value to customers satisfaction in terms of better quality of service offerings and at the same time enable the banks gain more competitive advantage over other competitors. This paper investigates the relative importance of the factors determining customer perception towards the selection of bank. The sample survey has been conducted in Navi Mumbai city. Data has been analyzed using descriptive statistics, factor analysis and t-test. The present study shows that some factors highly influence the customers' choice of banks. The present research paper concludes that customer perception becomes an important phenomenon in the banking industry so various measures should be put in place to ensure more customer satisfaction by providing innovative and timely availability of product and services so as to increase efficiency of banking sector.

Keywords: Banking Industry, customer perception

Introduction

The banking industry plays a key role in the development of any country and is an especially large and important sector in the India. Given the importance of the banking industry to overall economic activity in the India, it is important to monitor and assess new developments in the industry. There are a number of factors that may result in a customer switching to different banking as their desired choice of banking services.

One such factor is the benefits associated with the use of banking services. These benefits include cost savings, time savings, improved service and reliability. With the adoption of technology, the Indian banking sector has undergone significant transformation from local banking to anywhere-anytime banking. Over the past couple of years, there has been huge growth registered in the number of transactions done through mobile devices.

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Many studies showed that customers perceive the service provided from banking as an improvement over that offered by other channels of delivery.The survival of a bank in this region lies in identifying customers' needs and developing new ways of doing business. The objective of this paper is to study customer perception for selection of the bank. The findings should be of value to researchers as well as practitioners and enhance understanding of customer perception for banking services and customer expectations towards banks.

Literature review

In today's economy, the financial services industry is exposed to increasing performance pressures and competitive forces Goergen (2001). Modern media, such as the internet, have created new challenges for this industry Fuchs (2001). Davis (2006) studied new business concepts, a change in client sophistication and an increasing number of new competitors entering into the market, such as independent financial consultants, have changed the business models and the competitive forces that established financial services organizations are facing today worldwide. In recent years, research has been conducted to gain insights of service quality and customer satisfaction Parasuraman et al. (1985, 1988, 1991and 1994); Carman, (1990); Zenithal et al.(1993); Anderson et al. (1994). According to Owusu-Frimpong (1999) financial services are characterized by high levels of credence and experiential features, therefore, making them difficult to be evaluated before consumption. Customer satisfaction is, from the point of view of these authors, seen as a wider concept influenced by service quality, product quality and price but also from situational and personal factors as for instance customers' emotional status.

However, Shajahan (2004) studied the impact of information technology variables on Jordanian customer preference towards Commercial Bank, which deals with, in order to encourage and assist banks to adopt a modern management and marketing philosophy which will help them to achieve their

objectives and support capabilities and competitive advantages. Uma Sekaran (2006) studied various services offered by the banks can be utilized by the customers only when they are made aware of these services. Author found that the banker and customer have to know about one another. The banker has to understand the customers' needs and in the same way, the customer has to know about the carious services offered by the banks. Chakrabarty(2008) studied awareness of financial institutions of Bangladesh specially banking sectors are trying to expand their service net. The study has revealed that during the period of 2006-2008 the sample banks have offered different types of retail products (deposits increased by 88.18%, loan products increased by 48.50%, and cards service by 21.15%).

Kumber et al. (2009) reviewed the Indian banks are changing towards modern banking system. Modernization in banking is changing banking services, products and operational methods of banking. All these developments are lead to facilities to customers delight as well as operational efficiency of banks and reducing operational expenses of banking services. Santhiyavalli et al. (2011) emphasis that the service quality of banking industry. Banking operations are driven by the market, and the customer is seen as a consumer of the bank and not of any particular branch of the bank. Today, the concept of core banking has made 'Anywhere and anytime' banking a reality. Along with technology, banking services have also evolved, and the delivery of various banking products are carried out through the medium of high technology at a fraction of the cost to the customer. Swamy (2012) stipulates the facts related to retail banking products. Customer service is perhaps the most important dimension of retail banking. While most public sector banks offer the same range of service with similar technology/expertise, the level of customer service matters the most in bringing in more business. According to Mokhlis (2009) 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. The competition and saturation in the banking industry requires banks to be more customer focused. Customers are exposed to diversified choices and they are much concerned about the value for

money. This means that there are unlimited switching choices. Banks need to identify factors that influence the choice of commercial bank selection and work on improving them.

To the best of author's knowledge, a through scan of open literature survey related to customer perception towards bank selection, it is found that very few studies dealing with relative importance of the factors determining customer perception towards the selection of bank has been reported in literature. Therefore, more research work is required in this area to provide the needful information to enhance understanding of customer perception for banking services and customer expectations towards banks.

Research methodology

Objectives

- To identify factors that influence the choice of bank selection
- To understand perception of customer for selection of bank

Methodology:

The present study involves 60 respondents from Navi–Mumbai city in Maharashtra state of India. The sample size has been taken by non-random convenience sampling technique. Data has been collected both from primary as well as secondary sources. Primary data was obtained through questionnaires filled by people and through direct communication with respondents in the form of Interview.The secondary sources of data were taken from the various websites, books, journals reports, articles etc.A Likert-type instrument with 5-point rating scale was used to measure the respondents' perception with regards to selection of bank. The responses to the different questions have been represented using descriptive statistics to the variable under investigation. Factor analysis has been done to sum up the different factors that are considered important in selection of bank.The t-test has been used to determine if there are significant differences in

the mean scores for gender (male and female),age (younger and older) and income (lower and higher)

Results and Discussions

The data has been analyzed using descriptive statistics. Out of 60 respondents 33 were male respondents which is 55 % and 27 were female respondents which is 45%. Most of the respondents are from age group above 35which is 33%.Majority of respondents is from income group 2-5 lacs.

Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of sphericity

We used the method of factor analysis to determine which factor influence the selection of the banks. Here we have taken ten variables to analyze the factor affecting perception of customer towards bank selection. To examine the appropriateness of factor analysis we used Bartlett's test of sphericity and Kaiser-Meyer Olkin (KMO) measures of sampling adequacy. The appropriate chi-square statistic is (178.296) with 45 degrees of freedom, which is (0.000) levels (as shown in Table no.1).The KMO statistics (0.688) is also considerable (>0.5) hence factor analysis is considered an appropriate technique for further analysis of data.

KMO and Bartlett's Test(Table no. 1)		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.688
Bartlett's Test of Sphericity	Approx. Chi-Square	178.296
	df	45
	Sig.	0.000

Total Variance Explained (Table no. 2)									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.388	33.884	33.884	3.388	33.884	33.884	2.874	28.735	28.735
2	1.761	17.607	51.492	1.761	17.607	51.492	2.234	22.335	51.070
3	1.133	11.329	62.821	1.133	11.329	62.821	1.175	11.751	62.821

4	**0.932**	9.315	72.136						
5	**0.750**	7.499	79.635						
6	**0.626**	6.259	85.894						
7	**0.448**	4.482	90.376						
8	**0.418**	4.184	94.560						
9	**0.344**	3.443	98.002						
10	0.200	1.998	100.000						
Extraction Method: Principal Component Analysis.									

Retaining only the variables greater than one (Kaiser's criterion), we can infer that 33.884% of variance is explained by factor 1, 17.607% of variance is explained by factor 2 and 11.329%of variance is explained by factor 3(as shown in Table no.2). It has been observed that initial eigen values only three variables are greater than 1.So from variables we have reduced 1o to 3 variables. As rotation Sums of Squared Loadings Cumulative is greater than 60%.so we can create the variables. There are three factors extracted(as shown in Table no.2).Thus after rotation1[st] factor Bank Reputation account for 28.74 % of variation in data.2[nd]factor account for Potential benefits 22.34 %of variation in data.3rd factor Quality services account for 11.75% of variation in data (as shown in Table no.3).

Rotated Component Matrix(Table no. 3)			
	Component		
	1	2	3
Brand	0.605	0.173	-0.111
Convenience	0.564	0.082	0.071
Wide range of product & services	0.499	0.687	-0.077
Quick services	-0.005	-0.863	0.065
Rate of interest	0.036	0.883	0.247
Staff responsiveness	0.767	0.020	0.203
Customer waiting period	0.702	0.358	-0.057
ATM service satisfaction	0.490	0.202	0.511
Prospects for accessing loan	0.774	-0.179	-0.179
Staff knowledge & trustworthiness	-0.138	-0.019	0.865
Extraction Method: Principal Component Analysis.			

t-test results

The t-test has been used to determine if there are significant differences in the mean scores for gender (male and female),age (younger and older) and income (lower and higher)

A) Gender

Test of equality of variance (Table no. 4)				
factor	Hypothesis	P-value	Decision	Interpretation
Bank reputation	H_o: $\sigma^2_{m} = \sigma^2_{f}$ H_1: $\sigma^2_{m} \neq \sigma^2_{f}$	0.717	P>α Accept H_o	Variances are assumed to be same for both male and female respondents on bank reputation.
Potential benefits	H_o: $\sigma^2_{m} = \sigma^2_{f}$ H_1: $\sigma^2_{m} \neq \sigma^2_{f}$	0.243	P>α Accept H_o	Variances are assumed to be same for both male and female respondents on potential benefits
Quality service	H_o: $\sigma^2_{m} = \sigma^2_{f}$ H_1: $\sigma^2_{m} \neq \sigma^2_{f}$	0.303	P>α Accept H_o	Variances are assumed to be same for both male and female respondents on quality service

Variances are assumed to be same for all factors for male and female customers (as shown in Table no4) for all factors.

Independent t-test(Table no. 5)				
Parameter	Hypothesis	P-value	Decision	Interpretation
Bank reputation	H_o:$\mu_m = \mu_f$ H_1:$\mu_m \neq \mu_f$	0.981	P>α Accept H_o	Perceptions of male customer are same as the female customer on bank reputation.
Potential benefits	H_o:$\mu_m = \mu_f$ H_1:$\mu_m \neq \mu_f$	0.250	P>α Accept H_o	Perceptions of male customer are same as the female customer on potential benefits
Quality service	H_o:$\mu_m = \mu_f$ H_1:$\mu_m \neq \mu_f$	0.887	P>α Accept H_o	Perceptions of male customer are same as the female customer on quality service

Perception of male and female customers are same for all the factors (as shown in Table no5)and from the descriptive statistics also we are observed that value of mean score for male and female are generally close to each other.

B) Age

Test of equality of variance (Table no. 6)				
factor	Hypothesis	P-value	Decision	Interpretation
Bank reputation	$H_o: \sigma^2_y = \sigma^2_o$ $H_1: \sigma^2_y \neq \sigma^2_o$	0.013	$P<\alpha$ Reject H_o	Variances are assumed to be not equal on both younger and older respondents on bank reputation
Potential benefits	$H_o: \sigma^2_y = \sigma^2_o$ $H_1: \sigma^2_y \neq \sigma^2_o$	0.747	$P>\alpha$ Accept H_o	Variances are assumed to be same for both younger and older respondents on potential benefits
Quality service	$H_o: \sigma^2_y = \sigma^2_o$ $H_1: \sigma^2_y \neq \sigma^2_o$	0.991	$P>\alpha$ Accept H_o	Variances are assumed to be same for both younger and folder respondents on quality service

Variances are assumed to be same for two factors except on bank reputation for younger customer and the older customers (as shown in Table no6).

Independent t-test(Table no. 7)				
Parameter	Hypothesis	P-value	Decision	Interpretation
Bank reputation	$H_o: \mu_y = \mu_o$ $H_1: \mu_y \neq \mu_o$	0.154	$P>\alpha$ Accept H_o	Perceptions of younger costumer are same as the older customers on Bank reputation.
Potential benefits	$H_o: \mu_y = \mu_o$ $H_1: \mu_y \neq \mu_o$	0.371	$P>\alpha$ Accept H_o	Perceptions of younger customer are same as the older customer on Potential benefits.
Quality service	$H_o: \mu_y = \mu_o$ $H_1: \mu_y \neq \mu_o$	0.483	$P>\alpha$ Accept H_o	Perceptions of younger customer are same as the older customers on Quality service.

Perceptions of younger and older customers are same for all the factors (as shown in Table no7). So we conclude that perceptions on Bank reputation, Potential benefits, Quality service are same for the younger and older respondents.

C) Income

Test of equality of variance(Table no. 8)				
factor	Hypothesis	P-value	Decision	Interpretation
Bank reputation	$H_o: \sigma^2_{l} = \sigma^2_{h}$ $H_1: \sigma^2_{l} \neq \sigma^2_{h}$	0.512	P>α Accept H_o	Variances are assumed to be same for both lower income and higher income respondents on bank reputation.
Potential benefits	$H_o: \sigma^2_{l} = \sigma^2_{h}$ $H_1: \sigma^2_{l} \neq \sigma^2_{h}$	0.645	P>α Accept H_o	Variances are assumed to be same for both lower income and higher income respondents on potential benefits.
Quality service	$H_o: \sigma^2_{l} = \sigma^2_{h}$ $H_1: \sigma^2_{l} \neq \sigma^2_{h}$	0.347	P>α Accept H_o	Variances are assumed to be same for both lower income and higher income respondents on quality service.

Variances are assumed to be same for all factors for lower income customer are same as the higher income customers (as shown in Table no. 8).

Independent t-test(Table no. 9)				
Parameter	Hypothesis	P-value	Decision	Interpretation
Bank reputation	$H_o: \mu_l = \mu_h$ $H_1: \mu_l \neq \mu_h$	0.915	P>α Accept H_o	Perceptions of lower income customer are same as the higher income customer on Bank reputation.
Potential benefits	$H_o: \mu_l = \mu_h$ $H_1: \mu_l \neq \mu_h$	0.749	P>α Accept H_o	Perceptions of lower income customer are same as the higher income customer on Potential benefits.
Quality service	$H_o: \mu_l = \mu_h$ $H_1: \mu_l \neq \mu_h$	0.575	P>α Accept H_o	Perceptions of lower income customer are same as the higher income customer on Quality service.

Perception is same for all factors for lower income and the higher income customers (as shown in Table no. 9).

The results of the t-test show that there are no significant differences in the mean scores of males and females (gender) and younger and older (age), lower and higher (Income) with respect to the three factors.

Conclusion

The present study shows that Bank reputation, potential benefits, quality service are important factors which influencing perception of customer towards selection of bank. These factors as presented in this study can help bank management to determine their strategies to attract and retain customers. The findings of the study revealed that customers place a huge emphasis on services when selecting their banks. The study also reveals that technology plays an important role in the selection of banks by customer. In today's environment, customers require more and more personalised and value added services like ATM, e-Banking, and mobile banking. All these factors suggest that customer want speed in the services. As technology has altered the delivery mechanism of banks products and services, distancing the customer from the bank counter, it has in no way altered the need for friendly service. Hence banks should improve on the interpersonal skills of their employees.To meet the changing preferences of the customers and to stay ahead of competitors, bank should enhance customer service by leveraging on technology, maintenance of efficient service delivery standards and business process re-engineering

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