

Misbah Sadiq¹, Saif-Ur-Rehman Khan², Muhammad Abdur Rub Khan³
BANK SELECTION CRITERIA: A STUDY IN MALAYSIA

This paper focuses on the determinants of bank's selection criteria in Malaysia. The purpose of the study is to examine the significant factors of bank selection criteria such as people influence, communication technology, convenience, personnel, easy process and variety, service quality, and cost. This study also presents how customers rank the factors by their priorities and the demographic differences in bank selection criteria. The total of 187 respondents from Taman University (Skudai, Malaysia) was sampled. The findings reveal the first important factor in bank selection criteria is "service quality" followed by "convenient", "cost", "personnel", "easy process and variety of product", "communication technology", and lastly – "people influence". The findings also indicate that there are differences between the respondent's demographic background and bank selection criteria. These results are discussed in terms of their theoretical, practical and conceptual implications of the differences between gender, age, marital status, level of education, and occupation in their relation to bank selection.

Keywords: bank selection criteria; convenience; personnel; service quality; cost factor; Malaysia.

Місба Садік, Саїф-ур-Реман Хан, Мухаммад Абдур Руб Хан
КРИТЕРІЙ ВИБОРУ БАНКУ: ЗА ДАНИМИ МАЛАЙЗІЇ

У статті представлено критерії вибору банку в Малайзії. Акцент зроблено на таких критеріях: вплив інших людей, комунікаційні технології у банку, зручність, персонал, легкість отримання послуг та їх різноманіття, якість сервісу та вартість. Окремо описано демографічні залежності у побудові системи пріоритетів при виборі банку. Опитування було проведено на території Університету Таман (Скудай, Малайзія). Вибірка опитування – 187 респондентів. Найбільш значущим чинником стала "якість сервісу", далі йдуть (по мірі зниження значущості) зручність, вартість послуг, персонал, легкість отримання послуг та їх різноманіття. Найменш значущим фактором став вплив на вибір банку інших людей. При цьому доволі очевидними є відмінності у побудові системи пріоритетів між різними соціально-демографічними групами (за статтю, віком, сімейним станом, рівнем освіти та сферою діяльності).

Ключові слова: критерії вибору банку; зручність; персонал; якість сервісу; чинник вартості; Малайзія.

Табл. 2. Літ. 39.

Мисба Садик, Саиф-ур-Реман Хан, Мухаммад Абдур Руб Хан
КРИТЕРИИ ВЫБОРА БАНКА: ПО ДАННЫМ МАЛАЙЗИИ

В статье представлены критерии выбора банка в Малайзии. Акцент сделан на таких критериях: влияние других людей, коммуникационные технологии в банке, удобство, персонал, лёгкость получения услуг и их разнообразие, качество сервиса и цена. Отдельно описаны демографические зависимости в выстраивании приоритетов при выборе банка. Опрос был проведён на территории Университета Таман (Скудай, Малайзия). Выборка опроса – 187 респондентов. Наиболее значимым фактором стало "качество сервиса", далее идут (по мере снижения значимости) удобство, стоимость услуг, персонал, лёгкость получения услуг и их разнообразие. Наименее значимый фактор – влияние на выбор других людей. При этом довольно очевидны различия в выстраивании приоритетов между разными социально-демографическими группами (по полу, возрасту, семейному положению, уровню образования и сфере деятельности).

¹ MBA (Finance), PhD Student, Faculty of Management and HRD (FPPSM), UTM Skudai, Johor, Malaysia.

² MBA (Finance), PhD, Associate Prof., Faculty of Management and HRD (FPPSM), UTM, Malaysia.

³ MBA (Finance), PhD Student, University of Kuala Lumpur, Malaysia.

Ключевые слова: критерии выбора банка; удобство; персонал; качество сервиса; фактор цены; Малайзия.

Introduction

In today's competitive world, banks have to work hard to meet customers' expectations. Moreover, local banks have to compete with foreign banks and they have to be creative in gaining customer loyalty. Due to intensified competition in banking, marketing strategy makers have to play an important role in developing and identifying strategy for a bank. Only those banks that able to apply the effective marketing strategy in attracting and retaining customers, probably can grow and survive for the long period. Given the fast changing market conditions, banking industry cannot stay traditional focusing on getting customers from corporate and commercialized background only. They should start emphasizing on small entities, retail and individuals because they are also making a profit and these types of customers can also contribute to bank income.

This study is a part of a series research on enhancing the understanding of bank operations. The purpose of this study is to examine the significant factor of bank criteria for customer selection and how customers rank the factors according to their priorities. This study also presents the analysis of demographic differences in bank selection. In this research, there are 7 dimensions to represent the bank criteria such as: people influence, communication technology, convenience, personnel, easy process and variety, service quality, and cost. The main objectives of this research are (a) to determine the criteria that customers consider important when choosing a bank, and (b) to identify the choice criteria in selecting a bank with different customer background.

How can these criteria be helpful for a bank to give better services? The increase of country's population contributes to the increase in demand for bank services. If there are more banks in the industry, the wider is the customer choice. And these factors will help each bank in establishing successful marketing strategy and gaining customer satisfaction.

The concern on how banking sector wants to attract more customers have got much attention already (Boyd et al., 1994; Almossawi, 2001; Blankson et al., 2009; Mokhlis, 2009; Mylonakis, 2009; Narteh and Frimpong, 2011; Katircioglu et al., 2011). Their purpose was to examine the criteria which customer preferred when choosing a bank.

Literature review

The researchers who conducted studies on this topic are – in Singapore (Ta and Har, 2000), USA, Taiwan and Ghana (Blankson et al., 2007), Malaysia (Wan Ahmad et al., 2008; Mokhlis et al., 2008, Mokhlis, 2009; Lajuni et al., 2010), India (Rao and Sharma, 2010), Iran (Hedayatnia and Eshgi, 2011), Africa (Narteh and Frimpong, 2011), and Italy (Katircioglu et al., 2011). All these studies focus on the criteria of bank selection.

According to Martenson (1985), young respondents are more influenced by parents with choosing a bank. According to (Haron et al., 1994) Muslim and non-Muslim customers have different opinions and choice in terms of bank reputation. Non-muslim customers mostly emphasize on the reputational image of a bank. Almossawi (2001), Cicic et al. (2004), Cretu and Brodie, (2007), and Jagersma

(2010) conducted studies in Bahrain on college students as respondents and reveal that the key factors determining bank selection are bank reputation, availability of parking space near it, friendliness of bank personnel, and the availability and location of ATM.

According to Rao and Sharma (2010), Musiime and Ramadhan (2011), Dude and Akingbade (2011) and Aregbeyen (2011) bank has to set up high-tech services such as ATM, phone banking, Internet banking to attract and retain more customers. These results are in parallel with the research by Hedayatnia and Eshghi (2011) who stated that bank customer are placing more emphasis on innovations in banking.

Martenson (1985) reveals that bank location, availability of loans and payment of salary through certain bank are the reason for a Swedish bank customer choice. Loroche et al. (1986), Khan (2010), Mariam (2011), Denton and Chan (1991), Manrai et al. (2007) found that the highest ranking determinant factors in selecting a bank are location convenience, speed of service and the factors related to competence and friendliness of bank personnel. The study by Haron et al. (1994) found that "friendliness of bank personnel" was an important factor for non-Muslim but it was ranked third by Muslim customers. Zineldin (1996) shows that friendliness of employees, modern facilities, and drive-in services are less important for customers when choosing a bank.

Other findings reveal the most vital factor are employees being friendly and courteous, parking facilities, loyalty program, good brand name, security arrangement and low bank charges for local and international transactions (Rao and Sharma, 2010; Manrai et al., 2007; Narteh and Frimpong, 2011).

A study conducted in Turkey reveals that the availability of credit is more important for university educated customers (Kaynak et al., 1991). On the other hand, Kaynak and Kucukemiroglu (1992) also reported that a wide range of services offered are considered more important by those who maintain savings accounts. Similarly, Amossawi (2001) conducted a study in Bahrain and found that a variety of services offered was the 8th important criteria and he also indicated that young people scored high in a variety of services offered. On the other hand, the studies by Cacic et al. (2004), Khurana and Singh, (2011), Devlin and Gerald (2004) focus on the criteria of bank selection in the Southeastern European country and reveal that the main factor is the ease of opening a current account. Kaynak and Kucukemiroglu (1992), Jantan et al. (1998) argued that the important factors in choosing a domestic or a foreign bank in Hong Kong were fast and efficient services.

According to Cohen et al (2006), Lajuni et al. (2010), Hedayatnia and Eshghi (2011), Aregbeyen (2011) service quality is an imperative element impacting customer satisfaction in banking which includes convenience, reliability, service portfolio, and critically, staff delivering services.

Hypotheses

Based on the conceptual framework, 4 hypotheses are formulated:

H1: Bank criteria items are not effective in customer bank selection decision.

H2: Bank criteria factors are not effective in customer bank selection decision.

H3: There is no correlation between bank selection factors criteria.

H4: There are no significant differences between the respondents' demographic factors and bank selection factors criteria.

Research instrument

In this research the quantitative approach has been used. The main reason for choosing this method was that the variable used in this study can be easily measured quantitatively. On the other hand, according to Blanche, Durham and Painter (2006), Maylonakis (2009) and Mariam (2011) a quantitative study is beneficial because findings are more generalizable.

As much as 200 questionnaires were distributed and out of them 187 were useable and added for data analysis. The random sampling technique is used. The target population includes employees and students. Efforts were made to achieve the gender balance in the selection of respondents.

To determine the criteria items that customer considers important when choosing a bank the current study used mean and standard deviations. To identify the choice criteria factors in selecting a bank with different customer background: "one sample independent t-test" and "One-Way ANOVA test" are used.

Findings and analysis

Table 1. One-sample statistics and test for bank selection criteria

N0.	Items	Mean	Std.dev.	T. Test	Rank
1	Fast and efficient services	4.5722	0.61248	60.34 (.000)	1
2	Ease of obtaining a current account	4.4278	0.68696	57.88 (.000)	2
3	Low service charge	4.4332	0.72555	58.33 (.000)	3
4	Respect and consideration by employees	4.4118	0.67718	56.95 (.000)	4
5	Convenient ATM location	4.3316	0.96566	54.54 (.000)	5
6	A bank located near home or a workplace	4.3155	0.58835	55.23 (.000)	6
7	Willingness of staff to help	4.2834	0.68775	54.67 (.000)	7
8	High interest on saving account	4.2513	0.62728	55.22 (.000)	8
9	Lower interest on loan	4.246	0.66674	52.21 (.000)	9
10	Availability of parking space	4.2353	1.00976	43.87 (.000)	10
11	Credit and debit cards	4.2139	0.62838	49.77 (.000)	11
12	Financial counseling	4.2032	0.96798	44.44 (.000)	12
13	Quality of customer services	4.1711	1.01209	42.56 (.000)	13
14	Accuracy of service transaction	4.0535	0.56543	47.88 (.000)	14
15	Ease of obtaining a loan	4.0321	0.53785	46.43 (.000)	15
16	Hours of operation	3.877	0.45301	40.22 (.000)	16
17	Confidence in bank manager	3.8663	0.49545	38.98 (.000)	17
18	Mass media advertisement	3.7647	0.83488	36.55 (.000)	18
19	Bank charges are competitive	3.738	0.82358	36.22 (.000)	19
20	Being informed of new services and product	3.7005	0.93679	33.76 (.000)	20
21	Internet banking	3.6738	1.01362	23.43 (.000)	21
22	Knowledgeable and competent staff	3.6417	0.74413	31.43 (.000)	22
23	Friendly receptionist	3.5294	0.69013	30.32 (.000)	23
24	Range of products	3.492	0.7716	29.66 (.000)	24
25	Telephone banking	3.3797	0.85523	21.34 (.000)	25
26	Reputation	2.6096	1.11804	12.56 (.000)	26
27	Recommendations by relatives	2.4973	0.96928	13.87 (.000)	27
28	Recommendations by friends	2.2834	1.08751	9.43 (.000)	28

Source: authors' calculations.

"One-sample t-test" is used to meet the objective of the study and the findings are shown in Table 1. The 5 most important criteria for customer selection in ranking order can be stated as: "fast and efficient services" (4.57), "ease of obtaining a current

account" (4.43), "low service charge" (4.43), "respect and consideration by employees" (4.41) and "convenient ATM location" (4.33).

These results show that hypothesis H1 should be rejected because all the p-values are less than 0.05 and it shows that the variables are effective in customer decision for bank selection. H2 "Bank criteria factor are not effective in customer bank selection decision" is rejected for all the factors.

Table 2. Pearson correlation matrix for the selected dimension

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) People influence	1						
(2) Com. technology	-0.008	1					
(3) Convenience	0.051	-0.046	1				
(4) Personnel	0.036	0.025	0.830**	1			
(5) Easy process	-0.073	0.045	0.073	0.153*	1		
(6) Service quality	0.003	0.024	0.744**	0.549**	0.156*	1	
(7) Cost	0.098	-0.035	0.097	0.064	0.07	0.156*	1

Source: authors' calculations.

As Table 2 indicates, "between convenient and personnel", "between convenient and service quality", "between personnel and easy process and variety of product", "between personnel and service quality", "between easy process and variety of product and service quality", and "between service quality and cost" there is a significant correlation. However, these correlations are either low, or moderate and thus H3 (There is no correlation between bank factor criteria) is rejected since the correlations are significantly correlated, except for those that are not mentioned.

Conclusion

The finding on the customer different background did not constitute a homogeneous group although both males and females emphasize on service quality as the most important factor but the cost factor was ranked second by males and third – by female respondent. As for the age groups, it is shown that there are different choice criteria among groups. Service quality is ranked first by the respondents younger 25 years and in between 35–46, and is ranked second in the group 26–35 and older than 46. The race group shows the similarity in the factor of people influence as the least important. However, Malay, Chinese and Indian groups ranked service quality as the first factor, while other group ranked it second.

Married and single respondents rank service quality as the first one but divorced respondents ranked it as the fourth factor. The level of education did not give too many differences in the ranking. The respondents with SPM, diploma, and degree show that service quality is the most important criteria. Lastly, occupations' analysis shows employees and business people are more focused on service quality while unemployed and students rank it second.

The analysis shows that fast and efficient is the first important factor, similar to several studies (Kaynak and Kucukemoroglu, 1992; Haron et al., 1994; Jantan et al., 1998; Rashid and Hassan, 2009; Lajuni et al., 2010).

Based on the conclusion of this study, the authors suggest that bank management should take into account the most influential factors such as "fast and efficient services", "ease of obtaining a current account", "low service charge", "respect and consideration by employees", and "convenient ATM location", while formulating their

policies. In addition, all bank employees should have high moral values and build good relationship with customers. All these criteria should be considered seriously in designing bank marketing strategies.

References:

- Almossawi, M.* (2001). Bank selection criteria employed by college students in Bahrain: an empirical analysis. *International Journal of Bank Marketing*, 19(3): 115–125.
- Aregbeyen, O.* (2011). The Determinants of Bank Selection Choices by Customers: Recent and Extensive Evidence from Nigeria. *International Journal of Business and Social Science*, 2(22): 276–288.
- Athanassopoulou, P., John, A.* (2004). Effective communication with lead customers in developing new banking products. *The International Journal of Bank Marketing*, 22(2): 100–125.
- Blanche, T.M., Durrheim, K., Painter, D.* (2006). *Research in practice: Applied methods for the social sciences*. Cape Town: University of Cape Town Press.
- Bontis, N., Booker, L.D., Serenke, A.* (2007). The mediating effect of organizational reputation on customer loyalty and service recommendation in the banking industry. *Management Decision*, 45(9): 1426–1445.
- Boyd, W.L., Leonard, M., White, C.* (1994). Customer Preferences for Financial Services: An Analysis. *International Journal of Bank Marketing*, 12(1): 9–15.
- Cicic, M., Brkic, N., Agic, E.* (2004). Bank Selection Criteria Employed by Students in a Southeastern European Country: An Empirical Analysis of Potential Market Segments' Preferences. University of Sarajevo.
- Cohen, D., Gan, C., Chong, E.* (2006). Customer Satisfaction: A Study of Bank Customer Retention in New Zealand. Discussion Paper, No.109.
- Cretu, A.E., Brodie, R.J.* (2007). The influence of brand image and company reputation where manufacturers market to small firms: A customer value perspective. *Industrial Marketing Management*, 36: 230–240.
- Dauda, Y.A., Akingbade, W.A.* (2011). Technology innovation and Nigeria banks performance: The assessment of employee's and customer's responses. *American Journal of Social and Management Sciences*, 2(3): 329–340.
- Denton, L., Chan, A.K.K.* (1991). Bank Selection Criteria of Multiple Bank Users in Hong Kong. *International Journal of Bank Marketing*, 9(5): 23–34.
- Devlin, J. F., Gerrard, P.* (2004). Choice criteria in retail banking: an analysis of trends. *Journal of Strategic Marketing*, 12(1): 13–27.
- Edris, A.T.* (1997). Services considered important to business customers and determinants of bank selection in Kuwait: a segmentation analysis. *International Journal of Bank Marketing*, 15(4): 126–133.
- Gerrard, P., Cunningham, J.B.* (2004). Consumer switching behavior in the Asian banking market. *Journal of Services Marketing*, 18(3): 215–223.
- Hedayatnia, A., Eshghi, K.* (2011). Bank Selection Criteria in the Iranian Retail Banking Industry. *International Journal of Business and Management*, 6(12): 222–231.
- Jagersma, P.K.* (2010). Managing reputation equity. *Business Strategy Series*, 11(3): 139–144.
- Katircioglu, S.T., Tumer, M., Kilinc, C.* (2011). Bank Selection Criteria in the banking industry: empirical investigation from customers in Romanian cities. *African Journal of Business Management*, 5(14): 5551–5558.
- Kerlinger, F.M., Lee, H.* (2000). *Foundations of behavioral research* (4th ed.). Stamford Wadsworth.
- Khan, M.A.* (2010). An Empirical Study of Automated Teller Machine Service Quality and Customer Satisfaction in Pakistani Banks. *European Journal of Social Sciences*, 13(3): 333–344.
- Khurana, S., Singh, S.P.* (2011). An Analytical Study of Customer's Preferences and Satisfaction in Credit Card Industry. *Journal of Bank Management*, 8(1): 71–87.
- Lajuni, N., Wing, B.L.C., Ghazali, M.F.* (2010). Bank selection criteria employed by customer in Labuan: A study. *Journal of Bank Management*, 9(1&2): 102–109.
- Laroche, M., Rosenblatt, J., Manning, T.* (1986). Services Used and Factors Considered Important in Selecting a Bank: An Investigation Across Diverse Demographic Segments. *International Journal of Bank Marketing*, 4(1): 35–55.
- Mokhlis, S.* (2009). Determinants of choice criteria in Malaysia's retail banking: An analysis of gender based choice decisions. *European Journal of Economics, Finance and Administrative Sciences*, 16: 18–30.

- Mokhlis, S., Mat, N., Salleh, H.* (2008). Commercial Bank Selection: the case of undergraduate students in Malaysia. *International review of Business Research Papers*, 4(5): 258–270.
- Monroe, A.M., Manrai, A.K.* (2007). A field study of customers' switching behavior for bank services. *Journal of Retailing and Consumer Services*, 14: 208–215.
- Musiime, A., Ramadhan, M.* (2011). Internet banking, consumer adoption and customer satisfaction. *African Journal of Marketing Management*, 3(10): 261–269.
- Mylonakis, J.* (2009). Customer Relationship Management Function: A survey of Greek bank customer satisfaction perceptions. *Journal of Bank Management*, VIII(2): 9–31.
- Narteh, B., Frimpong, N.O.* (2011). An analysis of students' knowledge and choice criteria in retail bank selection in sub Saharan Africa the case of Ghana. *International Journal of Bank Marketing*, 29(5): 373–397.
- Nguyen, N., Leblanc, G.* (2001). Corporate image and corporate reputation in customers' retention decision in services. *Journal of Retailing and Consumer Services*, 8: 227–236.
- Omar, O.E.* (2007). Gender-Based Retail Bank Choice Decisions in Nigeria. *Journal of Retail Marketing Management Research*, 1(1): 20–31.
- Peer, V.* (2009). Bank choices in economic recession: a study of the influence of the financial crisis on customer choice behavior in the banking sector. Master Thesis, Erasmus School of Economics.
- Rao, A.S., Sharma, R.K.* (2010). Bank Selection Criteria Employed by MBA Students in Delhi: An Empirical Analysis. *Journal of Business Studies Quarterly*, 1(2): 56–69.
- Rashid, M., Hassan, M.K.* (2009). Customer Demographics Affecting Bank Selection Criteria, Preference, and Market Segmentation: Study on Domestic Islamic Banks in Bangladesh. *International Journal of Business and Management*, 4(6): 131–146.
- Rupinder, K.* (2012). Impact of information technology on customer services with reference to selected banks in Chandigarh. *International Journal of Engineering and Management Science*, (4): 444–449.
- Safakli, O.V.* (2007). A research on the Basic Motivational Factors in Consumer Bank Selection: Evidence from Northern Cyprus. *Banks and Bank Systems*, 2(4): 93–100.
- Ta, H.P., Har, K.Y.* (2000). A Study of Bank Selection Decisions in Singapore using the Analytical Hierarchy Process. *International Journal of Bank Marketing*, 18(4): 170–180.
- W/Mariam, G.* (2011). Bank selection decision: factors influencing the choice of banking services. Addis Ababa University.
- Wan Ahmad, W.M., Ab Rahman, A., Ali, N.A., Seman, A.C.* (2008). Religiosity and banking selection criteria among Malays in Lembah Klang. *Journal Syariah*, 16(2): 279–304.
- Zineldin, M.* (1996). Bank Strategic Positioning and Some Determinants of Bank Selection. *International Journal of Bank Marketing*, 14(6): 12–22.

Стаття надійшла до редакції 05.02.2014.