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Consumer Behaviour while Selection of a Bank: A Qualitative Analysis on Influencing Factors and Attributes

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Abstract:

The banking industry is most dominant segment in financial sector and plays a significant role within the economic development of any country. In India, banking is highly transformed and it is characterized by increased competition, technological advancement and deregulation that have revolutionized the distribution of many financial services. As per Wikipedia, as on April 2020, Indian banking industry consists of 12 public sector banks, 19 private sector banks, 40+ foreign banks, 43 regional rural banks, along with several urban cooperative banks and credit cooperative societies. In such a competitive market with so many options available, banks would be profitable only by understanding the selection criteria that a customer consider while selection of a bank. It is the value proposition what customer is looking for, this is only possible when the service providers understand that which aspect of their products and services are most valued and fulfills customer's wishes.

Hence, Present study is based on the question *“What constitutes value for the customers and which are the factors that influences the bank selection for banking services?”*

Keywords: Customer, Bank Selection, value, satisfaction, public sector banks, private sector banks

Introduction:

Globalization introduced many changes in the economic and business environment across the world. India is no exclusion to these changes, with government allowing more participation from private partners and with deregulation, availability of choices to customer is increased. Value could be the most fundamental attribute basis that customer takes the decision for choosing a particular bank. Hence it is important to understand how customers from different generations, diversified background and requirements selects a particular bank in order to design an effective segmentation strategy.

Retail banking is one amongst the most important vertical for any bank as it is associated with the common man and their day-to-day banking needs. With technological support and due to intense competition focus is now on choice and preferences of customers for product and service development. To address this issue, present

research paper is based on determining factors influencing customers' bank selection criteria in Indore city. The research paper structured in four parts as follows. Part 1 consists of the introduction of the research; it deals with the purpose, and related issues of the study. Part 2 contains the review of the literature and consumer behavior on bank selection criteria by different groups of people. In part 3 the research methodology is presented. In part 4, conclusion of the study is presented and discussed along with references.

Review of Literature:

A study done by Haque et al (2009) found that customer satisfaction arbitrates the effects of automated bank service quality on financial performance. The research found that internet service quality had no significant relationship with customer satisfaction; improvement in the quality aspects of this dimension could enhance overall satisfaction and thus financial performance.

Parasuraman et al, (1985,1988,1991,1994); Cronin and Taylor, 1992; Zeithaml et al 1993; Anderson et al, 1994). These authors have seen a wider concept of customer satisfaction influenced by service quality, product quality and price and personal factor like emotional status. Mittal et al (1999) argue that the attributes that customer satisfaction is also depends upon the customer's goal fulfillment.

Boyd et al, (1994) studied basis demographic factors for differences in selection criteria in choosing retail banks and found that white collar households indicated a greater importance of reputation, new trend facilities and location. High income household gets attracted to interest rates, opening hours, staff friendliness whereas low-income households' beliefs on favorable publicity and word of mouth. Elliot et al, (1996) observed that price, speed and access convenience are particularly important, on the other hand Reeves and Bednar (1996), in response to the aforementioned paper, argued that customer service is more important than price and that customers looks beyond price, speed and access to evaluate and choose between banks.

Kumber and at al. (2009) reviewed Indian banks and found they are changing towards modern banking system. Modernization in banking is changing its services, products and operational tactics of banking. These developments are heading towards customers delight as well as operational efficiency and thus reducing operational cost of banking services.

Swamy (2012) mentioned the facts related to retail banking products. Customer service is perhaps the most important part of retail banking. Most public sector banks offer almost the same set of services with similar technology but the level of customer service matters the most in bringing in more new business.

Researchers observed that decision making is a set of certain steps ranging from painstaking analysis to pure whim. It depends on utilization importance, availability of time and willingness.

Research Methodology:

Qualitative research technique is used in the study. In this, various features, services and factor are identified through case study research by which an individual chooses a bank for banking service.

Data Analysis & Findings:



In-depth analysis has been done of few past related studies and focused interviews are done with Branch Managers of two private sector banks (HDFC Bank & ICICI Bank) and two public sector banks (Bank of Baroda and Punjab National Bank) at Indore. This has resulted in below attributes that customer considers the most during decision making in selection of bank for banking services:

- ✓ **Brand Name:**
By far the most important factor for selection of bank is its brand name. Customer wants to associate with a well-known established brand more than the newer ones.
- ✓ **Security of Deposits:**
Due to recent activity of Yes Bank on temporary restriction of withdrawal, there is a sense of insecurity in general public. some people find private sector bank riskier hence they prefer public sector banks.
- ✓ **Location of the Bank:**
Location is a very important factor for customer who uses branch channel for routine transaction. A nearby branch makes the convenience to customers for availing banking services.
- ✓ **Branch Network:**
Traditionally Banks with a greater number of branches are considered to be safer. this also helps in seamless transactions in different cities specially for current account customers.
- ✓ **High yield Saving Accounts:**
Certain private sector banks and small finance banks are providing higher interest rates on saving accounts to attract customers. Interest rates is an important and most tangible attribute considered as it will directly affect the returns.
- ✓ **Deposit rates:**
Fixed deposits and recurring deposits are the basic products of banking services. It is the most secured form of investment Since at the contracted interest rate, the deposit gets booked for the contracted period.

Customer choose banks providing higher interest rates on fixed deposits especially senior citizen community.

✓ **Transactional Charges:**

This is a recurring expense hence customer chooses the bank levying minimum charges on banking services. Normally private banks charges more than public sector banks.

✓ **Locker Services:**

Not all bank branches have the locker facility. This facility depends on location, space availability etc. hence those customers who need lockers chooses the bank where locker facility is available.

✓ **Opening hours & working timings:**

Branch timings and working hours also play an important part while choosing a bank.

✓ **Security in Branch Premises:**

Customers are concerned about the security aspects of branch premises. Availability of gunman, locality of the branch etc. influence customers.

✓ **Loan Facility**

Again, an important attribute. people choose the bank providing loan facilities like home loan, personal loan, vehicle loan etc. Also, current account customers are looking for overdrafts, cash credit facility etc.

✓ **Multiple Banking Products**

Banks are nowadays one stop shop for all financial products. But not all banks are providing these facilities. Thus, accordingly the customer makes the decision.

✓ **Debit card & Credit card Deals:**

Banks are coming up with exciting deals on debit cards and credit cards like free ATM transactions, Airport lounge access, insurance covers, free movie tickets etc. it adds on to other attributes while choosing a bank.

✓ **Staff Knowledge**

This is not related to the product but service. while in most cases people experience it post account opening but it is very important for the banks to equip their personnel with adequate knowledge.

✓ **Staff courtesy and responsiveness**

Again, an intangible factor matters for word of mouth. it plays a vital role in acquiring new customers and stickiness of the existing customers

✓ **Family and friend influence**

One of the major factors of choosing a particular bank comes from the suggestion through friends, and peer group. There are families which stick to a bank for generations as banking is not just about products and services but it's also about relationships.

✓ **Accessibility through digital channels**

Today customers are more digitally oriented. while almost all banks are providing these services, private banks are leveraging more than the public sector banks.

Conclusion:

This study highlights the factors that are important to customers while selection of a bank for availing banking services. In today's competition banks cannot survive only by concentrating on few services satisfactorily and poor performance elsewhere. The marketing strategies also need to develop in such a way that it will impact the minds of the customers. Service quality and customer service are extremely important for retaining the existing customers. This will only happen with technological solutions and in-depth trainings to the bank staffs. A satisfied customer will also help in Word-of-Mouth marketing which is still a valuable form of marketing available to retail banks in India. Nowadays customers are looking for banks as one stop shop for all financial products.

Limitation of the Study

This study has undertaken the most important attributes which are considered significantly while selecting a bank. At the same time customer requirement may vary to other products like cash management products, door step banking, QR codes for receiving payment, cheque and DD printing at home, API integration, virtual accounts, payment gateways etc.

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