

Customer Perception on Bank Selection Criteria in Butwal Sub-Metropolitan City

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Abstract

Banking services are essential to a corporate institution's efficient operation because they enable the safe transfer of funds from one party to another, simplify financial transactions, reduce risk, manage cash flows, and even offer security services to fortify ties between banking institutions, customers, and partners. The unhealthy competition among them makes it challenging to select the finest, though. Using the dependent variable (Bank Selection Criteria) and the independent variables (Convenience, Technology, Bank Charge, and Employee Behavior), this study tries to pinpoint the variables impacting bank selection criteria. The basic random sampling method was used to collect data from 250 bank clients for this investigation. The cross-sectional descriptive study design was used. There have been uses of both descriptive and inferential statistical methods. The findings showed that the bank selection criteria and convenience have a substantial positive correlation. Bank selection criteria are positively marginally influenced by employee behavior and technology. The findings of this study will be helpful to curious consumers, anxious bankers, academics, government officials, and up-and-coming researchers, enabling them to demonstrate greater concern for their clientele in the future.

Keywords: Bank Selection, Convenience, Technology, Bank Charge and Employee Behavior

INTRODUCTION

Banks are institutions with a focus on making a profit that participate in the mediation of economic desires. They are the transmitters of money within the country's financial sectors and serve as crucial engines of economic and monetary intensification. Banks have a crucial role in supplying liquidity to both the surplus and deficit economic sectors. The most liquid, profitable, and secure way possible is used to shift financial resources from surplus to deficit units. Due to the expansion of commercial banks and the incorporation of joint venture banks into the international banking system following Nepal's financial liberalization, the banking sector underwent a considerable transformation. Recent foreign banks and domestic private banks have arrived, enabling the creation of the financial system.

Due to the rising competition in the banking sector and the similarity of the services that banks offer, it is essential for banks to understand the important elements that affect bank customers' choice (Laroche, 2017). For the growth and prosperity of Nepal's banking sector, banks' capacity to compete for customers' business by providing effective and high-quality services is becoming increasingly crucial. Customers have a variety of banks from which to pick. Financial service providers must comprehend the factors that customers use to choose banks in order to build their service delivery and develop a strong growth strategy. It is proposed that bank selection criteria help banks identify the proper marketing strategies needed to attract new customers and retain existing ones (Laroche, 2017).

More than 21 banks can be found in Butwal, demonstrating the wide range of options available to customers when choosing a bank. The strong competition that exists in the financial services industry severely hinders the profitability of retail banking institutions of all sizes (Mokhlis, 2009). Due to competition among them, financial institutions were forced to expand their focus on consumers. Banks may find it easier to choose the appropriate marketing strategies if they comprehend the criteria that customers use to make their selections (Kaynak, E.; Kucukemiroglu, O., 1992). It is critical that banks establish the standards that consumers use to evaluate various financial service providers due to the level of competition in the banking industry and the similarity of the services that banks offer (Grady, B.; Spencer, H.; Holstius; Kaynak, 1995).

STATEMENT OF PROBLEM

Given the previously reviewed circumstances, it is obvious that, given the growing market competition, it is now essential to comprehend how clients select financial services. Therefore, the goal of this article is to pinpoint the key factors that consumers in the Butwal Sub metropolitan City consider when making decisions regarding banking services. What factors do individuals consider when selecting a bank for financial services? is the main query of the study.

OBJECTIVES OF THE STUDY

The specific objectives of the study can be listed as follows:

- To identify the factors which is important while making decision regarding bank selection.
- To investigate bank selection criteria among people.
- To assess improvement that can be done in banking industry to attract customers.

LITERATURE REVIEW

In this highly competitive environment, banks compete not just with one another but also with non-banks and other financial businesses. This is justified by the fact that practically all bank innovations are straightforward to copy, and when banks offer the identical services, their main points of differentiation are price and quality. As a result, banks may be able to employ client retention as a practical approach to obtain a competitive edge and survive in the highly competitive banking industry of today (Hull, 2020).

According to Jain (2020), the study makes an effort to determine which banks Nepalese customers choose to use. The study's conclusion indicates that the most important factor influencing a customer's decision to choose a bank is reliability. The correlational research showed that the key factors influencing bank choice are dependability and convenience. Value-added services and responsiveness were seen by Nepalese clients to be the least important criteria when choosing a bank in contracts.

Shah (2020) claims that the objective is to identify the elements influencing Nepalese consumers' selection of commercial banks. Banks mostly make money through customer deposits. The study aims to examine the effects of several factors (reputation, quality, gain, convenience, group influence, information accessibility, and physical facilities) on the customer's decision to choose a bank. According to descriptive analysis, convenience has the highest mean score, and banks are urged to focus on making their services easily accessible.

"Bank attribute variables in determining clients' choice of commercial banks," by Kattel (2021). The goal of the study is to determine what factors influence Nepalese clients' decision regarding their business bank. Since customer deposits are where banks make the majority of their money, they actively encourage customers to open bank accounts by providing a range of services. The goal of the study is to examine the influences on consumers' decisions to choose a certain bank from a variety of criteria, including reputation, service quality, gain, convenience, peer pressure, information accessibility, and physical facilities. Reputation had a more significant impact on clients' choice of bank than the negligible impacts of group influence and knowledge availability.

The accessibility of a bank, which includes a variety of factors including having accessible ATMs, is the main factor affecting customers' decisions to utilize that bank. The authors of "Factors Affecting Bank Choice Among Working People in University Students" are Sanil & Phadindra Kumar and Siddhartha Paudel. 24/7 ATM services, rapid service, and internet banking capabilities are also available (Saleh, Rosman, & Nani, 2013). This study suggests that banks actively take these factors into account when creating their marketing approach, however customer gifts are optional. In this situation, service effectiveness has also been cited as a significant factor that is linked to the provision of critical services.

College students' choice of bank is significantly influenced by technology (Chigamba & Fatoki, 2011). The study identified a number of factors that contributed to the recommendation that banks make opening accounts for university students simple, including ease of opening, the bank's financial stability, technical aspects, the number of cash tellers in the bank, and quick access to foreign exchange. According to Rehman and Ahmed (2008), key factors impacting consumer choice include customer service, convenience, internet banking capabilities, and the overall bank environment. According to Hinson et al. (2013), the first three most crucial influencing variables are convenience, bank staff relationships, and banking services/financial benefits.

Consumers place a high value on convenience and service availability (Ulaganathan, 2011). Similar to this, cost, price, service quality, and convenience are important variables to consider when selecting a bank in Sahiwal city and should be taken into account when creating a marketing plan (Zulfiqar, Arshad, Fareed, Shahzad, & Hussain, 2014). The author advises bank managers to provide email banking, mobile banking, and online banking in order to attract and retain young consumers. In the banking sector, they search for customer behavior.

There is evidence that while there is a sizable amount of literature that examines the bank selection criteria and the factors influencing the bank selection criteria based in developed economies (Thailand, Bangladesh, Pakistan, Brazil, Malaysia, etc.), very few empirical studies have been carried out in developing economies where the prevailing conditions are completely different regarding organizational structure and business environment. The purpose of this study is to fill this research gap and try to analyses the impact of bank selection criteria in Rupandehi commercial banks.

RESEARCH METHODS

This study uses a descriptive and casual comparative research approach to identify the factors that influence the decision to choose a bank. The respondents who have an active bank account were the study's target group. A structured questionnaire was utilized to collect responses from those who were available during the

study period using a random sampling technique. A survey was conducted among the bank customers and a pilot test was done to evaluate the accuracy of the questionnaire. Bank selection criteria is a dependent variable whereas convenience, technology, bank charge and employee behavior are used as independent variables in this article. Out of 250 questionnaire distributed total of 210 respondents from the bank customer were collected for pilot testing. The impact of the Commercial Bank of Butwal's decision to choose a particular bank on customer perception is examined in this study using a quantitative methodology. There are 21 commercial banks in Butwal. In order to help banks understand what factors influence customers' decisions when choosing a bank, the quantitative parts of the study involve questionnaires with clients of various banks. Banks can improve overall business performance and strengthen customer relationships by identifying and addressing the preferences and concerns of their consumers.

CONCEPTUAL FRAMEWORK

Despite the fact that numerous studies have made a significant contribution to the literature on bank selection criteria, their results may not be applicable in other locations due to distinct cultural, economic and legal circumstances. Therefore, using a regression model, the research will look at the variable that has the biggest impact on the bank selection criteria. Additionally, this study looks at how convenience, technology, bank charge and employee behavior affect bank selection criteria in Butwal area.

For that the following research framework has been used on the base of dependent and independent variables.

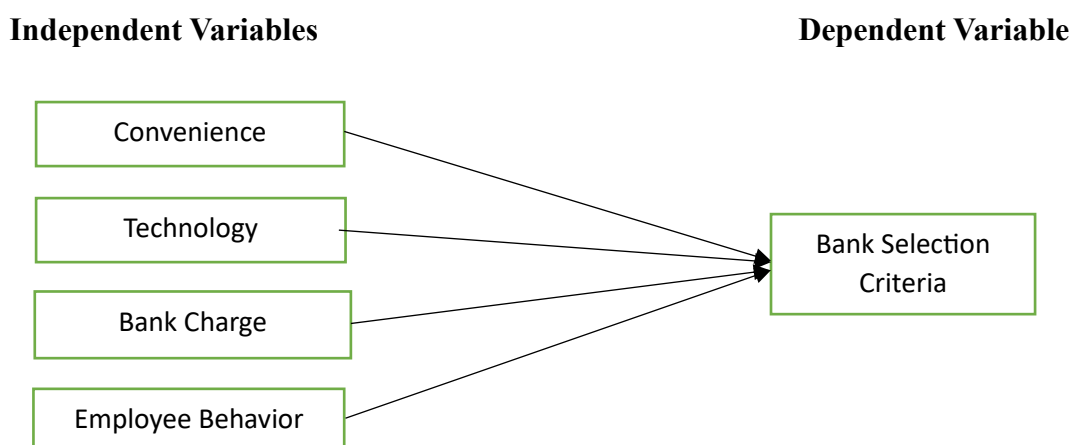


Figure1: Research Framework

Sources: Paudel (2017) , Wagle (2022)

HYPOTHESIS

The following are the hypothesis of the study:

H1: There is a significant relationship between Convenient and Bank Selection Criteria.

H2: Technology and Bank Selection Criteria has a significant relationship.

H3: Bank Charge has a significant relationship on Bank Selection Criteria.

H4: There is a significant relationship between Employee Behavior and Bank Selection Criteria

RESULTS AND ANALYSIS

Demographic Profile of the Respondents

The demographic information about the respondents is shown in this section. Customers of commercial banks in the city of Butwal make up the study's respondents. Table 1 presents an overview of the respondents' profiles.

Variables	Category	N	%
Gender	Male	98	46.7
	Female	112	53.3
	Total	210	100
Age	18-24	75	35.7
	25-34	88	41.9
	35-44	47	22.4
	Total	210	100

Table1 represents a complete picture of the respondents' demographics. It displays a fairly equal mix of genders, with 46.7% of respondents identifying as male and 53.3% as female. This allocation demonstrates a very equitable gender distribution among the 210 survey respondents.

In terms of age distribution, the age range of the respondents, ages 18-24, who make up 35.7% of all respondents, is a sizeable group of demographic..Another significant segment lies 25-34, which accounts for 41.9% of the total, clearly shows that they make up the majority of respondents of the total.Only 22.4% of all people are in the 35–44 age group. A total of 210 participants, who constitute the complete population studied, are represented by the combined data from these groups.

In conclusion, the presented table provides a detailed portrait of the respondent demographics, including gender and age. This thorough analysis improves our comprehension of the makeup and features of the sampled group.

Table 2

Descriptive characteristics of all variables

Variables	N	Min	Ax	Mean	Std. Dev
AVG_BSC	210	1	3	1.59	0.643
AVG_C	210	1	5	2.74	1.293
AVG_T	210	1	4	2.82	1.46
AVG_BC	210	1	5	1.83	0.869
AVG_EB	210	1	5	2.07	0.771

Table 2 presents a comprehensive descriptive analysis of five variables: AVG_BSC, AVG_C, AVG_T, AVG_BC, and AVG_EB. The statistical properties of each variable are explained, illuminating the distribution and key patterns of the data.

The sample of 210 respondents, the variable AVG_BSC represents a measure that ranges from minimum 1 to maximum 3. The mean value for this variable is calculated to be approximately 1.59, indicating the central tendency or average response. The standard deviation, quantified at 0.643, provides insight into the extent of variability or dispersion of data points around the mean.

Within the sample of 210 respondents, the variable AVG_C denotes a measure with a minimum value of 1 and a maximum value of 5. Approximately 2.27 is determined as the mean (average) value for this variable, reflecting the central tendency or average response. An understanding of the variability or dispersion of data points around the mean can be gained from the standard deviation, which is expressed as 1.293. According to this, the values for AVG_C have a tendency to be moderately variable and cluster around the mean.

Using data from the same 210 respondents, we may move on to another variable, AVG_T, whose range is from a minimum value of 1 to a maximum of 4. The middle or average value of this variable is roughly 2.82, which is the mean value. The dispersion of data points around the mean is represented by the standard deviation, which is now 1.46. The values of AVG_T reflect a similar level of moderate variability around the mean as AVG_C.

Now turning our attention to AVG_BC, it is interesting to see that the same 210 respondents who reported on the variable reported responses that range from minimum 1 to a maximum of 5. The average tendency within this parameter is represented by the AVG_BC mean value, which is around 1.83. The calculated standard deviation of 0.869 shows the extent of the data point spread around the mean. This suggests that the AVG_BC data points are centered around the mean and have a limited range of variability.

Finally, a closer look at the variable AVG_EB reveals that the identical 210 respondents provided responses ranging from a minimum value of 1 to a maximum value of 5. AVG_EB has a mean value of around 2.07, which is the average or median value in this situation. The degree of variation or dispersion around the mean is shown by the standard deviation, which is 0.771. AVG_EB exhibits moderate fluctuation around its mean value compared to the prior variables.

In conclusion, Table 2 offers a descriptive analysis of the four variables— AVG_BSC, AVG_C, AVG_T, AVG_BC, and AVG_EB—that is enlightening. A deeper grasp of the properties of the dataset is made possible by these statistics, which provide a thorough explanation of the distribution, central tendencies, and variabilities of the data points within each variable.

Table 3

Table 3 provides a comprehensive overview of the reliability test results for various constructs under examination. Reliability test is the probability that a product, system or service will perform its intended function adequately for a specified period of time, or will operate in a defined environment without failure.

Reliability test

Cronbach's Alpha	N of Items
.641	4

The instrument was fairly dependable for conducting research, as indicated by the Cronbach's Alpha test findings of 0.641.

Table 4

Correlation between dependent and independent variables

Variables	BSC	convenience	Technology	Bank Charge	Employee Behavior
BSC	1	.510**	0.208	.697**	0.272
Convenience		1	0.193	.515**	.277*
Technology			1	0.26	0.251
Bank Charge				1	.342*
Employee Behavior					1

Note: **. Correlation is significant at the 0.01 level (2-tailed)

*. Correlation is significant at the 0.05 level (2-tailed)

Table 4 provides by measuring the intensity and direction of linear correlations between pairs of variables, correlation coefficients, give a thorough understanding of the relationships between the variables. The range of correlation coefficients is -1 to 1, with -1 denoting a perfect negative correlation, 1 denoting a perfect positive correlation, and 0 denoting no correlation.

The correlation coefficients of the relationship between dependent variable (BSC) and independent variables (convenience, technology, bank charge and employee behavior). From the correlation result it is found that service convenience ($r = 0.510$, $p > 0.01$), bank charge ($r = 0.697$, $p > 0.01$) had positive correlation with bank selection criteria but technology ($r = 0.208$, $p < 0.090$) and employee behavior ($r = 0.272$, $p < 0.090$) had no correlation.

Table 5

Summary of results of multiple regression analysis

Dependent Variable: Bank Selection Criteria

Model	Constant	Convenient	Technology	Bank Charge	Employee Behavior	R ²	F	Sig
Coefficient	.115	.182*	.012	.447*	.010	.516	12.551	.000
Sig.	(.658)	(.097)	(.899)	(.000)	(.914)			
VIF		(1.387)	(1.111)	(1.479)	(1.186)			

*Note: Figure in the parenthesis indicates p values and VIF respectively. * Indicates results are significance at 5% level.*

Table 5 shows the multiple regression analysis. It has been found that, factor influencing on Convenience(C), and Bank Charge (BC) both are significantly positive impact on Bank Selection Criteria(BSC). Which particulars value ($\beta=0.182$, $t=1.694$, $p=0.097$) and ($\beta=0.447$, $t=4.740$, $p=0.000$) respectively. Here both variables p values are ($p<0.05$). In such condition, Convenience and Bank Vcharge both variables influencing on BSC. On the other hand, factor influencing on Technology(T), and Employee Behavior(EB) both are insignificant impact which detail value ($\beta=0.012$, $t=1.28$, $p=0.899$) and ($\beta= 0.10$, $t= 0.109$, $p= 0.914$) respectively. Here both variables p values are ($p>0.05$). In such condition, Technology and Employee Behavior does not enhanced BSC.

In this table $R^2= 0.514$ which means 51.45 of dependent variable is explained by the independent variables and remaining is explained by other factors.

CONCLUSION

According to the data gathers from correlation and regression analysis, the majority of respondents indicated that Convenience and Bank charge were important considerations when choosing a bank. Convenience and Bank charge have a strong positive impact on the bank selection decision amonf the people of Butwal Sub-metropolitan city, although other aspects such as technology and employee behavior may have positive but not a major impact.

The customer feels honored to open an account with those banks because of their excellent convenience. Customers want their deposits to be secure as they conduct daily business, therefore the more dependable a bank is, the more customers will choose it for financial operations. Customers consequently trust banks whose services make it easier to protect the privacy of their data. Bank charge are another important consideration for customers when choosing a bank. Additionally, technology and employee behavior both continue to be very important. Further researchers will encouraged to do test additional study as a result of these repercussions.

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Test of Normality

Normality test

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.090	52	.200*	.966	52	.139

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Test of homocedasticity

