

Factors Influencing Bank Selection Decision of Youth in Butwal City

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Abstract

This study proposes to evaluate the factors impacting the bank selection choice of youth by applying a set of dependent (bank selection decision) and independent variables (convenience, bank rate, reputation, and bank staff). This study is based on 280 replies from bank customers, utilizing a convenience sample approach. Regression and correlation methods were utilized to achieve the result. A structured questionnaire has been deployed as the study instrument on a five point Likert scale of intensity. The results demonstrated that reputation, bank rate, and convenience have a major impact on the bank's decision making, while bank personnel have a low impact on bank selection decisions. The findings of this study are useful to youth customers, worried bankers, academicians, government authorities, and future researchers, which will help them to be more concerned about their customers in the future.

Keywords: Convenience, bank rate, bank staff, reputation

Introduction

In any form of organization, including services and non- services, consumers are usually seen as king, given that the existence and survival of such organizations are largely and directly dependent on the existence of the customers (Kumar et al., 2011). The banking industry is characterized by hyper-rivalry due to the attraction of business people with high returns (Hinson, Osarenkhoe, & Okoe, 2013). The current concept of banking developed in Italy during the middle ages and slowly moved through Europe and other countries. The country's economic development, business expansion, and globalization are all inseparable from banking activities (Ruin, 2004) and further explain that in this modern world, banks have widened their business activities to include all aspects of financial service activities, such as insurance, securities, investments, etc. Due to the wide- range availability of products and services, the competitive landscape of banks has also been adjusted from an uncompetitive pattern to a more competitive and dynamic pattern. Banks are seeing tougher rivalry in today's economic world than in the past. As such, it has become increasingly vital for all bank operators to comprehend their clients' demands and wishes. Customers play a critical role in the existence of organizations. Marketing experts

in consumer behavior have mentioned that consumers examine the relevance and importance of several elements before they can choose a certain product or service (Hoyer & Macinnis, 2010).

Thus, awareness of the characteristics that are regarded as essential in choosing a bank is crucial, especially for bank operators to devise suitable approaches to influence their customers' decisions. Currently, there is a large spectrum of research accessible addressing banking selection criteria. As Ruin (2004) mentioned banks should make efforts to identify their client targets, such as clients of different age groups, to give them the needed products and services. The rising competition within the banking industry and the similarity of services supplied by banks make it necessary for the banks to determine the primary elements of bank customers' selection decisions (Laroche, 2017). Financial institutions need to learn more about their customers and the things that impact them before choosing them because of this intensely competitive environment. The financial services industry is highly competitive, which poses a serious threat to the profitability of retail banking institutions of all sizes (Mokhlis, 2009). In the banking sector, a bank's choice affects both present and potential clients in several ways that may be connected to individual and other personality differences. These attributes are necessary to draw in and retain clients (Adekiya & Gawuna, 2015). Among the vast array of banks operating as banking and financial institutions, the most favorable bank is the one that customers will select as their conducting bank based on certain criteria. Furthermore, customers also have their point of view and selection measurement to select their most pleasant bank to cope with their regular monetary transactions. These criteria will directly influence the enjoyment of the customers (Hin et al., 2011). A search of the literature also reveals that studies relating to bank selection criteria have been largely done in the USA and several European nations (Denton and Chan, 1991). Although such studies have substantially contributed to the literature on bank selection, their conclusions may not apply to other countries due to variances in cultural, economic, and legal situations. In certain countries, a set of determining characteristics that significantly impact bank selection may not have the same significance in another. Researchers have used various methods to evaluate the variables influencing bank choice in various countries. Highly important factors include the type of accounts, service speed, accessibility of appropriate locations, and the expertise and demeanor of banking staff (Laroche, 1986). Safeguarding money and utilizing technology to provide banking services are essential in other countries, such as Nigeria (Aregbeyen, 2011). In Pakistan, the most significant criteria are convenience, quality of service, price, and cost (Zulfiqar et al., 2014). Likewise, the accessibility of ATMs and speed of service, reliability, convenience, and location of the banks are important for Malaysian customers (Saleh et al., 2013), while the friendly behavior of employees, bank locations, convenience, service speed, and

availability of advice on credit and financial services are important in Turkey (Kaynak, 1991). For Bangladesh, reduced interest rates on loans, bank locations, and convenience are significant elements (Siddique, 2012). Martenson (1985) focused her study on the Swedish market for banking services, and Kaynak et al. (1991) studied bank selection in a Turkish setting. Denton and Chan (1991) and Kaynak and Kucukemiroglu (1992) investigated comparable difficulties in Hongkong. Several comparable studies have been done in various countries, with varying findings accessible in the literature.

The following objectives are the study's goals:

- To explore the elements that affects the youth's choice to select commercial banks.
- To examine the impact of convenience, bank rate, bank staff and reputation on youth's preference.

Limitations of the study

- The study investigates just youngsters in Butwal City: consequently, the results cannot be generalized.
- The study employs a questionnaire approach alone to acquire the data: consequently, the research's trustworthiness relies on their answers.
- The study evaluates only certain aspects, like convenience, bank rate, reputation, and bank staff: nevertheless, many more elements affect youth's preference when selecting banks for deposits.

Literature Review

Mohamad Sayuti Md. Saleh et al. (2012) observed a substantial link between accessibility and bank selection by clients. The data were obtained from people in Kelantan, Malaysia, throughout the years 2012-2013, employing a random sampling approach.

Kashima Nawreen and Suhaily Shahim (2018) discovered a substantial link between physical things, human service quality, and a level of devotion to customer satisfaction. The data were acquired for the period 2018 employing a random sampling approach

Haruna Mohammed Aliero et al. (2018) indicated that an affordable interest rate, speed of service, convenient methods of obtaining loans, and a higher rate on deposits proved to have a positive and important influence on the client's choice of bank. The data were acquired in 2018 by employing a convenient sampling approach.

Agarwal P.K. (2017) discovered that social variables, convenience factors, financial factors, service quality factors, and bank image components are perfectly positively and significantly linked with bank

selection intention. The data were collected using a sampling method December 5 and December 15, 2016.

Azumah, S.B.et al. (2014) observed that technological, emotional, institutional, and infrastructure aspects were relevant, but the age of a customer was not a major factor impacting customers' choice of bank. The data were collected in 2014 by utilizing a convenience sampling approach.

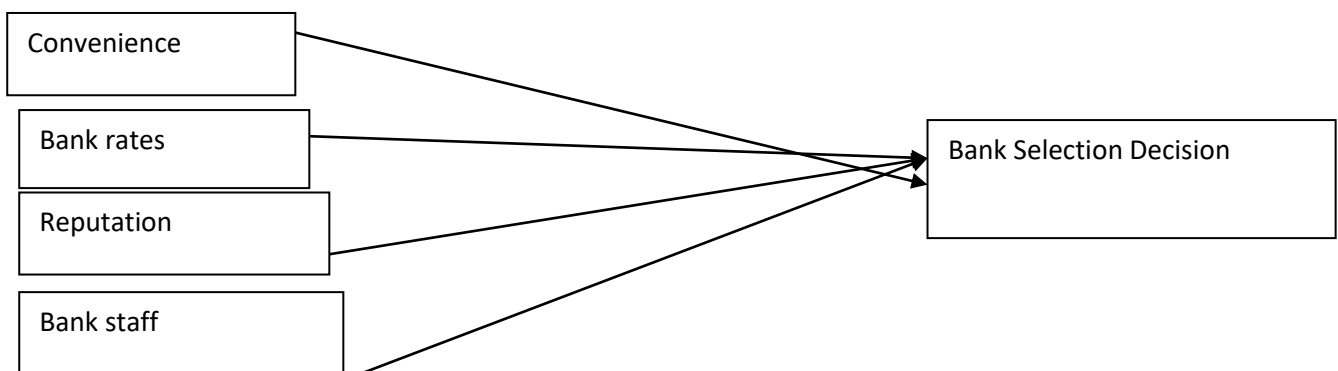
Mohd Zaidi Md Zab (2023) observed that company reputation, cost- benefit analysis , and technology had strong links with bank choice . The data were acquired in 2013 by applying the non- probability sampling technique.

Conceptual Framework

The goal of this model was to examine the features determining customers' selections based on many qualitative factors associated with services and service quality based on customers' opinions.

Independent Variables

Dependent Variables



Convenience

A study was conducted by Sharma and Rao (2010) on bank selection variables adopted by MBA students in India reveals that convenience is a major predictor. Factors such as parking facilities, free delivery of demand, phone banking, and free home cash delivery suggest that consumers seek ease in banking and want to save time.

Bank rates

Customers are price-sensitive, and the interest rate fluctuation could alter their perspective and make them migrate between banks. Switching between banks is generally impacted by three sorts of events, such as service failures, pricing, and in convenience, with pricing being more influential (Gerrard, 2015)

Reputation

Reputation is an essential component in the selection of a business and its merchandise. Similarly, this component is also considered crucial while picking the bank, especially for those who are status-conscious and youngsters. It highlights the reliability of pledges from a bank, which in turn allows parties to enter into a letter of credit arrangement to lessen the risks linked with payment across national boundaries (Buckley, 2019)

Bank staff

Customers make judgments about service offerings and delivery based on the individuals representing the organization. In the service industry, people should have the competence and understanding to define service and satisfy the desired needs of the customer (Mudie & Pirrie, 2012).

Hypothesis

- H1: There is a strong association between reputation and youth's preference .
- H2: There is a strong association between convenience and youth's desire.
- H3: There is a strong association between bank rates and youth preferences.
- H4: There is a considerable association between bank personnel and youth's ambition.
- H5: There is a big effect of reputation on youth's preferences.
- H6: There is a major effect of convenience on youth's decisions.
- H7: There is a huge effect of bank rates on youth's preferences.
- H8: There is a strong effect of bank staff on youth's preferences.

Research Methodology

In order to learn about variables of bank selection among youth in Butwal City, this study focuses on a descriptive research design. The target respondents for the study were those who have a present bank account. Structured questionnaire were deployed to acquire the data from respondents. While performing the study, respondents were completely warned about study privacy and that queries were for academic purposes. The main data for the study was gathered from 280 young customers chosen through a convenience sampling strategy utilizing a Likert scale. The questions were prepared into two segments: the initial part of the survey questionnaire has been proposed to examine the significant factors in bank selection decisions, and the second part includes information related to the demographics of the sample respondents, like gender , age, ,and academic qualification . The poll

ensured the presence of legitimate respondents, and no personal identity of any of the respondents was exposed.

Demographic Variables

Demographic elements are gender, age groups, and education status, which are gathered from different professionals, communities, and places.

Results and Discussions

Table 1

Demographic Characteristics of the Respondents (n=80)

Gender	Frequency	Percent
Male	126	45
Female	154	55
Education		
Under SEE	30	10.71
+2	90	32.14
Bachelor degree	100	35.71
Master degree	60	21.44
Age		
Up to 20	150	53.57
20-30	90	32.14
30-40	30	10.71
40-50	10	3.57

Table 1 reveals that the bulk of the responses were female (55%). Likewise, the majority of the respondents were within the up to 20 age groups, which is 53.57 percent of the respondents. Similarly, the majority of the respondents had a bachelor's degree, which is 35.71 percent of the respondents.

Table 2**Tests of Normality**

	Shapiro-Wilk		
	Statistic	df	Sig.
Unstandardized Residual	.971	80	.066

Table 2 demonstrates that residuals are regularly distributed since p-value is greater than 0.05 level of significance by using Shapiro-Wilk test.

Table 3**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.777 ^a	.603	.582	1.40689	2.011

Table 3 shows that $R^2 = 0.603$ i.e 60.30% of total variation in bank selection is explained by variation in independent variable reputation, bank rate, bank staff and convenience and remaining variation is explained by other factors. In this case DW value = 2.011 which is nearly 2 so there is no presence of autocorrelation.

Table 4

Regression Coefficient

Regression Coefficient

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	8.274	1.585		5.219	.000		
Reputation	-.236	.118	-.202	-1.999	.049	.520	1.921
Bank rate	.433	.095	.426	4.571	.000	.608	1.645
Bank staff	-.097	.093	-.090	-1.038	.302	.707	1.414
Convenience	.415	.056	.687	7.425	.000	.619	1.617

a. Dependent Variable: Bank selection

Model: Bank selection = 8.274-0.236(reputation) + 0.433 (Bank rate)-0.097(Bank staff) + 0.415(convenience)

Table 4 shows that the independent variables reputation, bank rate and convenience are significant because their p values are less than 5% level of significance but bank staff is not statistically significant.

VIF indicates that there is no presence multicollinearity because all VIF are less than 5.

Table 5

ANOVA table

Source of variation	Ss	d f	Mss	F cal	P value
Regression	225.736	4	56.434	28.511	.000
Residual	148.451	75	1.979		
Total	374.188	79			

Since p value of the regression model is less than 0.05 so model is significant.

Table 6
Correlations

		RE	BR	BS	COV	DE
Reputation	Pearson	1	.568**	.416**	.587**	.406**
	Correlation					
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
Bank rate	Pearson		1	.475**	.400**	.544**
	Correlation					
	Sig. (2-tailed)			0.000	0.000	0.000
Bank staff	Pearson			1	.419**	.317**
	Correlation					
	Sig. (2-tailed)				0.000	0.004
Convenience	Pearson				1	.701**
	Correlation					
	Sig. (2-tailed)					0.000
Bank selection	Pearson					1
	Correlation					

Table 6 shows that p values of all the correlation coefficients are less than 0.01 so correlation coefficients are significant.

Table 7**Reliability Test**

Cronbach's Alpha	No of items
0.746	4

Table 7 shows that cronbach's alpha value is 0.746. So the reliability result is significant.

Conclusion

The conclusion from correlation and regression research is that it is obvious that reputation rate, bank rate, and convenience are the important characteristics that influence bank choice. They have a major impact on the bank selection decisions of youth in Butwal City. Therefore, the hypothesis (H4) is rejected. These analysis results confirm the study findings of Martenson (1993) that convenient branches, ATM facilities, and bank reputation are significant. Kaynak & Kucukemiroghu (1992) found that preferred bank locations close to consumers' homes are necessary. Erol et al. (1990) found that bank's reputation and image, friendliness of bank personnel, and confidentiality of the bank are factors. Holstius & Kaynak (1995) found that reception at the bank, lower service charges, friendliness of personnel, and confidentiality are factors. Kochukalam (2018) says that 24-hour availability of ATMs, timeliness and quality of services, internet banking capabilities, ATM locations, and effective and efficient customer care are substantially crucial in picking the bank. Likewise Aslferos (2019) has discovered that the main influencing variables are services, marketing, pricing, attractiveness, and location. In the same vein, this statement indicates a strong impact between bad decision-making and bank service convenience. Nawreen and Suha (2018) discovered a substantial link between physical quality, service quality, and level of satisfaction. Haruna Mohammed Aliero and Ibrahim Hussaini Alrier (2018) rates, affordable interest rates, speed of service loans, and other means of obtaining deposits. I have a preference for deposits to have a positive impact on the client's choice of bank.

Thus, individuals choose to open accounts with those banks whose reputations are good in the market. The customer desires a return and the safety of their deposit. They also analyze the safety and behavior of staff.

Scope for further Research

As the survey was conducted considering Butwal City, the results may change if research is conducted in other parts of Nepal. However, if the survey is conducted in full, the findings may substantially alter. As the research was conducted in a sub- metropolitan city region, the outcome may not be the same if the survey is conducted in a semi- urban area.

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