

FIRST TIME BANKER CHOICE OF BANKS IN AN EMERGING ECONOMY

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ABSTRACT

This paper explores bank choice decisions and loyalty influencers. Extant literature on how potential consumers select banks was reviewed to arrive at factors that best describe how Ghanaian undergraduate fresh students evaluated and selected banks. A quantitative design using a survey approach was used to collect data from students. Factors like banks service quality, marketing activities, risk of the transaction, and service provisions are stimuli that can make them stay and continue to do business with a bank. Conclusion and recommendations are advanced.

Keywords: Banks, Economy.

INTRODUCTION

The world is witnessing a proliferation of service-oriented firms delving into the provision of financial services hitherto the preserve of traditional banks. This has partly to do with a steep rise in new technologies and partly to do with the recession that banks recently went through in the West. Customer preferences and fidelity to banks can be likened to the proverbial chameleon-keeps on changing and prevaricating from one end to another (Ibrahim et al., 2021). This remains a conundrum to many banking executives to demystify. The level of profitability of banking institutions of all sizes is been threatened or challenged by the avalanche of competition that is characterising the retail banking sector (Mokhlis, 2009). The market for banks has reached saturation coupled with the intense competition makes it worthwhile for banks to be customer conscious for the fact that Anderson et al. (1976) there is more to keeping a customer than fighting to gain one and the efforts should be more proactive than reactive. It is one thing winning the choice decision of a new customer to your bank and another thing striving to keep that customer for a lifetime banking loyalty. With the dynamism that is characterising customers taste and preference bank marketing efforts must also be dynamited to keep a match with getting the loyalty of customers for it is the delight of the customer that becomes the target of the marketing efforts and not satisfaction necessarily (Ibrahim, 2021).

This has underscored the need for players in the banking industry to continue to be proactive in their quest to meet the changing needs and demands of customers, particularly the youth to attract them and be able to keep them for long. This has drawn into sharp focus the study of factors impinging on the initial choice of banks by the youth and what would stimulate and sustain their fidelity to banks Karjaluoto (2002); Martenson (1985); Matzler et al. (2008). The study explored factors impinging on customers' choice of banks dates back to the 1980s but it's worthwhile to continue to increase leaps and bounds due to changing demands precipitated by changing technologies and perspectives Mokhlis (2008).

The Ghanaian Banking Industry and Students Bank Selection

The history of retail banking in Ghana dates back to the colonial days when two colonial banks were previously in operation-The British Bank of West Africa in 1896 now the Standard Chartered Bank and Dominion Colonial and Overseas Bank Barclays Bank in 1917 Okumus (2005). These were foreign banks wholly run and controlled by residents outside of the country by then (Osei et al., 2013). Before the liberalisation of retail banking which started around 1986, the number grew to 11 banks of which four were having foreign equity participation. The future of retail banking will continue to be challenging and paradoxical with questions of whether future customers will still need bank services (Ibrahim, 2021). The determination of the way forward remains with the banks to prove their continued relevance beyond today. This opaque future outlook of retail banking is born out of new and sophisticated technologies permitting non-banking institutions to offer alternative ways of safeguarding and managing finances. The significance of banks will depend on their proactive acumen in coming out with unique services that are inimitable and hard to be source elsewhere Bowen & Chen (2001); Daniel (1999).

Ghana has a fair share of research into bank selection criteria and most influential determinants in choosing a bank of recent times, particularly the one involving students. It appears pioneered the research into this area in Ghana when they investigated bank choice or selection criteria within cultural and economic scenarios in industrialised countries (USA), newly industrialised countries (Taiwan) and liberalised developing countries (Ghana). They applied the classical multi-step scale development process with the employment of exploratory and confirmation factor analysis in their study. The findings were that recommendation of peers, free banking or no charges, competence and convenience emerged as the most important variables considered in bank selection. This was followed by a similar one this time concentrating on Ghana and the USA. The findings of did not depart from the previous one as convenience, competence and free banking remained the most important factors embarked on ascertaining the criteria by which two categories of students select banks and to determine the most prevalent criteria using a drop-down and pick convenience sampling method to elect a focus group. The findings were that the most important bank selection factors were the minimum deposit required by banks, followed by evidence of '*information technology-related products*', banks with large branch networks to enhance accessibility, trust and variety of service delivery. Further, a comparison between the male and females students were that while the males considered a deposit, networked branches, fast service, variety service delivery and number of bank branches the females considered evidence of information technology, minimum deposit, safety in bank transactions, number of bank branches, fast service and prestige image as the order of importance in their bank selection criteria. The results were that undergraduates inclined to factors such as minimum deposit, safety in bank transactions, prestigious image, better service delivery and networked banking whilst postgraduate students opted for fast service, number of bank branches, minimum deposit, better service delivery and variety of services as the order of importance in selecting a bank on determinants of bank selection using undergraduate students in Ghana. Convenience, employee-customer relations, banking services, financial benefits and reputation of banks were the most important criteria in order of significance.

Perceived Quality of Service

Service quality affects a customer's choice of a bank. Therefore a bank with mediocre service quality is unlikely to attract and retain customers. Accordingly avers that perceived

service quality is a major selection criterion for bank customers. Similarly, argue that perceived service quality is a measure of how well a delivered service matches a customer's expectations.

Staff Attitude

The staff of banks should display high professionalism and perform to the satisfaction of their customers to be considered in the choice set. Such attributes provide students with the confidence that the banks have the needed skill and competencies to handle their demands. In a study conducted by, the efficiency of personnel, friendliness of the staff as well as staff knowledge of the firms' business were among the highest-ranking staff determinants of bank selection by business customers in Kuwait. Similar findings were also reported in the studies of, as well as Almosawi (2001). Thus, the current study argues that banks that provide a pool of professional staff capable of understanding the students' needs would become attractive partners.

Competitive Prices of Services

Interest rates and bank charges were the most commonly cited reason for customers' commitment to their financial service providers and that they would not stay with their current service provider if they could get a better deal elsewhere. On the contrary, other studies found out that price were not considered as a significant factor in bank selection for the customer. Finally, the attributes of the bank could also influence the selection by students. Factors such as the reputation of the bank, number of branches and convenient location of the branches are all important attributes which students will consider in their bank selection decisions Table 1.

Table 1		
PREVIOUS STUDIES ON STUDENTS' SELECTION		
Researcher (s)	Country	Primary attributes affecting students' bank selection
Nartey & Kuada (2014)	Ghana	Customer satisfaction, long term business success, core and tangible dimensions of banking services, rational factors
Nkamnebe et al. 2014	Nigeria	Bank's financial stability, availability and functional ATM network, family and friends influence, the proximity of bank branches to the university campus
Ibrahim (2021)	Denmark	Provision of e-banking services, trustworthy banking services, bank employees willing and helpful, bank understand and provide specific customer needs, fast and efficient bank services
Tai & Zhu 2013	USA	Secure feeling, the proximity of branch and ATM service, bank reputation
	Ghana	Convenience service, employees customer relations, banking services, financial benefits, the reputation of banks

METHODOLOGY

A quantitative methodology was used to examine first-time bankers' selection of banks. Existing questionnaires were reviewed and administered to the target audience on four Universities in the Greater Accra region Denton & Chan (1991). Two private and two public universities were consulted. Four hundred questionnaires were distributed in total to the four Universities (one hundred each). At the end of data collection and data cleaning, only 320 of the responses were used for further analysis. This provided a response rate of eighty (80)%. The data were entered into SPSS (version 21) for descriptive and factor analysis in an attempt to reduce the data collected.

Discussion of Study Findings

Males partook in this study more than their female counterparts, representing about 61% being males, with females being 39%. The majority of the respondents were admitted to reading business administration related programmes representing about 71%, while about 29% were to read non-business related programmes Table 2.

Table 2			
DEMOGRAPHICS OF RESPONDENT			
Factors	Indicators	Frequency	Percentage
Gender	Male	195	60.9
	Female	125	39.1
	Total	320	100
Area of Study	Business Related	228	71.3
	Non-Business Related	92	28.7
	Total	320	100

Factor Analysis

An exploratory factor analysis was carried out, and extraction of factors with the Bartlett test of Sphericity (sig. 0.000) and the KMO measure of sampling adequacy confirms. Only factors whose eigenvalues are equal or greater than 1 are selected. Also, only factor loadings with a minimum threshold of 0.5 (Hair et al., 1998) and a minimum reliability threshold of 0.5 were used in the analysis. This enquiry aimed to identify the factors influencing the selection of banks by 1st-year Undergraduate students Sivadas et al. (2000). This group was utilized because most of them just turn 18 years and also because they will now be away from home. Several factors and items were identified from extant literature on bank selection. A factor analysis was conducted to reduce the number of items or factors Table 3.

The means and standard deviations of questionnaire items are presented in table 3. On the 5 points Likert scale, all the means received were more than the mean score of 3.0.

Table 3			
MEANS AND STANDARD DEVIATIONS			
	Mean	Std. Dev.	Std. Error Mean
Service Provision	3.83	1.02	0.057
I will select a bank based on its promises	3.97	0.971	0.054
I will select a bank that has a high number of branches	3.91	0.975	0.055
I select multiple banks for different transactions	3.92	0.991	0.055
I admire competence of bank staffs	3.87	1.012	0.057
I will select a bank with good banking halls	3.63	1.072	0.060
I will select a bank that gives me assurance	3.63	1.072	0.060
Brand endorsements influence my selection of a bank	3.85	1.055	0.059
Marketing Activities	4.00	0.871	0.049
Free Banking (No Bank charges) is key in my selection of a bank	4.01	0.976	0.055
I will select a well-established bank	4.02	0.874	0.049
I will select a bank that provides good customer services with regulation	3.98	0.763	0.043

Bank Instructions	3.77	0.937	0.052
I will select a bank with easier account opening Process	3.72	1.019	0.057
I will select a bank that informs me clearly of the regulations governing it	3.82	0.828	0.046
I will select a bank with few restrictions on operations	3.77	0.964	0.054

The KMO of 0.675 is adequate. More so, the total variance explained was 71.509, these indicators confirm the need to conduct a factor analysis. After the factor analysis, 8 factors were identified. Some of the factors had two (2) items, following, the two-item factors were merged with other factors that shared conceptual fittings Ta & Har (2000) More so, a reliability test (Cronbach alpha test) was carried out to further refine and test the internal consistency of items to factors Rashid & Hassan (2009) Consequently, three (3) factors emerged namely: Service Provisions; Rao & Sharma (2010). Marketing Activities; and Bank Regulations Table 4.

Table 4 KMO, BARTLETT'S TEST, AND TOTAL VARIANCE EXPLAINED						
	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			0.675		
Bartlett's Test of Sphericity	Approx. Chi-Square			3564.932		
	Df			253		
	Sig.			0.000		
Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.078	26.424	26.424	4.421	19.222	19.222
2	2.073	9.014	35.438	2.126	9.245	28.466
3	1.959	8.518	43.957	2.104	9.148	37.615
4	1.561	6.787	50.744	1.817	7.899	45.514
5	1.373	5.969	56.713	1.794	7.799	53.313
6	1.217	5.290	62.003	1.461	6.351	59.663
7	1.144	4.973	66.976	1.391	6.048	65.712
8	1.043	4.533	71.509	1.333	5.798	71.509
23	.067	0.292	100.000			

The internal consistency of each factor was subjected to a reliability test. The Cronbach alpha was used to measure internal reliability by unit weighting items with salient loadings in a factor where Cronbach's alpha coefficient at 0.5 or higher was considered acceptable Table 5 (Mokhlis et al., 2008).

Table 5 FACTOR LOADING	
Factors and Items	Loading
Service Provision ($\alpha=0.886$)	
I will select a bank based on its promises	.758
I will select a bank that has a high number of branches	.757
I select multiple banks for different transactions	.750
I admire competence of bank staffs	.763
I will select a bank with good banking halls	.727
I will select a bank that gives me assurance	.838
Brand endorsements influences my selection of a bank	.690

Marketing Activities ($\alpha=0.514$)	
I will select a well-established bank	.572
Free Banking (No Bank charges) is key in my selection of a bank	.835
I will select a bank that provides good customer services with regulation	.796
Bank Instructions ($\alpha=0.515$)	
I will select a bank with easier account opening processes	.598
I will select a bank that informs me clearly of the regulations governing it	.877
I will select a bank with few restrictions on operations	.765

CONCLUSION

The study found that a bank's marketing activities; service provisions and bank instructions influence bank selection. Interestingly, the usual convenience is not identified as a factor because most banks operating in Ghana have branches / Self-service devices (ATM) in and around the University communities. A bank's marketing activities of providing good customer service and having free banking service (student bank accounts) were preferred most by students; the service provisions of a bank like several branches and having competent staffs was next to marketing activities; and a bank's instructions like fewer restrictions on transactions and flexible bank opening requirements were also noted as a determinant of bank selection by respondents. Banks engage more in marketing activities; service provisions and flexible bank instructions to attract first-time bank users. More profoundly, this study adds that the marketing activities; service quality; risk of the transaction; and service provisions are the stimulus that banks could practice to maintain and enjoy their customer lifetime value.

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