

Study on the Extent of the Factors Affecting the Selection of Banks by Customers with special reference to Batticaloa District

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Abstract: Customers are the source of earnings and have become an important decision tool to attract customers for their businesses. There are state and private banks in Batticaloa District. They use different types of techniques and methods to provide services. This research has attempted to find out the degree of influence of factors in selecting the particular banks. Availability of technological aspects, the style of servicing, the service system, assurance, service structure, reliability and courtesy are influencing with differing degrees.

Keywords: service structure, courtesy, reliability

Introduction

Customers are the key of determining the success or failure of the business in contemporary business environment. Winning competitive advantage often hinges on being distinctively better than rivals at one or more of the success factors. Marketers recognize that identifying success factors is the top priority as they are good cornerstones of a firm's strategy.

Three forces dominate the prevailing marketing environment in the service sector which could be increasing competition from private players, changing and improving technologies and continuous shifts in the regulatory environment. (Philip Kotler, 2003). Customers have become more and more aware of their requirements and demand higher standards of services, service perceptions and expectations are continually evolving, making it difficult for their service providers to measure and manage more effectively.

The key lies in improving the service selectively, paying attention to ore critical service attributes/dimensions as a part of customer service management. It is impressive to understand how sensitive the customers are to various service attributes of dimensions. Allocating resources in the fashion that is consistent with customer priorities can enhance the effectiveness in the service operations.

Customer satisfaction is the most important purchase decision factor influencing the customers' buying decisions. Also, it has strategic benefits of contributing to market share and return on investment as well as in the lowering manufacturing costs and improving productivity.

Banking services are technology oriented and more sophisticated. In the banking sector, three things are important such as operating efficiency, financial viability and service quality. Here the service quality means "if customers' expectations are met, the quality of the service is satisfactory." If they are exceeded, the quality of the service delivered is ideal. If expectations are not met, however, the service quality is unacceptable and the responsible business might have lost a customer.

The sustainability of banking sector depends on the quality of service provided to customers. The private banks and state banks compete with each other in proving quality of service. The expectations of people are changing time to time. Meanwhile the banks also provide service to customer according to the globalizations and technological changes.

Significance of the study

Banking is become as one of the important part of personal and organizational life. In Sri Lanka, service sector contributes more than 50% of the GDP of the country. Among the service sector organizations, banking is the backbone. There are studies available on entire banking industry in Sri Lanka. But only few studies have been done to the district level. In order to understand it in a district level the Batticaloa district has been selected. In Batticaloa District, there are a lot of state and private banks available with various offers of products and services. Customers have offered freedom of choices as to where to go and what to buy. But there are factors which influence their decision making to make a good deal. If the decision making is wrong, their investment will not give expected yield. This study will identify the factors which would induce the customers to select the banks which they feel is better than others.

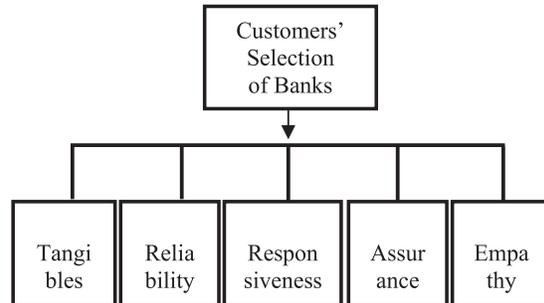
Problem Recognition

Customers' almost compare the different alternatives available to select the best option to better satisfy their needs and wants. Banks are considered to be the place for huge competition in recent years. With this competition they use novel strategies to capture the customers. Therefore, the key is in the hands of customers. The trend for financial services has been quite different in the Batticaloa District.

In Batticaloa District, there are a number of banks available namely three state banks such as Peoples' Bank, Bank of Ceylon and National Savings Bank and private banks such as Commercial Bank, Hatton National Bank, Sampath Bank and Seylan Bank. But it is evident that a large number of customers keep bank accounts in state and private banks. The purpose of this research is to find out the extent of factors that influence over the selection of banks by the clients in Batticaloa District.

Conceptual Framework

Figure 1.1 Conceptual Framework



Source: Prepared for this study in particular

Tangibles

Tangibles includes the physical evidence of the service, physical facilities, appearance of personnel, tools or equipment used to provide the service, physical representations of the service such as a plastic credit card or bank statement, other customers in the service facilities. (Berry et al, 1985)

Reliability

Reliability refers to as the firm performs the services right the first time and honors its promises. It involves in accuracy in billing keeping records correctly; performing the service at the designated time. (Parasuraman et al 1985)

Responsiveness

Parasuraman et al (1985) give the definition of responsibilities as it concerns the willingness or readiness of employees to provide service. It involves timeliness of services. They then list keeping customer informed as to when services will be performed; prompt service to customers; willing to help customers and readiness to respond to customer's request as the content to evaluate this dimension. Similarly, Johnson (1997) also defines responsiveness as timeliness of service delivery.

Assurance

One of the aspects in the assurance factor is "knowledge to answers questions." Assurance is a knowledge and courtesy of employees and ability to inspire trust and confidence. (Parasuraman et al 1985)

Empathy

Keeping customers informed in a language they can understand and listening to them. It also means that the company has to adjust its language for different consumers. It involves explaining the service itself, how much the service cost; the tradeoffs between service and cost; assuring the consumer that a problem will be handled (Parasuraman et al 1985). It is further supported by Johnson (1997), communication is also defined as the way of communication can be understood by customers

Operationalization

Table 1.1: Operationalization

Variables	Dimensions
1. Tangibles	1.1 Modern equipment
	1.2 Physical Facilities
	1.3 Neatness
	1.4 Material
2. Responsiveness	2.1 Early Information
	2.2 Prompt Service
3. Problem Solving	3.1 Problem Solving
	3.2 Privacy
4. Assurance	4.1 Safety
	4.2 Courteous
	4.3 Innovation
	4.4 Degree of Control
5. Empathy	5.1 Individual Attention
	5.2 Knowledge
	5.3 Enough Time
	5.4 Personal Relationships
	5.5 Discrimination

Methodology

Sample Selection

The target population for this study includes all the customers of private and state banks in Batticaloa District. Target population includes customers from Peoples Bank, Bank of Ceylon, Hatton National Bank,

National savings Bank, Sampath Bank and Seylan Bank.

Sampling

For this research 200 samples were randomly selected from Bank Account holders in Batticaloa district. Around 64,510 customers are identified to have bank accounts in which two hundred customers are taken as sample for this study. Two hundred questionnaires divided and equally (100 questionnaires for state banks and 100 questionnaires for private banks) randomly issued.

Table 1.2: Sampling

Banks	No of customers	%	Sample size
People Bank	14,316	22	44
Bank of Ceylon	12,903	20	40
Commercial Bank	9,889	15	30
Hatton National Bank	7,376	11	22
National Savings Bank	2,301	6	12
Sampath Bank	4,092	8	16
Seylan Bank	13,633	18	36
Total	64,510	100	200

Source: Statistical book-2010

Date Collection

This study was carried out based on primary and secondary data sources. Primary data are mainly collected by questionnaires including personal and research data. Secondary data are collected from statistical hand book and websites.

Method of Measurement, Analysis and Evaluation

Responses for questionnaire are marked by using Five Point Likert Scales such as highly important (HI), important (I), questionable (Q), unimportant (UI) and highly unimportant (HUI). Collected data are analyzed by using SPSS in order to obtain mean and standard deviation for the study. Based on the values indicated in the questionnaire, a mean value is calculated.

The evaluation criteria to find out the impact of factors affecting the selection of banks are as follows;

Range	Decision rule
$1.0 < X_i \leq 2.5$	Lower Impact
$2.5 < X_i \leq 3.5$	Moderate Impact
$3.5 < X_i \leq 5$	High Impact

Source: Developed for this study

Discussion

Tangibles

Tangible consist of modern equipment, physical facilities, neatness and material of both banks.

Level service quality regarding tangible between are different, that is level of service quality of Private bank is high but State bank is in the moderate level, because, the mean value of tangible is 4.19 in Private Bank but 2.63 is in State bank.

Modern equipment includes ATM facilities, ATM any time and modern technology. The mean value (4.26) of Private bank is more than State bank (3.57). All private banks provide ATM facilities to their account holders.

ATM access any time. When comparing the mean value regarding quality of ATM access provided by the Private Bank (4.15) is more than the State banks (3.04). All Private Banks have ATM facilities. But State bank has many branches but availability of ATM machines is very less. So availability of ATM machine is not enough for all ATM card holders to get service.

Considering the modern technology, mean value of Private Bank (3.85) is more than state bank (3.09). In Private bank, transactions are made quickly because they use many computers for their transaction purpose rather than State banks.

Physical facilities includes such as layout line, counters, seating, AC and entertainment and location. Considering the space of banks, the mean value of

Private bank (4.70) is more than State bank (2.06). In private bank, the counters have separated and differentiated. In each counter, proper instructions have mentioned. Customers state that state banks are seemed to be not in a way that they expect when receiving services.

Considering the counters, it has mean value of 4.54 for Private bank compared to 2.03 of state banks. The private banks maintain many counters for their transaction purpose. It has convenience for customer. But in State bank, there are few certain units are available. Therefore, private Bank has provided better services to customers than State bank.

Considering the seating capacity, it has mean value of Private bank (2.86) is less in the State bank (3.69). In Private Bank, the seats are available limited for customers. But in State banks, the seats availability is higher than Private bank. Even though, 62% accounts holders of State bank disagree regarding this services.

Considering the location and availability of banks, the mean value of Private bank 2.22 compared to that of 3.78 of State bank. Reason for this is that the availability of private banks is limited. State banks are almost available in all branches of the research area. Consumers choose the banks based on the location as they feel more convenient.

Neatness of banks and staff indicate that both banks maintain at a higher level. in terms of neatnes of staff and banks, it has the mean value of 4.93 for Private bank and 4.05 for State banks

Material includes availability and identification of material. The mean value of availability of materials in Private bank (4.86) is more than State bank (3.40). When customers request any documents (e.g. loan application form) from Private Banks, they can get easily. But in state bank, when customers request for documents (e.g. loan application form) they have to wait for more time in the bank, because the customers cannot get documents directly from particular officer easily, it will be received by customers through many staff.

Reliability

The reliability includes problem solving, validity and privacy and confidentiality. When comparing the level of service satisfaction regarding reliability, there is high level in private bank and moderate level is in state bank. Here the mean value of private banks (4.3) is more than State banks (3.52). Many dimensions have contributed in determining the service quality. The variables of reliability between both banks are discussed below.

When observing the level of service satisfaction regarding the inquiry the mean value of Private Banks (4.00) is more than the State banks (2.25). Because in Private Banks, at the time of problem arise, it is solved. Here they give more explanation and information regarding that service. In state banks, the customers have to wait long time to get explanation to their problem. When providing explanation, the employees of State banks spend short time with particular customers; here they are not interested to spend time for problem arising customers.

Further, when comparing the problem solving method, the mean value of private Banks (4.12) is more than the State banks (3.94). In Private Banks, the business development officer and assistant marketing managers are always available, so the customer can deal with them regarding their problem, here the customer can get appropriate information. But in State bank, if one customer seeks one officer to get clarification, that officer neglects to deal with them and they are involved that particular customer with other officer, it will delay to get service to customers.

Second dimension is privacy which includes information and credit card usage. Information means extent to which the banks keep the customer information secretly.

The mean value of Private Banks (4.76) is more than State banks (3.90). But in both banks some customers disagree, when customer give the passbook with counters for balance updating they update without any acknowledgments of particular costumer.

In case of credit card usage, the Private Banks has high level of service quality, but it is low in State banks. Because the mean value of Private banks (4.97) is more than State banks (3.00). The customers can use the ATM card as credit card in Private Banks. But the State banks didn't provide the credit card facilities or very less person use the credit card.

In terms of confidentiality, customers of state banks believe that they are more secured than private banks' customers. Even though the bank go to bankruptcy, the government will provide their money back. due to this dilemma, majority of customers of agreed to keep their accounts in state banks (mean value 4.38) rather than keeping it in private banks (mean value 3.33).

Responsiveness

Responsiveness includes two dimension early instruction and prompt services. First, indicators early instruction, the mean value of Private Banks (4.09) is more than State banks (3.53). In Private Banks, the information are providing earlier than the State banks. So customer has to wait in State banks than that of Private Banks.

In prompt services, online services, overdraft facilities, fixed deposits facilities, phone banking facilities and transaction time are discussed. When comparing the level of service quality of online services. the level of service quality of Private banks(3.59) is high but level of service quality is low in State banks (2.00) here the Private banks provides SMS banking and internet banking service to customers. But the State banks did not provide SMS or internet banking services.

Third dimension is service provided by the both banks is overdraft facilities. The level of service quality of both Banks is moderately. Due to the unexpected situation (local war), both banks has reduced overdraft facilities to customers. Anyway, the State Banks admits the overdraft to customers than Privates banks.

Fourth dimension service is fixed deposit facilities; the level of service quality of both Banks is

moderately. Because, the mean value of Private Banks (2.88) is more than State banks (2.64) both banks did not admit interest for fixed deposit before its maturity period. Though, the both banks admit the saving interest rate for one year fixed deposits, after three month before maturity period. Here, there is more restriction in State banks than Private Banks.

Fifth dimension is phone banking service. The level of service quality of Private Banks is high but it is low in State Bank because, the mean value (3.76) of Private Banks is more than State banks (1.89). Here, employees of Private Banks mostly provide the information though phone.

Regarding transaction time spent in both banks by customers is discussed bellow. The level of service quality of Private Banks is higher than State banks. Because, the mean value of Private Banks (4.48) is more than State banks (2.08). In Private Banks, there are more counters for each transaction as earlier stated, so that the customer spent less time in Private Banks.

Assurance

Fourth variable of service quality is Assurance which includes four dimensions such as safety, courteous, innovation and degree of control. Each dimension is discussed comparatively between both banks below.

First, safety includes transaction and records. The mean value of state banks (4.31) is higher than that of private banks (2.88).

Regarding safety records, the mean value (4.06) of Private Banks is more than State banks (2.22). When customers ask any prior information with State banks it takes long time, because, they have not maintain recorded. Sometimes, updating takes long days in pass book of customers. But in Private Banks, all information mostly are recorded and updated as early possible. So the customers are able to get information immediately.

The mean value (4.48) of private banks is more than State banks (2.30) regarding service quality of courteous of employees. When the employees of state bank is clarified any problem by customers, they

misbehave with customer and scold the customers. They have not spent sufficient time to deal with customer. In private bank, the employees of bank behave in good manner.

The mean value (3.49) of private bank is more than state bank (2.51) regarding service quality of innovation service. The private bank provides the new services (E.g.-PALM tap services) according to the current situation. The private bank is going to introduce palm tap services. But state bank has not provided such services.

Second dimension is degree of control which includes customer and withdrawal. Here customer means extent to which both customers after service time. The level of service quality in dimension private bank is higher than State bank. Because, the mean value (3.63) of private bank is more than state bank (2.23). In case of important transaction, the private bank sometimes admits the customer after service time. But in State banks have not provided this facility to customers.

When comparing the level of service quality regarding withdrawal, the level of service quality of private bank is high but level of service quality is low in state bank because the mean value (4.15) of private bank is more than State banks. The customer can withdraw large amount of money in private bank any time. But in state bank, the customer has to wait more time and sometimes it has taken one or two days when withdrawing the large amount of money.

Empathy

Empathy includes individual attention, knowledge, enough time, personal relationship and discrimination. Customers of both banks state that they given much more individual attention. Because, the mean value (4.00) of private bank is little more than state bank (3.86).

Customers of state banks feel that it is very much helpful to keep accounts with state banks as the staff of state banks having a good relationship with customers. They act in a polite way compared to that of private banks staff.

Conclusion

The research study on deciding the factors lead to the selection of banks in the Batticaloa District. As per the results obtained via the study, it reveals that customers are very complex to take decisions of the suitable banks. Due to the completion among banks, all banks try to provide all kinds of products and services.

This particular study has found out that the customers in the banks are driven largely by the facilities provided by the banks. Availability of technological aspects, the style of servicing, the service system and the assurance provided by private banks are the main reasons for selecting private banks in Batticaloa District. On the other hand, factors as such service structure, reliability and empathy of staff are found to be influencing over state bank customers. based on which they have made their decisions in the selection of banks in the Batticaloa District.

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