Factors Affecting the Selection of Commercial Banks in Sukkur and Khairpur Districts

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Summary

Banking sector is termed as one of the developing sectors in Pakistan as it provides very important and valuable services to customers. Due to its importance customers are very sensitive regarding selecting any particular commercial bank. Customers have choice of selecting different commercial banks and customers focus on different factors in selecting a commercial bank. This particular study has catered this important area and has tried to identify different factors that influence a customer to select a particular commercial bank in Sukkur and Khairpur districts. Data was collected from 300 respondents chosen by convenient sampling method and Factor Analysis technique was used to analyze the data. Findings suggest that customers of Sukkur and Khairpur districts consider six factors for selecting a commercial bank namely Services (SER), Proximity (PRO), Attractiveness (ATT), Recommendations (REC), Marketing (MAR) and Price (PRI). This study will help banks to realize the important factors affecting commercial banks and will focus on those to create attraction for customers and retention after creating the customers.

Key words:
Commercial Banks, Services (SER), Proximity (PRO), Attractiveness (ATT), Recommendations (REC), Marketing (MAR) and Price (PRI).

1. Introduction

Banking sector is one of the most important sectors of the economy for any country. Nowadays commercial banks are facing extreme competition which forces them to make some smart moves to be present or superior in the market. To cope this one of the most important steps that commercial banks take in this regard is to highly focus on customers and treat them on priority (Mokhlis, 2009). Commercial Banks try to design the policies which are extremely customer oriented. Further in this competitive era customers are exposed with various alternatives and choices with regards to commercial banks as customer has the option to switch from one bank to another bank if remains unsatisfied from current bank in any aspect (Mokhlis, 2008). Commercial banks need to understand the factors which affect the customers in the selection of a bank and not only the banks (Sharma & Rao, 2010).

Commercial banks can rather put more emphasis on factors that affect customers to select commercial banks in order to create an attraction in customer's mind. This particular study is intended to comprehend and explore the factors which affect people of Sukkur and Khairpur districts to select a commercial bank. Many researchers have conclusively found out in their research that now the concept that only businessmen or highly income earning class only uses commercial bank but now banks have also become a place to be used by majority of people from students to big businesses and companies which increases the importance and significance of commercial banks (Kaynak & Harcar, 2005). There is lesser focus given on the factors that force customers to select commercial banks (Gerrard & Cunningham, 2001). So this study is significant from various perspectives Firstly it fills the gap of researches in this area Secondly if commercial banks are able to understand different factors which effect in selection of commercial banks by the customers than it will create an opportunity for banks to attract customers by focusing on those factors which not only will increase their revenue but also a profit to whole economy. Thirdly customers will also be benefited if commercial banks give their selecting factors an additional care.

2. Research Problem

Mokhlis (2009) in his research recommended that there should be extensive research in Asia to know the factors affecting and forcing people to choose a bank this kind of study can benefit a big segment of society. There is no any noteworthy study conducted in Sindh particularly and in Pakistan generally hence this study has been conducted. Research problem that has been investigated in this study is to identify the factors that are affecting people and customers to choose a bank in Sukkur and Khairpur districts.

Objectives of the Study

Study inculcates in itself following objectives

(1) Understanding selection procedure of commercial banks in Sukkur and Khairpur districts.
(2) Comprehending influencing factors on selection procedure of commercial banks in Sukkur and Khairpur districts.

Literature Review

Sharma and Rao (2010) conducted their research study in India and ranked services provided by bank like convenience, online banking, ATM structure as the most attractive factor for a customer to select a commercial bank. Haque et al. (2009) considered relatives and friends influence and recommendation as an important factor influencing the customer to select a bank.
Mokhlis (2009) also supported a notion that it is services along with online services like ATM that attract customers the most to choose a particular bank especially commercial bank. Rehman and Ahmed (2008) also supported the version that recommendations play vital role in customer's mind to choose a commercial bank. Maddern et al. (2007) were of the opinion that attractiveness of building and pleasant environment of the bank attracts people to select a commercial bank.
Kaynak and Harcas (2005) in dealing with research that focused on important factors that customers utilize while selecting a commercial bank found out that ease of their home and banking distance as proximity attracts a customer to select a particular commercial bank. Cicic et al. (2004) who worked on analyzing the important factors that attract customers found out that people do consider price while selecting any commercial bank as they try to go for lower service charges along with maximum profits and returns. Lee and Marlowe (2003) conducted a research and found that attractiveness regarding building helps people to become a part of a bank. Almossawi (2001) worked on banking attractions towards customers and tried to get an insight on the factors that are influencing on customers to select the bank. He found out that marketing campaign that helps customers give feeling of security is one of the most important factors which attract customers to select a commercial bank. Almossawi (2001) also recognizes another important factor like proximity to bank and says it influences the customer in very positive notes as far as bank selection is concerned. Gerrard and Cunningham (2001) also conducted a study on bank attractive factors and found that a strong marketing campaign giving customers the sense of security may influence the customer to be a part of a particular bank. Almossawi (2001) also recognizes another important factor like proximity to bank and says it influences the customer in very positive notes as far as bank selection is concerned.

Study Model
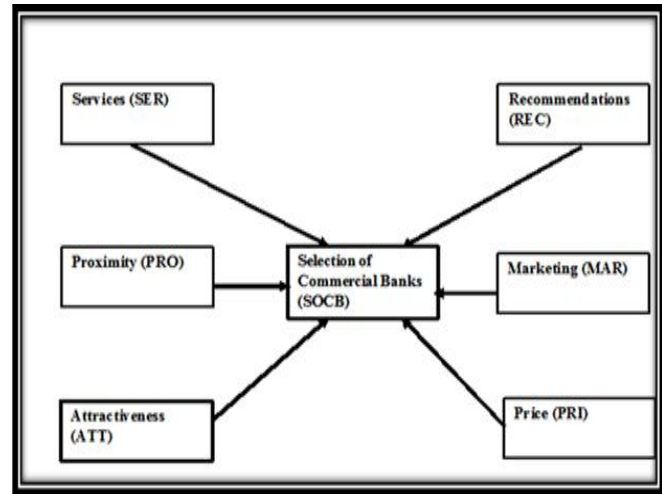
Literature Review conducted by past researchers has been considered as basis of developing model for this study. This model suggests that Selection of Commercial Banks (SOCB) is influenced by Services (SER), Proximity (PRO), Attractiveness (ATT), Recommendations (REC), Marketing (MAR) and Price (PRI). Hence Selection of Commercial Banks (SOCB) is used as dependent variable and Services (SER), Proximity (PRO), Attractiveness (ATT), Recommendations (REC), Marketing (MAR) and Price (PRI) are the independent variables and the factors having influence on Selection of Commercial Banks (SOCB).

Hypotheses of Study

Study contains following hypotheses
H:1: Services is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
H:2: Proximity is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
H:3: Attractiveness is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
H:4: Recommendations is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
H:5: Marketing is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
H:6: Price is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.

3. Methodology

Methodology which has been applied to get the results is Quantitative methodology along with primary data collection procedure. Population for the study is total banking customers of Sukkur and Khairpur districts. Banking customers of Sukkur and Khairpur districts have

been taken as sample and sample size is 300 based on criteria that sample size should be 300 if study intends to conduct Factor Analysis for analysis purpose (Tabachnick & Fidell, 2001). Sample size of 300 is also sufficient as there are 30 items and one item should be multiplied with ten to select total number of respondents and selecting sample size if study intends to use Factor Analysis as suggested by (Nunnally, 1978).Convenient sampling was applied to get responses and adopted and modified questionnaire of (Chigamba & Fatoki, 2011) according to study context was used.

Factor Analysis:

Factor Analysis was applied to comprehend and understand factors affecting customers to select a commercial bank. Results are given below:
    (01)Data Suitability:

For understanding the data suitability to be factor analyzed KMO and Bartlett's Test were performed and results are as under:
    Tab: No: (01)

KMO and Bartlett's Test

KMO TEST RESULT	.611
BARTLETT'S TEST RESULT	.000

KMO results are .611 which should be greater than .50 and BARTLETT'S test results are significant as it is <.05. It shows that results of both tests are well within cut of range hence it is concluded that Data is quite suitable for Factor Analysis.
    (02)Extraction of Factors

Extraction of factors gave number of factors for further operations.
    Tab: No: (02)
Eigen Values and Total Variance Explained

Variable	Initial Eigen Values	% Variance	Cumulative Variance
SER	11.41	34.140	34.140
PRO	3.008	10.213	44.353
ATT	2.284	6.159	50.512
REC	2.000	7.122	57.634
MAR	1.526	5.842	63.476
PRI	1.201	4.706	68.182

Following Eigen Values criteria six factors were kept and extracted because as the table suggesting that there are six factors having Initial Eigen Values greater than 1. Total cumulative variance explained by these extracted factors is 68.182%.
    (3) Rotation of Extracted Factors using VARIMAX Rotation

Retained factors were made subject to Varimax Rotation and results are given below
    Tab: No: (03)

Rotation of Extracted Factors using Varimax Rotation

	1	2	3	4	5	6
SER1	.750					
SER3	.739					
SER4	.713					
SER2	.701					
SER6	.700					
SER5	.694					
PRO3		.734				
PRO4		.724				
PRO2		.712				
PRO1		.701				
PRO5		.680				
ATT5			.699			
ATT4			.684			
ATT1			.673			
ATT3			.662			
ATT2			.642			
ATT6			.612			
REC4				.694		
REC1				.691		
REC3				.689		
REC2				.686		
MAR2					.684	
MAR5					.672	
MAR4					.664	
MAR1					.651	
MAR3					.642	
PRI2						.591
PRI1						.589
PRI3						.582
PRI4						.581
Extraction Method: Principal Component Analysis.						
a. 6 components extracted.						

Results of above table show strong loadings and imply that selection of commercial banks in Sukkur and Khairpur districts is strongly influenced and affected by above extracted six factors which are Service, Proximity, Attraction, Recommendation, Marketing and Price.

4. Hypotheses Results

H:1: Services (SER) is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
Factor Analysis was applied to analyze above hypotheses. Its result shows that Proximity is a factor in the selection of commercial banks in Sukkur and Khairpur districts because its Eigen value is 11.41 and it is greater than cut of value of 1(See Tab: No: 02). Further results indicate that Proximity is a factor and it strongly affect the selection of commercial banks in Sukkur and Khairpur districts because of its high loadings after they were made subject to Varimax Rotation (.750,.739,.713,.701,.700,.694 See Tab: No:03). So above hypothesis remains accepted.
H:2: Proximity (PRO) is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
Factor Analysis was applied to analyze above hypotheses. Its result shows that Proximity is a factor in the selection of commercial banks in Sukkur and Khairpur districts because its Eigen value is 3.008 and it is greater than cut of value of 1(See Tab: No: 02). Further results indicate that Proximity is a factor and it strongly affect the selection of commercial banks in Sukkur and Khairpur districts because of its high loadings after they were made subject to Varimax Rotation (.734,.724,.712,.701,.680 See Tab: No: 03). So above hypothesis remains accepted.
H:3: Attractiveness (ATT) is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
Factor Analysis was applied to analyze above hypotheses. Its result shows that Proximity is a factor in the selection of commercial banks in Sukkur and Khairpur districts because its Eigen value is 2.284 and it is greater than cut of value of 1(See Tab: No: 02). Further results indicate that Proximity is a factor and it strongly affect the selection of commercial banks in Sukkur and Khairpur districts because of its high loadings after they were made subject to Varimax Rotation (.699,.684,.673,.622,.642,.612 See Tab: No: 03). So above hypothesis remains accepted.
H:4: Recommendations (REC) is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
Factor Analysis was applied to analyze above hypotheses. Its result shows that Proximity is a factor in the selection of commercial banks in Sukkur and Khairpur districts because its Eigen value is 2.000 and it is greater than cut of value of 1(See Tab: No: 02). Further results indicate that Proximity is a factor and it strongly affect the selection of commercial banks in Sukkur and Khairpur districts because of its high loadings after they were made subject to Varimax Rotation (.694,.691,.689,.686 See Tab: No: 03). So above hypothesis remains accepted.
H:5: Marketing (MAR) is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.

Factor Analysis was applied to analyze above hypotheses. Its result shows that Proximity is a factor in the selection of commercial banks in Sukkur and Khairpur districts because its Eigen value is 1.526 and it is greater than cut of value of 1(See Tab: No: 02). Further results indicate that Proximity is a factor and it strongly affect the selection of commercial banks in Sukkur and Khairpur districts because of its high loadings after they were made subject to Varimax Rotation (.684,.672,.664,.651,.642 See Tab: No: 03). So above hypothesis remains accepted.
H:6: Price (PRI) is a factor that affect Selection of Commercial Banks in Sukkur and Khairpur districts.
Factor Analysis was applied to analyze above hypotheses. Its result shows that Proximity is a factor in the selection of commercial banks in Sukkur and Khairpur districts because its Eigen value is 1.201 and it is greater than cut of value of 1 (See Tab: No: 02). Further results indicate that Proximity is a factor and it strongly affect the selection of commercial banks in Sukkur and Khairpur districts because of its high loadings after they were made subject to Varimax Rotation (.591,.589,.582,.581 See Tab: No: 03). So above hypothesis remains accepted.

5. Conclusion and Future Recommendations

Study was conducted to sort out the factors that affect customers of Sukkur and Khairpur districts to select a commercial bank. Study has revealed that there are six factors named Services (SER), Proximity (PRO), Attractiveness (ATT), Recommendations (REC), Marketing (MAR) and Price (PRI). Results and findings of this study has validated the results of studies conducted by Chigamba & Fatoki, 2011) and (Sharma & Rao, 2010). As results of this particular study are in same direction with many previous studies suggest that findings have the potency to be taken on general basis. The management of bank can focus on the results and factors suggested by this study as it will provide a helping hand for commercial bank to create and attract the customer which can raise their revenue and ultimately helping the economy to strengthen. Future researchers need to conduct this research with more districts to generalize and validate the results and Sindh and Pakistan level.

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