

## Study the Effective Factors and Customers Preferences for Bank Choice Case Study: Hekmat Iranian Bank

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### Abstract

The purpose of this survey is study the effective factors on customers preferences for bank choice. In this survey the statistical society is customers of Hekmat Iranian bank in Tehran. Besides questionnaire has been used for gathering necessary data for measuring and determining the survey variables. So based on the questionnaire sample volume presented to customers of Hekmat Iranian bank which was selected ran domly and by using two-step clustering sampling totally 261 questionnaire filled out completely. Then all data were analyzed by using factor analysis and by Spss 19 and Lisrel and so soft wares. This survey from information gathering point of view is surveying and from study the relation between variables point of view is correlative. The results show that and factors of financial / welfare benefits, technology/ fame and interesting/ influence on customers preferences are effective for bank choice.

**Keywords:** bank services marketing, customers preferences, hekmat Iranian bank

### Introduction

Banks should take more actions for customers attraction because they rely on people saving and the importance of money for people the best tool for they aim is using marketing principles specially bank services marketing for market share saving and gaining benefit. Marketing as long term success for financial institutes is focused on customers. Entering customer focused organization to competition scope and their success empower the importance of attention to customer orientation. In fact customer orientation is the most beneficial and suitable strategy for bank because it's the basis for bank system (Noman, 2007).

Bank services marketing and deposit gathering are cases which are important in top strategies of banks. Totally if we consider the tasks of marketing dept of a bank as an ice being, its possible to say that banks pay attention to

external marketing management, marketing, new services presentation, profit rate awards and public relation mean while, marketing strategies compiling, design and suggest new services, planning sectioning, aiming and positioning, training marketing principles, market research and related studies of marketing are some sections which are neglected from customer, but he can perceive its effect. If managers don't pay attention to these cases, they will not successful in their tasks (Hafeeza, 2008).

Based on the mentioned items and regarding to this item that marketing and competitive among banks are increasing bank choice, as a element to establish product, efficiency and expansion are so important so the main question of the survey is that which factors are effective for customer and preference for bank choice?

A safe economy has a close relation to its safe financial system. One of the important elements of financial system is banking system. Iranian financial section, like other countries, are dominated by banking companies. Banks have been changed as very effective share holders in economic expansion trend. Today financial competitive and modern has made banks to follow quality improvement word wide. Iran isn't an exception and mostly and industries are like banking section. Banks present very different services to attract customer society and consider them as banks assets.

About 29 banks and credit institutes are working in Iran. it show that banks should competitive much more than before which may see meaning full effects and their cash flows. So customers become more important banks management are so focused on services and products improvement to increase their fame credit and profit.

According to Julian (1994), nowadays qualitative services and product presentation to customers are necessary to be successful in competitive banking situation, presentation products and services whit high quality make fame and credit increase, customer keeping improvement, new customer attraction from mouth to mouth marketing and financial and profit increase.

So, determining related factors for choosing a bank by customers in banking industry is so important. The aim at the survey is considering these factors and knowing customers rely to these factors.

### Literature of research

Used criteria by customer for bank choice has been generally reflected in related literature however in some surveys same. Important factors for bank choice has been studied. For instance in the survey by kamal

at.al(1999) service quality and service attributes(easiness, competition and service provider) are known as related factors of customer satisfaction. They found out that for age group under 21 years old, fame of a bank is a major role for bank choice from their point of view. Place, work hour, interest of saving accounts and suitable and fast offering of services are considered later. Some factors like making friendship with bank staffs and modern nature of bank facilities are considers as low grade for this group.

Kaufman (1967) has studied determining factors used for bank choice by customers and trade companies in the u.s. he found out the most effective factor reported by families are good place in comparison with home or work place, duration at relation between customer and bank and services offered by bank. Sclesinger et.al(1987) realized that 3 factors which are important for bank choice by customer who have small business scope are; loan rate loan gaining are liability and presented number of services. Price of services has been known as a major factor for bank choice in the survey of buerger and lynch(1996).

Laroche et.al(1986) found out that services speed, friendly relation with bank staffs, suitable place, working hour and staffs efficiency important factor which are gained by consumers for bank choice.

Riggall (1980) did a survey for a 250 people sample who were new comers to American society in order to know when and why they choose a special bank. Like many last studies, place availability (related to home or working place) in the most factor for bank choice by new comers. Other determining reported factors are, friends influence, low cost of services ATM availability and using employer of that bank.

Kayanak and kuchke miroglu(1992) has studied in hong kong to determine the

importance of choice factors by hong kong consumers for choosing domestic and foreign banks. Reported major factors were, place relief, consolation availability deposit boxes, loan and housing loan. Holstius and decker(1995) pointed out that efficiency and good will are most important attributes for determining customer satisfaction. Otherwise other major attributes are services scope, fame & creativity & innovation.

Kazeh and Decker (1993) studied opinion of 209 students in maryland, us and gained some information effective on bank choice decision making. Totally determining factors based on the priority were services cost, fame, cost of loan interest fast agreement will loan. A survey which is done by javalgi et.al (1989) in the us by hierarchy process analysis found out that financial factors are major criteria for customer to choose a bank. Result of the survey show that financial factors as safe investment, saving account interest and existing high amount of loans are major factors for customer to choose a bank.

The other survey is done by eric et.al (1990) to determine used criteria for bank choice by customers of Islamic banks in Jordan. Generally factors of effective services & speed, bank fame, friendly behavior of bank staffs has been gained the highest ranks.

Laron et.al (1994) did a survey for 301 muslim & non – muslim costumers in a business Malaysian bank to determine bank choice in a two dimension bank place. The results showed that how muslims & non – muslim are using same factors to choose a bank. Factors with high rank were: effective and fast services and transaction speed, friendly behavior of bank staffs and reliability of bank.

Meman et.al (2007) found out in a survey, related to banking for muslim customers behavior in Bangladesh, that important criteria for bank choice based on the average numbers

of a Islamic bank in Bangladesh are respect to Islamic principles, suitable & easiness of place. detail of family & friends & the rate of capital return.

Hafeezar and saima (2008) realized the determining factors for bank choice is national & private banks in Pakistan after a study on 358 people among private customers.

Zineldin (1996) did a survey about 19 potential factors for which costumers see them as important factors for bank choice in Sweden. These factors are: fame, other recommendation, interesting advertisement, suitable place, working hour and services with high technology.

In another survey by ranjbaran & gholami about effective factors on costumers preferences for a state bank in Esfahan, 9 hypothesis were presented & the effect of vast bank services, fast availability, bank decoration, bank credit, rapid working, new technology, staff behavior, interest to savings & the cost of loans for regarding to customers preferences were studied. For testing survey hypothesis a sample of 150 customers from state Esfahan branches banks was randomly chosen. The result showed that all above factors have been definitely effective on customers preference for a state bank choice besides, there is a meaning full difference between customers opinion based on the age, jobs educational degree & type of bank account. The way of staff behavior & fast availability to reach the bank has been effective factor for customers preferences to choose a state bank in Esfahan city (ranjbarian & cholami, 1385).

Literature review shows that study of bank choice criteria has mostly done in developed countries (dentcn and chan, 1991). Such studies may help to literature of bank choice but the results may not be so good for developing countries like Iran with cultural political & economical differences for example

a series of determining factors which are important to bank choice in a region may be proved to be nonsense in other region (almoosawi, 2001). Little studies have done for bank choice criteria for Iran & the aim of this survey is to help enriching the related literature.

### **Survey purpose**

Banking section has increasingly raised in Iran. Mean while little studies have been done for vital determining factors which are important for customers when choosing banks. The survey tries to increase the knowledge for this issue.

The main purpose of the survey is as following:

Determining the factors which are important for customers preference to choose a bank.

Realization of above purpose is possible from realization following

### **Purposes**

Study the effect of financial interest / easiness factor on customer preference to choose a bank

Study the effect of technology / fame on customer preference to choose a bank

Study the effect of attraction / interest on customer preference to choose a bank

Making priority & determining importance level of each factor on customer preference to choose a bank

### **Hypothesis**

Financial interest / easiness is effective on customer preference to choose a bank

Technology / fame is effective on customer preference to choose a bank

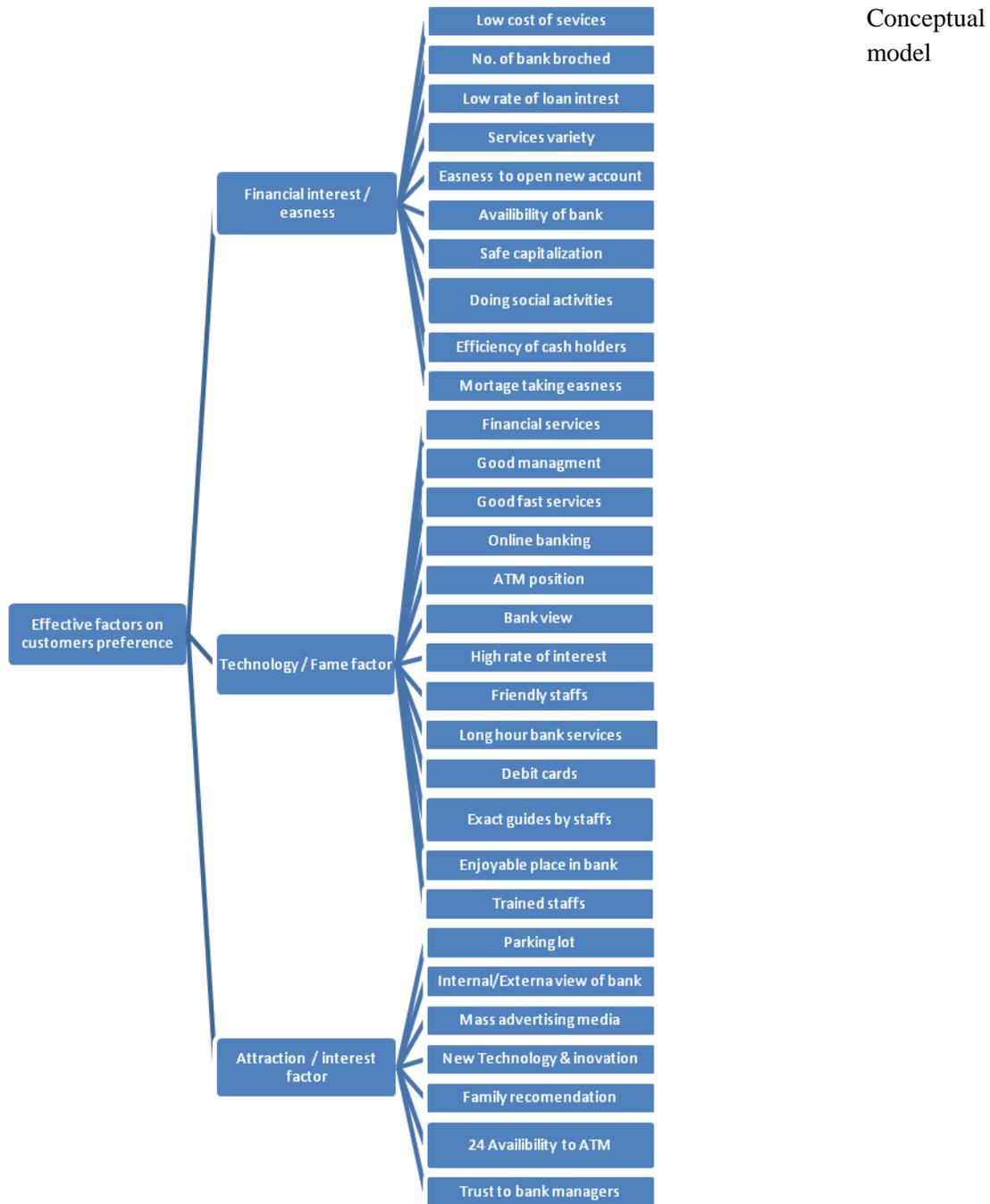
Attraction / interest is effective on customer preference to choose a bank

### **Questions**

How much does Financial interest / easiness is effective on customer preference to choose a bank?

How much does Technology / fame is effective on customer preference to choose a bank?

How much does Attraction / interest is effective on customer preference to choose a bank?



### Method of research

Due to the characteristics of each of the different types of research, the main objective of this research can be said The purpose of this research as part of applied research and in terms of the nature and scope of the research is correlational.

The population of Hekmat Iranian bank in Tehran of customers who have used the services of the bank. Because of the large sample size is unlimited And a list of community members are not known by To determine the sample size (n) of Cochran's formula we use:

$$n > Z^2 \cdot p \cdot q / d^2$$

Content validity has been proved in this questionnaire by the experts and last used questionnaires. By output data from questionnaire & by using spss software trust co-efficient amount has calculated by cronbach alpha regarding to above items for each dimension of survey model cronbach alpha has calculated by spss software. The result are as below:

Table2: cronbach alpha foe each dimension of survey model & total questionnaire in 30 samples

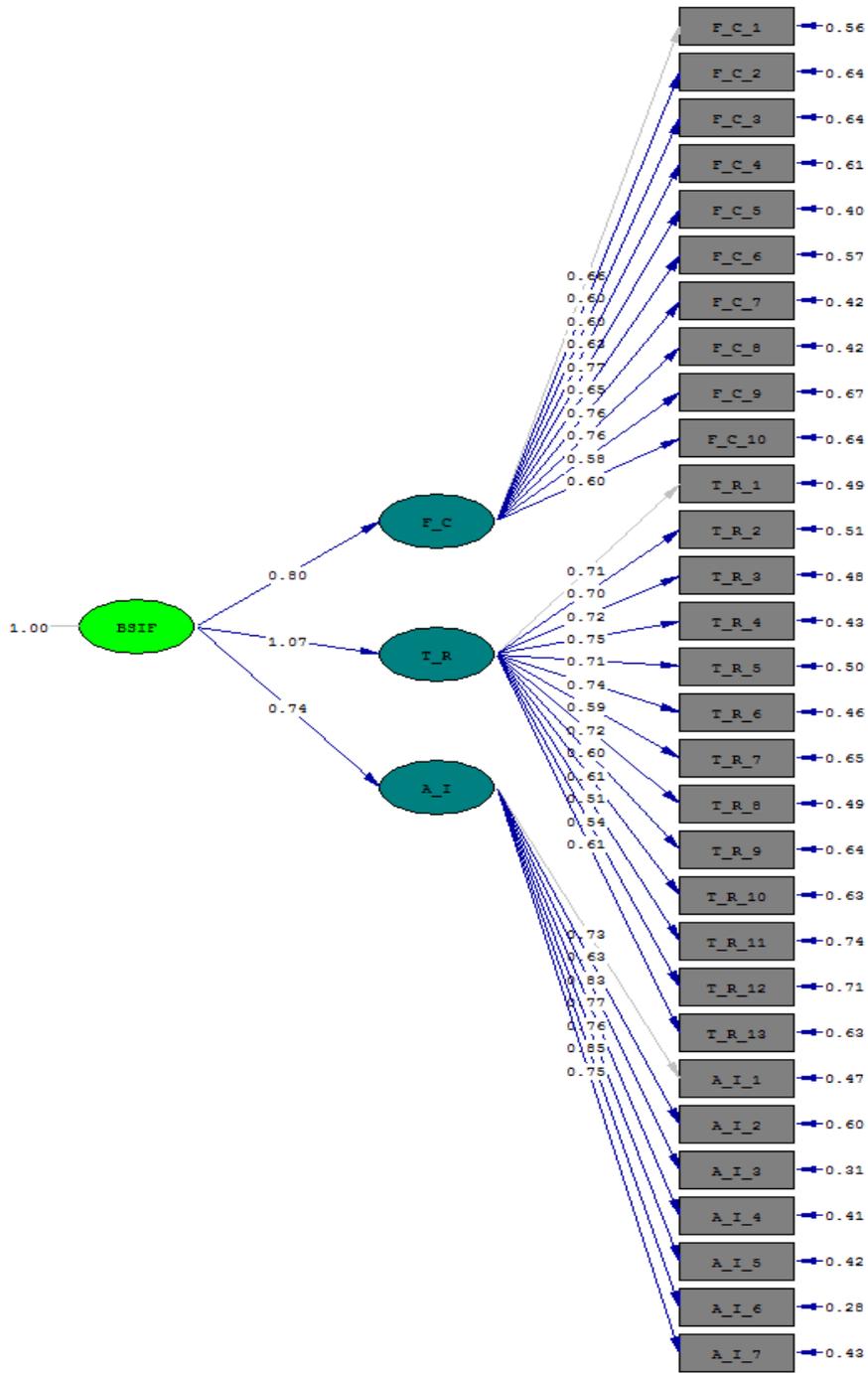
alpha	variables
0.854	The Financial interest / easiness
0.870	The Technology / fame
0.831	The Attraction / interest
0.941	total questionnaire

Based on the table 2 and related column of alpha co-efficient, use can see that all dimensions of the model have acceptable alpha & trust coefficient.

### Survey results

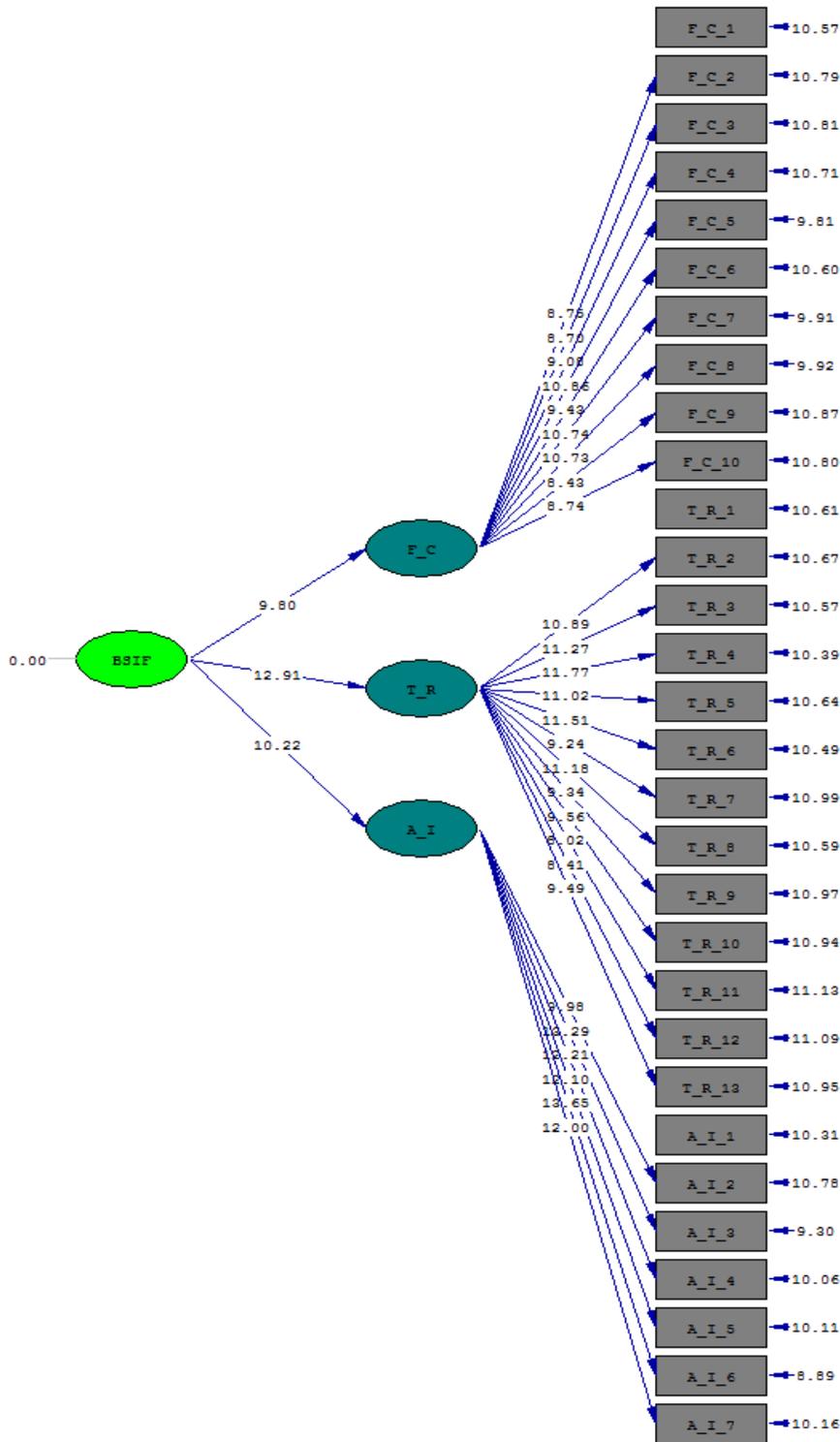
Of 52 samples, 52 are under diploma (about 19.9%), 95 are diploma & associate (36.4%), 81 are B.A (about 31%), and 33 are M.A and above (about 12.6%).

For study the relation among survey variable, conformity factor analysis has been used by lisrel software. Basic hypothesis of researcher in conformity factor analysis that each factor has related to specific subsidiary of variables. The least condition for confirmatory factor analysis is that researcher has determined hypothesis for the number of model factor before analysis technique should be merely used. First and second step of confirmatory factor analysis has seen used in this survey. In first step of CFA, from indices we found the hidden variable for validity of questionnaire question. Because of limitation in the article amount, first step of CFA, has been ignored and second step of CFA has been used which is the model.



Chi-Square=1975.37, df=402, P-value=0.00000, RMSEA=0.123

Fig.1. the measurement model of survey variable second step in standard estimating status



Chi-Square=1975.37, df=402, P-value=0.00000, RMSEA=0.123

Fig.2. the measurement model of survey variable second step in meaningful coefficient status  
 (DOI: dx.doi.org/14.9831/1444-8939.2015/3-1/MAGNT.22)

The shape 2, measuring model of second step of survey variable in standard estimate situation and shape 3 shows measurment model of second step of survey variable in meaningful coefficient situation. Is this period testing relation between survey structures could be done.

In meaningful coefficient type, relation among all survey variable are meaningful because meaningful numbers of them are all greater than 1.96 based on this analysis, result of hypothesis testing are shown in table 3.

Table 3. Result of hypothesis testing

Test results	Path coefficient	Significant coefficients	hypothesis	No. hypothesis
Accepted	0.80	9.80	Financial interest / easiness is effective on customer preference to choose a bank	H1
Accepted	1.07	12.91	Technology / fame is effective on customer preference to choose a bank	H2
Accepted	0.74	10.22	Attraction / interest is effective on customer preference to choose a bank	H3

For ranking effective factors of customer preference for bank choice, freedman test has been used. Meaningful number related to this test regarding to indic is 0.00 regarding to total factors is 0.001 both of those number are smaller than meaningful level of 0.005 consequently priorities of effective factors of customer preference for bank choice are different. Result of ranking are show in table 4 . the greater average of ranking exists, the more than important variable we have. So its possible to say that the factor of financial / easiness interest is the most effective factor of customer preference for bank choice.

Table 4. average of ranking of total factors effective on customers preference for bank choice

Average rating	Factors
2.13	The Financial interest / easiness
1.82	The Technology / fame
2.05	The Attraction / interest

**Functional suggestions**

Based on the results of hypothesis testing, all 3 factor financial / easiness interest, technology / fame & attraction / interesting have meaningful effect of customers preference for bank choice. Following suggestion are offered to Hekmat Iranian bank:

- 1) As the factor of financial / easiness interest is effective on customers preference for bank choice, so its offered to Hekmat Iranian bank to decrease services costs, increase no. of banks branches low interest for loans, services variety, new account opening easiness, suitable planning of branches, making

reliance for customers to invest safely, commitment to social responsibility, coefficient no. of cashiers in branches and loan taking easiness.

- 2) Result of second hypothesis show that the factor of technology / fame has meaningful effect on customer preference for bank choice so Hekmat Iranian bank should pay attention specially to: financial & effective service offering, good management of bank, qualitative & rapid service to customers online banking, suitable location of ATMs, bank view, higher interests to deposits, friendly behavior of bank staffs to customers, long time bank services, debit card usage, presenting exact guides by bank staffs interesting atmosphere of bank & staff training.
- 3) Based on the testing of 3<sup>rd</sup> hypothesis, parking lot, internal & external view of bank, bulk ads by media, innovation & adaptation from new technology, family / friends / offer relatives, 24 access to ATMs & trust to bank managers are so called factors which are effective on customers preference for bank choice. whole of these factors make the factor of attraction / interesting. So attention of bank to the factor of attraction / interesting is valuable because it has meaningful effect on customers preference for bank choice for sure.

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