Bank Selection Decision: The Choice of Bank among the Customers of Kathmandu District

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Abstract

The customer's choice of bank is an important element of banking strategy in today's increasingly competitive environment. Bank management must identify and improve factors that can increase retention. For commercial banks to plan an appropriate marketing strategy, retain existing customers and attract new customers, they must identify the criteria by which a customer decides to choose a bank. Therefore, the purpose of this study is to investigate the importance of bank selection criteria and to present the most important customer influencing factor in customer bank selection in Kathmandu. Using the answers of 40 customers, quantitative approach is used in the analysis. When conducting the research, a 5-point Likert scale was used to determine the bank's selection criteria. The findings revealed that the main

factors determining the choice of a bank by customers are: speed of services, extent of branch network, the location of branches, and influence for sources as major determinants of bank selection among others. On the other hand, price, innovation, financial performance, and electronic banking are the least factors that customers consider when choosing a bank.

Keywords: Bank, Customer, Choice, Kathmandu, Selection

Introduction

When people enter adulthood and begin to manage their finances independently, one of the decisions they need to make is such as which bank to select. The decision of which bank to choose may be difficult for people since they haven't been familiar with the bank and their banking systems (Gole, 2023). A bank is a compound and high-involvement service that requires customers to gather and process information before making their decisions to choose a bank (Dilley, 2008). The nature of the bank can make the choice of a bank more difficult for general people. The opportunity cost of not making a good financial decision can notably distress individuals. To the best of our knowledge, the vast majority of studies dedicated to studying bank choice about people, cover the people population from different countries such as Ghana, (Wright, 2009), and India (Rao & Sharma, 2010), but does not appear to be the same for research about Kathmandu's customer. Moreover, meeting the needs of the customers concerning banking service provision has emerged as a significant element of a bank's reputation that attracts customers to select a bank (Leibert, 2004). Therefore, banks should identify the main factors that determine the basis upon which customers select banks.

This research examines the determinants of general people customer's bank selection decision in Kathmandu. The findings of this study will help bank decision-makers (both governmental and private banks) to identify the major factors that may determine bank selection decisions among general people customers. Such information will help the management of banks in formulating appropriate marketing strategies for reaching and attracting general people into their banks (Pokharel, 2005).

Furthermore, the results of this study can have practical implications for customer retention efforts. By understanding the factors that determine customers' choice of bank services, financial institutions can tailor their strategies to better meet customer needs and improve customer satisfaction, ultimately enhancing customer retention (Pakurár, Haddad, Nagy, Popp, & Oláh, 2019). Moreover, the findings of this study may also have relevance for other financial services providers, such as microfinance institutions and insurance companies (Bhattarai, Dahal, & Budhathoki, 2023). The insights gained from this research can be extrapolated and applied to these sectors as well; helping them understand the factors that influence customer decision-making and potentially improving their own service offerings and customer retention efforts (Lim & Rasul, 2022). The study's results have the potential to benefit a broader range of financial service providers beyond the specific focus on commercial banks.

Objective

To explore the factors influencing the choice of banks among general customers in Kathmandu.

Major previous Study

Nepali Study that used simple random selection, 200 bank clients participated in this research. Descriptive and causal-comparative methods were used. Descriptive and inferential statistics were used. Service convenience and bank costs were positively associated with bank choices. Bank selection decisions are unaffected by staff conduct or bank reputation (Wagle, 2022).

Nepali studies the research seeks to understand how Kathmandu Valley workers choose banks. Core service delivery, bank aesthetics, convenience, financial benefit, technology, peer and staff recommendation, and core service delivery were examined in the research (Sanil & Paudel, 2017).

The study distributed and collected 137 questionnaires from commercial bank consumers in Bhairahawa city, Nepal. The survey found that dependability is the most essential bank selection consideration. Reliability and convenience were shown to be the most significant bank selection factors (Bhatt & Jain, 2020).

Different studies have been done on how customers decide which bank to use, but none of them have looked at the Bansbari area, which is in the Kathmandu district. So, this study focuses on that particular area and branch.

Methodology

The research design utilized in this study was a descriptive study that incorporated quantitative approaches (Karki, Mahat, & Kandel, Effectiveness of Online Class and Physical Class during Covid-19 Pandemic, 2021). To conduct the research, a combination of primary and secondary data sources was employed. The primary data was collected through surveys (Mahat & Aithal, 2022), where questionnaires were designed and distributed to 40 selected customers. Secondary data was gathered from various sources, including research papers, reports, academic books, journals, magazines, and internet resources. These secondary sources provided additional information and supported the research study, particularly for the literature review and empirical analysis. The population of interest for this study consisted of account holder customers who had accounts with one of the selected commercial banks. Quantitative analysis methods, such as frequency, percentage, mean, standard deviation and descriptive statistics, were employed to analyze the data collected (Mahat & Mathema, 2018).

Findings

Demographic Information

According to the table provided, a significant majority of the respondents (approximately 80 percent) were male customers. This finding suggested that, in the Kathmandu's context,

financial decision-making primarily fell under the responsibility of male parents who were typically considered the main earners in their families.

Table 1: Gender of respondents

Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	14	35.0	35.0	35.0
	Female	26	65.0	65.0	100.0
	Total	40	100.0	100.0	

Field study

There were a total of 40 participants in the study. Among them, 14 individuals identified as male, representing 35% of the total sample. The remaining 26 participants identified as female, accounting for 65% of the total sample. These percentages indicate the valid proportions within the dataset. The cumulative percent column in the table displayed the cumulative distribution of participants as the data was aggregated.

Table 2: Age of respondents

Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	19 or under	3	7.5	7.5	7.5
	20-25	34	85.0	85.0	92.5
	31 and above	2	5.0	5.0	97.5
	22.00	1	2.5	2.5	100.0
	Total	40	100.0	100.0	

Field study

According to the information presented in the table, the age distribution of the 40 participants was as follows: 3 participants (7.5%) were 19 years old or younger, 34 participants (85%) fell within the age range of 20-25, 2 participants (5%) were 31 years old and above, and 1 participant (2.5%) had an age recorded as 22.00. These percentages represented the valid proportions within the dataset, and the cumulative percent column indicated the cumulative distribution of participants as the data was aggregated.

Table 3: Level of education

Level of education		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary Completed	4	10.0	10.0	10.0
	Secondary Completed	17	42.5	42.5	52.5
	Bachelor Degree	19	47.5	47.5	100.0
	Total	40	100.0	100.0	

Field study

According to the information presented in the table, the level of education among the 40 participants was as follows: 4 participants (10%) had completed primary education, 17 participants (42.5%) had completed secondary education, and 19 participants (47.5%) held a bachelor's degree. These percentages represented the valid proportions within the dataset. The cumulative percent column indicated the cumulative distribution of participants as the data was aggregated.

Table 4: Marital status of respondents

Marital Status		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	6	15.0	15.0	15.0
	Unmarried	34	85.0	85.0	100.0
	Total	40	100.0	100.0	

Field study

According to the information presented in the table, the marital status of the 40 participants was as follows: 6 participants (15%) were married, while 34 participants (85%) were unmarried. These percentages represented the valid proportions within the dataset. The cumulative percent column indicated the cumulative distribution of participants as the data was aggregated.

Table 5: Do you the bank services

Do you use bank services?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	40	100.0	100.0	100.0

Field study

Based on the provided table, all 40 participants (100%) confirmed that they use bank services. This indicates that the entire sample population of the study utilized bank services. The valid

percent and cumulative percent columns both reflect the complete distribution of responses within the dataset.

Table 6: What type of services do you use?

What type of service/ do you use in that bank? (multiple answers possible)		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Current account	3	7.5	7.5	7.5
	Saving account	34	85.0	85.0	92.5
	ATM service	3	7.5	7.5	100.0
	Total	40	100.0	100.0	

Field study

According to the information presented in the table, the participants' usage of different types of services in the bank was as follows: 3 participants (7.5%) reported using current accounts, while 34 participants (85%) reported using saving accounts. Additionally, 3 participants (7.5%) stated that they utilized ATM services. These percentages represented the valid proportions within the dataset. The cumulative percent column indicated the cumulative distribution of responses as the data was aggregated.

Factor Affecting choice the bank

Table 7: Mean comparison

S.N	Factors	N	Mean	Std. Deviation
1	Did past experience related to banks affect you in your choice of bank in Kathmandu?	40	3.7250	.87669
2	Did general image of a bank affect you in your choice of bank in Kathmandu?	40	3.3750	1.14774
3	Did staff friendliness affect you in your choice of a bank in Kathmandu?	40	3.7000	1.15913
4	Did recommendations from friends/relatives affect you in your choice of a bank in Kathmandu?	40	3.0750	1.22762
5	Did the rate of interest on loans and interest on savings affect your choice of bank in Kathmandu?	40	3.6500	1.18862
6	Did the facility of ATM services affect your choice of bank in Kathmandu?	40	3.5500	1.08486
7	Did the ease of use of the mobile banking affect you in your choice of bank in Kathmandu?	40	3.8000	1.13680
8	Did the ease of use of the Debit card affect you in your choice of bank in Kathmandu?	40	3.4000	.98189

9	Did a direct approach from the bank affect you in your choice of bank in Kathmandu?	40	4.2250	8.32817
10	Did advertisement affect you in your choice of bank in Kathmandu?	40	2.7750	1.20868
11	Did the physical location of the bank affect you in your choice of bank in Kathmandu?	40	3.8750	.96576
12	Did virtual access affect you in your choice of bank in Kathmandu?	40	3.7500	1.00639

Field study

Based on the provided table, the factors that affected the participants' choice of bank in Kathmandu were assessed using a Likert scale. The mean values were calculated to determine the level of influence, and the standard deviations were measured to gauge the variability of responses.

In terms of past experience related to banks, the participants reported a mean value of 3.7250 with a standard deviation of 0.87669. The general image of a bank had a mean value of 3.3750 with a standard deviation of 1.14774. Staff friendliness was found to have a mean value of 3.7000 with a standard deviation of 1.15913. When considering recommendations from friends or relatives, the participants reported a mean value of 3.0750 with a standard deviation of 1.22762. The rate of interest on loans and savings had a mean value of 3.6500 with a standard deviation of 1.18862. The facility of ATM services was indicated to have a mean value of 3.5500 with a standard deviation of 1.08486. The ease of use of mobile banking was reported to have a mean value of 3.8000 with a standard deviation of 1.13680, while the ease of use of debit cards had a mean value of 3.4000 with a standard deviation of 0.98189. Direct approaches from the bank had a higher mean value of 4.2250, accompanied by a larger standard deviation of 8.32817. The influence of advertisement on the choice of bank was indicated with a mean value of 2.7750 and a standard deviation of 1.20868. The physical location of the bank had a mean value of 3.8750 with a standard deviation of 0.96576, and virtual access was reported to have a mean value of 3.7500 with a standard deviation of 1.00639. These findings provide insights into the factors that influenced the participants' choices when selecting a bank in Kathmandu. The mean values and standard deviations offer an understanding of the relative importance and variability of these factors within the dataset.

Based on the data provided, several factors were identified as influential in the participants' choice of bank in Kathmandu. The factors with the highest mean values were direct approaches from the bank (mean = 4.2250) and ease of use of mobile banking (mean = 3.8000). Other factors that were considered significant by the participants included the physical location of the bank (mean = 3.8750), past experience related to banks (mean = 3.7250), and staff friendliness (mean = 3.7000). On the other hand, factors such as recommendations from friends/relatives (mean = 3.0750), advertisement (mean = 2.7750), and the rate of interest on loans and savings (mean = 3.6500) were perceived as relatively less influential in the participants' choice of a

bank. It is important to note that these conclusions are based on the data provided in the table. Further analysis and interpretation of the data, along with additional research, may be necessary to obtain a comprehensive understanding of the factors influencing customers' bank selection in Kathmandu.

Conclusion

The findings of this study contributed to the existing body of research by examining the factors influencing bank choice among the general population in Nepal. Previous research had primarily focused on students from the researchers' own country or university. By exploring the factors that drive the selection of financial institutions among the general population in Nepal, this study identified six key factors; convenience (location), staff friendliness, low service charges, interest rates on loans and savings, availability of ATM services, and mobile banking. The research holds value for organizations seeking a deeper understanding of the factors that influence customers' decisions when choosing a bank, particularly in the context of students. This knowledge is particularly relevant as students have unique experiences and knowledge that may influence their preferences. By recognizing and understanding these factors, organizations can tailor their strategies to attract and cater to the preferences of student customers, enhancing their ability to meet customer needs and preferences effectively.

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