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**A RESEARCH ON THE BASIC MOTIVATIONAL FACTORS IN
CONSUMER BANK SELECTION: EVIDENCE FROM NORTHERN
CYPRUS**

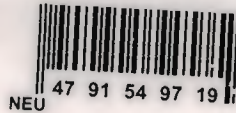
GRADUATION THESIS

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JUNE 2007,

LEFKOŞA

ABSTRACT

Commercial banks need to identify the criteria on which potential customers determine their bank selection decision in order to plan an appropriate marketing strategy for keeping present customers and attracting new ones. The study focuses on examining bank selection criteria employed by customers residing in various cities of Northern Cyprus. The findings reveal that the chief factors determining customers' bank selection are: "Service Quality and Efficiency", "Bank Image", "Convenient Location", "Parking facilities", "Financial factors" and "Affected opinion". Findings also show that it may be necessary to deal with *gender, age group, and education* as distinctive segments with different priorities in their bank selection process.

Keyword: Northern Cyprus, Bank Selection, Motivational Factors.

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1.INTRODUCTION

1.1 Statement of Topic

Considerable amount of studies related to the factors effective in consumer bank selection is observed ((Anderson at al,(1976), Evans (1979), Kaynak and Yavas (1985), Ross (1989), Kazeh and Decker (1993), Hegazi (1995), Metawa and Almosawi (1998)). This information is essential for banks to identify the appropriate marketing strategies needed to attract new costumers and retain existing ones (Kaynak and Kucukemiroglu, 1992). With growing competitiveness in the banking industry (Grady and Spencer, 1990), and similarity of services offered by banks (Holstius and Kaynak, 1995), it has become increasingly important that banks identify the factors that determine the basis upon which costumers choose between providers of financial services

1.2. Purpose of the study

Given the importance of bank section factors for the banks so as to pursue appropriate marketing strategies the basic aim of the study is to research the basic motivational factors in consumer bank selection in Northern Cyprus.

1.3. Research Questions

According to the objectives of the study, the following questions hypothesized in the methodology section will be answered:

- *Are the motivational items perceived by individual customers effective in bank selection? Or not?*
- *Are the motivational factors obtained as a result of factoring motivational items perceived by individual customers effective in bank selection? Or not?*

- *Is there any significant correlation between effective factors?*
- *Are there any significant differences between the assessments according to respondents' demographic factors and the level of importance assigned to motivational factors?*

1.4 Structure of the Study

The study is structured to consist of the following parts:

- Part 1 is devoted to introduction explaining the topic, objectives and research questions.
- Part 2 is related to theoretical foundations of the study.
- Part 3 explains the basic methods, tests and analysis used in study.
- Discussion of findings and hypotheses testing take place in Part 4.
- In the final part conclusive remarks are made and managerial implications are provided.

2.LITERATURE REVIEW

The issue of bank selection criteria for broad categories of costumers has been extensively researched (Yue and Tom, 1995); the following discussion highlights some of the key findings. Kaufman (1967) investigated the determinant factors used in bank selection decisions by consumers and business firms in the USA. He found that the most influential factors reported by households were convenient location to home or place of business, length of bank-costumers relationships and quality of services offered by the bank. Mason and Mayer (1974) assessed the factors used by two groups of chequing account costumers in USA, high income and low income, in deciding to maintain their accounts at the particular branch. Agreeing with the results of Kaufman (1967), convenient location came on the top of the list. Other factors with high rankings were: friendly personnel; favorable loan experience; advice of friends; and influence of relatives.

In a study conducted in USA, Fitts (1975) factor-analyzed the data and found that six factors influence bank attractiveness to customers: Full service bank, costumer orientation, a pleasant banking experience, convenience of time, shopping accessibility, and personal influence.

Riggall (1980) surveyed a sample of 250 "new comers" to a community in USA to find out when and why they choose a particular bank. Like many previous studies, non-Muslims valued almost the same factors when selecting their banks. The more highly scored factors were: Fast and efficient services, speed of transactions, friendliness of bank personnel, and confidentiality of bank. Holstius and Kaynak (1995) surveyed 258 bank customers in Finland in order to determine the importance of selected patronage factors used by finish customers in choosing their banks. Results indicated that the chief determinant factors for finish customers

appeared to be: reception at the bank, fast and efficient services, lower service charges, friendliness of personnel, and perceived confidentiality. Yue and Tom (1995) studied the bank selection criteria used by Chinese-American residing in Sacramento, California. The major determinant factors were reported to be efficiency of services offered, bank's reputation, bank fees, convenient location, and interest rates on saving accounts and loans.

Mylonakis et al. (1998) studied 811 bank costumers in the greater Athens areas in Greece to identify the important bank selection criteria that urban consumers of saving accounts use in the Hellenic bank market. The results indicated that Greek bank costumers behave in a similar way to bank costumers in advance bank markets, who are seeking good service in a safe, fast, and technologically modern environment. Selection factors scoring high were location convenience and quality of service (attention to costumers, personalized service, no queues). The importance of technology and speed has also been confirmed by Coyle (1999) who observed "future bank" trade show in Minneapolis (USA) where 250 bank vendors participated. Coyle reported that the competitive bank of the future is the one which can offer speedy, technology based services (e.g. ATM, internet) backed by an effective staff training.

The studies reported in this section of the article indicate that success and competitiveness of a bank to a large extent, is determined by becoming more customer-focused. This was confirmed by Driscoll (1999) who reported that customers select financial services providers based on five factors:

1. convenience;
2. price;
3. product selection (Breadth and Depth);
4. service; and
5. ambience (customers' experience).

3. METHODOLOGY

As pointed out above the basic aim of the study is to research the basic motivational factors in consumer bank selection in Northern Cyprus. The research applying non-probability convenience sampling towards individual customers residing in various cities of Northern Cyprus was conducted during the period of May 2007, completing 250 valid questionnaires. The questionnaire used in the study is comprised of two parts. Part A contains demographic profile of respondents including gender, age group, marital status and education. Part B includes statements of bank customers using a five-point Likert scale ranging from "strongly disagree=1" to "strongly agree=5" so as to measure the level of importance assigned to 35 bank selection variables. According to literature review, 35 bank selection variables are determined as convenient location of bank and its main branches, convenient ATM locations, availability of ATM in several locations, several branches, low service charges, paying highest interest rates on saving accounts, pleasant bank atmosphere, reception at the bank, recommendations of friends, recommendations of relatives, external appearance of bank, available parking space nearby, credit card services, the area of parking space, fees, charges and interest rates on credit cards, ease of opening a current account, ease of obtaining loans, quality and variability of services offered, friendliness of bank personnel, confidence in bank management, bank's reputation, my employer uses the same bank, availability of all services required, fast and efficient services, innovative bank and provision of new ideas/products, making decisions quickly, beforehand knowledge of customers' needs and wants, usage of new and contemporary technologies, competitive prices for products and services, financial strength of the bank, granting loans at the lowest market price, efficiency in its day-to-day operations, availability of internet banking, selecting local or foreign banks depending solely on biased opinion and effective advertising. The data was analyzed with the Statistical Package Program for Social Sciences (SPSS 12 for Windows). Both

demographic and bank selection items were tested to check if they were parametric or not. According to "One-Sample Kolmogorov-Smirnov Test" all variables proved to be normally distributed. Therefore, parametric tests have been applied in the study. Respondents' ratings on the importance level of bank selection variables also called motivational items were subjected to principal factor analysis to identify a small number of motivational factors that may be used to represent relationship among sets of interrelated variables. The hypotheses to be tested in the study are given as follows:

- H1.* Motivational items are not effective in consumer bank selection.
- H2.* Motivational factors are not effective in consumer bank selection
- H3.* There is no any correlation between motivational factors
- H4.* There are no significant differences between the assessments according to respondents' demographic factors and the level of importance assigned to motivational factors.

The basic analysis and tests utilized in the study include frequency and percentage analysis, "one-sample *t* test", "independent-samples *t* tests", "One-Way ANOVA test", "reliability analysis", and "factor analysis".

4. DISCUSSION OF FINDINGS AND TESTING HYPOTHESES

Demographic features of the respondents such as their sex, age, level of education and marital status analyzed with percentages are shown in Table 1. According to the values in table 1, 45.6 percent of the respondents were male, 44.4 percent were married, and 61.6 percent were young being under the age of 36. The majority of them (63.6 percent) had a university or graduate degree.

Table 1: Demographic Findings

Factor	Category	Percentage
Gender	Male	45,6
	Female	54,4
Age group	25 and below	37,2
	26-35	24,4
	36-45	20,0
	46 and above	18,4
Marital status	Single	48,0
	Married	44,4
	Widow	7,6
Education	Primary school	3,2
	Secondary school	3,2
	High school	30,0
	University and Master degree	54,8
	Doctorate	8,8

Testing H1

The results of "one-sample *t* test" reflecting the relative importance of bank selection items in Northern Cyprus is shown in Table 2.

Table 2: One-Sample Statistics and Test for Motivational Items in Consumer Bank Selection

Items	Mean	Std. Deviation	Sig. (2-tailed) Test Value = 3 (<i>p</i>)	Ranking Means in Descending Order
Convenient location of bank and its main branches	4.38	.848	.000	
Convenient ATM locations	4.38	.885	.000	
Availability of ATM in several locations	4.36	.831	.000	
Several branches	4.16	.950	.000	
Low service charges	4.06	1.038	.000	
Paying highest interest rates on saving accounts	4.19	.929	.000	
Pleasant bank atmosphere	4.16	.959	.000	
Reception at the bank	4.05	1.084	.000	
Recommendations of friends	3.52	1.236	.000	34
Recommendations of relatives	3.84	1.113	.000	33

External appearance of bank	3.84	1.123	.000	33
Available parking space nearby	4.34	.875	.000	
Credit card services	4.42	.708	.000	
The area of parking space	4.16	.969	.000	
Fees, charges and interest rates on credit cards	4.39	.800	.000	
Ease of opening a current account	4.53	3.308	.000	4
Ease of obtaining loans	4.51	.756	.000	6
Quality and variability of services offered	4.54	.595	.000	3
Friendliness of bank personnel	4.52	.684	.000	5
Confidence in bank management	4.63	.706	.000	1
Bank's reputation	4.12	.969	.000	
My employer uses the same bank	3.40	1.420	.000	35
Availability of all services required	4.33	.737	.000	
Fast and efficient services	4.58	.578	.000	2
Innovative bank and provision of new ideas/products	4.47	.689	.000	
Making decisions quickly	4.36	.785	.000	
Beforehand knowledge of customers' needs and wants	4.12	.918	.000	
Usage of new and contemporary technologies	4.42	.708	.000	
Competitive prices for products and services	4.25	.778	.000	
Financial strength of the bank	4.50	.660	.000	
Granting loans at the lowest market price	4.44	.651	.000	
Efficiency in its day-to-day operations	4.58	.623	.000	2
Availability of internet banking	4.25	.912	.000	
Selecting local or foreign banks depending solely on biased opinion	3.96	.969	.000	
Effective advertising	3.74	1.099	.000	

Values of Scale: 1= not important at all, 2= unimportant, 3= undecided, 4= important and 5= very important

As Table 2 reveals the means of all selection variables are significantly greater than 3 which is undecided since p values are less than 0 .05. In other words, all of the variables are effective in consumer bank selection decision. However, the most important ones in descending order can be cited as: "Confidence in bank management (4.63)", "Fast and efficient services (4.58)", "Efficiency in its day-to-day operations (4.58)", "Quality and variability of services offered (4.54)", "Ease of opening a current account (4.53)", "Friendliness of bank personnel (4.52)", and "Ease of obtaining loans (4.51)". On the other hand, the least important ones having values between undecided and important are "My employer uses the same bank (3.40)", "Recommendations of friends (3.52)", "Recommendations of relatives (3.84)" and "External appearance of bank (3.84)".

The results above put forward that *H1* should be rejected for all of the bank selection variables.

After the "one-sample *t* test" for selection items, a factor analysis was conducted using varimax rotation (see Table 3).

Table 3: Results of Factor Analysis on 21 items and its six dimensions

Factors and Items	Eigenvalue	Factor loadings	Variance (%)	Cronbach alpha
Factor 1	6.455		16.553	.840
Making decisions quickly		,730		
Innovative bank and provision of new ideas/products		,725		
Fast and efficient services		,723		
Friendliness of bank personnel		,716		
Confidence in bank management		,682		
Quality and variability of services offered		,670		
Factor2	2.346		14.941	.835
Recommendations of friends		,785		
Recommendations of relatives		,764		
Reception at the bank		,750		
External appearance of bank		,723		
Pleasant bank atmosphere		,653		
Factor3	1.706		13.165	.856
Convenient ATM locations		,846		
Availability of ATM in several locations		,784		
Convenient location of bank and its main branches		,766		
Several branches		,682		
Factor4	1.440		8.459	.766
The area of parking space		,847		
Available parking space nearby		,830		
Factor5	1.322		7.506	.642
Financial strength of the bank		,835		
Granting loans at the lowest market price		,744		
Factor6	1.035		7.488	.646
Effective advertising		,870		
Selecting local or foreign banks depending solely on biased opinion		,753		

Regarding the pre-analysis testing for the suitability of the entire sample for factor analysis, the Kaiser-Meyer-Olkin measure of sampling adequacy was 0.808 and the Bartlett tests of

sphericity (2289.164) was significant at $p < 0.01$, thus, indicating that sample was suitable for factor analytic procedures. According to analysis, factors with eigenvalues greater than 1.0 and factor loadings that are equal to or greater than 0.60 were retained. 21 items, loading under six dimensions were extracted from the analysis except fourteen items and these items explained 68.112 percent of the overall variance.

Overall alpha coefficient as the reliability analysis is 0.875. Items for each subscale were also subjected to reliability analysis. The alpha coefficients for the total scale were 0.840, 0.835, 0.856, 0.766, 0.642 and 0.646 respectively for the six dimensions. Reliability coefficient above 0.5 is acceptable even though alpha above 0.7 is considered sufficient (George and Mallery 2001, p. 217).

Testing H2

The six factors determined according to factor analysis are named as “Service Quality and Efficiency”, “Bank Image”, “Convenient Location”, “Parking facilities”, “Financial factors” and “Affected opinion”. These factors as shown in Table 4 were subjected to “one-sample t test”. All of these factors represented by the average value of the means of respective items seen in Table 2 and 3 proved to be effective in consumer bank selection decision since p values for the test value of 3 are less than 0.05. Therefore, $H2$ is rejected for all of these factors. Among these factors, the most effective one is “service quality and efficiency” while the least important one is “affected opinion”.

Table 4: One-Sample Statistics and Test for Effective Factors in Consumer Bank Selection

Factors	Average	Std. Deviation	Sig. (2-tailed) Test Value = 3 (p)	Ranking Means in Descending Order
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Factor1: Service Quality and Efficiency	4,5173	,50425	,000	1
Factor2: Bank Image	3,8800	,85832	,000	5
Factor3: Convenient Location	4,3200	,73502	,000	3
Factor4: Parking facilities	4,2510	,83174	,000	4
Factor5: Financial factors	4,4720	,56257	,000	2
Factor6: Affected opinion	3,8480	,88998	,000	6

Testing H3

As Table 5 indicates, except “between bank image and financial factors” significant positive correlations are observed between other factors. In other words, as one variable increases the other correlated variable also tends to rise. However, these correlations are either low or medium. Even though these correlations are not high or perfect, *H3* is rejected for the respective factors so as to comment that there are significant correlations between them except the correlation mentioned.

Table 5: Correlation (Pearson Correlation) Matrix for Selection Factors

	Service Quality and Efficiency	Bank Image	Convenient Location	Parking facilities	Financial factors	Affected opinion
Service Quality and Efficiency	1					
Bank Image	,349(**)	1				
Convenient Location	,455(**)	,485(**)	1			
Parking facilities	,309(**)	,258(**)	,352(**)	1		
Financial factors	,362(**)	,099	,289(**)	,262(**)	1	
Affected opinion	,277(**)	,299(**)	,151(*)	,144(*)	,182(**)	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Testing H4

Referring to demographic characteristics of individual customers residing in various cities of Northern Cyprus at Table 1 “Independent-Samples t test” and “One-Way ANOVA test” were

applied to determine if the means of effective factors varied among different demographic characteristics. Findings indicated that only three of the characteristics, *gender*, *age group*, and *education* yielded significant differences at the 0.01 or 0.05 levels leading to the rejection of *H4* for the relevant factors (Table 6).

- *Gender*: Females significantly assigned higher importance to F1, F3 and F5 than males.
- *Age group*: Some of the age groups reported significantly different importance assigned to F2 and F6. Age group of 36-45 significantly assigned higher importance to F2 and F6 than the age group of 46 and above. Importances given to factors by other groups are not significantly different.
- *Education*: Respondents with doctorate degree assigned significantly higher importance to F1 than those with high school and university and master degrees.

Table 6: The Impact of Demographic Variables on the Importance Assigned to Bank Selection Factors

	Service Quality and Efficiency	Bank Image	Convenient Location	Parking facilities	Financial factors	Affected opinion
Gender						
Female	4,5919	3,9103	4,4154	4,3824	4,6029	3,8750
Male	4,4284	3,8439	4,2061	4,0929	4,3158	3,8158
(F)	8,048*	1,535	1,897*	11,372*	11,372**	2,198
Age group						
25 and below	4,5269	3,8516	4,2796	4,1848	4,5269	3,8333
26-35	4,4727	3,9082	4,3975	4,2869	4,4180	3,9426
36-45	4,5200	4,1640	4,3700	4,3700	4,4900	4,0400
46 and above	4,5543	3,5913	4,2446	4,2065	4,4130	3,5435
(F)	,251	3,734*	,556	,614	,665	2,873*
Marital status						
Single	4,5306	3,8833	4,2938	4,2563	4,5292	3,8417
Married	4,5420	3,8523	4,3784	4,2928	4,4234	3,8423
Widow	4,2895	4,0211	4,1447	3,9737	4,3947	3,9211
(F)	2,134	,314	,967	1,201	1,215	,069
Education						
Primary school	4,0417	3,7000	4,2188	4,1875	4,3125	3,8750
Secondary school	4,5417	4,1500	4,3125	4,2500	4,3125	4,0000
High school	4,4067	3,9200	4,1933	4,2867	4,4333	3,8667
University and Master degree	4,5584	3,7825	4,3321	4,1691	4,5073	3,7701
Doctorate	4,8030	4,3182	4,7159	4,6591	4,5000	4,2045
(F)	4,979**	2,246	2,244	1,719	,555	1,218

** $p < 0.01$

* $p < 0.05$

Note: Means are represented in terms of average effective factors

5. CONCLUSIONS AND IMPLICATIONS

The banker who wants to be successful must become more and more oriented to understanding customer behavior in the financial marketplace. Causal factors operative in consumer bank selection and patronization must be identified to optimize bank marketing strategies. Within this framework, the study is conducted to research the basic motivational factors in consumer bank selection in Northern Cyprus. There is no doubt that the findings of the research will guide marketing decisions of the banking sector and optimize the marketing mix characteristics of four Ps. In other words, findings ought to be taken into account in order to finalize the decisions of product, price, place and promotion elements of marketing mix. Otherwise, attempt to satisfy customer needs and wants will resemble to the case of penalty shot without seeing the goalkeeper and goalpost.

Research findings reveal that the most important variable in consumer bank selection is "Confidence in bank management" while the least important one is the "employer's usage of the same bank". Subsequently, principal factor analysis used to identify a small number of motivational factors put forward that the most effective factors in consumer bank selection are "service quality and efficiency" and "financial factors". This eventually alerts the marketing management in relation to diverting four Ps of marketing so as to satisfy customer needs and wants. Furthermore, research findings reveal that gender, age group and education should be treated separately in order to design distinctive market segments reflecting the varying importance assigned to bank selection factors.

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