



FACTORS INFLUENCING CHOICE OF BANKS IN A MILLENNIAL CUSTOMER PERSPECTIVE

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Abstract

There has been a tremendous improvement in the way financial institutions operate and this is primarily based on the need to generate sufficient competitive advantage in the competitive scenario within the regulatory boundaries. Customer knowledge about the financial institutions and the choice of a large portfolio of products and services has resulted in enhancing the customer perspectives towards the financial institutions and their products and services.

This study is to present the most important factor influencing customers in respect of selecting a bank by customer in Kerala with specific reference to the age group of 21 to 30 years typically termed as the Millennial customer segment. In particular, it finds factors of relevance, which have become significantly important in motivating the choice of banks.

The finding shows that the 24 hour availability of ATMs, speed and quality of services, Online banking facility, convenient ATM locations, effective and efficient customer service and several number of branches are significantly relevant

Keywords: *Bank selection, perceived influences, millennial customers, decision making*

I. Introduction

History of banks in India has a trace to be identified from the southern tip of the continent dating back to 19th century when five banking establishments could be found in the country. Nedungadi Bank in Calicut established in 1899 has to its credit the legacy of banking in Kerala with its registration as the first bank in Kerala in 1910. In Kerala the history also accounts for money lenders, Chit Financing and Hundi merchants. This is still in practice and adds to the financial sector performance. The greatest difficulty of many organized sector banks at present is dealing with competition at various levels. Category competition comprises of banks in the same category whereas the competition is spread across benefit level also. Retaining customers is the core priority with which banking strategies are best developed. This requires a great level of competitive understanding as well as the market depth. The Customer defection may occur from unforeseen circumstances and this calls in for understanding the factors that influences customers to choose banks and retain (Sudin Haron, 1999).

Kerala based banks

Bank	No. of Branches
Federal Bank	629
Kerala Gramin Bank	581
The South Indian Bank	472
Catholic Syrian Bank	288
Dhanalakshmi Bank	162
State Bank of Travancore SBT	838

Source: (keralabanking, 2015)

The retail banking sector is under severe pressure due to the mounting competitiveness of banks of all genres (Mokhlis, s., 2009) Competition among the financial institution required them to be more focused to its customers in general.

The ever progressing competitiveness of the banking industry (Grady, B. & Spencer, H., 1990) and parity in services offered by various banks (Holstius, K. & Kaynak, E., 1995) has made it increasingly important for banks to specifically recognize the factors that determine choice of banks from a customer perspective.

This research focuses on studying the bank selection criteria from the perspective of millennial customers in Kerala. Thus for the purpose of this study, the terms customer refers to the person that have an account in banks, irrespective of which type of bank. The findings of the study can carry significant managerial implications for banking service marketers for particularly understanding the core criteria used by customers in choosing a bank. It

should help bankers to develop more precise, targeted marketing strategies for bank in order to attract a larger number of customers and to better cater to the needs of both current and potential customers.

II. Objectives of the Study

There has been a significant change in the way banks approach customers while the choice of banks by customers are influenced in many ways. Several factors influence the choice of banks and when narrowing down to the highly potential millennial segment the role of various factors need to be identified every now and then to create a competitive advantage for the banks in strategizing towards the segment. Knowing the factors are equally relevant for the customers also to realize the factors that knowingly or unknowingly influencing their decision making. Hence this study focuses on the following objectives:-

- To identify the major influencing factors for choosing a bank by the millennial customer segment
- To identify the influence of gender on the factors for choosing the bank
- To identify the influence of residence location on the factors for choosing the bank
- To identify the influence of employment on the factors for choosing the bank

III. Review of Literature

Early literatures on the related area of research reveals that about 90% of the respondents banked at the branch nearest to their home place and place of work. The other key factors that plays a determination trigger include the responsiveness and are responsiveness, tangibility, empathy, user-friendliness, accessibility, customization and hi-tech services. It is clear that the banks need to provide tailor made service for its customers. (Meidan A, 1976). Further investigation of various factors determining bank choice pointed that location and convenience of access to the bank are key in the customer choice process. The study analyses the respondents from diverse demographic segments also lists speed of service, competence and friendliness of bank employees playing further in bank choice (Laroche, 1996). Reputation, Price and Service is pointed out as the major factors that act during the choice of banks among customers is also conforming the earlier papers in this regard and hence can be considered relevant for the study (Carolyn Kennington, 1996). Further review of papers highlighted the significance of image, perceived service quality and satisfaction are the factors that directly determine loyalty in retail banking (Josee Bloemer, 1998). Another literature reviewed provides insights into aspects like the extended loyalty programmes, low waiting time and the ease of filing the application forms. The paper also discusses the role of ATMs in the decision making of bank selection among customers. The information flow maintained by the bank in general along with the relevance of information to the customer at a given period of time influences the selection of banks by the customer (Ulengin, 1998). Pricing and product dimensions play a very important role as far as the undergraduates are concerned. This paper discussed the priorities for undergraduate students in selecting a bank relating to the product related aspects and the pricing variables (Huu Phoung Ta, 2000).

College students form the millennial customers of the bank and they are mostly evaluating the banks based on criterias like availability of parking space near the bank, location and availability of ATMs (Automated Teller Machines). Further the paper discusses the role of image of the bank in terms of its reputation as well as the comfort arising from the interaction with friendly staff of the bank. These factors are necessary to be identified as this is not much discussed as influencers in terms of bank selection. (Almossawi, 2001) One of the prominent papers published in this regard has cited the relevance and importance of various factors in choosing the bank by general customers. This paper has also cited the growing importance of differentiation not in terms of services and products of the bank but related to the overall impression created in the mind of the customer (Shevlin, Ron, Catherine Graeber, 2001).

The basic customer evaluations of a bank is based on extra services offered by the bank, image of the bank, and convenience of the bank as presented in an analysis aspects related to the choice criteria of bank selection. The article also narrated the role of recommendation by others which plays a significant influence on the choice of bank by customers especially millennial customers (Erdener Kaynak, Talha D. Harcar, 2005). Rate of change in the demographic segment is far quicker than the rate of change in the public sector banks and even then significant improvements are in sight related to attracting the millennial customers. Technological advancement, facilities and other service conveniences are all marked towards upgrading the traditional banking system to meet the changing geo-psychographics of the evolving customer base specifically related to the rate of change in the Indian economy (Verma, 2007).

IV. Discussions

Further to the review of various published literature in the area of selection of banks and banking services it has been identified that several factors in several different context, location and demographic group have shown different significant influencing levels. Filtering those factors identified as relevant for the study among 'millennial customers' a list of factors were identified which is presented in Table 2. These factors identified where used to generate responses from the target segment.

This study populated responses from age group 20years to 30 years substantiating the 'millennial segment'. The respondents belong to an educational class of post graduates and above predominantly male living in village,

town and cities. Most of the respondents were private employee and a total of 350 respondents were approached out of which after filtering of the responses a total of 294 responses were used for the analysis.

Table 2: Factors influencing choice of banks

Sl. No.	Factors	Sl. No.	Factors
1	24-hour availability of ATM services	9	Safe investments
2	Speed and quality of services	10	Innovativeness and adaptation of new technology
3	Online banking	11	Low service charges
4	Convenient ATM locations	12	Friendliness of bank personnel
5	Effective and efficient customer services	13	Accurate bank statements
6	Several number of branches	14	Pleasant bank atmosphere
7	Ease of opening a new account	15	Low interest on loans
8	Bank is well managed		

Source: Prepared by authors from past literature reviews

Table 3 : Respondents' demography

Gender	Female	98	Residential Location	Town	91
	Male	196		Village	140
	Total	294		City	63
				Total	294
Educational Qualification	PG/Ph.D	280	Employment	Pvt employee	175
	Degree/Diploma	14		Professional	84
	Total	294		Business	7
				Others	7
				Total	294

Source: Primary data

The analysis provided a list of factors that were found most influential on bank selection. 24 hour availability of ATMs , speed and quality of services, Online banking facility , convenient ATM locations , effective and efficient customer service and several number of branches are the main factors that millennial customer segment consider for choosing the bank.

So as to identify the influence of demographic variables on the major factors identified Chi-Square test was conducted. Initially the demographic variable-Gender and its influence is tested. From the chi square test and the corresponding P-value , it can be inferred that the association between gender and 24 hours availability of ATM services (0.000), Speed and quality of services (0.000) Online banking facility (0.000), Convenient ATM locations (0.003) and Effective and efficient customer services (0.049) are statistically significant. It is found that there is no statistical significance of association between Gender and several number of branches (0.663).

Finding association between Residential location and the major identified factors it can be inferred that the Residential location has a significant association with only Speed and quality of services (0.005) .Regarding the remaining factors considered, residential location of the respondent has no influence on them for choice of banks. From the chi square test and the corresponding P-value, it can be inferred that the association between Occupation has a significant influence on 24 hours availability of ATM services (0.000), Speed and quality of services (0.014) Online banking facility (0.000), Convenient ATM locations (0.000), Effective and efficient customer services (0.000) and Several number of branches (0.000)

V. Conclusion

The study among the millennial customers reveals their perception on the various factors that influence their choice of banks. The major identified factors like 24 hour availability of ATMs , speed and quality of services, Online banking facility , convenient ATM locations , effective and efficient customer service and several number of branches are significantly relevant. For banks to compete among each other in capturing the market segment comprising of millennial customers it is necessary to shift focus to the identified factors. The study also provides an insight where the factors reveal the importance set by the segment on both online and offline modes of banking. While the millennial customer does not show much interest in visiting physical branches they are also caring for having more number of branches for the bank. There is also a keen focus on speed and quality service coupled with effective and efficient customer care which will enable their decision making for the choice of banks. The study

shows that there is relevance for considering gender specific factors in relation to all the major identified factors except for number of branches while influencers are taken into consideration. Residential location of the customers has significant influence on the speed and quality of the service reveals the fact that irrespective of city, Town or village the banks must take care of providing speed and quality service because millennial customers have high preference for banks that ensure speed and quality in any service they require. Irrespective of occupational segmentation the priority has to be focused on 24 hour availability of ATMs , speed and quality of services, Online banking facility , convenient ATM locations , effective and efficient customer service and several number of branches as there is significant influence of occupation was found during the study.

To finally conclude it is necessary for banks to compete and differentiate in the experience they provide in ATMs for the millennial customers to stay advantageous over the competition. More care and attention in considering ATMs as an extension of the brand of the bank which provides a higher connect with the public. ATMS has to be at the strategy table of banks to ensure the connectedness with the millennial customers. ATMs must provide not only generic functions but must be able to provide significant experience to the customer visiting the counter. Customer Experience Management of the banks should be focused further on online banking facilities as the millennial customer depend on online banking for most of their transactions. Hence promoting the online convenience and customer experience is necessary to lure the millennial market segment who will remain loyal to the bank if they continue to receive it without deviation. Bank branches are perceived as the enter for customer connectedness with the banks official where the physical contact is deemed necessary. Hence ATMs and online banking is not only the distribution of banking services model but physical branches are also part of it. This also throws light on the offline –online banking service model to remain for long as the perception of millennial customers has not completely shifted to remote banking.

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APPENDIX

A.1

Nationalized Banks in Kerala	Branches
State Bank Of India	515
Canara Bank	443
Union Bank Of India	243
Syndicate Bank	220
Indian Overseas Bank	194
Punjab National Bank	181
Central Bank Of India	127
Indian Bank	126
Vijaya Bank	121
Corporation Bank	109
Bank Of Baroda	100
Bank Of India	99
UCO Bank	48
Andhra Bank	33
Oriental Bank Of Commerce	20
Allahabad Bank	18
Dena Bank	15
United Bank Of India	15
State Bank Of Mysore	11
Bank Of Maharashtra	10
State Bank Of Hyderabad	9
Bharatiya Mahila Bank Limited	6
Punjab And Sind Bank	3
State Bank Of Bikaner And Jaipur	1
State Bank Of Patiala	1

Source : (keralabanking, 2015)

A2

Private Sector Banks	Branches
IDBI Bank	296
HDFC Bank	164
ICICI Bank Limited	158
Axis Bank	70
ING Vysya Bank	26
Indusind Bank	23
Karnataka Bank Limited	16
Karur Vysya Bank	16
City Union Bank Limited	15
Kotak Mahindra Bank Limited	15
Tamilnad Mercantile Bank Limited	14
Yes Bank	11
Laxmi Vilas Bank	9
Standard Chartered Bank	3
HSBC Bank	2
Jammu And Kashmir Bank Limited	2
Bank Of Baharain And Kuwait Bsc	1
Citi Bank	1
DCB Bank Limited	1
Doha Bank Qsc	1

Source: (keralabanking, 2015)

A3

Foreign Banks	Branches
HSBC Bank	2
Standard Chartered Bank	3
Bank Of Baharain And Kuwait Bsc	1
Citi Bank	1
Doha Bank Qsc	1

Source: (keralabanking, 2015)