

**CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI**

**AN INVESTIGATION INTO THE FACTORS CONSUMERS CONSIDER  
IN CHOOSING A BANK**

**BY**

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**DECLARATION**

We hereby declare that this submission is our own work towards the award of a degree in BBA (Banking and Finance) and that to the best of our knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of this and any other University, except where due acknowledgement has been made in the text.

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## **ABSTRACT**

The study is to investigate the factors consumers consider in choosing a bank. To plan an appropriate marketing strategy for attracting new consumers and retaining existing ones, banks need to identify the way and manner in which consumers select their banks so as to gain market share and hence gain competitive advantages.

Primary and Secondary data were used in gathering information for the study. Questionnaires were sent to 300 respondents who were selected from the sample area of Kumasi metropolis. Both qualitative and quantitative techniques were used to represent data in the form of tables and charts.

The result revealed five most important factors consumers consider when they are selecting a bank. They include; availability of ATM machine, effective and efficient customer service ease of obtaining loan, number of branches and the rates of interest on saving. The study further revealed that friends and/or family members were very important to consumers in that they are the first source of information when it comes to the selection of banks.

On the basis of the findings, it was recommended that banks should invest in marketing research to identify the needs and wants of their consumers so as to be able to provide them with the product and service that will satisfy the identified needs in a more efficient and profitable way to both the consumer and the bank. Banks should provide consumers with what they want but not what they think they want.

## **DEDICATION**

This project is dedicated to our families for their support and prayers throughout our education. We thank them for everything; we are blessed to have them as a family.

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# **CHAPTER ONE**

## **GENERAL INTRODUCTION**

### **1.1 BACKGROUND TO THE STUDY**

Banking is an important contributor to economic growth around the world. It provides financial services necessary for enterprises and consumers to undertake their business: among other things, it provides a means to hold and exchange financial assets, it intermediate savings to productive investment through the supply of credit to businesses and consumers, and it enable risk-sharing. Efficient functioning of these activities contributes to economic growth (King and Levine 1993; Levine 1997). The banking sector was traditionally considered to have operated in a relatively stable environment for decades until recently. During the past decades, the banking industry has undergone drastic changes, resulting in a market place which is characterized by intense competition. The result of the aggressive competition has made most banks lost substantial proportion of their customers to competitors. There is no doubt that competition will continue to be significant since new banks keep cropping up in the country. Finding a place under this intense competition has become crucial for the long term profitability and survival of banks.

The issue of how consumers select banks has been given considerable attention by researchers. This is because exploring such information will help banks identify the appropriate marketing strategies needed to attract new consumers and retain existing ones so as to gain competitive advantage (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 consumers choose between providers of financial services. That is determining factors which are pertinent to the consumers' selection process (Boyd et al., 1994). It is therefore imperative that bank managers develop the ability to determine the critical bank selection factors for the segments of the market they wish to attract and serve.

## **1.2 PROBLEM STATEMENT**

The consumer side of banking is very important for every banking sector as banks now raise their own capital unlike hitherto when government involvement was substantial. The banking sector of the economy has witnessed a massive change from a slow government dominated sector to a more responsive and a competitive sector (Grady and Spencer, 1990). With the liberalization of the banking sector, there has been an influx of foreign banks into the country. Formerly, the industry was characterized by high interest rates with little or no innovation in products and services. Also, banks used to invest in short term government securities which yielded 50% returns. The Bank of Ghana additionally required each bank to put 35% of deposits in government securities. But this dramatically changed when interest rates fell and the number of banks increased bringing with it intense competition among the banks. With the change in the Macroeconomic environment (i.e. inflation, per capital income, etc), it is no longer lucrative to rely on government securities. The banks now have to develop innovative products and adopt marketing strategies and communication skills to promote their services and products. In line with the above banks are developing fee generating financial products and efficient credit management. Moreover, migrations to other banks among customers have become the mantra.

With the advent of globalization, the provision of effective and quality services by banks to their business customers is becoming a key determinant for the growth and prosperity of any bank. As the economic environment is rapidly changing and customers are becoming more demanding and sophisticated, it has become important for financial institutions to determine the factors which are pertinent to the customers' selection process (Boyd et al., 1994).

It is important to note that these changes were meant to create the enabling environment for banks to thrive and win more customers thereby making their bank the preferred brand. For instance, over the last three years there has been a rush in the employment of direct sales personnel by the banks notably among them were Barclays, Standard Chartered, Ecobank and Fidelity Bank all in an effort to win more customers. Also, there has been an upsurge in the number of branches or offices being opened to reach out to customers (Dick, 2003).

However, in spite of the above, consumers have continually been switching between banks making it difficult to really determine the factors consumers consider in choosing a bank. It is in line with this that the research seeks to find out the determinants of bank selection process by consumers.

### **1.3 RESEARCH OBJECTIVES**

The overall goal of the study is to investigate into the factors customers consider in selecting a bank. Specifically the study seeks:

- To determine the product/service characteristics that consumers consider most important when selecting a bank
- To assess the relationship between bank selection factors and demographic variables.

## **1.4 RESEARCH QUESTIONS**

Some of the pertinent questions which this study seeks to investigate include the following:

- What are the factors consumers consider in choosing a bank?
- Which of these factors are the most important to the consumers?
- What is the relationship between bank selection factors and demographic variables?

## **1.5 SIGNIFICANCE OF THE STUDY**

This study investigated the factors that determine the way and manner in which consumers select the bank of their choice. The results from this study have provided the much needed and useful information that will help banks management to evaluate and refocus their strategies to become the most preferred bank. The study can serve as a blueprint for banks. Again the study will benefit banks by providing them with information about consumers' requirements in their choice of a bank. Finally, the study will also serve as a written document to add to existing literature on the subject, and be a guide and springboard for further research.

## **1.6 SCOPE OF THE STUDY**

In this competitive era there are many issues affecting banks which need to be investigated, but this study limited itself to factors consumers consider in selecting a bank. The study has brought to light factors that trigger a consumer to choose a particular bank over the other. The study was limited to universal and rural bank consumers in Kumasi metropolis.

## **1.7 ORGANIZATION OF THE STUDY**

The study consists of four (4) chapters. Chapter one deals with the general introduction and it entails; background to the study, statement of the problem, purpose of the study, research

questions and objectives, the scope, the structure of the report and the limitation of the study. Chapter two reviews related literature – theories, definitions, views and other related research works necessary for the studies will be reviewed to serve as conceptual framework of the study. Chapter three deals with the Methodology aspect – it involves the research design, population and the sampling method, data collection techniques, data collection procedure and data analyses. Chapter four entails the analysis of data collected on the study and presents a summary of the research findings together with recommendations and conclusion.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This section gives an overview of literature on the subject under investigation. Specifically, it outlines the definitions and concepts of key issues which are of relevance to the study. The purpose of reviewing the literature is to obtain a frame of reference that will help the researcher get access to relevant information out of which the researcher will develop recommendations. In so doing, it will help the researcher to take a closer look at the theoretical aspect of the problem under investigation. Some of the sub-headings under this chapter includes factors considers by the various age group, gender, societal class and their preferences in selecting a particular bank over the other.

#### **2.2 DEFINITION OF A BANK OR FINANCIAL INSTITUTION**

A broader definition of a bank is any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money and other valuable items for its customers. The broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trusts. This study, however, focuses on the narrower definition of a bank and the services provided by these banks to the general public.

## **2.3 BANKS AND THEIR STRATEGIC POSITIONING**

Strategic Positioning is an attempt to distinguish one bank from its competitors along real dimensions in order to be the most preferred bank for a certain market segment or prospect (Zeneldin, 1996). It is an attempt to have a clear or unique position in the marketplace. Also, positioning is a competitive marketing tool that goes beyond image-making. The image-making bank seeks to cultivate an image in the customer's eyes and mind. Positioning is a process of establishing and maintaining a distinctive place and image in the market for an organization and/or its individual product offerings so that the target market/prospect understands and appreciates what the organization stands for in relation to its competitors (Kotler, 1994). Ries and Trout (1986) hinted at this, stating that: "In the communication jungle out there, the only hope to score big is to be selective, to concentrate on narrow targets, to practice segmentation."

In general, the mind accepts only that which matches prior knowledge or experience. Millions of resources have been wasted trying to change minds with advertising. Once a mind is made up, it's almost impossible to change it, certainly not with advertising.

In a competitive marketplace, a "position" reflects how consumers perceive the product's/service's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1994). Thus, banks have to either reinforce or modify customers' perception or image. Positioning plays a pivotal role in marketing strategy, since it links market analysis, segment analysis and competitive analysis to internal corporate analysis. In short, the term strategic positioning refers to how a bank wishes to be seen in a given marketplace, what its values are, and its overall image. A bank can occupy a position as a

large bank, a global bank, a friendly bank, a function bank, or an efficient bank (Zeneldin, 1996).

If a bank can position itself favorably within a particular marketplace, relative to competitors, it can earn high rates of return or profits irrespective of average profitability within the market. Competition and profitability pressures mean that banks must be increasingly responsive to market considerations in terms of their positions, management and market strategies, their internal and external infrastructure, their use of information technology, and their ability to innovate and differentiate.

## **2.4 BANK SELECTION CRITERIA BY DIFFERENT TYPES OF CONSUMERS**

It is believed that who a person is, is reflected in the approach employed in handling a task and also how innovative they infuse in their approaches, especially facility choice. Hence many researchers have investigated into this assertion with regard to bank selection criteria. This include; bank selection criteria by gender, age grouping, business minded person, religion etc.

### **2.4.1 Banking Selection Preferences by Gender and Age Grouping**

The bank selection criteria used by young customers have been largely overlooked in literature. However, a number of studies have devoted part of their analysis to the importance of selection factors relative to age of customers. For example, in part of a study conducted by, Boyd et al. (1994) they investigated the importance of bank selection criteria in terms of the age of the customers. They found out that for the age group under 21 years, a bank's reputation plays a major role in determining their bank selection, followed by location, hours of operation, interest on savings accounts and the provision of convenient and quick services. The least important factors for this age group were found to be the friendliness of bank

employees and the modern nature of their facilities. Another survey conducted by Cetorelli et al (2001), gives an indication that, most of the customers who takes into consideration whether the bank is network or offers ATM services falls between the age group of 21 to 30 years, whereas females are most likely attracted to banks with reputation as well as security.

#### **2.4.2 Banking Selection Preferences by Business Minded Customers**

Many studies have identified the banking needs of business customers. Schlesinger *et al.* (1987) in their study conducted in New York State found that the three most important factors in selecting a bank for small business customers were lending rates, accessibility of borrowing, and the number of services offered. Price of service was also found to be an important bank selection factor in another survey conducted by Buerger and Ulrich (1986).

Also, Nielsen *et al.* (1998) conducted a nationwide survey in Australia for 25 banks and 2,500 bank business customers to rank the factors to be considered more important in bank selection process. Their findings revealed that business firms placed more importance on the willingness of the bank to accommodate their credit needs and the efficiency of the bank in its day-to-day operations. Whereas bankers placed more importance to their ability to offer competitive prices, a full range of products and services and the provision of a personal banking relationship. Another study conducted for Athens (Greece) by Mylonakis *et al.* (1998) who studied 811 bank customers to identify the important factors for bank selection criteria. Their study pointed out location convenience, attention to customers, personalized service as the most important factors in the selection of a bank. Driscoll (1999) identified five factors (convenience; price; product selection; service; and ambience) that customer perceive as important for selecting their financial services providers. With a survey conducted by Chen (1999) on banks in Taiwan in 1997 to identify critical success factors adopting various business strategies in the banking sector, Data was analyzed highlighted four factors, namely

the ability of the bank to manage operations, bank marketing, developing bank trademarks and financial market management.

Another survey was undertaken by Thornton and White (2001) to analyze consumers' attitude towards the usage of financial distribution channels. Their findings revealed that banks adopt a multiple distribution channel to meet the needs of different market segments. This study suggested that if a financial institution finds that its profit comes mainly from service oriented customers, then it would be best for the banks to concentrate on human interface type of services like branch network. And if banks were to attract or retain convenience, technological or change oriented customers, then they should focus more on online electronic type of distribution channels. Furthermore, in a competitive banking scenario, customer service, user friendly technology, and more sophisticated customer products are important components within the marketing mix, but communication is also emerging as a crucial element in the marketing activity of a bank (Andrew, 1990). Holstius *et al.* (1995) cited efficiency and courtesy as the most important attributes in determining overall customer satisfaction, while other important attributes were convenience of location, range of services, reputation and availability of innovations. Similarly, the importance of location decisions in satisfying customers is also emphasized in the previous studies (Kaynak and Kucukemiroglu, 1992; McCullough *et al.*, 1986). Laroche *et al.* (1986) conducted a survey in Canada and found that speed of services, and factors relating to the competence and friendliness of bank personnel and convenience of location were the major factors which consumers perceived as important in their selection of a bank.

Zineldin (1996) conducted a survey of 19 potential factors which customers consider as important in the selection of a bank in Sweden. These factors include reputation,

recommendation by others, interesting advertisement, convenience of location, opening hours and high technological services. Each respondent was asked to rate the importance of each of the above-mentioned factors on a scale of 5 (very important) to 1 (completely unimportant). His study revealed that friendliness and helpfulness of personnel, accuracy in account/transaction management, availability of loans and provision of services were the most important factors. Another study on bank selection criteria by Yue and Tom (1995) was based on Chinese- Americans residing in Sacramento, California. The important factors of bank selection by the customers were found to be efficiency of services offered, bank's reputation, bank fees, location, and interest rates on saving accounts.

#### **2.4.3 Newcomers and Their Banking Selection Preferences**

In 1980, Riggall surveyed a sample of 250 "newcomers" to a community in the USA to find out when and why they chose a particular bank. Like many previous studies, convenience of location (to home or work) appears to be the most influential factor for bank selection by newcomers.

Other determinant factors were reported to be influence of friends (also found by Mason and Mayer (1974) and Fitts (1975)), low service charges, availability of automated teller machines (ATM), and employer uses the same bank. Laroche et al. (1986) also investigated 140 households in Montreal, Canada, to find out how people select their banks in such a competitive banking environment. In ranking the selection factors, results show that friendliness of staff plays the major role in the bank decision process, followed by hours of operations, size of waiting lines, convenience of location, and efficiency of personnel.

A study by Javalgi et al. (1989) in the USA using "analytic hierarchy process" found that financial factors are the chief criteria in customers' bank selection decisions. Findings of this study show that financial factors such as safety of fund, interest on savings accounts, and availability of loans scored high. Other determinant factors were found to be convenient location and bank's reputation.

#### **2.4.4 Religion/Culture and Choice of Bank**

Among other purposes, Erol et al (1990) study was designed to determine the bank selection criteria used by customers of conventional and Islamic banks in Jordan. Generally, factors which scored highly were fast and efficient services, bank's reputation and image, friendliness of bank personnel, and confidentiality of bank. Haron et al (1994) examined difference choice criteria for Islamic banking and conventional among Muslim and non-Muslim. Identical with Erol et al (1990), factor analysis showed religion is not the major in banking selection. There is no important difference in choice criteria for banking among Muslim and non-Muslim. Both of them put quality and fast services as their most important bank selection factor for banking.

#### **2.4.5 Selection Consideration by University Students**

A limited number of studies dealing with the topic of bank selection criteria of college students have been conducted in the West. One earlier study reported in unpublished dissertation of Gray (1977) described an investigation of student attitudes towards banking in the U.K. He reported convenience and parental influence to be the most important factors influencing British students' bank selection. In addition, Kazeh and Decker (1993) studied the opinions of 209 university students in Maryland, USA to obtain information about the determinants of consumers' bank selection decisions. Overall, the highest ranking determinant

attributes were: service charges, reputation, interest charged on loans, quick loan approval, and friendly tellers.

Holstius and Kaynak (1995) surveyed 258 bank customers in Finland in order to determine the importance of selected patronage factors used by Finnish customers in choosing their banks. Results indicated that the chief determinant factors for Finnish 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 customers in the greater Athens area 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 customers behave in a similar way to bank customers in advanced 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 customers, 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: convenience; price; product selection (breadth and depth) service; and ambience (customers' experience).

Lewis (1982) also conducted a study on banking behavior among British students. A total sample of 716 students (514 first years and 202 final year) in 11 universities and colleges in the Greater Manchester area were surveyed for the study. She found that 92 per cent of the first-year college students surveyed thought they would stay with their present bank until the end of their course. About 80 per cent of the final year students believed they would continue with the same bank even after graduation. In addition, it was found that convenience of location to college and parental advice and influence were the predominant factors having a bearing on students' choice of bank.

A study by Thwaites and Vere (1995), also conducted in a British setting, showed that proximity of an ATM to college, free banking service and overall student offer were the top three selection criteria employed by college students in selecting which banks to patronize. Their cluster analysis revealed four distinct student segments: *Incentivisers*, *Borrowers*, *Collegiates* and *Traditionalists*. Each segment represents distinct customer characteristics in terms of selection criteria employed in selecting banks. In his article about American college students, Schram (1991) pointed out that "convenience remains the primary reason why most college students choose their banks." Family tradition also seemed an important factor for college students. He noted that "sometimes it takes very little effort to keep the account of a student whose family has been with the bank for some time." Thus, family loyalty to banks appears to be exhibited among students.

Khazeh and Decker (1992-93) surveyed the opinions of 209 university students in Maryland, USA to determine customers' bank selection criteria. Their methodology was particularly useful in that it focuses attention on the selection criteria which would lead a customer to choose one bank over another, that is, the importance of the item to customers and also the degree to which they perceived they could differentiate between banks on the provision of this item. The five most important determinant attributes of bank selection decisions identified in their study were service charge policy, reputation, interest charged on loans, quick loan approval and friendly tellers.

Poh (in Gerard and Cunningham, 2001), in a study which sampled Singapore's university and polytechnic students, found that factors relating to ATMs and speed of service were of the most important criteria affecting their bank selection. Criteria relating to third party influences were found to be so unimportant during the pilot test and therefore were excluded from the actual study.

Huu and Karr (2000) sampled 198 undergraduate students in Singapore to identify factors which influence their bank selection decisions. Using "analytical hierarchy process" they found that undergraduates place high emphasis on the pricing and product dimensions of bank services. The third party influences were found to be the least important selection criteria. Also Gerrard and Cunningham (2001) surveyed a sample of 184 Singapore's undergraduates to establish a ranking of the various dimensions which influence their bank selection decisions. Using factor analysis, seven bank selection dimensions were identified by the researchers, the most important being undergraduates should "feel secure", followed by "electronic services" and "service provision". Consistent with the findings of Huu and Karr

(2000), the “third party influences” was found to be the least important dimension rated by undergraduates.

Almossawi (2001) conducted a study in Bahrain to examine the bank selection criteria employed by college students. A total sample of 1000 students from five colleges of the University of Bahrain was surveyed in the study. He found that the key factors determining college students’ bank selection were: bank’s reputation, availability of parking space near the bank, friendliness of bank personnel and availability and location of automated teller machines (ATM).

More recently, Pass (2006) surveyed 373 students from four community colleges and universities located in a large metropolitan area of the Western United States to obtain information about the reasons for students switching banks and selecting new banks. Pricing and convenience were found to be the principal reasons for selecting a new bank and ‘hypothetically’ switching banks. The finding that price is a chief reason for switching to another bank and selecting a new one.

## **2.5 GENERAL OVERVIEW OF BANK SELECTION CRITERIA**

Literature reveals that the issue of bank selection criteria for broad categories of customers have been extensively researched; 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-customers relationships and quality of services offered by the bank. Mason and Mayer (1974)

assessed the factors used by two groups in USA, that is, high income and low income, in deciding to maintain their accounts at a particular bank. Agreeing with the results of Kaufman (1967), convenient location came on top of the list. In another study, Fitts (1975) found that six factors that influence bank selection are attractiveness to customers: full service bank, customer orientation, a pleasant banking experience, convenience of time, shopping accessibility, and personal influence.

Some researchers have also researched on how to identify the need of the customer in order to provide banks with information on how customers select banks.

## **2.6 IDENTIFYING THE NEEDS OF THE CUSTOMER**

A number of researchers have examined the criteria by which consumers select banks. Boyd *et al.* (1994) asked respondents to rank the criteria which they perceived to be most important in the selection of a financial institution. Overall, the five most important criteria identified were reputation, interest on savings accounts, interest charged on loans (the latter two “price” considerations for the marketing mix), quick service and location in the city. The relative importance of selection criteria varied between groups of respondents, except that reputation was selected by all household categories except divorced people.

Khazeh and Decker (1992) also studied selection criteria of banks in the USA. Their methodology was particularly useful in that it focuses attention on the selection criteria which would lead a customer to choose one bank over another, that is, the importance of the item to consumers and also the degree to which they perceived they could differentiate between banks on the provision of this item. Their findings revealed that the most important selection

criteria were service-charge policy (price), reputation (positioning) and competitiveness of loan rates (price).

Another US study by Plank *et al.* (1994) investigates another important area: gender differences in selection criteria. The findings showed that husbands and wives have different criteria by which they judge the quality of service received. Husbands placed higher relative importance on personal recognition and attention while wives placed higher relative value on comfortable service (for example, tellers who smile), feeling at home in the bank, evening banking hours, polite bank personnel, and so on. These findings could be relevant to Poland as women traditionally make the household financial decisions (Kennington *et al.*, 1993).

A comparative study of Hong Kong's domestic and foreign banks (something which may well be important for Poland in the future because of the planned entry into the Polish market by foreign banks) was conducted by Kaynak and Kucukemiroglu (1992). This study investigated the importance of a series of factors in choosing a commercial bank. Fast and efficient service and friendliness were found to be important selection criteria, then the efficiency of completing banking transactions and convenience. The authors also recommend that banks follow a market segmentation strategy in order to differentiate themselves by creating an image which is tied to the provision of a few services or elements of service quality.

A survey of 50 consumers in Poland in the spring of 1994 (Hill *et al.*, 1994), identified some key issues for Polish consumers associated with the decision-making process for personal banking services and provided a rough measure of the effectiveness of the various banks' efforts to market new products and services. This survey found that consumers had relatively

undeveloped recognition of the need for or desirability of the new products introduced by the banks, and that the banks are only applying fairly rudimentary marketing practices, that is, a focus on price and promotion, especially advertising, in order to win business. Some interesting sidelines also emerged. A major reason for the limited amount of take-up of new products was that consumers either saw no need or could not afford these banking products, especially since the banks tend to impose very stringent conditions on the granting of credit. There are still serious concerns among Polish consumers about the safety and security of banks, a hold-over from the scandals, financial difficulties and failures in the industry. Many consumers use more than one bank, either because they are shopping for rates or in order to spread the perceived risk to their deposits. However, when asked what the banks could do to get them to try new products, the most common suggestions were improved communication (i.e. information about products, conditions, etc.), quality and professionalism in bank staff and offerings, pricing (higher rates on deposits, lower rates on loans) and better targeting. One positive note was that consumers did recognize that the banks were making efforts to improve and that overall, the changes were seen as being positive in direction.

Taking into account all the above, a list of “universal” selection criteria can be suggested under four headings: reputation, price/cost, convenience and reliability and service. It is worth noting that almost all banks are providing these services making the banking sector very competitive. The Under listed factors also affect competition in the banking sector.

## **2.7 FACTORS AFFECTING COMPETITION IN BANKING SECTOR**

In this section, different factors are assessed in relation to the competition of banks, along with characteristics of the banking sector that can influence such behavior. These factors are:

- Branch networks: and
- Technology

### **2.7.1 Branch networks**

Banks differentiate themselves in many ways, however, such as by reputation, product packages, and the extensiveness and location of their branch networks. Indeed, branches have been a particularly important way for banks to differentiate themselves in many parts of the world. Very simplistically, a bank can compete on prices (e.g., by decreasing its lending rates) or it can compete by locating branches close to clients, taking advantage of the fact that clients place value on being close to services. Branching has traditionally been viewed as a way for banks to retain market power, because branches can appropriate some (or all) of the value clients place on location, and thereby mitigate (or avoid) price competition. Branches are also typically seen as a barrier to entry, since they involve large fixed costs. Another potential disadvantage to consumers is that competition through branching can lead to a higher-than-optimal number of branches (compared with the perfectly competitive equilibrium). Due to the fixed costs associated with branches, this increases banks' costs, which are passed on to consumers (e.g., Freixas and Rochet 1997). Other approaches, however, demonstrate how branches can be beneficial to consumers.

In a seminal argument, Allen and Gale (2000) show that a few large banks with extensive branch networks can provide a more competitive outcome than a unitary banking system in an environment with switching costs: a large branch bank has less of an incentive to exploit the “locked-in” value of clients, because it is always competing for the clients' future business in another product or location.

Another way in which branching can improve competitive conduct is by increasing the effective size of the market. Calem and Nakamura (1998) were of the view that, branches can decrease the degree of market power exerted in remote locations (relative to a unitary banking model) by increasing the effective size of the geographical market. Branching leads to more uniform pricing across remote and urban locations. According to Calem and Nakamura, “branch banking tends to export competition in dense urban markets to outlying areas. Thus, branch banking tends to increase the effective size of banking markets.” In support of their theory, Calem and Nakamura found that limits on branching in the United States are associated with higher interest rate spreads. Dick (2003) examines the effect of lifting restrictions on interstate branching in the United States after the Riegle-Neal Act in 1994. Lifting the restrictions on branching was associated with both higher concentration and increased competition in lending rates. Both of these studies are consistent with the idea that branching can have pro-competitive effects in a concentrated market.

Dick (2003) also finds that lifting the restrictions on branching led to a higher density of branch outlets and higher service costs. He attributes the latter to a higher quality of service by providing clients with more location options. While branches are a way for banks to retain some market power, they also benefit consumers by increasing access to services and by potentially mitigating market power in remote areas. Too many branches pose a barrier to entry and engender a large fixed cost that may be passed on to consumers, and too few may remove the pro-competitive effect of increasing the size of the market. There is also a trade-off for banks in choosing the extensiveness of their branching networks. While there are benefits to be gained from differentiation, banks will invest in branches as a way to avoid price competition. If there is a shift towards price competition (e.g., due to competition from



banks or other financial firms), the number of branches should be expected to fall. That is, there may be a trade-off between price competition and competition through branching.

### **2.7.2 Technology**

The banking industry is an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies. Technological innovations can affect the incentives faced by banks and thereby affect bank behaviour and the structure of the market. A new literature has arisen to examine the effect of technology on banking. A few of its aspects are summarized here.

#### **i. Economies of scale**

Technological progress has the potential to increase economies of scale in a variety of bank products and services, such as payments processing, cash management, and bank office operations. Also, technology advances may lead to the development of new products and services that have more scale economies than traditional banking products. Therefore, there is the potential for an increase in the productive efficiency of banks. At the same time, the argument that technological progress has led to more scale economies has been suggested as a driving force towards consolidation and concentration (BIS 2001). While higher-scale economies will obviously benefit larger institutions, smaller banks may also benefit by outsourcing processes that are particularly affected.

#### **ii. ATMs and remote banking**

As already discussed, branches have been seen as a barrier to entry, since the development of branch networks requires large sunk costs. ATM networks provide an alternative, lower-cost way to establish a physical delivery system, thereby reducing sunk costs and barriers to entry.

At the same time, because they provide a range of basic services (including deposits, account transfers, and payments), ATMs can provide many of the benefits already discussed for branches, such as increasing the geographical scope of competition. Remote banking, through the internet and over the telephone, is increasing in popularity. It provides an alternative to the physical delivery systems of branches and ATMs. All a client needs to access banking services is a telephone or computer: proximity to a branch is less important. Therefore, to the extent that remote banking is embraced by consumers, it decreases the value placed on being close to branches, which decreases their strategic value to banks. Consequently, a large uptake of remote banking may lead to a shift away from competition through branches towards price competition. In this way, remote banking can further decrease the barriers to entry. As well, because it is not tied to a particular location, it can further expand the geographical scope of competition. While positive for contestability, it does further complicate the concept of the “relevant” geographical market.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The research employed both descriptive and quantitative means of researching and composition in this work. Data was collected from both primary and secondary sources. Primary data referred to all data that were gathered from the field through the use of questionnaires, observation and interviews while secondary data refer to data that were gathered from sources such as books, journals, reports, newspapers, and internet among other article which are of relevant to the study, (Sunders et al 2007).

The stages involved in the work followed the order outlined in this chapter.

#### **3.2 RESEARCH DESIGN**

In this study, the researcher used the survey method to conduct the research. The survey is a strategy that involves the structured collection of data from a sizeable population. It is a popular and common strategy in business and management research and is most frequently used to answer who, what, where, how much and how many questions. It therefore tends to be used for exploratory and descriptive research, (Saunders et al 2007). The survey research strategy was used because it gave us more control over the research process and, when the sampling is used, it is possible to generate findings that are representative of the whole population at a lower cost than collecting the data from the whole population, (Saunders et al 2007).

### **3.3 POPULATION**

According to Babbie in 2005, Population for a study is that group (usually of people) about whom the researcher wants to draw conclusions. It is never possible to study all the members of the population that interest researcher. In every case, researcher selects a sample among the population (Babbie, 2005). This current study mirrors all bank consumers in the Kumasi metropolis of Ashanti Region. In all there are about three hundred thousand (300,000) bank consumers in Kumasi metropolis.

### **3.4 SAMPLE AND SAMPLING TECHNIQUES**

A sample is the deliberate choice of a number of people in a given population which provides the researcher with data from which conclusion can be drawn. There was a need to sample since the research was constrained by time and financial resources to survey the entire population. Sampling helped the researcher to collect all the data in order to achieve the results quickly. It also assisted the researcher to save time and cost so as to meet deadlines (Saunders et al, 2007).

The sampling techniques that were employed are quota and purposive sampling techniques. The first sampling technique which is quota sampling is entirely non-random and is normally used for interview surveys. Quota sampling is a type of stratified sampling technique in which selection of cases within strata is entirely non-random. Quota sampling is usually used for a larger population. In using the quota sampling, the Kumasi metropolis was divided into five groups, that is, north, south, east, west and the center of Kumasi. The Northern (Abuakwa area) represented the layman's view. The eastern that is, Santasi Atonsu represented the industrial area. The western part of Kumasi (Suame Tafo area) also represented the manufacturing populace view. The central part of Kumasi ( Adum)

represented the business minded people. The southern part of Kumasi (Kwame Nkrumah University of Science and Technology) represented the student population. Afterward purposive sampling technique was used to select sixty (60) respondents from each quota. In using purposive sampling technique, respondents were asked if they have a bank account before they were handed over the questionnaire. This is because those with bank account were the main target for the study. The purposive sampling enables the research questions to be answered and to meet the objectives of the study. Again it helps in selecting cases that were particularly informative. (Saunders et al, 2007).

The sample size for the entire study was three hundred (300) respondents. The justification for this was from Patton (2002 cited in Saunders et al, 2007). According to him the sample size for non-probability sampling in business research is dependent on the research questions and objectives in particular,

- What is needed to find out
- What will be useful
- What will have credibility and
- What can be done with available resources

It is therefore, the logical relationship between the sample selection techniques and the purpose and focus of the research that is important, generalizations being made to theory rather than population. This means that, it is the quality of the theoretical inferences that can be made from data collected using non-probability samples that is used to assess the extent to which generalizations can be made. This is the basis of the justification of the sample size chosen for the study.

### **3.5 DATA COLLECTION PROCEDURES**

The study used two main sources of data, i.e. primary and secondary sources. The primary data was obtained using interviews, questionnaires, and direct observation. The secondary sources of data was obtained from published and unpublished documents in the area bank section process and any other instruments that might have been of significant importance to the study.

### **3.6 DATA ANALYSIS**

Based on the nature of data collected, a combination of data analysis techniques was employed. Content analysis was used to facilitate synthesis of responses that were gathered through interviews, questionnaires and personal observations. The use of statistical tools such as percentages and ratios also enabled a summary of questionnaires of the perception of the respondents. Also, tables and figures were employed in summarizing the views of respondents on thematic areas of the study.

In terms of data analysis, both the quantitative and qualitative techniques were used. Data desegregation and statistical application techniques were used in analyzing responses. The reason for the combination of techniques was to ensure that the generalization was based on credible and reliable means of analyzing data from the field. The SPSS software was used in analyzing the data obtained from the field

Editing was done with the aim of detecting and eliminating error to ensue clean and reliable data. Coding was done by classifying questions into meaningful categories in order to bring out essential patterns to inform research questions posed. Data was then presented in the forms of tables and chart to facilitate the analysis

### **3.7 LIMITATIONS**

In the process of the study, some limitations were encountered by the researcher which needs to be highlighted. Resources and time were the biggest constraint to this study. With limited time and resources at disposal of the researcher, the study could only cover the entire Kumasi metropolis. The sampling technique employed (Quota and Purposive sampling technique) may not have gotten a representative of the population, that is, for both rural and universal banks since the respondents were chosen randomly. Also, even though a bigger percentage of the population would have been ideal, due to time constraint only 300 respondents were sampled. This might have affected the validity of the results. But notwithstanding all these restrictions the limitations were not setbacks to the overall success of the study

## **CHAPTER FOUR**

### **RESULTS, ANALYSIS AND DISCUSSIONS**

#### **4.1 INTRODUCTION**

This chapter looks at the objective of the study with regard to the primary data collected from the field. The chapter concentrates on the actual research finding and discusses data from the field and also presents the results of the statistical analysis. The statistical package for social sciences (SPSS) was used to help the researcher look at the various objectives of the study with respect to the questionnaires administered on the field. The questionnaire was designed purposely to gather information on factors customers consider in choosing a bank. In so doing, it was imperative to gather demographic information about respondent and factors they consider important when choosing a bank. In addition to this, relationship between demographic factor and bank selection factors was ascertained. In all three hundred (300) set of questionnaires were administered.

#### **4.2 DEMOGRAPHIC INFORMATION**

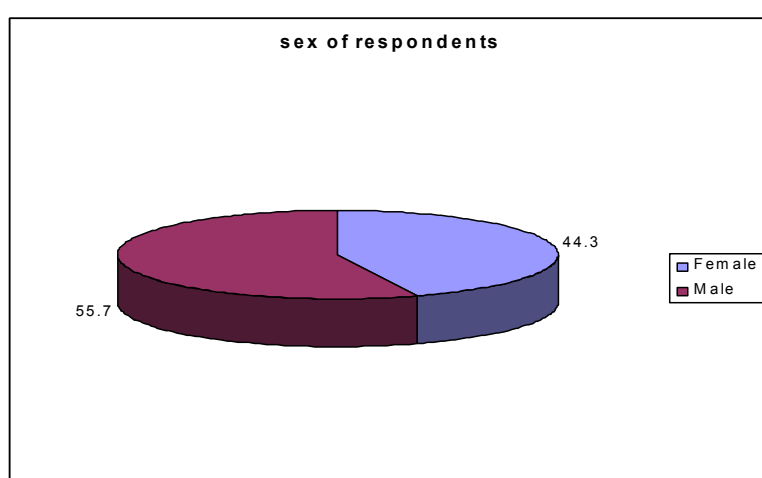
The researcher in the questionnaire ascertained some general question on the demographic information of respondents. It represent demographic statistics of the respondent and it include; sex, age, marital status, education level and occupation.

The general trend in Ghana's population structure reveals the dominance of the female population over males. For instance the 2010 Population and Housing Census puts the national figures gender split as 48.8 percent to males and 51.2 percent to female (GSS,2012). The age structure of the population in a country provides a picture of the level of age dependency in the economy and also serves as a determinant for measuring economic activity of the population. It also gives an indication of the level of awareness and responsibility



within the populace. From the survey, the ages of the respondents interviewed reflects a high rate of the population who are economically active. Age and sex influence the work a society does as well as the selection pattern of products and services. A population is considered either old or young depending on the proportion of people at different ages. Figure 4.1.A shows the sex structure while table 4.1.B portrays the age structure of the distribution:

**Figure 4.1.A Sex of Respondents**



**Source: Field Survey, 2012**

Figure 4.1 shows the gender distribution of the respondents and it portrays a high dominance of males to females. With a sample of 300 respondents, 133 are females and 167 are males representing 44.3% and 55.7 % respondents respectively. This revelation is differing from the national population trend where females dominated; the reason could be that financial decision responsibility is usually made by the male since they are seen as the primary wage earners in the household.

Again, table 4.1.B. indicates the age structure of the respondents. The table illustrates a mix of age groupings who expressed their opinions on their banking preferences. The study would

therefore attain a diverse description of results as far as the objective is concerned. The majority fell within 21-29 years representing 36 percent from one hundred and eight respondents (108). This is subsequently followed by those within 30-39 years which account for 30 percent while the third major category is those below 20 years constituting 11.3 percent. These three age groupings are economically active.

**Table 4.1. B: Age structure of respondents**

	Frequency	Percent
less than 20	34	11.3
20-29	108	36.0
30-39	90	30.0
40-49	30	10.0
50-59	26	8.7
60 and above	12	4.0
Total	300	100.0

**Source: Field Survey, 2012**

#### **4.2.3 Marital status of respondents**

The result for marital status shown in the table below indicates that 44.0% are single, 52.0% are married and 4.0% are widowed. This shows that majority of the respondent in this study are married.

**Table 4.2: marital status**

	Frequency	Percent
Single	132	44.0
Married	156	52.0
Widowed	12	4.0
Total	300	100.0

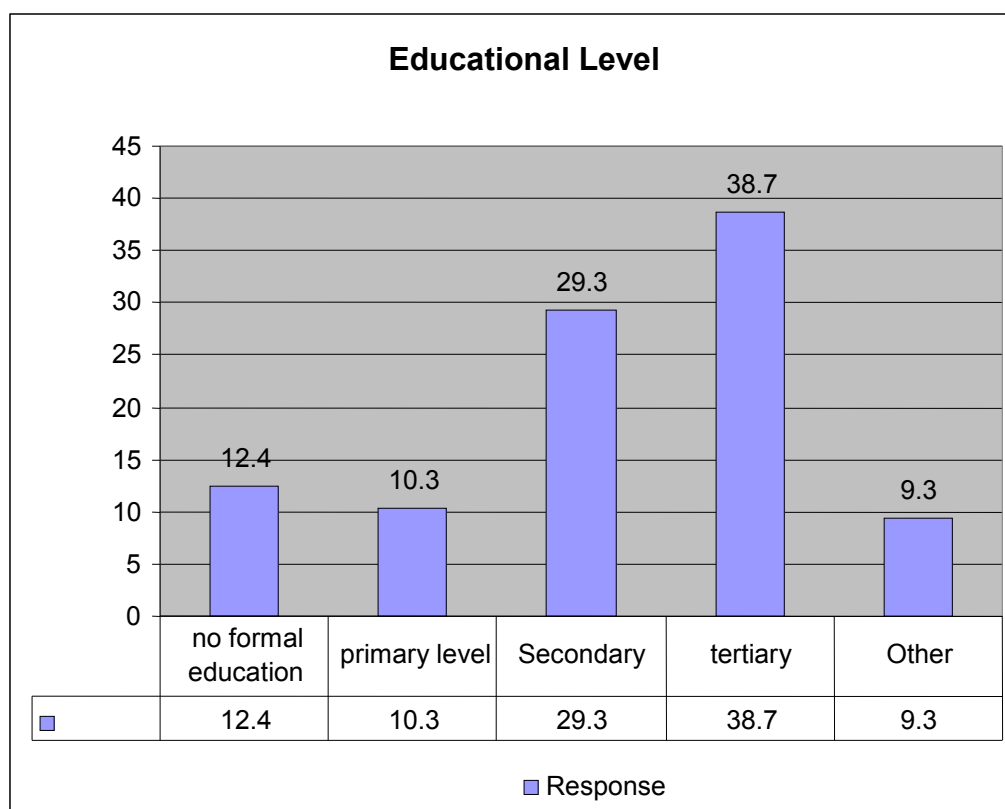
**Source: Field Survey, 2012**

#### **4.2.4 Educational Level of respondents**

Education is a key to development and this is reflected in the quality of a country's human resource. It determines the level of development and the productivity of a country and the people's understanding and appreciation of policies and bye-laws. It is also assumed that a person's level of education reflects the kind of job avenues available to that person. In Ghana, educational qualification is frequently used for job placements, thus people with high level of education, for example up to the tertiary level have a high tendency of working in "white or blue collar jobs" in the formal sector while those with lower educational qualifications normally find themselves in menial jobs, petty trading and farming in the informal sector.

A person's level of education reflects the approach employed in handling a task and also how innovative they infuse in their approaches especially facility choice. In the case of this study, the education level was important to adequately assess a person's level of education and the factors they will opt for when selecting a bank. Also, if there is a direct relationship between ones level of education and the probability of the person transacting business with banks. Below is a figure showing the distribution of the educational levels of the sampled citizens of the Kumasi Metropolitan area.

**Figure 4.2: Educational Level of Respondents**



**Source: Field Survey, 2012**

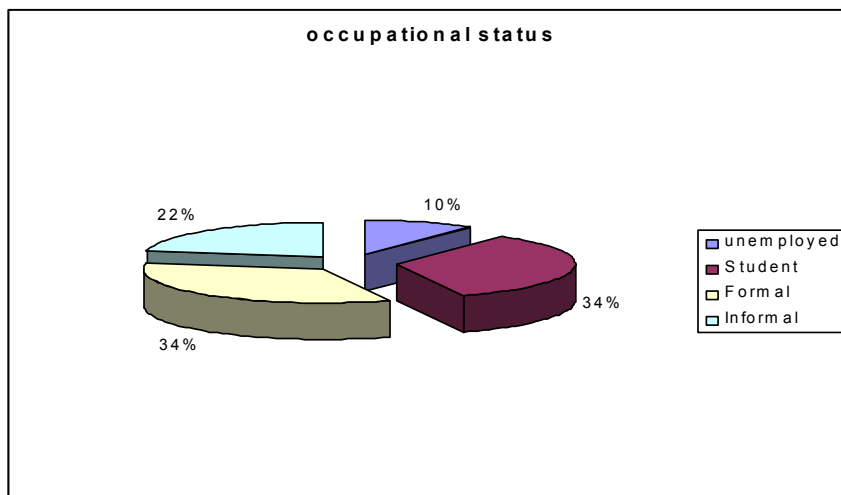
With the exception of 12.4 percent who had had no formal education as compared to 22.1 percent for the Kumasi metropolis as contented in the 2010 Housing and Population Census, about 88 percent of respondents cumulatively had received some form of formal education at school with majority being through the tertiary institution representing 38.7 percent.

#### **4.2.5 Occupation status of respondents**

The occupation of the sampled population became an imperative assessment to ascertain the category of profession that frequently patronize a financial products and services to inform decision making.

The result indicated that, Students were the highest group (respondents) which were interviewed. They constitute 34 percent of the overall distribution from the views of one hundred and two (102) people.

**Figure 4.3: occupation status**



**Source: Field Survey, 2012**

Also, from figure 4.3, those employed in the formal sector were the second highest group of respondents that were interviewed. They were one hundred and one (101) out of the overall sample representing 33.7 percent. The table above shows that efforts were made to sample a cross section of the general public so that views and results could be generalized. Views from the rest of the people were all captured in this study so that logical conclusion could be drawn from the result.

#### **4.3 ACCOUNT TYPE**

From the statistics, saving account is the most commonly used account by most customers. This is attributed to the fact that most Ghanaian customers prefer operating account that pays some return. They also want account that they can have access to their money whenever the need arises. The table below provides the account type the respondents said they hold. 51.7% hold savings account, 37.7% hold current account and 10.7% hold investment account.

**Table 4.3: Account type**

	Frequency	Percent
savings account	155	51.7
current account	113	37.7
investment account	32	10.7
Total	300	100.0

**Source: Field Survey, 2012**

#### **4.4 FIRST SOURCE OF INFORMATION ABOUT RESPONDENT'S BANK**

It is clear that most of the respondent heard about their bank from friends/relatives which constitute a significant 52.7%. It is followed by radio/TV which constitutes 18.2%. The explanation for this could be the closed knighted nature of the Ghanaian society. The Ghanaian like other African nations, people still maintain their cultural system thus information is easily circulated through friends/relatives.

**Table 4.4: Source Information**

	Frequency	Percent
Newspaper	16	5.3
radio/tv	66	22.0
Brochure	28	9.3
friend/relations	158	52.7
Others	32	10.7
Total	300	100.0

**Source: Field Survey, 2012**

#### **4.5 BANK SELECTION FACTORS**

Owing from the above, it was prudent to assess the factors that the sampled population consider and take into account before opting for a bank. These factors are supposed to be the

guiding principles in deciding on the types of products and service a bank and for that matter banks should pay attention to in their quest to have more customers in the metropolis. All these should be done because customers have a scale of preference and hence a choice to select from. Therefore, whatever would attract a consumer to a particular product/services need to be taken into account. Each and every consumer has his/her own peculiar factor considered therefore these issues must be thoroughly inspected to avoid low patronage from the customers. Table 4.5 below shows the results of this assessment.

**Table 4.5: Bank Selection Factors**

	very important	
availability of ATM machine	132	44.0
low service charges	142	47.3
recommendation by friends/relatives	72	24.0
number of branches	179	59.7
pleasant bank atmosphere	153	51.0
paying higher rates on savings	109	36.3
ease of obtaining loan	160	53.3
Bank's reputation	144	48.0
availability of internet banking	93	31.0
effective and efficient customer service	146	48.7
low interest rates on loans	114	38.0
speed of transaction	178	59.3
range of services	58	19.3
availability of parking space	55	18.3
convenient location	198	66.0

**Source: Field Survey, 2012**

Following the review of literature, several factors for customers' bank selections were identified and it formed the basis of question 15 and 16 of the questionnaire. The researcher after administering the questionnaire and analyzing them on SPSS package found that in any case the fifteen factors are indeed true factors that are considered in bank selection

decision in Ghana. Even though the percentage of respondent who chose certain factors was small, the fact that they were chosen means they can be considered as bank selection factors in Ghana. From the table above convenient location had the highest percentage of 66 followed by number of branches with 59.7%. This is because most people want to save in a bank which has a branch near them. This will make it easy for them to have access to their money easily. Also if a bank has a lot of branches in a country, then it means that one can make transaction wherever he goes. 59.3% saw speed of transaction as bank selection factor. Availability of parking space got the lowest percentage of 18.3%.

#### **4.6 MOST IMPORTANT BANK SELECTION FACTORS**

Before a consumer selects particular product/services, certain factors might have been taken into consideration. This is proportionate to the choice and selection of a product. Whereas others consider effective and efficient customer service, others consider the ease of obtaining loan and not necessarily paying higher rates on saving.

For the purposes of this study, the need to understand and appreciate the factors that consumer's lookout for when making a decision in selecting product and facilities cannot be over emphasized. This is because management of banks needs such knowledge to understand what consumers expect from their services. Consumers who are the final users of all products would also be well equipped so that they make the right choices.



**Table 4.6: Most Important Consideration**

Responses	Frequency	Percent
availability of ATM machine	84	28.0
low service charges	14	4.7
number of branches	32	10.7
paying higher rates on saving	18	6.0
ease of obtaining loan	51	17.0
bank's reputation	12	4.0
availability of internet banking	12	4.0
effective and efficient customer service	60	20.0
low interest rates on loans	2	.7
speed of transaction	10	3.3
convenient location	4	1.3
Availability of parking space	0	0
Pleasant bank atmosphere	0	0
Recommendation by friends and family	1	0.3
Range of service	0	0
Total	300	100.0

**Source: Field Survey, 2012**

From table 4.6, the most critical factor considered by consumers in the choice and selection of banking institution is the availability of ATM machine it was indicated by 28.0% of the respondent. The effective and efficient customer service is the next major factor considered by most consumers. They account 20% of the distribution while 17% of the respondents consider the ease of obtaining loan first before any other reasons. Most importantly, a section of the consumers consider the number of branches, bank's reputation as well as the availability of internet banking as key factors. These views were expressed by thirty two (32)

respondents constituting 10.7 percent as against 4 percent for both bank's reputation and availability of internet banking of the overall distribution.

## **4.7 THE RELATIONSHIP BETWEEN BANK SELECTION FACTORS AND DEMOGRAPHIC FACTORS**

This part of the research seeks to find out the relationship between bank selection factors and demographic factors. It is believed that a person's demographic factors affect its decision making.

### **4.7.1 Marital Status and Their Bank Selection Preferences**

The analysis revealed that out of the 156 singles who responded to the questionnaire, 38(24%) indicated effective and efficient customer service as the most important factor. It was followed by 36(23%) respondent choosing availability of ATM machine and 30(19%) chose number of branches. Concerning married people, 48 out of the 132 representing 36% chose availability of ATM machine as the most important factor. 31(23%) chose ease of obtaining loan and (23)17% indicated effective and efficient customer service as their most important bank selection factor. It is surprising to know that out of the 12 respondent who were widows all chose low service charge as the most important bank selection factor.

**Table 4.7: Marital Status and Their Bank Selection Preferences**

Responses	marital status			Total
	Single	married	widowed	
availability of ATM machine	30	48	6	84
low service charges	2	0	12	14
number of branches	30	2	0	32
paying higher rates on saving	10	8	0	18
ease of obtaining loan	20	31	0	51
bank's reputation	0	12	0	12
availability of internet banking	12	0	0	12
effective and efficient customer service	38	23	0	61
low interest rates on loans	2	0	0	2
speed of transaction	4	6	0	10
convenient location	2	2	0	4
Total	156	132	12	300

**Source: Field Survey, 2012**

#### 4.7.2 Gender and their bank selection preferences

It is assumed that in making decision, what males consider are different from what females consider. From Table 4.8, out of the 133 females who answered the questionnaire, 30 respondents( 22%) were of the view that availability of ATM is the most important factor they consider when choosing a bank, 29(21%) respondents chose effective and efficient customer service and 26 respondents chose ease of obtaining loan as the most important bank selection factor.

**Table 4.8: Gender and their bank selection preferences**

Responses	Sex		Total
	Female	Male	
availability of ATM machine	30	54	84
low service charges	3	11	14
number of branches	18	14	32
paying higher rates on saving	10	8	18
ease of obtaining loan	26	25	51
bank's reputation	2	10	12
availability of internet banking	2	10	12
effective and efficient customer service	29	32	61
low interest rates on loans	2	0	2
speed of transaction	7	3	10
convenient location	4	0	4
Total	133	167	300

**Source: Field Survey, 2012**

On the contrary, a survey conducted by Cetorelli et al (2001), indicated that females are most likely attracted to banks with reputation as well as security Out of 167 male respondents, 54 (32%) of them indicated that availability of ATM machine is the most important factor while 32 (19%) of respondents were of the view that effective and efficient customer service is the

most important factor when choosing a bank. 25 (14%) of the respondents choose ease of obtaining loan as also important

#### 4.7.3 Consumer's educational level and their bank selection preferences

The analysis revealed that 5 out of the 12 respondents, that is, 41% who have no formal education indicated low service charges as the most important factor in choosing a bank. The remaining 7 (59%) indicated ease of obtaining loan as the most important factor. Out of the 31 respondent who had education up to the primary level, 24 (77%) of them were of the view that ATM machine is the most important factor with regards to bank selection and 7 (23%) indicated effective and efficient customer service to be the most important factor. Respondents with secondary level of education also had 26 (44%) of them choosing availability of ATM machine as the most important factor and 14 (24%) respondent also indicated number of branches as the most important factor. With regards to the 171 respondents who are at the level of tertiary education 51 (29%) of them were of the view that ease of obtaining loan is the most important thing they consider when choosing a bank, 34 (19%) indicated effective and efficient customer service and 18 (10%) choose number of branches as the most important factor. Respondents who are in the others category refer to respondent above the tertiary level. In this category 10 (36%) respondent indicated availability of ATM machine as the most important factor in choosing a bank.

**Table 4.9: customer's educational level and their bank selection preferences**

Responses	educational level					Total
	no formal education	primary school	secondary	tertiary school	other	
availability of ATM machine	0	24	26	24	10	84
low service charges	5	0	0	14	0	19
number of branches	0	0	14	18	0	32
paying higher rates on saving	0	0	0	10	8	18

ease of obtaining loan	7	0	0	51	0	58
bank's reputation	0	0	0	12	0	12
availability of internet banking	0	0	0	12	0	12
effective and efficient customer service	0	7	12	34	8	61
low interest rates on loans	0	0	2	0	0	2
speed of transaction	0	0	4	4	2	10
convenient location	0	0	0	4	0	4
Total	12	31	58	171	28	300

**Source: Field Survey, 2012**

#### **4.7.4 Age group and their bank selection preferences**

From table 4.10, the analysis revealed that respondent with regard to the age group of less than 20 years 20(59%) of the respondents were of the view that availability of ATM machine is their most important factor while 14 (41%) of the respondents indicated number of branches as the most important factor they consider when choosing a bank. Also with regard to respondent in the year group of 20-29, 30 (28%) of them choose effective and efficient customer service and 20 (19%) respondents indicated ease of obtaining loan as the most important factor they consider when choosing a bank. 90 respondents were in the age group of 30-39 and out of the 90 respondents, 31 (35%) of respondents of them were of the view that effective and efficient customer service is their most important bank selection factor while 19 (21%) indicated ease of obtaining as the most important factor in choosing a bank. Only 2 (2%) of the respondents in this age group choose convenient location as the most important factor in choosing a bank. 20(67%) of the respondents who are in the age group of 40-49 indicated availability of ATM machine as their most important factor while 8(27%) of the respondent choose paying of higher rates on savings. The entire respondent in the age group of 60 years and above chose low service charges as the most important factor they consider in choosing a bank.

**Table 4.10: Age group and their bank selection preferences**

Responses	Age						Total
	less than 20	20-29	30-39	40-49	50-59	60 and above	
availability of ATM machine	20	14	16	20	14	0	84
low service charges	0	0	2	0	0	12	14
number of branches	14	14	4	0	0	0	32
paying higher rates on saving	0	10	0	8	0	0	18
ease of obtaining loan	0	20	19	0	12	0	51
bank's reputation	0	0	12	0	0	0	12
availability of internet banking	0	12	0	0	0	0	12
effective and efficient customer service	0	30	31	0	0	0	61
low interest rates on loans	0	2	0	0	0	0	2
speed of transaction	0	4	4	2	0	0	10
convenient location	0	2	2	0	0	0	4
Total	34	108	90	30	26	12	300

**Source: Field Survey, 2012**

#### **4.7.5 Occupational status and their selection preferences**

From the table 4.11, 14 (46%) of the unemployed respondents were of the view that availability of ATM machine is the most important factor they consider when choosing a bank, while 4% of the respondents indicated low service charges as their bank selection important factor. With regards to students, out of the 102 respondents, 32 (31%) choose availability of ATM machine as the most important factor and 26 (25%) choose number of branches as important. This is contrary to a survey conducted by Huu and Karr (2000) who

sampled 198 students in Singapore to identify factors which influence their bank selection decisions. Their research revealed that price and product dimension were their most priority. 43 (25%) employed respondents were of the view that ease of obtaining is their most important factor they consider in choosing a bank, 38 (23%) chose availability of ATM and 34 (20%) of the respondent also indicated effective and efficient customer as the most important in choosing a bank. This is in confirmation with Nielsen *et al.* (1998) who conducted a nationwide survey in Australia for 25 banks and 2,500 bank business customers to rank the factors to be considered more important in bank selection process. Their findings revealed that business minded people placed more importance on the willingness of the bank to accommodate their credit needs.

**Table 4.11: Occupational status and their selection preferences**

Responses	Occupation				Total
	Unemployed	Student	Formal	Informal	
availability of ATM machine	14	32	32	6	84
low service charges	12	0	2	0	14
number of branches	0	26	4	2	32
paying higher rates on saving	0	10	8	0	18
ease of obtaining loan	0	8	43	0	51
bank's reputation	0	7	2	3	12
availability of internet banking	4	8	0	0	12
effective and efficient customer service	6	21	18	16	61
low interest rates on loans	0	0	2	0	2
speed of transaction	2	0	2	6	10
convenient location	4	0	0	0	4
Total	30	102	101	67	300

**Source: Field Survey, 2012**

#### 4.7.6 Sex\*Marital status and their selection preferences

In relation to the cross tabulation analysis of sex, marital status and the factors they consider most important, 20(36%) of female singles indicated effective and efficient customer service as their most important bank selection factor. With regards to the males who were single 35 (35%) were of the view that availability of ATM is their most important bank selection factor. It was followed by effective and efficient customer service which was chosen by 18(18%) respondents. With regards to the married respondents, 29 (38%) of the female indicated availability of ATM as their most important bank selection factor. It was followed by ease of obtaining loan which was indicated by 21 (27%) respondents. 19(34%) of the married males were of the view that availability of ATM is their most important bank selection factor. It was followed by effective and efficient customer service. All the male and females who were widows indicated low service charges as their most important bank selection factor.

**Table 4.12: Sex\*Marital status and their selection preferences**

marital status		bank selection factors	sex		Total
			Female	male	
single	Total	availability of ATM machine	1	35	36
		low service charges	2	0	2
		number of branches	18	12	30
		paying higher rates on saving	2	8	10
		ease of obtaining loan	5	15	20
		availability of internet banking	2	10	12
		effective and efficient customer service	20	18	38
		low interest rates on loans	2	0	2
		speed of transaction	2	2	4
		convenient location	2	0	2
	Total		56	100	156
	Total	availability of ATM machine	29	19	48



married		number of branches	0	2	2
		paying higher rates on saving	8	0	8
		ease of obtaining loan	21	10	31
		bank's reputation	2	10	12
		effective and efficient customer service	9	14	23
		speed of transaction	5	1	6
		convenient location	2	0	2
			76	56	132
widowed	Total	low service charges	1	11	12
			1	11	12

**Source: Field Survey, 2012**

#### **4.7.7 Sex\*educational level and their selection preferences**

From table 4.13, 6 (84%) of the females who had no formal education indicated ease of obtaining loan as their most important bank selection factor. 4 (67%) of the respondent who were males also indicated low service charges as their most priority. With regards to those who had education to the primary level, out of the 21 females, 14 (66%) indicated availability of ATM as their top priority, and all the males in this category also chose availability of ATM as their most important bank selection factor. In relation to those who had education to the secondary level, 3 (30%) of the females were of the view that speed transaction is their most important bank selection factor. Majority of the males, that is, 25 (52%) of them also chose availability of ATM. Out of the 76 females who had education up to the tertiary level, 26 (34%) of them indicated ease of obtaining as their most important bank selection factor followed by 18(24%) of them choosing effective and efficient customer service. Also out of the 95 males, 25 (26%) were of the view that ease of obtaining loan is their most important bank selection factor. It was followed by effective and efficient which was chosen by 16 (17%) of the respondents.

**Table 4.13: Sex\*educational level and their selection preferences**

educational level		bank selection factors	sex		Total
			female	male	
no formal education	Total	Ease of obtaining loan	5	2	7
		Low service charges	1	4	5
			6	6	12
primary school	Total	availability of ATM machine	14	10	24
		effective and efficient customer service	7	0	7
			21	10	31
Secondary	Total	availability of ATM machine	1	25	26
		number of branches	2	12	14
		effective and efficient customer service	2	10	12
		low interest rates on loans	2	0	2
		speed of transaction	3	1	4
			10	48	58
tertiary school	Total	availability of ATM machine	0	12	12
		low service charges	3	11	14
		number of branches	16	2	18
		paying higher rates on saving	2	8	10
		ease of obtaining loan	26	25	51
		bank's reputation	2	10	12
		availability of internet banking	2	10	12
		effective and efficient customer service	18	16	34
		speed of transaction	3	1	4

		convenient location	4	0	4
			76	95	171
other	Total	availability of ATM machine	3	7	10
		paying higher rates on saving	8	0	8
		effective and efficient customer service	2	6	8
		speed of transaction	1	1	2
			14	14	28

**Source: Field Survey, 2012**

#### **4.7.8 Age\*Sex and their selection preferences**

The analysis revealed that all the female respondents who are less than 20years indicated number of branches as their most important bank selection factor. 20 (63%) of the males who are under 20years indicated availability of ATM as their most important factor. 18 (33%) of the females within the age group of 20-29 were of the view that effective and efficient customer service is their most important bank selection criteria. 17 (20%) of the male respondents within this category indicated ease of obtaining loan as their most important bank selection factor. Majority of the female respondents within the age group of 30-39, that is, 12 (34%) chose ease of obtaining loan as their bank selection factor. Most of the males within the age group of 30-39 indicated effective and efficient customer service as their most important bank selection factor. Out of the total female respondents within the age group of 40-49, 14 (83%) of them indicated that availability of ATM is their most important bank selection factor, while 7(54%) of the males within this age group chose paying higher rates on savings as their most important bank selection factor. With regards to those in the age group of 50-59, availability of ATM and ease of obtaining loan are their bank selection factors while all the males also indicated availability of ATM as their most bank selection

factor. All the respondents above 60 years were of the view that low service charges is their most important factor.

**Table 4.14: Age\*Sex and their selection preferences**

age	bank selection factors		sex		Total
			female	male	
less than 20	Total	availability of ATM machine	0	20	20
		number of branches	2	12	14
			2	32	34
20-29	Total	availability of ATM machine	1	13	14
		number of branches	14	0	14
		paying higher rates on saving	9	1	10
		ease of obtaining loan	3	17	20
		availability of internet banking	2	10	12
		effective and efficient customer service	18	12	30
		low interest rates on loans	2	0	2
		speed of transaction	3	1	4
		convenient location	2	0	2
			54	54	108
30-39	Total	availability of ATM machine	3	13	16
		low service charges	2	0	2
		number of branches	2	2	4
		ease of obtaining loan	12	8	19
		bank's reputation	2	10	12

		effective and efficient customer service	10	20	31
		speed of transaction	2	2	4
		convenient location	2	0	2
			35	55	90
40-49	Total	availability of ATM machine	14	6	20
		paying higher rates on saving	1	7	8
		speed of transaction	2	0	2
			17	13	30
50-59	Total	availability of ATM machine	12	2	14
		ease of obtaining loan	12	0	12
			24	2	26
60 and above	Total	low service charges	1	11	12
			1	11	12

**Source: Field Survey, 2012**

## **4.8 SUMMARY OF THE FINDINGS AND RECOMMENDATIONS**

### **4.8.1 Introduction**

In this section, the researcher presents the major findings, recommendation and the conclusion of the study. The findings are outlined in direct response to the objective of the study which sought to among others to investigate into the factors customers consider in choosing a bank. In addition to the findings, some recommendations have also been provided to help banks know which product and services they should pay more attention to so as to gain competitive advantage.

#### 4.8.2 Major Findings

The following are the major outcomes of the study:

- It was disclosed that most of the respondent heard about their bank through family and friends. This was confirmed by 52.7% of the total respondent.
- Among the factors which were given as determinants of bank selection, majority of the respondent choose convenient location as the factor they considered when selecting their bank, followed by number of branches and. speed transaction
- 22.6% of the females indicated availability of ATM machine as their most important bank selection factor. 32.3% of males also indicated availability of ATM machine as their most important bank selection factor.
- In ranking the most important factors considered in selecting a bank by respondent, the first five factors which were marked are;
  - i. availability of ATM machine
  - ii. effective and efficient customer service
  - iii. ease of obtaining loan
  - iv. Number of branches
  - v. Paying higher rates on saving
- The study indicated that majority of respondent within the age group of 50-59 and those below 20 years were of the view that availability of ATM machine is the most important bank selection factor. Those in the age group of 20-29 and 40-49 also indicated effective and efficient customer service and those above the age of 60 indicated low service charges as their most important bank selection factor.
- Majority of the respondent who were employed, that is, 25.5%, indicated ease of obtaining loan as their most important bank selection factor. The unemployed and

students were of the view that availability of ATM machine is their bank selection factor.

- The study indicated that people who are single are of the view that effective and efficient customer service is the most important bank selection factor. Majority of respondents who are married also choose availability of ATM while respondent who are widowed indicated low service charges as their most important factor.

#### **4.8.3. Conclusion**

The study has investigated into factors customers consider in selecting a bank. The study would provide bank management with information about customer requirements in their choice of a bank. It can also be used as a blueprint for banks. Result from this study revealed that the five most important factors customers consider when selecting a bank are availability of ATM machine, effective and efficient customer service, ease of obtaining loan, number of branches and paying higher rates on saving.

The research also revealed that friends/relatives are very important to customers in that they are the first source of information about their bank source. Generally, customers' first hear about their bank from friend/family. This shows how important friends/family could be to bank customers as a marketing channel. The research also concluded that demographic factors and bank selecting factors are significantly related. This is because demographic factors affect the importance customers attach to bank selection factors.

#### **4.8.4 Recommendation**

Considering the competitive nature of Ghanaian banking sector, for banks to survive the aggressive competition, they must know the factor customer consider in bank selection so as

to win new customers and retain old ones. The researcher has made some recommendations which should be taken into consideration by the bank managers so as to gain competitive advantage.

- Banks should invest in marketing research to identify the needs and wants of their customers and be able to provide them with the product and service that will satisfy the identified needs in a more efficient and profitable way to both the customers and the bank. Banks should provide customers with what they want but not what they think they want.
- Banks should pay attention to the five most important factors highlighted in this study which include; availability of ATM machine, effective and efficient customer service, ease of obtaining loan, number of branches and paying higher rates on saving.
- Banks should direct their marketing channels more on friends/family and radio/TV rather than the other channels. This does not mean that they should ignore the other marketing channel but they should pay more attention to those mentioned.



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## APPENDIX A

### QUESTIONNAIRE

We are from Christian Service University College, the department of Bachelor of Business Administration. This questionnaire is to gather information about the factors customers consider in selecting a bank in the Kumasi metropolis for a project work in partial fulfillment of our study. It will be much appreciated if you could respond to the questions below. The outcome of this is solely for academic purpose. Any information given will be strictly treated as confidential and your anonymity is highly assured

Thank you.

***PROJECT TOPIC:*** *An investigation into the factors customers consider in selecting a bank*

Please tick [✓] where appropriate

1. Sex

a. Female ☐      b. male ☐

2. Age

a. Less than 20 ☐      b. 20-29 ☐      c. 30-39 ☐      d. 40-49 ☐      e. 50-59 ☐  
f. 60 and above ☐

3. Marital status

a. Single ☐      b. married ☐      c. divorced ☐      d. widowed ☐

4. Educational Level

a. No formal education ☐      b. primary school ☐      c. secondary school ☐  
d. tertiary ☐      e. others ☐

5. Occupation

a. Unemployed ☐      b. student ☐      c. formal ☐      d. informal ☐

6. Do you have a bank account?

a. Yes ☐      b. No ☐      c. No response ☐

7. If yes which type?

a. Savings ☐ b. current ☐ c. investment ☐ d. business account ☐ d.

Others ☐

8. Which bank do you have your account

with?.....  
.....

9. How long have you been with your bank?

a. < 1 years ☐ b. 1-5 years ☐ c. 6-10 years ☐ d. > 10 years ☐

10. How did you get to know about your bank?

a. Newspaper ☐ b. radio/TV ☐ c. brochure ☐

d. friend/relation ☐ e. internet ☐

11. Why did you choose that bank? .....

.....

12. Which factors did you consider when selecting the bank?

Factors	Very important	important	Less important	unimportant
Availability of ATM machine				
Low service charges				
Recommendation by friends/ relatives				
Number of branches				
Pleasant bank atmosphere				
Paying higher rates on savings				
Ease of obtaining loan				
Bank's reputation				
Availability of internet				



banking				
Effective and efficient customer service				
Low interest rates on loans				
Speed of transaction				
Range of services				
Availability parking space				
Convenient location				

13. Which of these factors do you consider most important?.....

14. Give reason for your answer.....  
.....

15. Are you content with the service your bank provides?

a. Yes ☐      b. No ☐

16. If no what other services do you require from your bank.

.....  
.....