



Investigating The Influential Factors of Customers' Preferences in Choosing a Private Bank Among State and Private Banks: A Case Study of Tehran, Iran

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Abstract: *The main objective of the present study was to identify and prioritize the factors which were influential on bank customers' preferences in choosing Ayandeh Bank among the state and private banks in Tehran. To this end, an analysis of books, papers and researches in the literature revealed 37 factors as the primary factors that were influential. Population was all the customers of Ayandeh Bank in Tehran. The sample chosen from this population comprised of 267 customers via Cochran technique; random stratified sampling was used for the sampling purpose. A questionnaire was used as an instrument for the collection of the influential factors of choosing Ayandeh Bank. Results obtained from the factor analysis showed that all the 37 factors were considered to be affecting the issue under study and they were categorized into 6 categories. Results of Friedman test indicated that the item 'few number of bank' accusations had the highest frequency of being preferred among the other items of the first category. The most frequently preferred item in the second category was 'keeping customers' security. It was the 'low interest rate of loans' in the third category and 'having bank website' was the highest chosen item in the fourth category. Item 'appropriate location' was mostly chosen in the fifth category, and finally in the sixth category, 'good proportion of the number of bank locators and number of customers' had the highest preference of customers in choosing Ayandeh Bank among all the state and private banks by the customers.*

Keywords: *Customers; Preferences, Choosing a Bank by the Customer.*

INTRODUCTION

One of most salient difference between the today's world and traditional world is that transactions are not face to face anymore. This leads to the removal of conversation, which can be considered valuable. When face to face interaction, which is an important issue of how people trust each other, changes into remote communication, it means that communications becomes risky because technology is involved (Egger, 2001; Grabner & Kauscha, 2003).

Nowadays, trusting a bank and choosing it among the other options is one of the most principal viewpoints that customers might have. Trust can have different meanings. Generally, trust is defined as dependency on personality, ability, power, reality or honesty of a person or a thing, or the dependency on characteristics and features of a person or a thing or on their reality and state. Trust is considered as necessary factor in introduction of a new product or service within the realm of information technology (Sha'bani et al., 2012). In

this sense, those organizations take the best of an opportunity by utilizing the modern technologies and managerial skills.

In addition, in every country, having an efficient banking system is a fundamental prerequisite for entering the global market. Moreover, paying attention to electronic banking and having an efficient banking system is a vital issue due to everyday development of technology and needs of using bank electronic services for saving time and offering security in trade transactions (Zanjirdar et al., 2008).

In every country, having an efficient banking system is prerequisite issue for entering the global market. Further, paying attention to electronic banking and having an efficient and developed banking system is a vital issue due to everyday development of technology and needs of using bank electronic services for saving time and offering security in trade transactions. These days, method of offering services in banks has undergone great changes because of expansion of the Internet. Today, electronic transference system takes place through tools such as card and codes and these tools provide easy access to personal accounts (Venus & Mokhtaran, 2002).

On this basis, paying more attention to customer-centered services have gained more attention due to the diversity of banks, increase of different branches for each bank and development of electronic banking. Therefore, banks consider provision of proper and high-quality services as their main infrastructure.

Noting the customer and attracting their satisfaction in banking system is an issue which has been significant since long time ago. However, prevalence of many state banks and entering of a large number of private banks into the banking market all around the country is an overwhelming issue for some banks such as Ayandeh Bank. In this place, the question that pops into minds of the heads of this bank is what would make customers choose Ayandeh Bank and stay faithful to it?

Many different studies have been carried out on the factors that influence the customers' trust. Most of them are related to organizational psychological researches and others are related to organizational or environmental factors. Nevertheless, only few studies have attempted to collect all these factors and balance them for showing inter-organizational and intra-organizational factors influencing customers' trust. In this step, a gap is felt considering lack of a comprehensive study on the identification of influential factors for the attraction of trust and choosing Ayandeh Bank by the customers. This study is an attempt to fill the present gap in the literature. Many significant factors can be named as those relating to and affecting the choice of Ayandeh Bank among the other banks and this study aimed to make review of previous books, papers and researches to name them. Final factors were worked out through factor analysis.

Literature on research and theoretical studies

(Aregbeyen, 2011) made an investigation into the influential factors of choosing Nigeria Bank by the customers. Findings indicated that immunity of budget, service availability, and easy use of modern services were the main reasons for choosing the bank. In 2010, Rao and Sharma extracted the criteria of choosing a bank by MBA student in Delhi, India. Findings indicated that criteria mentioned by the participants were staff's honesty, parking facilities, trust, trademark, security systems, few accusations and added value services. (Khaitbaeva and AL-subaiey, 2014) analyzed affective elements of choosing a bank by the customers in Dubia. Findings showed that three factors of 'service provision costs', 'information technology and online services' and 'easy delivery of services' were the most important elements for choosing the bank. The head manager's personality and offering clear information was focused by the participants.

In addition, (Okpara and Onuoha, 2013) made an evaluation of factors influencing the choice of a bank by university students in Africa. Results revealed that among the 6 factors in the study, 'the quality of services' was the most important factor in this regard. Other factors were attraction, marketing, cost of services, and staff's uniforms.

Additionally, in 2013, Mwazha investigated factors influencing bank choice by university students in South Africa. His findings made it obvious that bank facilities for the improvement of services, bank guaranteeing, and branches of a bank can have significant effects on choosing a bank. In a similar vein, Abbam and Say (2015) made an analysis of factors of choice of commercial banks by university students in Ghana. Parents' and friends' advices, service availability, information technology, offering efficient services, and cost of service were effective in choosing a bank. Similarly, (Nur and Siddique, 2012) made a study on choosing a bank and the involved factors in Bangladesh. They concluded that the highest impressive factors in choosing a private bank were efficient and influential services, quality of services, image of the bank, online banking and management. Factors for choosing a state bank were low interest of loans, location of the branches and their security. Elsewhere, (Sztompka, 1999) mentioned 6 factors for the creation of trust in banks: 1. Reputation; 2. Function; 3. Appearance; 4. Responding; 5. Pre-commitment; and 6. Contextual facilitating factors.

(Chigamba et al., 2011) investigated factors influencing choice of trade banks by university students in South Africa. Results showed that factors of amount of services, contingency, attraction, and marketing had great effects. (Frangos et al., 2012) also investigated factors influencing bank choice by university students for taking bank loans in Rome, Greece. Results made it clear that the type of service and interest rate of financial facilities were the most significant in choosing bank loans. (Aemiro Tchulu, et al., 2014) studied the factors influencing the choice of bank by the customers. Findings of this study indicated that staff's behavior, ATM services, speed of bank functions, quality of bank services, security and privacy were very influential in choosing a bank. (Moradi kal Boland, 2014) in his investigations tried to identify and rate the influential factors in choosing a bank by the customers. He concluded that the highest priorities detected by Fuzzy Topsis were: staff's high courtesy, bank stability and financial growth, increase of electronic services for the reduction of direct referral to bank, easy access of the bank, keeping customers' secrets safe by the bank, reliability of the bank managers and staff. Moreover, according to the result of Fuzzy Dematel, the most significant factors were understanding the customers' needs and offering compatible services, granting loans with lower interest rates, proper ATM machines, enough receptions for servicing all the customers, fast and easy services, and being state or private. (Khoran and Karimzadeh, 2014) came to the conclusion that the way bank staff treated customers had the highest influence on the customers' satisfaction with current accounts. Moreover, they concluded that factors such as urban advertisement, expansion, the quality of tele bank services and provision of special services had the lowest impact.

In another study, (Ranjbaran and Gholami Karin, 2006) indicated that factors which are important in choosing a state bank in Isfahan included staff's way of answering the customers, quick access to the bank and speed of services. (Pourhasomi et al., 2013) used QDF to rate preferences of customers of MELLI Bank. Results showed that 'faster service provision', 'answering customers' wants and staff's responsibility', 'using IT in banks such as ATM, online banking', and 'suitable time for receiving and returning bank facilities' were important factors affecting preferences. (Bashiri and Joneidi, 2006) resulted that trust has a very influential role in accepting internet banking. (Javanmard et al., 2009) figured out that websites and internet brands and their characteristics generally had positive effects on customers' viewpoints and trust. (Haghighi et al., 2013) revealed that factors such as staff, quality and easy provision of services, updated technology and methods, appearance and different services, investment and facilities, expenses, reputation and comfort are factors that influenced choice of a bank; among these, 'staff' and 'trust' had the great importance. (Haj Agha Baher, 2010) concluded that simplicity in using virtual banking services, usefulness and saving costs increased customers' tendency to use bank facilities. Results of a study undertaken by (Asgari, 2010) also reported that bank services, position of the branches, electronic services, security, financial privileges and attraction are effective in choosing a bank. Moreover, 'people's influence' and 'marketing activities' had no significant effect on customers' decisions. Among these factors, 'bank services' and 'position of branches' had respectively the first and second influential effect and 'bank attraction' had the lowest amount of impact.

Research Questions

1. What are influential factors of choosing Ayandeh Bank among the other banks from the viewpoint of customers?
2. How is the order of importance of factors influencing the choice of Ayandeh Bank among the other banks?

Research Methodology

The present study was descriptive in design and used surveys and correlation. It has an application objective. To collect data, sampling procedure was used and to test the research questions (research hypotheses), a 37-item questionnaire was used in the form of Likert-scale. To test the reliability, Cronbach Alpha was run. To this end, the questionnaire was piloted on 40 customers and results were put into SPSS to check the Cronbach Alpha reliability.

Population of the study comprised of all the customers of Ayandeh Bank in Tehran, Iran. These customers referred to branches of Ayandeh Bank from July 22, 2016, to February 18, 2017. Since population was indefinite, Cochran Formula was used. Sample was 267 and it was chosen through random sampling

Findings of the Study

Research question 1: What are influential factors of choosing Ayandeh Bank among the other banks from the viewpoint of customers?

In this section, factor analysis was used to analyze the obtained data according to 37 effective factors in choosing Ayandeh Bank in Tehran from the viewpoint of customers. After categorization of influential variables based on intra-group similarities (inter-group differences), it was tried to explain the most influential categories in terms of the obtained factors. Firstly, to test the size of the selected data in factor analysis, Bartlett Test and KMO index were used.

Table 1. Sampling

.914	Index KMO
622.354	Bartlett test
666	Confidence interval
.000	Level of significance

As can be seen in the above, KMO index equals 0.914 (> 0.05). The sample is enough for the factor analysis. In addition, significance level of Bartlett test was less than 0.05 which shows that factor analysis is suitable for the identification of factors.

Table 2. Total variance

Variable	Particular amounts			Values of extracted factor without rotation			Values of the extracted factor with rotation		
	Total	Percentage of variance	Accumulative percentage	Total	Percentage of variance	Accumulative percentage	Total	Percentage of variance	Accumulative percentage
1	13.290	35.920	35.920	13.290	35.920	35.920	6.580	17.784	17.784
2	3.556	9.610	45.530	3.556	9.610	45.530	5.559	15.026	32.809
3	2.631	7.111	52.641	2.631	7.111	52.641	4.498	12.157	44.967
4	1.394	3.768	56.409	1.394	3.768	56.409	3.236	8.747	53.713
5	1.257	3.398	59.807	1.257	3.398	59.807	1.606	4.340	58.053
6	1.138	3.074	62.882	1.138	3.074	62.882	1.403	3.792	61.845
7	1.019	2.755	65.637	1.019	2.755	65.637	1.403	3.792	65.637

8	.880	2.379	68.016						
9	.839	2.267	70.282						
10	.817	2.208	72.490						
11	.795	2.149	74.639						
12	.696	1.880	76.519						
13	.659	1.782	78.301						
14	.628	1.698	79.999						
15	.551	1.489	81.488						
16	.536	1.447	82.936						
17	.506	1.367	84.302						
18	.487	1.315	85.618						
19	.447	1.207	86.825						
20	.416	1.125	87.950						
21	.410	1.109	89.058						
22	.392	1.060	90.118						
23	.381	1.030	91.148						
24	.353	.955	92.103						
25	.341	.922	93.025						
26	.325	.879	93.903						
27	.298	.805	94.708						
28	.271	.733	95.441						
29	.266	.719	96.159						
30	.234	.633	96.792						
31	.227	.613	97.405						
32	.204	.552	97.957						
33	.182	.491	98.448						
34	.160	.432	98.881						
35	.144	.390	99.270						
36	.139	.376	99.646						
37	.131	.354	100.000						

In Table 2, 37 major variables exist for the selection of bank in 7 general categories. These 7 factors have been generally able to cover for more than 60% of the reasons for choosing the bank. It is worth to note that vector of seventh factor equals almost 1. Therefore, it was omitted from the analysis and finally the effective variables were categorized into 6 categories.

Table 3. Rotated matrix

6	5	4	3	2	1	Group factors
.578						Availability of bank services
					.452	Easy use of technology-related services
					.540	Staff's honesty
					.709	Parking facilities
					.705	Bank trademark
					.475	Security services in Ayandeh Bank
					.564	Few accusations
					.765	Added value services
					.769	Bank services costs

				.764	Electronic banking
				.568	Easy delivery of services
				.629	Quality of bank services
				.632	Attraction
				.559	Bank marketing
		.639			Staff uniforms
		.643			Variability of bank facilities
		.626			Guarantee
		.684			Distribution of branches
		.612			Parents' and friends' advices
		.657			Provision of efficient services
		.532			Low interest rate of loans
	.496				Appropriate location of branches
			.587		Staffs and managers' responding
			.711		Staff's courtesy
			.686		Financial stability and growth
			.809		Increase of electronic services for decrease of direct referral
			.739		Keeping customers' privacy
			.651		Reliability of staff and managers
			.452		Understanding customers' wants and offering related services
			.709		ATM availability
.729					Agreement between the number of receptions and number of customers
			.633		Fast delivery of efficient services
	.814				Advertisement in the city
	.809				Offering special services
	.555				Bank appearance
	.716				Cost of wages for financial facilities
	.736				Features of website

Then, to define priority of influential factors, Friedman test was used to rate the items of each category.

Table 4. Results of Friedman test related to items of category1

Value	Explanation
267	Number
114.152	Chi 2
12	Confidence interval
.000	Level of significance

No.	Factors	Mean
1	Easy use of technology-related services	7.96
2	Staff's honesty	6.26
3	Parking facilities	7.01
4	Bank trademark	6.64

5	Security services in Ayandeh Bank	6.09
6	Few accusations	8.04
7	Added value services	6.75
8	Bank services costs	6.79
9	Electronic banking	7.37
10	Easy delivery of services	6.54
11	Quality of bank services	6.87
12	Attraction	7.83
13	Bank marketing	6.84

Table 5. Results of Friedman test for category2

Value	Explanation
267	Number
58.719	Chi 2
8	Confidence interval
.000	Level of significance

No.	Factors	mean
1	Staff's and managers' responding	4.49
2	Staff's courtesy	4.78
3	Financial stability and growth	4.68
4	Increase of electronic services for decrease of direct referral	5.18
5	Keeping customers' privacy	5.50
6	Reliability of staff and managers	4.95
7	Understanding customers' wants and offering related services	4.7
8	ATM availability	5.28
9	Agreement between the number of receptions and number of customers	5.44

Table 6. Results of Friedman test for category3

value	Explanation
267	Number
138.392	Chi 2
6	Confidence interval
.000	Level of significance

No.	Factors	Mean
1	Staff uniforms	3.37
2	Variability of bank facilities	3.6
3	Guarantee	4.1
4	Distribution of branches	3.71
5	Parents' and fiends' advices	4.25
6	Provision of efficient services	4.01

7	Low interest rate of loans	4.96
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Table 7. Results of Friedman test for category4

Value6	Explanation
267	Number
27.76	Chi 2
4	Confidence interval
.000	Level of significance

No.	Factors	Mean
1	Advertisement in the city	3.1
2	Offering special services	3.12
3	Bank appearance	2.92
4	Cost of wages for financial facilities	2.68
5	Features of website	3.18

Table 8. Results of Friedman test for category6

Value	Explanation
267	Number
29.762	Chi 2
1	Confidence interval
.000	Level of significance

No.	Factors	Mean
1	Availability of bank services	1.36
2	Agreement between the number of receptions and number of customers	1.64

According to Tables 4 – 8, level of significance of Friedman test was lower than 0.05. Therefore, there was a significance difference between the effects of each of the factors in category1 regarding the choice of Ayandeh bank among the state and private bank of Tehran. However, prioritization is impossible in category 1, since it embodies only one factor (appropriate location of branches).

Discussion and conclusion

According to what was mentioned, the importance of figuring influential factors of customers' preferences in choosing a bank among the others is so important that it can lead to success of the that bank. These bank can categorize factors that influence their customers' preferences and investigate their levels of importance so as to increase their chance of being successful in today's and future market. Regarding the importance of the issue and the notion that 37 factors were worked out in the present study, following conclusions can be drawn:

The 37 influential items were put into 6 general categories and this is in line with findings obtained by (Aregbeyen, 2011), (Roa and Sharma, 2010), (Subaiey and Khaitbaeva, 2014), (Okpara and Onuoha, 2013), (Mwazha, 2013), (Abbam and Say, 2015), (Nur and Siddique, 2012) and (Sztompka, 1999), (Chigamba at al., 2011), (Frangos et al., 2012), (Aemiro Tchulu et al., 2014), (Moradi kal Bolanid, Khoran and Karimzadeh, 2014),

(Ranjbaran and Gholami Karin, 2006), (Pourhesami et al., 2013), (Bashiri and Joneidi, 2006), (Javanmard et al., 2009), (Haghighi et al., 2013), (Asgari, 2010) and (Haj Agha Baher, 2010).

The other phase of the study, results of Friedman test indicated that among the items of category 1, the item 'low accusations of the bank' had the highest influence and 'security systems' had the lowest influence. Among items of category 2, 'respecting customers' security and privacy' had the greatest effect and 'staff's responding to customers' had the fewest influence. In category 3, 'low interest rate of loans' had the most and 'staff's uniforms' had the least amount of influence on customers' preferences. Among items related to category 4, 'features of bank website' had the highest and 'cost of wages for financial facilities' had the most and the least influence and finally, in category 6 with only two items, 'agreement between the number of receptions and number of customers' was the first while 'availability of bank services' had the second rate in terms of affecting customers' preferences among the other banks of Tehran.

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