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Bank selection criteria in the banking industry: An empirical investigation from customers in Romanian cities

Salih Turan Katircioglu[1]*, Mustafa Tumer[1] and Ceyhun Kılınç[2]

[1]Department of Banking and Finance, Eastern Mediterranean University, Famagusta, North Cyprus,
Via Mersin 10, Turkey.
[2]Beysehir Ali Akkanat Vocational School, Selçuk University, Beysehir, Konya, 42700, Turkey.

The present study investigates bank selection criteria of customers in Romania. A total of 248 bank customers responded to the bank selection instrument in two main cities of Romania: Bucharest and Constanta. "The number of ATM (automatic teller machines) booths" has been found to be the most important selection criteria for bank customers from Romania. This study has also shown that providing extensive ATM services, availability of telephone and internet banking, giving personal attention to customers, reputation and image of the banks, confidentiality of the bank for customer records, appearance of staff to be presentable and the number of branch offices around the country are all the most important factors that Romanian people give attention to. Finally, the results of this study have also shown that Romanian people give little attention to mass media advertisement, gifts provided by banks, fast and efficient service and recommendation by other people in their environment. Finally, bank selection criteria statistically differ across cities and income levels in Romania. This shows that people in different cities and in different income groups have different preferences of bank selection criteria in Romania.

Key words: Banking industry, bank selection, criteria, Romania.

INTRODUCTION

The world economy faces an increase in the importance of services industry. The value added of services industry as percent of world gross domestic product was about 70% (World Bank, 2011). On the other hand, the importance of banking and financial services in the world services industry can not be understated (Mishkin, 2001). New technologies and information systems forced these institutions to offer more sophisticated and technological services in the banking and finance industry. Today`s competitive financial atmosphere also led banks and financial institutions to improve their service quality and follow new technologies. Nowadays, situation is not much different in the transition economies. Internalization trends in the banking industry of these countries including

Romania has been causing decreasing profit margin and higher competition, hence, complying banks to increase the level of customer satisfaction.

The issue of bank selection process attracted considerable attention in the bank marketing literature, mainly in the USA (United States of America) and some in Europe and other regions (Lee and Marlowe, 2003; Almossawi, 2001; Gerrard and Cunnigham, 2001; Ta and Har, 2000; Kennington, et al., 1996; Denton and Chan, 1991). The literature has shown that studies made in the countries other than the USA and Europe are quite rare (Gerrard and Cunningham, 2001). On the other hand, the studies conducted in the field mostly targeted the general population while some focused on some sampled segments (Almossawi, 2001; Gerrard and Cunnigham, 2001; Thwaites and Vere, 1995; Lewis, 1982).

This study focuses on determining the importance bank selection factors of bank customers in Romania, which was the first country of Central and Eastern Europe

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*Corresponding author. E-mail: salihk@emu.edu.tr. Tel: +90 392 630 2008. Fax: +90 392 630 2032.

to have official relations with the European Community. Since the Romanian revolution of 1989, European Union (EU) membership has been the main goal of every Romanian Government. The study is important in the sense that it is the first of its kind made for Romanian bank customers, which will be one of the leading studies carried out trying to determine the bank selection criteria in Romania. This study contributes to the literature by comparing bank selection criteria in two different cities of Romania since some studies (Khazeh and Decker, 1992; Kaynak et al., 1991; Ying and Chua, 1989; Laroche et al., 1986) find significant differences in these criteria. Thus, results of this study are expected to provide important implications for policy makers as well as academicians in the relevant literature.

LITERATURE REVIEW

There are extensive studies made in the field regarding the general population and some studies for particular segments of population as mentioned before. This section of the study includes a review of some studies conducted in this field.

Many studies in the literature suggest that convenience of bank location was of paramount importance for customers (Gerrard and Cunningham, 2001; Kaynak and Kucukemiroglu, 1992; Riggal 1979; Laroche et al., 1986; Martenson, 1985; Reed 1972) while some others suggest different criteria to be the most important (Holstius and Kaynak, 1995; Kaynak et al., 1991; Erol et al., 1990; Javalgi et al., 1989). Futhermore, previous studies suggest that bank selection decisions were significantly different across different market segments (Khazeh and Decker, 1992; Kaynak et al., 1991; Ying and Chua, 1989; Laroche et al., 1986).

Lee and Marlowe (2003) used both qualitative and quantitative approaches to clarify how consumers choose a financial institution for their checking account. They found that most consumers value convenience as one of the most important decision-making criteria. Kennington et al. (1996) find that in Poland, as in other countries, the most important factors influencing customer choice are reputation, price and services provided by banks. Khazeh and Decker (1992) found that consumer's choice of a financial institution depends on the service charge policy, reputation and competitiveness of loan rates provided by the institutions. Boyd et al. (1994) conducted a survey and found that the five most important criteria identified by respondents in the USA were bank reputation, interest on saving accounts, interest charged on loans, quick service and location in the city. They also showed that the relative importance of selection criteria varied between groups of respondents. Gerrard and Cunningham (1997) evaluated the bank selection critetia in Islamic banking industry and found that there was general accord as between Muslims and non-Muslims on the rating of the various criteria. They also found five significant

differences between Muslims and non-Muslims, the most relating to "being paid higher interest on savings which was far stronger with non-Muslims. Gerrard and Cunnigham (2001) set out to establish a ranking of the various dimensions which influence bank selection decisions of undergraduate students in Singapore and seek to determine how homogeneous undergraduates are in relation to their selection decision. They identified seven bank selection dimensions, the most important being undergraduates should feel secure, while the least important dimension was third party influences.

Ta and Har (2000) examined the predominant factors that have a bearing on undergraduates` bank selection decisions by employing the Analytic Hierarchy Process. They indicated that undergraduates placed high emphasis on the pricing and product dimensions of bank services. Ta and Har (2000) suggest that the undergraduate market could prove to be a profitable market segment for banks. Thus, banks should understand their bank selection decision process. Lewis (1982), on the other hand, reported a high degree of loyalty of students for their banks. Safakli (2007) find that that the chief factors determining customers' bank selection in the case of Northern Cyprus are: "Service Quality and Efficiency", "Bank Image", "Convenient Location", "Parking facilities", "Financial factors" and "Affected opinion". Maiyaki (2011) investigate that there are various factors that highly influence the customers' choice of banks in the case of the Nigerian banks such as "the size of bank assets", "availability of large branch network across the country", and "reputation of the bank". Katircioglu et al. (2011) find that there aren't huge differences in the bank selection factors between Turkish and non-Turkish international university students in the case of a state university in North Cyprus. "Availability and convenient location of ATM services" and "speed and quality of service" are the most important factors for considering banks and their services for both Turkish and non-Turkish undergraduate students according to the findings of Katircioglu et al. (2011). Senyucel (2009) finds that "assurance" is the most important bank selection criteria for Turkish Cypriots where "responsiveness" is the most important bank selection criteria for Greek Cypriots in the Cyprus Island.

METHODOLOGY

Survey design

Survey questions of the questionnaire form was gathered from various studies (Gerrard and Cunningham, 2001; Kennington et al., 1996; Holstius and Kaynak, 1995; Boyd et al., 1994; Anderson et al., 1976) in the relevant literature and revised and adopted to the Romanian banking system.

The instrument has two parts: Demographic profile (4 questions) and Bank Selection Factors (53 questions). A five-point Likert Scale ranging from "Not Important at all = 1" to Very Important = 5" was used to measure 53 items of bank selection factors in the questionnaire form.

Data collection and sample

The data for the study were collected through a non-probability convenience sampling in the main streets of Bucharest and Constanta where most banks are situated. Respondents were randomly stopped and first asked if they were of Romanian origin and if so, were then asked if they had made use of bank services in the last six months. Respondents fulfilling these two criteria were then asked to fill in the questionnaire. The questionnaire forms were distributed to 248 bank customers using and benefiting banking services during September 2010.

Psychometric properties of the scale

Descriptive statistical techniques including mean scores were used to assess bank selection scores of Romanian people. Pre-analysis testing for the suitability of the entire sample for factor analysis was computed for bank selection factors. Thus, the alpha coefficient of reliability level for the instrument was 0.6571. This shows that answers given to the questionnaire instrument of the present study are almost 65.71% consistent; therefore, bank selection factors` instrument is suitable for factor analysis.

Factor loadings for each factor were computed and presented in Table 1. Factor loadings were sorted in descending order and shows that all of the factors loaded since their loadings are higher than 0.50. Thus, these factors were suitable for further analysis in this study since they are also individually consistent (Hair et al., 1998).

Tests for significant differences

In addition of mean score analyses, t and F tests have been employed to see if bank selection criteria of the Romanian bank customers statistically differs in demographic profiles including gender, city, age groups, and income levels; therefore, the following null hypotheses can be established for the present study:

H_1: Bank selection criteria in Romania do not differ in gender.
H_2: Bank selection criteria in Romania do not differ across cities.
H_3: Bank selection criteria in Romania do not differ in age groups.
H_4: Bank selection criteria in Romania do not differ in income levels.

RESULTS AND DISCUSSION

Out of the total sample size of 248 students, 141 (56.9 %) of the respondents were males and 101 (43.1 %) were females.

Table 2 shows that 111 (44.8%) of respondents live in Bucharest where 137 (55.1%) live in Constanta. In terms of age of respondents great majority are between 21 and 35 (144, 58.1%) and between 36 and 50 (88, 35.5%). Furthermore, 110 (44.4%) of respondents earn between 300 and 500 Euro per month where 66 (26.6%) earn between 500 and 1,000 Euro and 40 (16.1%) earn less than 300 EURO per month.

After considering demographic profile of respondents, now it is time to look at the importance of bank selection factors of people living in Romania from Bucharest and Contanta. Table 3 gives mean scores of bank selection

factors that are sorted in descending order for Romanian people.

As can be seen from Table 3, "The number of ATM (automatic teller machines) booths" is the most important factor for people in Romania (mean score = 4.86) by remembering that item "5" stands for "Very Important" in our instrument.

The great majority of mean score results are close to each other; however, the least important factor for Romanian people is "fast and efficient service" with a very low mean score (1.14) again by remembering that item "1" stands for "Not Important at all" in the instrument. "Telephone banking" (4.83), "providing personal attention to customers" (4.82), "bank's reputation and its image" (4.81), "size of the bank" (4.80), "confidentiality of the bank" (4.80) and "availability of internet banking" (4.80) are the most important factors for bank selection criteria of Romanian people following "the number of ATM booths".

On the other hand, besides "fast and efficient service", "gifts for opening a new account" (2.38), "bank's mass media advertisement" (3.17), "the value of price draws" (3.23), "branch office facilities" (3.24), "recommendation by friends or relatives" (3.25), and "the availability of prize draws" (3.25) are among the least important bank selection criteria for Romanian people.

Finally, t and F test results are presented in Table 4 to test those hypotheses presented previously. F tests using one way ANOVA have been employed for age groups and income levels since these two variables contain more than two items (there are four categories for age and income variable as can be seen from Table 2 as well). Results show that overall bank selection criteria (average of 53 items in bank selection instrument) do not statistically differ in gender and age (since F computed values for gender and age) is not statistically significant and the null hypothesis of "no difference" cannot be rejected) but differ across cities (Bucharest and Constanta) and income levels (F statistics are statistically significant in both cases and the null hypothesis of "no difference" can be rejected). Therefore, the hypotheses H_2 and H_4 of the present study can be rejected while H_1 and H_3 cannot be rejected. To summarize, bank selection criteria in the case of Romania do not statistically differ between personal characteristics such as age and income groups but do differ between different regions of Romania such as Bucharest and Constanta and different income levels; priority for bank selection criteria is different among regions of Romania and among different income levels.

Conclusion

This study has investigated bank selection factors of bank customers from two cities (Bucharest and Constanta) of Romania. As bank customers, "The number of ATM (automatic teller machines) booths" is the

Table 1. Factor loadings of bank selection criteria.

ID	Important factor for bank selection	Factor loading
1.	Counter partition in bank	0.82
2.	Confidentiality of the bank	0.81
3.	Gifts for opening a new account	0.76
4.	Branch office facilities	0.75
5.	Credit card offered by the bank	0.74
6.	Location near home/work	0.74
7.	Staff give adequate explanation of services and products	0.74
8.	Knowledge and skills of bank employees	0.74
9.	Loans with favorable terms	0.73
10.	Longer banking hours	0.73
11.	The availability of ATMs	0.73
12.	Accuracy of transactions	0.73
13.	Internal appearance of the bank	0.73
14.	Banks mass media advertisement	0.72
15.	Higher interest payment savings	0.72
16.	Respect and consideration shown by the employees	0.72
17.	Appearance of staff	0.71
18.	External appearance of bank	0.71
19.	Interior layout of the bank	0.71
20.	Bank's reputation and its image	0.71
21.	Bank employees know my personal needs	0.70
22.	A wide range of services offered	0.70
23.	Reliability of staff	0.70
24.	Availability of credit cards with favorable terms	0.70
25.	Size of the bank	0.70
26.	Willingness of staff to help the problems or queries	0.70
27.	Being informed of the new services or products	0.70
28.	Interior comfort	0.70
29.	Interesting advertising	0.69
30.	The availability of information in the branch	0.69
31.	The value of price draws	0.69
32.	Recommended by friends or relatives	0.69
33.	Fast and efficient service	0.69
34.	Availability of parking space	0.67
35.	Speed of the service at the cash point	0.67
36.	Lower service charges for bill payments and other services	0.66
37.	The number of ATM booths	0.66
38.	The number of staff available to serve	0.66
39.	Availability of Internet banking	0.65
40.	The availability of prize draws	0.64
41.	Perceived confidentiality of bank	0.64
42.	Friendliness of bank personnel	0.64
43.	Financial counseling services	0.64
44.	Availability of Telephone banking	0.61
45.	Speed of the service in the branch	0.61
46.	The number of branch offices in the country	0.60
47.	External appearance of bank	0.59
48.	Confidence in bank manager	0.58
49.	Higher interest on savings and deposits	0.57
50.	Lower interest charges on loans	0.57
51.	Bank employees give me personal attention	0.56

Table 1. Contd.

52.	Lower loans interest rate charges	0.56
53.	Honesty and trustworthiness of staff	0.55

Table 2. Demographic breakdown of bank customers (n=248).

Demographic	Frequency	Percent
Gender		
Male	141	56.9
Female	107	43.1
Total	248	100.0
City		
Bucharest	111	44.8
Constanta	137	55.1
Total	248	100.0
Age		
Less than 21	9	3.6
21 – 35	144	58.1
36 – 50	88	35.5
51 and Upper	7	2.8
Total	248	100.0
Income level (Euro)		
Less than 299	40	16.1
300 – 499	110	44.4
500 – 999	66	26.6
≥1,000	32	12.9
Total	248	100.0

most important selection criteria for people from Romania; this finding is similar to the results of Katircioglu et al. (2011) where the most important one was the availability of ATMs in the case of North Cyprus. This study has investigated that bank selection factors do not largely differ from one factor to another with some exceptions covering the least important ones for the customers living in Romania. Katircioglu et al. (2011) have found that factors do not differ in nationality as well. This study has also shown that providing extensive ATM services, availability of telephone and internet banking, giving personal attention to customers, reputation and image of the banks, confidentiality of the bank for customer records, appearance of staff to be presentable and the number of branch offices around the country are all the most important factors that Romanian people give attention to. Finally, the results of this study have also shown that Romanian people give little attention to mass media advertisement, gifts provided by banks, fast and

efficient service and recommendation by other people in their environment. Finally, bank selection criteria statistically differ across cities and income levels in Romania. This shows that people in different cities and in different income groups have different preferences of bank selection criteria in Romania. Some of the previous studies (Khazeh and Decker, 1992; Kaynak et al., 1991; Ying and Chua, 1989; Laroche et al., 1986) also investigate that bank selection decisions were significantly different across different market segments. The present study did not find any statistically significant difference between males and females, and between different age groups in Bucharest and Constanta.

Since the present research has shown that "providing extensive ATM services", "availability of telephone and internet banking", and "the number of branch offices around the country" are the most important factors behind bank selection in Romania, the authorities should focus and make more investment on facilitating banking

Table 3. Importance of bank selection factors of customers (n = 248).

ID	Factor for bank selection	Mean score
1.	The number of ATM booths	4.86
2.	Availability of Telephone banking	4.83
3.	Bank employees give me personal attention	4.82
4.	Bank's reputation and its image	4.81
5.	Size of the bank	4.80
6.	Confidentiality of the bank	4.80
7.	Availability of Internet banking	4.80
8.	Appearance of staff	4.79
9.	The number of branch offices in the country	4.77
10.	The availability of ATMs	4.77
11.	Honesty and trustworthiness of staff	4.77
12.	Staff give adequate explanation of services and products	4.76
13.	Longer banking hours	4.75
14.	Financial counseling services	4.72
15.	The availability of information in the branch	4.69
16.	Interior comfort	4.21
17.	Bank employees know my personal needs	4.20
18.	Friendliness of bank personnel	4.17
19.	Loans with favorable terms	4.16
20.	Lower loans interest rate charges	4.16
21.	Speed of the service in the branch	4.16
22.	Location near home/work	4.16
23.	Willingness of staff to help the problems or queries	4.15
24.	External appearance of bank	4.15
25.	The number of staff available to serve	4.13
26.	Lower service charges for bill payments and other services	4.12
27.	A wide range of services offered	4.12
28.	Interesting advertising	4.11
29.	Respect and consideration shown by the employees	4.10
30.	Accuracy of transactions	4.07
31.	Reliability of staff	4.07
32.	Credit card offered by the bank	4.07
33.	Interior layout of the bank	4.06
34.	Lower interest charges on loans	4.06
35.	Availability of credit cards with favorable terms	4.06
36.	Internal appearance of the bank	4.05
37.	Availability of parking space	4.02
38.	Speed of the service at the cash point	4.02
39.	Knowledge and skills of bank employees	4.01
40.	Being informed of the new services or products	4.01
41.	Counter partition in bank	4.00
42.	External appearance of bank	3.98
43.	Perceived confidentiality of bank	3.96
44.	Higher interest on savings and deposits	3.30
45.	Confidence in bank manager	3.29
46.	Higher interest payment savings	3.27
47.	The availability of prize draws	3.25
48.	Recommended by friends or relatives	3.25
49.	Branch office facilities	3.24
50.	The value of price draws	3.23
51.	Banks mass media advertisement	3.17

Table 3. Contd.

52.	Gifts for opening a new account	2.38
53.	Fast and efficient service	1.14
	Overall Instrument	4.07

Table 4. Tests for significant differences.

Demographic	Test statistic	
Gender		
Male		
Female	t-stat:	-1.153
City		
Bucharest		
Constanta	t-stat:	7.879*
Age		
Less than 21		
21 – 35		
36 – 50	F-stat:	0.654
51 and Upper		
Income Level (Euro)		
Less than 299		
300 – 499		
500 – 999	F-stat:	2.170***
≥1,000		

* and *** denote the rejection of the null hypothesis respectively at 0.01 and 0.10 levels.

procedures of customers more by using and improving the contemporary technology. The results have shown that these are must in the Romanian case. Banks should also encourage and train their staff for individual customer satisfaction as well since "giving personal attention to customers" and "appearance of staff to be presentable" are also found as an important selection criteria for the Romanian bank customers. It is important to note that these policies should be followed no matter customers are males or females, or in different age groups since this study did not find any significant differences of bank selection factors in gender and age groups; but, they should be implemented may be with city or location-specific characteristics due to the fact that bank selection criteria have shown significant differences between Bucharest and Constanta according to the results of the present study.

The authors of the present study have faced difficulties in distributing questionnaires from bank customers; as a research limitation it is important to mention that participants many times find it boring and time consuming to response to a survey in any field of topic. Further research can be carried out for positioning studies for the banks in Romania, where strategic positioning has become increasingly relevant and important for the banking sector since they joined the European Union. The survey can be also carried out in the other cities of Romania for comparison purposes.

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