Bank selection
and customers' perception of banks in Malaysia

Norhazlin Ismail, Zarehan Selamat and Ong Hway Boon*

Abstract

The process customers go through in choosing a bank has been studied for several decades using different approaches. Understanding the needs and analyzing how the customers select their banks are crucial steps towards the improvement of customer satisfaction. In this study, an attempt is made to identify the determinants of bank selection and customers' perception of banks in Malaysia.

JEL classification: E11, E12, O11
Keywords: Banking, marketing, customer satisfaction, Malaysia

1. Introduction

Recently, the world of banking has found itself facing more aggressive competition, uncertainty, and limited opportunities. This in turn has forced banks to find new strategies to become profitable. It is, however, not so easy for them to organize. When competition intensifies and banks start to offer more or less similar products and services, it is customer satisfaction that then primarily determines the performance of banks and, consequently, their competitiveness and success. With rapid change and more sophisticated customers, it has become very important for banks to ascertain the factors that are pertinent to the customer's selection process.

Much work has been conducted identifying the major factors that determine the choice of a principal bank (Zineldin [1995]; Gupta and Torkzadeh [1998]; Laroche et al., [1986]). These researches were country specific and the results showed that there are major differences in the factors that determine the choice of principal banks for each country. Moreover, these studies focused on the role of functional quality rather than on traditional marketing activities in influencing these choices. Therefore, for this study we would like to investigate whether there is a significant difference in the determinants of bank selection in Malaysia compared with those factors identified in researches that have been conducted in other countries such as Sweden, Turkey and Canada.

*The authors are lecturers at the Faculty of Management, Multimedia University, Cyberjaya, Selangor, Malaysia. The authors may be reached via email: norhazlin.ismail@mmu.edu.my.

The main objective of this research is to investigate how a bank in Malaysia has been selected and perceived from the point of view of its customers and in relation to its competitors in the marketplace. Specifically, we investigate the relative importance of banking services as perceived by Malaysian bank customers and to identify the key determinants of bank selection decisions made by these customers.

This paper would make a contribution by providing useful information that would help Malaysian banks to evaluate and redesign their current marketing strategies in order to attract customers in a competitive banking environment. The findings of the study would also contribute to the knowledge and provide better insights about bank customers in Malaysia, in term of their needs for banking services and their behavior in bank selection.

The remainder of this study is organized into seven sections. Section two presents an overview of the banking system in Malaysia. This is then followed by an overview of commercial banks in Malaysia in section three. A review of the literature related to customer satisfaction in general and bank selection criteria are presented in section four. In section five we describe the methodology adopted for the current study. The findings are reported in section six and the conclusion in section seven.

2. An overview of the banking system in Malaysia

There are six types of banking institutions under the supervision of Bank Negara Malaysia (BNM). The six types of banks governed by BNM are the commercial banks, finance companies, merchant banks, Islamic banks, discount houses, and the representative offices of foreign banks (Figure 1).

The commercial banks are the largest institutions in the Malaysian financial system. As of the end of December 2000, there were 31 commercial banks, including Bank Islam Malaysia Berhad, operating with a total of 1,742 branches nationwide, of which 14 are locally incorporated foreign banks. The main functions of commercial banks are to provide retail banking services, trade-financing facilities, treasury services, cross-border payment services and custody services. Commercial banks are also authorized to deal in foreign exchange and are the only financial institutions in Malaysia which are allowed to provide current account facilities.

Finance companies form the second largest financial institutions in the Malaysian financial system. There were 19 finance companies with a total of 930 branches by the end of December 2000. Finance companies specialize in consumption credit, comprising mainly of hire-purchase finance, leasing finance, housing loans, block discounting, and secured personal loans. They are allowed to accept savings and fixed deposits from the public but are prohibited from providing current account facilities.
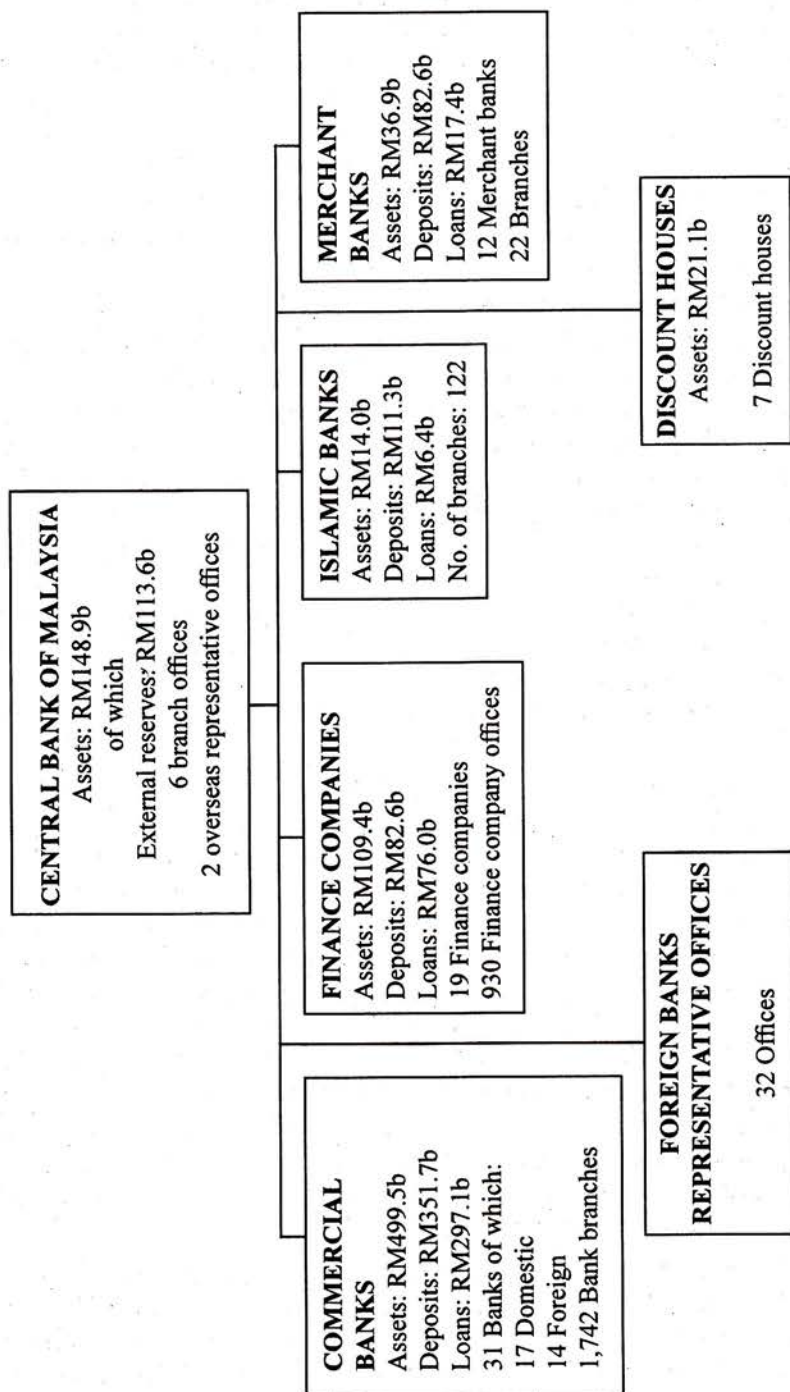
Merchant banks, which began operations in the 1970s, form the third largest institutions with a total of 12 merchant banks. They play a role in the short-term money market and in capital-raising activities including financing specializing in syndication corporate finance and management advisory services, arranging for the issue and listing of shares as well as investment portfolio management. Merchant banks were specifically formed to service the needs of the corporate sector. As such, their operations hinge mainly on providing advisory and management services to corporations as well as in conducting wholesale lending and deposit taking activities.

Discount houses on the other hand, began operations in Malaysia in 1963. In their early years, these discount houses played the conventional role of borrowers and lenders of short-term money. They were the only class of institutions that were permitted to accept money at call. Their role was redefined during the financial reforms of the '80's when their function was expanded to enable them to become security dealers and to engage in money market operations. As of the end of December, 2000, there were seven discount houses in Malaysia with total assets of RM21.1 billion. Generally, the discount houses specialize in short-term money market operations and mobilize deposits from the financial institutions and corporations in the form of money at call, overnight money, and short-term deposits. The funds mobilized are invested in Malaysian treasury bills, Malaysian government securities, bankers acceptances, negotiable instruments of deposits and Cagamas bonds. The discount houses also actively trade these securities in the secondary market.

Islamic banks began to operate in 1993. By 1 October 1999, Bank Muamalat Malaysia Berhad (BMMB) was established as the second Islamic bank following the merger of Bank Bumiputra Malaysia Berhad and Bank of Commerce (M) Berhad. Beginning with one Islamic bank, the number of banks offering Islamic financial products and services increased to 49 players by the end of December 2000, comprising two Islamic banks and 47 conventional banking institutions participating in the Islamic banking scheme (IBS banking institutions). The IBS banking institutions consisted of 21 commercial banks, 14 finance companies, five merchant banks, and seven discount houses. Upon completion of the merger of a number of domestic banking institutions, the number of players will be reduced to 35 to consist of two Islamic banks and 33 IBS banking institutions (13 commercial banks, eight finance companies, five merchant banks and seven discount houses). Being an Islamic financial institution, Bank Islam conducts its banking business based entirely on Islamic principles.

There are 32 representative offices of foreign banks in Malaysia. Paribas, which opened in 1971, was the first representative of a foreign bank to establish its office in Kuala Lumpur. Bayerisch Landesbank and the First Commerce Bank, which both opened in 1998, are the latest foreign banks to establish their offices in Kuala Lumpur.

Figure 1. The Malaysian financial system structure (as of 31 December 2000)

CENTRAL BANK OF MALAYSIA
Assets: RM148.9b
of which
External reserves: RM113.6b
6 branch offices
2 overseas representative offices

COMMERCIAL BANKS
Assets: RM499.5b
Deposits: RM351.7b
Loans: RM297.1b
31 Banks of which:
17 Domestic
14 Foreign
1,742 Bank branches

FINANCE COMPANIES
Assets: RM109.4b
Deposits: RM82.6b
Loans: RM76.0b
19 Finance companies
930 Finance company offices

ISLAMIC BANKS
Assets: RM14.0b
Deposits: RM11.3b
Loans: RM6.4b
No. of branches: 122

MERCHANT BANKS
Assets: RM36.9b
Deposits: RM82.6b
Loans: RM17.4b
12 Merchant banks
22 Branches

FOREIGN BANKS REPRESENTATIVE OFFICES
32 Offices

DISCOUNT HOUSES
Assets: RM21.1b
7 Discount houses

Among these banking institutions, the commercial banks have been rather innovative in providing a wide range of services to their customers that include individual customers, small and medium industries (SMI's) and also large corporations. Besides, commercial banks are the most advanced in the level of computerization amongst the various banking and financial institutions in Malaysia. Thus, this study will focus on the changing face of banking business in commercial banks.

3. Commercial banks in Malaysia

As mentioned earlier, there are 31 commercial banks in Malaysia, including domestic and foreign banks. However, after completion of the merger programme initiated by Bank Negara Malaysia (BNM) in late 1997, the number of commercial banks, as of 30 June 2001, has been reduced to 27 including 13 domestic and 14 foreign banks. The number of finance companies has also been reduced to 12 and the number of merchant banks to 10 (Table 1).

The merger program was aimed at consolidating the domestic banking industry into 10 banking groups to achieve a more effective and competitive banking system and to ensure that the domestic banks will be able to withstand the challenges arising from an increasingly competitive global environment. These 10 banking groups were Malayan Banking Berhad, Bumiputra-Commerce Bank Berhad, RHB Bank Berhad, Public Bank Berhad, Arab-Malaysian Bank Berhad, Hong Leong Bank Berhad, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Southern Bank Berhad and EON Bank Berhad (Table 2).

However, as of 30 June 2001, Bank Utama (Malaysia) Berhad was the only bank that had not yet completed its merger exercise with the Arab-Malaysian Banking group. According to BNM, approval has been granted for these two groups to mutually terminate their respective sale and purchase agreements. However, in order to maintain the 10 banking groups, the Utama Banking group is now in the process of merger negotiations with EON Bank Berhad.

4. Literature review

The customer's selection criteria are expected to affect his overall satisfaction with the bank (Levesque and McDougall [1996]). Many studies have investigated the bank selection criteria of customers or the basis upon which customers patronize specific banks (Tan and Chua [1986]; Anderson et al., [1976]; Laroche et al., [1986]; Kennington et al., [1996]; and Zineldin [1996]). These studies have identified a number of such factors: convenience, competitive interest rates, services charges, adequate banking hours, availability of ATMS, quality of services, recommendations of others, availability of loans, and the friendliness of bank staff. The relative importance of these factors varies from one country to another. For example Zineldin

[1996] found that factors relating to functional quality such as friendliness and helpfulness of personnel, accuracy in account transaction management, efficiency in correcting mistakes and speed of service and decision-making clearly emerged as the most important determinants of bank selection in Sweden. The results also implied that traditional marketing activities such as convenience of location, price, and advertising had only a minor influence on bank selection.

Table 1. Commercial banks in Malaysia (as of 30 June 2001)

Name of Commercial Banks
Malaysian Banks
1. Affin Bank Berhad
2. Alliance Bank Malaysia Berhad
3. Arab-Malaysia Bank Berhad
4. Bumiputra-Commerce Bank Berhad
5. Bank Utama (Malaysia) Berhad
6. EON Bank Berhad
7. Hong Leong Bank Berhad
8. Malayan Banking Berhad
9. Public Bank Berhad
10. RHB Bank Berhad
11. Southern Bank Berhad
12. Bank Islam Malaysia Berhad
13. Bank Muamalat Malaysia Berhad
Foreign Banks
1. ABN AMRO Bank Berhad
2. Bangkok Bank Berhad
3. Bank of America Malaysia Berhad
4. Bank of China (Malaysia) Berhad
5. Bank of Tokyo-Mitsubishi (Malaysia) Berhad
6. Citibank Berhad
7. Deutsche Bank (Malaysia) Berhad
8. HSBC Bank (Malaysia) Berhad
9. OCBC Bank (Malaysia) Berhad
10. Overseas Union Bank (Malaysia) Berhad
11. Standard Chartered Bank (Malaysia) Berhad
12. The Bank of Nova Scotia Berhad
13. The Chase Manhattan Bank (M) Berhad
14. United Overseas Bank (Malaysia) Berhad

Table 2. The 10 anchor banks and the banking groups

Anchor Bank	Banking Groups
1. Malayan Banking Berhad	Malayan Banking Bhd
	Maybank Finance Bhd
	Aseambankers Malaysia Bhd
	PhileoAllied Bank Bhd
	The Pacific Bank Bhd
	Sime Finance Bhd
	Kewangan Bersatu Bhd
2. Bumiputra-Commerce Bank Berhad	Bumiputra-Commerce Bank Bhd
	Bumiputa-Commerce Finance Bhd
	Commerce International Merchant Bankers Bhd
3. RHB Bank Berhad	RHB Bank Bhd
	RHB Sakura Merchant Bankers Berhad
	Delta Finance Bhd
	Interfinance Berhad
4. Public Bank Berhad	Public Bank Bhd
	Public Finance Bhd
	Hock Hua Bank Bhd
	Advance Finance Bhd
	Sime Merchant Bankers Bhd
5. Arab-Malaysian Bank Berhad	Arab Malaysian Bank Bhd
	Arab-Malaysian Finance Bhd
	Arab-Malaysian Merchant Bank Bhd
	Bank Utama (M) Bhd
	Utama Merchant Bankers Bhd
6. Hong Leong Bank Berhad	Hong Leong Bank Bhd
	Hong Leong Finance Bhd
	Wah Tat Bank Bhd
	Credit Corporation Malaysia Bhd
7. Affin Bank Berhad	Perwira Affin Bank Bhd
	Affin Finance Bhd
	Perwira Affin Merchant Bankers
	BSN Commercial Bank Berhad
	BSN Finance Bhd
	BSN Merchant Bank Berhad

Table 2. The 10 anchor banks and the banking groups (continued)

Anchor Bank	Banking Groups
8. Alliance Bank Malaysia Berhad	Multi-Purpose Bank Bhd
	International Bank (M) Bhd
	Sabah Bank Bhd
	MBF Finance Bhd
	Bolton Finance Bhd
	Sabah Finance Bhd
	Bumiputra Merchant Bankers Bhd
	Amanah Merchant Bank Bhd
9. Southern Bank Berhad	Southern Bank Bhd
	Ban Hin Lee Bank Bhd
	Cempaka Finance Bhd
	United Merchant Finance Bhd
	Perdana Finance Bhd
	Perdana Merchant Bankers Bhd
10. EON Bank Berhad	EON Bank Bhd
	EON Finance Bhd
	Oriental Bank Bhd
	City Finance Berhad
	Perkasa Finance Berhad
	Malaysian International Merchant Bankers Bhd

A study done by Tan and Chua [1986] also found that a convenient location was not a critical factor for Singaporean customers. For Singaporean customers, courteous personnel was the most dominant factor in the selection of a bank. However, studies done by Anderson et al., [1976] found that a convenient location was a critical factor in influencing the choice of a bank by customers.

Laroche et al., [1986] surveyed consumers in Montreal, Canada, and found that speed of service and factors relating to the competence and friendliness of bank personnel were the major factors influencing bank selection in the area. Kaynak [1989], who also conducted research in Canada, found that fast and efficient service, convenient location, and operating hours were the main factors in the choice of a bank.

Erol et. al., [1989 and 1990] sought to establish the bank selection criteria of customers of conventional and Islamic banks in Jordan. Twenty bank selection criteria were listed in their questionnaire. The three most important criteria in the bank selection process were the provision of fast and efficient service, the bank's reputation and image, and client confidentiality.

Khazeh and Decker [1992] studied the selection criteria of banks in the USA. Their findings reveal that the most important selection criteria were service-charge policy (price), reputation (positioning) and competitiveness of loan rates (price). Kennington et. al., [1996] studied the Polish customer's view of the financial sector. The findings showed that in Poland, the most important variables influencing customer choice were reputation, price and service.

Most of the findings in the previous studies show consumers being more interested in the functional quality dimension of services rather than on the traditional marketing dimension. Therefore, to find out if there is a significant difference in the determinants of bank selection in Malaysia compared with that identified in other researches, a study of the factors affecting bank selection in the country should be carried out.

5. Methodology

Research for this study focused on the determinants of bank selection and customers' perceptions of their bank in Malaysia. The data was analyzed to see whether Malaysian customers are more interested in the functional quality dimension or in the traditional marketing dimension of bank services.

5.1. Data collection

The questionnaire was designed using the literature on banking, customer satisfaction, service quality, and consumer behavior as a guide. Many of the factors identified as possibly having a bearing on consumer choices were adapted from Alfansi and Sergeant [2000], Anderson [1976], Kaynak [1989] Laroche [1986] and Zineldin [1996].

Data required for this study were gathered via the drop-off-method [i.e. the hand-delivery of self-administered questionnaires, followed by personal collection (Aaker and Day [1986]; Stover and Stone [1974]). Those offering to return the form at a later date were provided with a pre-addressed and pre-stamped envelope.

The questionnaire consisted of two parts. Part one was designed to solicit information on the demographic characteristic of the respondents. Part two contained a list of factors for selecting financial institutions. In our study, the respondents were asked to rank from the selected list of factors, that which they perceived to be most important in the choice of a financial institution, with a score of one signifying the least important and five the most important.

A total of 580 questionnaires were randomly distributed to a group of bank customers in Malaysia. Altogether 266 responses were retrieved. After eliminating those that could not be used (for example, they were incomplete), 205 forms were left for analysis.

Having collected the data from the questionnaire, we conducted a series of data analyses including frequency analysis and factor analysis. The SPSS statistical software was used to perform these statistical analyses.

5.2. Sample profiles

The sample respondents included 205 domestic bank customers. They consisted of 86 males and 119 females, accounting for 42 percent and 58 percent of the sample, respectively. The age distribution of the sample respondents is presented in Table 3. The mean age was 32.4 years and the modal age group belonged to the 20 to 30 year age category.

The respondents were also classified according to their employment. In this context, the respondents were basically divided into four occupational groups, namely, clerical, executive, technical, and middle or senior management. In addition, students, fresh graduates in the process of looking for employment, and those in transition between jobs were classified as unemployed.

The respondents were also classified according to annual income. The mean annual income of the respondents was RM23,025.38 and the modal group was in the range of RM12,000 to RM24,000.

Majority of the respondents had a diploma qualification followed by a degree qualification accounting for 41.5 percent and 26.8 percent of the sample, respectively. The distribution of the level of education of the sample respondents is presented in Table 6.

6. Findings

6.1. Traditional marketing vs. functional quality

Table 7 illustrates the 36 most common determinants of bank selection. The respondents were asked to rank, in order of importance, the factors they take into account in selecting a bank. A score of 1 means that the factor is "not at all important", 2 means it is "less important", 3 means it is "moderately important", 4 means it is considered "important" to the respondent, and 5 means it is "very important".

The top ten determinants of bank selection are summarized in Table 8. Higher mean scores are placed ahead of relatively lower scores. The more important factors considered by customers in making a selection decision is fast and efficient services, followed by accuracy of transactions, and, thirdly, the safety of funds. The identification of fast and efficient service as the most important factor is consistent with the findings of Sudin and Norafifah [1992] and Kaynak [1989]. The results also support the findings of Zineldin [1996] that it is functional quality rather than traditional market activities that is the most important determinant of bank selection.

Table 3. Age distribution of the sample respondents

Age (years)	Frequency	Percentage (%)
20-30	100	48.8
31-40	73	35.6
41-50	24	11.7
51-60	6	2.9
Others	2	1.0
Total	205	100.0

Table 4. Current profession of the sample respondents

Current Profession	Frequency	Percentage (%)
Clerical	33	16.1
Executive	114	55.6
Technical	23	11.2
Middle/senior mgmt	27	13.2
Unemployed	8	3.9
Total	205	100.0

Table 5. Annual income of the sample respondents

Annual Income	Frequency	Percentage (%)
<12000	35	17.1
12000-24000	82	40.0
24001-36000	55	26.8
>36000	25	12.2
not applicable	8	3.9
Total	205	100.0

Table 6. Education level of the sample respondents

Education	Frequency	Percentage (%)
Diploma level	85	41.5
Degree level	55	26.8
Masters degree level	16	7.8
Ph.D level	2	1.0
Others	47	22.9
Total	205	100.0

Table 7. Determinants of bank selection

Factors	Overall Ranking	Mean	Frequency Ranking				
			1	2	3	4	5
Traditional Marketing							
Reputation of the bank	11	4.22	3	6	34	61	101
Recommendations of friends or relatives	29	3.22	15	28	83	55	24
Longer banking hours	21	3.93	1	15	38	95	56
Interest competitive on loans	16	4.07	2	11	40	69	83
Interest competitive on savings and deposits	13	4.19	1	4	39	72	89
Interest competitive on other services	19	3.95	4	8	44	87	62
Availability of credit with favorable terms	20	3.95	1	7	46	99	52
A wide range of services offered	18	4.01	1	14	34	90	66
Financial counseling services provided	25	3.75	7	17	46	86	49
Branch office facilities	17	4.02	1	7	42	91	64
The number of branch offices in the country	20	3.95	3	13	41	83	65
Size of the bank	26	3.49	8	24	63	79	31
The availability of ATMs	8	4.33	2	3	29	63	108
The number of ATM booths	14	4.19	2	7	36	66	94
Being able to pay bills	21	3.93	6	7	48	79	65
Convenient location	9	4.31	1	6	28	64	106
The availability of parking space	15	4.18	4	7	31	70	93
Interesting advertising	28	3.23	15	27	88	45	30
Interior layout of the bank	27	3.37	15	22	66	76	26

Table 7. Determinants of bank selection (continued)

Factors	Overall Ranking	Mean	Frequency Ranking				
			1	2	3	4	5
Functional Quality							
Fast and efficient service	1	4.64	1	3	12	37	152
Accuracy of transactions	2	4.52	0	5	21	42	137
Friendliness of bank personnel	7	4.36	1	5	19	74	106
Honesty and trustworthiness of staff	4	4.47	1	3	22	52	127
Reliability of staff	6	4.42	1	5	19	63	117
Knowledge and skills of bank employees	9	4.31	1	4	24	78	98
The respect and consideration shown by employees	10	4.27	2	5	27	73	98
Bank employees know my personnel needs	23	3.82	7	12	48	83	55
Bank employees give me personal attention	24	3.78	6	13	53	81	52
Staff give adequate explanations of services/products	12	4.2	1	8	33	70	93
Willingness of staff to help with problems/queries	6	4.42	0	6	14	74	111
Speed of service in the branch	6	4.42	2	3	24	55	121
Speed of service at the cash point	5	4.42	1	7	18	57	122
Being informed on the new services/products	25	3.75	2	17	57	84	45
The availability of information in the branch	19	3.95	1	6	54	85	59
The number of staff available to serve	22	3.87	2	10	51	91	51
Safety of funds and high confidence	3	4.47	3	6	15	48	133

The findings also reveal that convenience of location has a minor effect on bank selection. This is consistent with the study done by Tan and Chua [1986] who also found that convenient location was not a critical factor in bank selection for Singaporean respondents.

The factors with the lowest ranks, on the other hand, are the recommendation of friends and relatives, interesting advertising, interior layout of the bank, and size of the bank. These factors tend to have little impact on bank selection decisions made by commercial bank customers in Malaysia. As a result, these low ranking factors may do little to attract new customers to a Malaysian bank.

6.2. Factors affecting the selection of a bank

The factors affecting the selection of a bank were analyzed using the technique of factor analysis. Factor analysis aims to reduce the number of statements considered by respondents to a more manageable level by bringing together those statements which seem to measure the same 'thing'. Those statements which are brought together form a single factor.

A cut-off value of 0.50 was set as the benchmark for correlation coefficients to be regarded as significant since the sample size of the survey is 205. The factor analysis resulted in eight factors, namely: delivery system, promotion, facilities, availability of information, convenience, price competition, service quality, and reputation. These are presented together with the factor loadings in Table 10. It is clearly seen that these factors are really important for banks to take into consideration in order to compete with foreign banks. The eight factors accounted for about 66 percent of the total variance.

Of the 36 determinants of bank selection, only six determinants were not included in the table because of their low correlation coefficients. The determinants excluded in the analysis were speed of service in the branch, the number of staff available to serve, speed of service at the cash point, financial counseling services provided, safety of funds and high confidence, and availability of credit with favorable terms.

In the light of the factor loadings depicted in Table 10, delivery system exhibits the largest number of significant correlation coefficients. Factor 1 has heavy loadings for seven determinants of bank selection. Honesty and trustworthiness of staff, reliability of staff, friendliness of bank personnel, knowledge and skills of bank employees, accuracy of transactions, the respect and consideration shown by employees, and fast and efficient service all load heavily on this factor which is under functional quality. Thus, in the choice of a bank, Malaysian customers tend to emphasize functional quality rather than traditional marketing activities

Table 8. Top ten determinants of bank selection

Factors	Overall Ranking	Mean	Frequency Ranking				
			1	2	3	4	5
Fast and efficient service	1	4.64	1	3	12	37	152
Accuracy of transactions	2	4.52	0	5	21	42	137
Safety of funds and high confidence	3	4.47	3	6	15	48	133
Honesty and trustworthiness of staff	4	4.47	1	3	22	52	127
Speed of service at the cash point	5	4.42	1	7	18	57	122
Reliability of staff	6	4.42	1	5	19	63	117
Willingness of staff to help with problems/queries	6	4.42	0	6	14	74	111
Speed of service in the branch	6	4.42	2	3	24	55	121
Friendliness of bank personnel	7	4.36	1	5	19	74	106
The availability of ATMs	8	4.33	2	3	29	63	108
Convenient location	9	4.31	1	6	28	64	106
Knowledge and skills of bank employees	9	4.31	1	4	24	78	98
The respect and consideration shown by employees	10	4.27	2	5	27	73	98

Table 9. Ten least determinants of bank selection

Factors	Overall Ranking	Mean	Frequency Ranking				
			1	2	3	4	5
Recommendations of friends or relatives	1	3.22	15	28	83	55	24
Interesting advertising	2	3.23	15	27	88	45	30
Interior layout of the bank	3	3.37	15	22	66	76	26
Size of the bank	4	3.49	8	24	63	79	31
Being informed on the new services/products	5	3.75	2	17	57	84	45
Financial counseling services provided	5	3.75	7	17	46	86	49
Bank employees give me personal attention	6	3.78	6	13	53	81	52
Bank employees know my personnel needs	7	3.82	7	12	48	83	55
The number of staff available to serve	8	3.87	2	10	51	91	51
Being able to pay bills	9	3.93	6	7	48	79	65
Longer banking hours	9	3.93	1	15	38	95	56
The number of branch offices in the country	10	3.95	3	13	41	83	65
Availability of credit with favorable terms	10	3.95	1	7	46	99	52

Table 10. Factors affecting the selection of a bank

Factors affecting the selection of a bank	Rotated Factor *Loading*	*Eigen value*	*% of Variance*
Delivery System			
Honesty and trustworthiness of staff	0.799	5.123	13.846
Reliability of staff	0.778		
Friendliness of bank personnel	0.765		
Knowledge and skills of bank employees	0.716		
Accuracy of transactions	0.62		
The respect and consideration shown by employees	0.578		
Fast and efficient service	0.577		
Promotion			
Interior layout of the bank	0.763	3.864	10.444
Interesting advertising	0.748		
Recommendations of friends or relatives	0.687		
Size of the bank	0.676		
Facilities			
The number of ATM booths	0.689	3.159	8.537
The number of branch offices in the country	0.687		
The availability of ATMs	0.63		
Branch office facilities	0.556		
Longer banking hours	0.511		

Table 10. Factors affecting the selection of a bank (continued)

Factors affecting the selection of a bank	Rotated Factor Loading	Eigen value	% of Variance
Availability of Information		2.758	7.453
The availability of information in the branch	0.637		
Being informed on the new services/products	0.631		
A wide range of services offered	0.569		
Convenient		2.737	7.398
Being able to pay bills	0.756		
Convenient location	0.719		
Price Competition		2.707	7.316
Interest competitive on savings and deposits	0.829		
Interest competitive on other services	0.786		
Interest competitive on loans	0.762		
Service Quality		2.609	7.051
Bank employees give me personal attention	0.728		
Willingness of staff to help with problems/queries	0.616		
Staff give adequate explanations of services/products	0.614		
Bank employees know my personnel needs	0.547		
Reputation		1.289	3.485
Reputation of the bank	0.566		
The availability of parking space	0.543		

7. Conclusions

This study was made to identify the determinants of bank selection and customer perceptions of their bank in Malaysia. The result of this study suggests that some criteria are viewed as having more importance than others. This is especially true of fast and efficient services, accuracy of transactions, safety of funds and high confidence, honesty, and trustworthiness. Much less importance was attached to recommendations of friends or relatives, interesting advertising, interior layout of the bank, and size of the bank. The results also imply that functional quality is more important than traditional marketing activities.

References

Aaker, D. and G. Day [986] *Marketing research.* New York: John Wiley and Sons.

Alfansi, L. and A. Sergeant [2000] "Market segmentation in the Indonesian banking sector: the relationship between demographics and desired customer benefits," *International Journal of Bank Marketing* 18(2): 64-74.

Anderson, W.T. Jr, E.P. Cox and D.G. Fulcher [1976] "Bank selection decision and market segmentation," *Journal of Marketing* 40: 40-45.

Erol, C. and R. El-Bdour [1989] "Attitudes, behavior and patronage factors of bank customers towards Islamic banks," *International Journal of Bank Marketing* 7(6): 31-37.

Erol, C., E. Kaynak and R. El-Bdour [1990] "Conventional and Islamic banks: patronage behaviour of Jordanian customers," *International Journal of Bank Marketing* 8(4): 25-35.

Kaynak, E. [1989] "How to measure your bank's personality: some insight from Canada', *International Journal of Bank Marketing* 4(3): 4-56.

Kennington, C., Hill, J., and Rakowska, A.C [1996] "Consumer selection criteria for banks in Poland", *International Journal of Bank Marketing* 14(4): 12-21.

Khazeh, K. and W.H. Decker [1992], "How customers choose banks," *Journal of Retail Banking* 14: 41-44.

Laroche, M., J.A. Rosenblatt and T. Manning [1986] "Services used and factors considered important in selecting a bank: an investigation across diverse demographic segments," *International Journal of Bank Marketing* 4(1): 35-55.

Levesque, T. and G.H.G. Mc Dougall [996] "Determinants of customer satisfaction in retail banking," *International Journal of Bank Marketing* 14(7): 12-20.

Stover, T. and W. Stone [1974] "Hand-delivery of self-administered questionnaires," *Public Opinion Quarterly* 37: 284-287.

Sudin, H. and A. Norafifah [1992] "Patronage factors of retail customers towards commercial banks," *Banker's Journal Malaysia* **October**: 44-49.

Tan, C.T. and C. Chua [1986] "Intention, attitude and social influence in bank selection: a study in an Oriental culture," *International Journal of Marketing* 4(3): 43-53.

Zineldin, M. [1996] "Bank strategic positioning and some determinants of bank selection," *International Journal of Bank Marketing* 14(6): 12-22.