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# Factors Influencing Students' Selection of a Bank

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**Abstract**

The paper aims to determine what factors influence students' choice of bank. Exploratory sample data (N= 100) was taken from students at John & Wales University, Brown University, and the University of Rhode Island (All Southern New England). The instrument was comprised of fourteen questions, ten being derived from the related literature: service provision, the proximity of ATM, branch location, card design, students benefit, service charge, financial products, recommendation, security, and online service. A total of 100 questionnaires were distributed using convenience sampling; 94 were returned, and among them 89 were deemed valid, yielding a response rate of 89%. This rate was considered sufficient for exploratory survey research, using the self-administered questionnaire approach. Responses were measured using the five-point Likert type scale on importance, which ranged from 1 ("not at all important") to 5 ("very important"). A rank order of the top three factors are: first, "Secure Feelings" ($M = 4.70$; $SD = 0.412$); the second, "Proximity of Branch and ATM Service" ($M = 4.67$; $SD = 0.452$); and third "Banks Reputation" ($M = 4.34$; $SD = 0.516$). Gender differences were not statistically significant, except for proximity of branch and ATM service where females rated higher in importance than males ($p < .05$).


*Key words:* Bank selection, students, factors, statistics, survey.

Factors Influence Students' Selection of a Bank

The increasing competition in the financial market for its services has increased the needs for banks to identify and attract new market segments. The fact is that the banks would encounter with the significant and serious problems in their long-term development if the bank doesn't meet the needs and requirements of the customers. Consequently, they might lose the opportunity to increase profitability, and possibly lose clients, which might result in failure in their business. It is important for the bank and also the whole financial industry to maintain their clients in order to gain more profits.

**Statement of the Problem**

Not surprisingly, university students have represented a critically important market for banks. They not only take up a certain market share but also provide an excellent business opportunity for the banks. The ability to value, understand and identify the specific needs of this group is becoming a critical reality for the market. Banks that intend to seize the university student segment must understand the most critical factors that affect the students' selection of patronizing a bank in their location. Bank marketers should have the ability to identify the factors of student customers' requirements and their strengths compare with those of their competitors.

**Literature Review**

Almossawi (2001) directed some suggestions which could help banks to distinguish the clear market localization and attract the new customers. He developed a research about the dominating factors that would influence young people to select a bank. The research surveyed one thousand students from five universities .It is very important for the banks to make sure the clients' preferences so as to develop the appropriate services (Almossawi, 2001).

Pass (2006) investigated the reason why people would change the banks. A sample of 373 students from four universities was examined in that study. The main reason for people to

change the bank was the fees of the bank (Pass, 2006).

A study by Kotler and Keller's (2006) indicated that the customer was much smarter and harder to serve than before. They cared more about the pricing problem and wanted more requirements. The environment of the banking industry was in intense competition and banks faced more challenges than nowadays. As a result, Kotler and Keller (2006) recommended the banks should provide greater services to retaining customers.

Rao and Sharma (2010) conducted a similar study to identify the elements that would affect the students' choice to select a bank. The survey was conducted in India where the interviewers determined that reliability, convenience, accessibility and responsiveness were the crucial factors leading students on bank choice. Similar research was conducted by Chigamba and Fatoki (2011) in South Africa, their results concluded that the essential factors were price, proximity, service and security on students' bank selection.

Otherwise, the proximity of branch and ATM is another essential part that will strongly impact on students' choice. A survey by Thwaites and Vere (1995) figured out that the proximity of an ATM was the key selection criteria for students on their decision of a bank. These results were also confirmed in a study by Tank and Tyler (2005) in the UK. The proximity of the ATM might construct a convenient network to satisfy the student's demand without too much cost for a bank (Meister, 1996).

**Methodology**

*Objective of the study*

The bank should configure their own brand services in order to manage their long-term development in the financial industry. So the major thing for the bank is to figure out the positive and the negative attitudes of the customers against banking services and products… in order to identify how these attitudes can be turned to use of promoting bank services. Using these results might contribute to ascertaining the most effective bank selection factors

while meeting the needs and requirements of the current customers. The fact that the majority

of university students have no job and their incomes mainly from their parents and some in

the form of the loans, they have taken up a certain market share, and also provide a bright

opportunity not only for the banks, but the financial industry. This report is aimed to identify

the primary factors which could affect the university students' selection of a bank.    The

research should contribute to the bank institutions which intend to grasp the students market

and have a strong competitor in the financial industry.

*Method*

    The quantitative research methodology approach was used in this report, which involves

collecting data from a large group of participants and is used for describing in order to

quantify the data and generalize the results from the sample to the target population. The

article focuses on the university students, who are from Brown University, University of

Rhode Island, and Johnson & Wales University. A structured three-part questionnaire was

used in the survey on the selection of a bank based on the literature review and the aims of

the study. The first part was to get the demographic features of the participants, which consist

with gender, university, ethnicity, and major. In the second section, the participants of the

three universities were asked to rate 10 major relative factors of selecting a bank. These

statements were developed based on past the literature review presented in this paper.

Responses were measured using the five-point Likert type scale on importance, which ranged

from 1 ("not at all important") to 5 ("very important"). To counterbalance possible

order-effect bias, there was no significance in the order of the attributes in the questionnaire.

The last part was to encourage the responders to present their suggestions for improving the

bank services with an open-ended question. Based on the oral feedback, our study indicated

there were no serious problems, and made minor amendments and changes in the questions

collected from interviewing some of the students. This method helped establish content

validity in the final questions.

### *Sampling and data collection*

Our sample was selected from university students among Brown University, University of Rhode Island, and Johnson & Wales University. The sample was given in a wide range of the majors in the three universities. A self-administered questionnaire was distributed to a sample of 100 full-time students. Although there may be some bias in the sample selection, the data bias could be reduced due to the different universities, different location and also different time. However, it was not a random sample, but a convenience sample stemming from the three Universities. We distributed a total of 100 questionnaires and 94 were collected, among which 89 were deemed valid, yielding a response rate of 89%. This rate was considered to be sufficient when utilizing the self-administered questionnaire approach.

### Results Analysis

**Ho:** *The factors having an impact on bank selections of the university students do not differ according to the genders.*

**Ha:** *The factors having an impact on bank selections of the university students differ according to the genders.*

**Table 1**

*Characteristics of Respondents*

| Variable | | Frequency | Percent |
|---|---|---|---|
| Gender | Male | 37 | 41.473 |
| | Female | 52 | 58.427 |
| Ethnicity | Caucasian | 21 | 23.596 |
| | Asian | 43 | 48.315 |
| | African American | 10 | 11.236 |
| | Hispanic | 5 | 5.618 |
| | Middle Easterner | 8 | 8.989 |
| | Others | 2 | 2.247 |

The survey investigated through three channels: JWU library, a restaurant nearby Brown University and by Internet. Overall, from the total valid sample of students (N = 89) included 37 males and 52 females which represented 41.4% and 58.4% respectively. Based on the demographic analysis in Table 1, it is obvious to notice 43 Asians were the mainly respondents in the investigation, accounting for 48.3% of the numbers; the posterior was Caucasian which occupied 23.5%. The Africa American people owned 11.2% which ranked on the third position. The Hispanic 5.618% and the Middle Easterner was 8.9%. Two persons chose "Other" when they have filled the research since they were "half-breed" and did not self-disclose a dominant ethnic background.

**Table 2**

*Ranking of Factors*

| Factors | M | Rank | S.D |
|---|---|---|---|
| Secure feeling | 4.70 | 1 | 0.412 |
| Proximity of branch and ATM | 4.67 | 2 | 0.452 |
| Bank's reputation | 4.34 | 3 | 0.516 |
| Service fee | 4.22 | 4 | 0.699 |
| Online service | 3.94 | 5 | 0.975 |
| Service provision | 3.73 | 6 | 1.049 |
| Student's benefits | 3.64 | 7 | 0.894 |
| Design of credit or debit card | 2.96 | 8 | 0.701 |
| Recommendation | 2.47 | 9 | 0.699 |
| Financial products | 1.42 | 10 | 0.699 |

*Note.* **Based on a five-point Likert-type scale 1 = not important at all, 5 = very important.**

In order to analyze differences in the importance of university students' bank selection, a ranking table was conducted with the mean score of each factor. The results with respect to the relative attributes of bank selection factors were presented in Table 2. The top factor that headed the list was "secure feelings" ($M = 4.70$; $SD = 0.412$), the second was the "proximity of branch and ATM service" ($M = 4.67$; $SD = 0.452$) and the third one was "Banks reputation" ($M = 4.34$; $SD = 0.516$). These three factors have been showed in our study which have used students as their sample, were identified as the most important criteria influencing students

when deciding which bank to patronize. Based on the score, design of the credit or debit card (*M* =2.96; *SD* = 0.701), recommendations (*M* =2.47; *SD* = 0.699) and financial products (*M* =1.42; *SD* = 0.699) were ranked as the last three factors which influenced the selections less importantly. On the open-ended question, some international students pointed out the international translate fee between two countries is also an essential problem.

**Table 3**

*Differences in Factors by Gender*

| Major Factor | M | | t-test | p |
|---|---|---|---|---|
| | **Male** | **Female** | | |
| **Secure feeling** | 4.73 | 4.67 | 0.863 | 0.389 |
| **Proximity of branch and ATM** | 4.59 | 4.75 | -2.473 | 0.014* |
| **Service fee** | 4.32 | 4.36 | -0.362 | 0.719 |

*Note.* **\*p $<$ 0.05**

The t-test is used to determine whether two sets of data are significantly different from each other. In this case, the t-test was applied to test the statistical difference factors between the males and females (Table 3). The three most important values are "Secure feeling" *(t* (87) = 0.863, *p* = 0.389), "Proximity of branch and ATM" (*t* (87) = -2.473, *p* = 0.014*) and "Service fee" (*t* (87) = -0.362, *p* = 0.719). On the basis of these values, proximity of branch and ATM are significant, since the p values are less than 0.05; the other two are not statistically significant. Since two of the three t-tests are not significant, there is not enough evidence to reject the null hypothesis in favor of the alternative hypothesis.

**Conclusion**

The students have become a majority group for the bank industry in response the

students' considerations should be taken into account and banks should promoter more appropriate marketing strategy to attract the students to patronize. The study pointed out that the students focus on the secure feeling, the proximity branch and ATM, and the reputations. Because the majority financial resources for students are provided from their parents, therefore they will forcefully take notice about the safety of their bank accounts. The availability of ATM service increases the convenience for the daily life. The online services, service provisions, and service fees are the less essential factors that students cared about. The university student has also become more and more reliant on the Internet which reflects on the bank's online service commitment. Also indicated are those students rarely having the awareness on the recommendations, financial products, card designs, and students' financial benefits. Most of the females will pay more attention on the appearance of the card. Only those who have gone to graduate school seem to pay attention for these financial products. On the practical side, the study can offer more suggestions for a bank to aim potential target markets.

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**Questionnaire**

**Factors Influence Students' Selection of a Bank**

1.  Gender :

    Male    Female

2.  Ethnic

    Caucasian○ Asian○ Africa American○    Hispanic○    Middle Easterner○ Others○

**Please tick a cycle to indicate how important each of the following statements.**

3.  Bank's reputation

    Not important at all ←    1○    2○    3○    4○    5○    → very important

4.  The service provision

    Not important at all ←    1○    2○    3○    4○    5○    → very important

5.  The proximity of location and ATM

    Not important at all ←    1○    2○    3○    4○    5○    → very important

6.  Design of credit or debit card

    Not important at all ←    1○    2○    3○    4○    5○    → very important

7.  Online service

    Not important at all ←    1○    2○    3○    4○    5○    → very important

8.  Student's special programs (Financial benefits)

    Not important at all ←    1○    2○    3○    4○    5○    → very important

9.  The service and administration fee

    Not important at all ←    1○    2○    3○    4○    5○    → very important

10. Financial products

    Not important at all ←    1○    2○    3○    4○    5○    → very important

11. Recommendation

    Not important at all ←    1○    2○    3○    4○    5○    → very important

12. Secure feeling

    Not important at all ←    1○    2○    3○    4○    5○    → very important

**Based on a five-point Likert scale 1 = not important, 5 = very important.**

13. Open-ended Question: Do you have any other suggestions that will influence you to choose a bank?