



## Customers Attitude towards Emerging and Established Commercial Banks in Bangladesh: An Insight of Client Perception

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### Abstract

Bank is one of the most important sectors of the world economy and especially in a developing country like Bangladesh. In our day-to-day transactions, bank plays significant role in providing service to its client through technology and bank personnel. Recently, many new banks started their operation by competing the old banks. The perception of bank customers in case of selecting new or old banks varies due to various factors related to banking services. The study focuses on some selected factors which affect the perception of customers and employees in case of selecting old or new banks. For the study purpose, a field survey has been done for primary data collection. Total 57 customers of banks have been surveyed through a structured questionnaire. Principal Component Analysis has been used to analyze primary data. Different statistical tools such as mean values, standard deviation, regression analysis have been used. SPSS 16.0 is used for the analysis. The study reveals that service efficiency such as simplicity in transaction process, variation in services, more branches, more ATM booths, digital banking facilities, remote counseling etc. mostly affect customers in choosing old and new banks. Competence and skills of the bank personnel also play vital role in choosing banks.

**Keywords:** Customers' Attitude, New and Old Banks, Competence and Skill, Bangladesh.

### Introduction

Bank plays very important role in the economy of a nation. The health of the economy is closely related to the soundness of its banking system. Since bank is a service-oriented industry, customers basically choose banks in

terms of the quality of the service provided by the bank. Many new banks recently entered in the banking industry with new technology and ideas. The study focuses on the factors which influence the customers' decision in choosing emerging or established banks. A field survey has been conducted to collect data for analysis. The study is descriptive in nature. The following section focuses on the literature review. The third section shows the objectives and the fourth section narrates the methodology. The fifth section details the analysis and findings. The sixth section is discussion and the last section shows the conclusion.

## Literature Review

An attitude is an enduring, general estimate of people (including oneself), substances, commercials, or matters (Madichie, 2012). Customer attitudes are a combination of a person's views about, feelings about, and behavioral intentions toward a product, brand or service. In many previous studies, customer's attitude towards e-banking (Mansur et al., 2016; Abukhzam and Lee, 2010; Oni et al, 2016; Fonchamnyo, 2013), mobile banking (Laforet, 2005; Akturan and Tezcan, 2012; Mathew et al., 2014), brand renaming (M'Sallem et al., 2009), retail banking (Filip and Anghel, 2009; Levesque and McDougall, 1996; Baumann et al., 2007), Islamic banking (Kaakeh et al., 2019; Ahmad and Haron, 2002; Erol and El-Bdour, 1989) and bank switching behavior (Masud-Ul-Hasan, 2016; Pirzada et al., 2014; Subramaniam and Ramachandran, 2012) are examined.

Customer retention is a vital element of banking environment in increasingly competitive surroundings today (Saleh et al., 2013). Zielke and Dobbstein (2007) found in a study result that no firmly proven general attitudes pose real obstacles against the success of new brands.

Different studies about customers' attitude towards selection of banks are examined in Malaysia, Greece, Nigeria, Romania, India and Pakistan. M'Sallem et al. (2009) investigated the effects of brand renaming of banks on customers' satisfaction, brand attitudes and brand personality. The study result shows that neither customers' satisfaction nor brand attitude is affected by brand renaming of banks. On the other hand, brand personality might change to some extent as a result of brand renaming. Samson (2009) studied the relationship between the impact of perceived financial distress and customer's attitude towards

banking in Nigeria. The study result reveals that customer's attitude towards banking is negatively influenced by the weak economic health of a nation. Thus, perceived financial distress in a country hinders efficiency of financial institutions. Frangoset al. (2012) examined the factors that affect the Greek customers' decision in taking loans from commercial banks. The outcome of the study shows that personal marital status, customer service, shop design and interest rates significantly influence customer's decisions in case of taking loans from the banks in Greece. The study recommended banks to give loans to the single individuals with decreased interest rates. Filip and Anghel (2009) studied customers' loyalty towards Romanian retail banking sector. The result of the study reveals that customer's loyalty is not only dependent on customer's satisfaction level but also dependent on bank's attitude towards customers, customer's trust towards the bank, satisfactory financial interest and customer's commitment towards the bank. On the other hand, it was found that customers switch banks due to dissatisfaction toward the bank's pricing policies. Pirzada et al. (2014) investigated different banks of Pakistan to identify the factors affecting customer's switching behavior in banks. The study showed that customers' attitude, perception, satisfaction and loyalty depends on number of bank branches, improved service quality according to market, profit or interest rates offered by banks. Subramaniam and Ramachandran (2012) investigated the factors influencing customers' Bank switching behaviour in Malaysia. The result of the study showed that attracting new clients, strengthening customer data-base and retaining customer confidence are the main factors of customers' switching behavior. Vinayagamorthy and Magdaline (2015) analyzed customers' attitude towards the service quality of private sector banks in Krishnagiri District. The study outcome reveals that efficient and knowledgeable employees in the banks, technical and behavioral training of the employees and sufficient branches in every possible area influence customers' attitude to choose banks for different services. Lee et al. (2015) examined the factors affecting customers' behavioral intention towards choosing banks in Perak, Malaysia. The study result reveals that convenience, service quality, security and technology positively influence customers in selecting banks and cost of services negatively influence customers in selecting banks. Rasheed et al. (2015) examined how different

factors of customer loyalty influence the behavior and intentions of the respondents. The study result showed that trust, customer satisfaction and service quality significantly affect customer loyalty. The study also revealed that customer satisfaction is the most influential variable for customer loyalty.

In Bangladesh, different studies are done to find the factors affecting customers' attitude towards various types of banks in Bangladesh. Masud-Ul-Hasan (2016) identified the factors affecting mobile telecommunication customers' brand switching behavior and the factors which create barrier to switch a brand. The result of the study shows that mobile telecommunication customer's switching behavior is mostly affected by service failure, inconvenience and the price respectively. On the other hand, brand loyalty, network coverage and friends and family member's brand usage are the factors that create barrier to switch a brand. Sarker, Bose & Khan (2012) examined the factors affecting customers' attitude towards various types of banks in Bangladesh. The study result reveals that customers are more satisfied with the services provided by the private commercial banks than the services provided by the nationalized commercial banks. To analyze customers' attitude towards banking, no research is done to find the factors affecting customer's perception in case of selecting emerging and established banks. Therefore, this study will be helpful to find the factors affecting customer's perception in case of selecting emerging and established banks. Based on the previous argument, the study proposes the following hypothesis to be tested:

H1: There is significant relationship between customer acceptance and satisfaction and selected variables from the customer's perspective.

## Objectives

The paper focused to fulfill the following objectives:

- (i) To identify the factors which affect customer's perception in case of selecting emerging and established banks.
- (ii) To find the impact of the independent variables over customer satisfaction.

## Methodology

The research is quantitative in nature and for doing in-depth study the field survey has been done using client's perspective.

## Sample size

For the study, data from 57 samples has been collected among which 57 are customers of different banks and the remaining data are bank clients. The data has been collected in the composition of old and new banks. For new bank, we choose those who are doing business less than 5 years and old banks are considered which have business experiences more than 5 years regardless whether it is government and private owned bank. We have used random sampling method. The respondents are selected from Branches of Dhaka city. The selected banks are as follows:

**Table-1: Selected banks**

Old banks	New Banks
Sonali Bank Limited	Modhumoti Bank Limited
NCC Bank Limited	Midland Bank Limited
Dutch-Bangla Bank Limited	Union Bank Limited
Bank Asia Limited	NRB Global Bank Limited
One Bank Limited	Shimanto Bank Ltd.
BRAC Bank Limited	Community Bank Bangladesh Limited

## Background information:

The following demographic background we get from survey.

**Table-2: Demographic Information of the Respondents (Customers)**

Factors	Segmentation	No. of respondents
Occupation	Service holder	27
	Businessman	20
	Student	8
	Others	2
Gender	Male	37
	Female	20
Age	18-24 years	15
	25-34 years	20
	35-44 years	12
	45-54 years	8
	55 years and above	2
Educational background	HSC	5
	Graduate	21
	Postgraduate	25
	M Phil / PhD or higher	6
Attachment tenure with recent bank	Less than 6 months	9
	6 months-1 year	15
	1-3 years	10
	4-6 years	13
	7 years & above	10
Type of client	Retail	48
	Corporate	9

### Data collection

For the collection of data, two sets of questionnaires have been distributed. Firstly, 100 questionnaires are distributed among the bank customers in composition of selected old and new banks. Out of those 57 properly filled up questionnaires are got back respectively. The response rate is 57%. The three-scale degree questionnaire has been followed for both questionnaires:

Disagree	Neutral	Agree
1	2	3

### Selected Variables and Research models:

For the study following two models have been drawn:

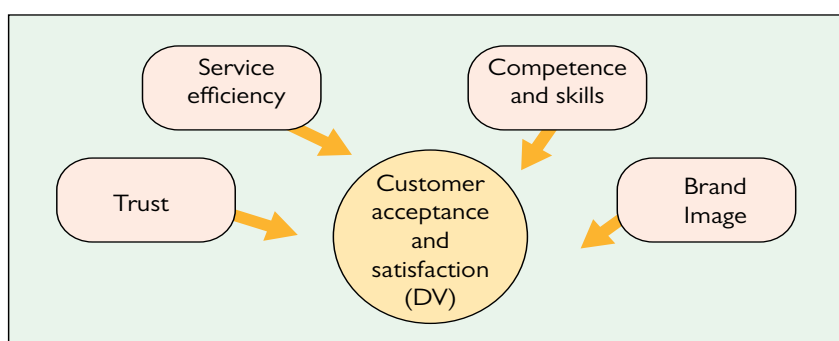


Figure-01: Research Model for the Analysis from Client Perspective

### Analysis and Findings

Analysis from the Clients' Perspective

To test the accuracy of data, Principal Component Analysis has been used and the following results are found.

Table-3: Results of Principal Component Analysis and Reliability Test

Variable	Items	Factor Loading	KMO Test of Adequacy	Bartlett's Test of Sphericity	Sig.	Cronbach Alpha
Trust	Q1	0.906	0.708	146.901	.000	0.839
	Q2	0.849				
	Q3	0.864				
Service efficiency	Q4	0.808	0.812	313.928	.000	0.856
	Q5	0.826				
	Q6	0.746				
	Q7	0.713				
	Q8	0.821				
Competence and skills	Q9	0.688	0.760	163.494	.000	0.816
	Q10	0.867				
	Q11	0.791				
	Q12	0.826				
Brand Image	Q13	0.724	0.686	89.408	.000	0.762
	Q14	0.827				
	Q15	0.793				
	Q16	0.855				

Extraction Method: Principal Component Analysis  
 Source: Field survey, 2019

Kaiser-Meyer-Olkin (KMO) adequacy test for individual variance is found 0.500 & above in each case refers to adequate similarity between the items of each component and certifies the appropriateness of the data set for further study. Bartlett's sphericity check indicates the overall significance of the correlation matrices and is considered to be sufficient as a is almost zero. Reliability testing is very critical for conducting a scientific study to assess the accuracy of steps. Cronbach alpha values of all constructs in this analysis are above 0.6 which reflects strong internal consistency.

**Table- 4: Model Summary**

Independent Variable	Dependent variable	R	F	Sig.	D
Trust	Satisfaction of Customers	0.897	115.293	.000	1.534
Service efficiency					
Competence and skills					
Brand image					

Source: Field survey

The F-test result (Table 5) shows that all the independent variables have an important positive effect on Satisfaction of Customers in general. Even the importance point is close to zero. The D test shows that this study does not pose an autocorrelation problem.

**Table-5: Results of Hypothesis Testing**

Independent Variable	Dependent variable	Mean	Standard deviation	Beta	t-Test	Sig.
Trust	Customer acceptance and satisfaction	2.5157	0.55899	.066	1.012	.314
Service efficiency		2.3333	0.61820	.441	5.010	.000
Competence and skills		2.3632	0.56689	.349	4.681	.000
Brand Image		2.5014	0.57470	.118	1.596	.113

Source: Field survey


Even the standard deviations are appropriate which refers to more condensed results. The validation of the hypotheses was achieved by creating T-Statistics for the validation of significance. The significance level for a two-tailed t-test was 5 percent and if the T-Statistics is greater than 1.96, the path coefficient would be important. H1 identifies service efficiency and competent and skilled people have positively and significantly influenced the customer satisfaction level (table 6).

## Discussion

New banks are becoming increasingly challenged as some of them enter the market with solid growth plans and innovative marketing strategies. New banks are also diversifying their services and many offers to attract the clients. New bankers also feeling confident but they feared that seasoned banks already have a strong market share, creating tough competition for them. The customers basically retained with the banks which can provide prompt services and competency. The behavior of the bankers also influenced them a lot. One respondent has mentioned that he switched from a renowned bank only because of their service negligence and misbehavior. Online services are also creating impact on customer retention. The study found that customers are more loyal to old banks but the scenario also focused that customers are not ignoring the new ones. The banking sector has a strong organogram and for these new banks is not struggling too much.

## Conclusion

The study concluded that all the selected independent variables have positive impact over the customer satisfaction from clients' perspective. Service Efficiency notably affects customer satisfaction and decision to choose new and old banks. Since bank is a service-oriented industry, customers prefer good service quality such as simplicity

in transaction process, variation in services, more branches, more ATM booths, digital banking facilities, remote counseling etc. in their daily transactions. Competence and skills of the bank personnel play vital role in choosing old banks. Brand image such as reputation, CSR activities, mouth marketing etc. attract customers to choose old banks. Trust such as loyalty for old banks, strong institutional stability etc. slightly affect customer satisfaction and decision to choose old banks. New banks are becoming increasingly challenged as some of them enter the market with solid growth plans and innovative marketing strategies whereas old banks are confident in the market with strong market share. The study result showed that customers generally retain in a bank for their service efficiency and competency. Bank management need to ascertain and develop all the factors that can bound customer defection to increase bank's profit and to reduce their customer's defection. (Saleh et al., 2013). The further study can be performed by focusing on the service quality factors that significantly influence customers' satisfaction in employees' perception. 

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