

THE DETERMINANTS THAT INFLUENCE  
CUSTOMERS' PREFERENCE ON SELECTING LOCAL  
COMMERCIAL BANKS IN MALAYSIA

BY

CHENG YEE LAY  
LEE JIA MEI  
LEW JUN XUAN  
MAH HIN KIT  
TAN JING VEN

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## DECLARATION

We hereby declare that:

1. This undergraduate research project is the end result of our own work and acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.
2. No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning
3. Equal contribution has been made by each group member in completing the research project.
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Name of Student:	Student ID:	Signature:
1. CHENG YEE LAY	16ABB06329	_____
2. LEE JIA MEI	16ABB07432	_____
3. LEW JUN XUAN	16ABB06691	_____
4. MAH HIN KIT	15ABB02521	_____
5. TAN JING VEN	16ABB06745	_____

Date: August 2019

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## LIST OF ABBREVIATION

ANOVA	Analysis of Variance
SPSS	Statistical Package for Social Sciences
UTAR	University Tunku Abdul Rahman

## PREFACE

As a fulfilment of requirement, students who pursue in Bachelor Degree- Banking and Finance (Hons) are obligated to conduct a research with respect to the course of study. Our team has chosen "The Determinants of Customers' Preference on Selecting Local Commercial Banks in Malaysia" as our research topic. A commercial bank functions as accepting deposit and granting of loan, providing treasury service as well as payment service.

The Malaysia banking institution nowadays is becoming more competitive and restricted after the establishment of FSA 2013. For example, the commercial banks' total capital adequacy ratio increases to 8-10%. Nevertheless, evolution of technology made changes across the globe, consequently affects all industries including commercial bank to upgrade and improve in order to follow the wave of industry revolution 4.0. Due to merger and acquisition reasons, there left only 8 local commercial banks in Malaysia, they are Malayan Banking Berhad, Public Bank Berhad, Hong Leong Bank Berhad, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Ambank Berhad CIMB Bank Berhad and RHB Bank Berhad. The local commercial banks in Malaysia must increase their competitiveness to fight against foreign banks.

From this research, we aim to explore the underlying determinants that affect customers choosing a bank and to discover the degree of significance of each independent variables by quantify them into numerical values, according to our analysis. The research is going to help with banking industry, policy maker and future researcher for important decision making.

## ABSTRACT

The purpose of this research is to determine the relationship between customers' preference on selecting local commercial banks with its determinants in Malaysia. This study is designed to achieve the following objectives: (1) To determine the relationship between service quality and customers' preference on selecting local commercial banks in Malaysia. (2) To determine the relationship between technological factor and customers' preference on selecting local commercial banks in Malaysia. (3) To determine the relationship between convenience factor and customers' preference on selecting local commercial banks in Malaysia. (4) To determine the relationship between corporate image of bank and customers' preference on selecting local commercial banks in Malaysia. (5) To determine the relationship between marketing and advertising of bank and customers' preference on selecting local commercial banks in Malaysia. (6) To determine the relationship between core banking services and customers' preference on selecting local commercial banks in Malaysia. This research paper is helpful for banking industry, marketing managers, policy makers and researchers in the future.

In this research, data are collected from primary source through distributing questionnaire to respondents while the target population is Malaysian who currently owned an account or used the services provided by the local commercial banks. A total of 350 sets of questionnaires are used by extracting out the data and Statistical Package for Social Science (SPSS) version 20.0 was used to analyze the data which collected from the survey. Respondent's feedback was analyzed through Reliability Test, Pearson Correlation Coefficient Analysis, and Multiple Linear Regression Analysis. The results generated from SPSS shows that all of the six independent variables which are service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of bank, and core banking services have significant positive relationship with the dependent variable.

## **CHAPTER 1: RESEARCH OVERVIEW**

### **1.0 Introduction**

In the competitive banking industry in Malaysia, each bank aims to stand out among the others. In order to help banks to identify their competitive advantage, a research is conducted to determine the relationship between customers' preference in selecting a bank with its determinants. Customers' satisfaction is used as proxy for customer's preference and the determinants include the service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of the banks, and core banking services of the bank. The first chapter of this study includes seven sections –background of research, problem statements, objectives of the research, research questions, hypothesis, significant of study and layout of chapter.

### **1.1 Research Background**

The banking industry in Malaysia began with British merchant communities in Singapore and Penang by the 19<sup>th</sup> century. British merchant communities were carrying out trading activities in Singapore and Penang. Penang was identified as the catalyst of banks due to its strategic location and good fort facilities. In year 1875, Chartered Bank was the first bank to be set up in Penang, and then subsequently followed by Hong Kong Bank in year 1884.

The banking industry in Malaysia grew rapidly. There were 54 banking institutions all around Malaysia by 1990s. However, the Asian Financial Crisis in late 1990s revealed the vulnerability of banking institutions to external factors such as decline in currency value. Bank Negara Malaysia introduced a merger program to the anchor banking group, aiming to reduce 54 banking institutions to 10 in year 2000. This merger program formed the core of the entire financial system in Malaysia. Since the 10 anchor banks are offering similar products and services, each bank needs to have competitive advantages over other competitors so that they can compete and survive in the banking industry.

Numerous researches had been conducted to observe the factors affecting customers' preference when selecting bank, and the result showed that the customers' preference can be affected by various non-financial factors.

One of the non-financial factors is the service quality. According to Adekiya and Gawuna (2015), customers prefer bank which can provide a better quality of service than its competitors. Customers normally prefer bank with high efficiency and better working attitude. Besides, technology is also one of the considerations. Ara and Begum (2018) concluded that whether the bank is using or not modern technologies and equipment or not significantly affect customers' decision when choosing a bank. Customers would find that banks with secured ATM service and secured online banking service more preferable.

Furthermore, customers will also consider about the convenience that the bank provides. According to Gebremeskel (2014), the distance between bank and home or work place was the most important bank selection criteria factor. It is most likely that the bank with most branches in the country will have the largest customer base as

customers will find it convenience if there is a branch near their home or their working place.

Other than that, the corporate image of the banks also affects the customers' decision when selecting a bank. According to Selvanathan, Nadarajan, Zamr, Suppramaniam, and Muhammad (2018), the corporate image of a bank in the market will significantly affect customer's decision when selecting their banks as customers will tend to choose bank with less negative information.

At the same thing, the marketing and advertising of the bank will affect customers' decision when choosing their bank as well. According to Tehulu and Wondmagegn (2014), good marketing and advertising strategy will leave a good impression in the customers' mind. Whenever the customer needs bank service, he or she will first thought of the bank will good impression in the mind. Thus, it is essential for the bank to come out with a good marketing strategy.

Last but not least, according to Oluwaseyitan, Hashim, and Yusof (2018), customers also choose bank based on its core banking service. Bank who provides a wider range of secured services is normally more preferred by the customers. For example, customers will prefer bank with secured online banking service rather than those without this service. A vast range of service also means that customers enjoy all of the service provide by his or her current bank, without having to open a new account in other banks for their services.

## 1.2 Problem Statement

Globalization and trade liberalization have been causing keen competition among firms and industries around the world, and the banking industry in Malaysia is not an exception. There is a considerable change in the atmosphere of the Malaysia banking industry in the past decade, mainly due to the advancement of technologies. According to Essay, UK (2008), transactions of the banks had been carried out by the computer system since the banks started computerizing the banking services in 1960s. New technologies and information systems enabled commercial banks to carry out daily transactions in a more efficient and effective ways. At the same time, it also promotes competition among the commercial banks, as every commercial bank is using new technology as a tool to compete with one another. Nowadays, the competitive atmosphere of the Malaysian banking industry urges the commercial banks to identify their competitive advantage to attract customers. Therefore, the bank should start doing research on the banks' customers' selection criteria.

The topic of "how a customer would select a bank" has attracted the interest of a group of researchers. It had been observed that most of the studies regarding the bank selection criteria were conducted in the Ethiopia, Pakistan and Dubai, as well as a few in Malaysia. Gebremeskel (2014) and Tehulu and Wondmagegn(2014)studied on the determinants that affect the selection of banks in Ethiopia. Khaitbaeva, Enyinda and Abdulaziz (2015) carried out their study in Dubai while Anjum, Bi, Abbas, and Zhang (2017) carried out their study in Pakistan. Even though these studies have been proved to be significant in defining bank selection criteria, the findings may be inapplicable in different countries as different countries have different culture and regulations.

Oluwaseyitan, Hashim, and Yusof (2018) studied on the factors affecting customers' preference when selecting a bank in Malaysia. However, they excluded other factors that were proven to be significant by other researchers, and those factors included marketing and advertising, and image of the bank. If we want to understand more on factors affecting customers' preference on bank selection in Malaysia, these two variables should be included as independent variables in our study.

## **1.3 Research Objectives**

### **1.3.1 General Objective**

To identify the determinants influence the customers' preference on selecting local commercial banks in Malaysia.

### **1.3.2 Specific Objectives**

1. To determine the relationship between service quality and customers' preference on selecting local commercial banks in Malaysia.
2. To determine the relationship between technological factor and customers' preference on selecting local commercial banks in Malaysia.
3. To determine the relationship between convenience factor and customers' preference on selecting local commercial banks in Malaysia.
4. To determine the relationship between corporate image of bank and customers' preference on selecting local commercial banks in Malaysia.

5. To determine the relationship between marketing and advertising of bank and customers' preference on selecting local commercial banks in Malaysia.
6. To determine the relationship between core banking services and customers' preference on selecting local commercial banks in Malaysia.

## **1.4 Research Questions**

### **1.4.1 Main Research Question**

What are the determinants influencing customers' preference on selecting local commercial banks in Malaysia?

### **1.4.2 Specific Research Questions**

1. Does service quality affects customers' preference on selecting local commercial banks in Malaysia?
2. Does technology factor affects customers' preference on selecting local commercial banks in Malaysia?
3. Does convenient factor affects customers' preference on selecting local commercial banks in Malaysia?
4. Does corporate image of the bank affects customers' preference on selecting local commercial banks in Malaysia?
5. Does marketing and advertising of the bank affects customers' preference on selecting local commercial banks in Malaysia?
6. Does core banking services affects customers' preference on selecting local commercial banks in Malaysia?

## **1.5 Hypothesis**

1. Service quality positively affects customers' preference on selecting commercial banks in Malaysia.
2. Technological factor positively affects customers' preference on selecting commercial banks in Malaysia.
3. Convenience factor positively affects customers' preference on selecting commercial banks in Malaysia.
4. Corporate image of bank positively affects customers' preference on selecting commercial banks in Malaysia.
5. Marketing and advertising of bank positively affects customers' preference on selecting commercial banks in Malaysia.
6. Core banking services positively affects customers' preference on selecting commercial banks in Malaysia.

## **1.6 Significant of Study**

During this era, surveys regarding factors affecting customers' preference when selecting a bank had been carried out in various regions all around the world. There is need for similar survey to be done in Malaysia. The purpose of conducting the research is to examine whether there is a relationship between the dependent variable (customers' preference in bank selection), and independent variables (service quality, technological factor, convenient factor, corporate image of the bank, marketing and advertising of the bank and core banking services) or not. Related journals and articles were searched and used to support the variables that were used in the research paper. This research paper is helpful for banking industry, marketing managers, policy makers and researchers in the future.

### **1.6.1 Banking Industry**

This research paper will contribute to the banking industry with the information about customers' preference in bank selection. The banks will have a better understanding on the factors which cause clients to switch to other banks on the customer perspective. By understanding more about customer behavior, banks can improve their management planning, and at the same time, enhance the customer base as well as preventing the clients from switching to other banks.

### **1.6.2 Marketing Managers**

This research paper will contribute to the marketing managers in banks with the information about customer preference when selecting a bank. Marketing managers can improve or even come out with a better marketing strategy after they have a better understanding in the customer preference. For example, marketing managers could come out with a loyalty program to prevent the customers from switching to other banks.

### **1.6.3 Policy Makers**

This research paper will contribute to policy makers. After understanding better in the factors influencing the decision of clients in bank selection, policy maker can come out with a better regulation to further encourage the banks to improve the performance by differentiate themselves from one another.

### **1.6.4 Future Researchers**

This research paper will contribute to future researchers as well. This study could be helpful to future researchers as it provides a summary on the methodology regarding the determinants affecting customers' preference when selecting a bank. Thus, future researchers might use this study as a reference to support their independent variables being used in their studies.

## **1.7 Chapter Layout**

### **1.7.1 Chapter One**

Chapter one consists of the summary of this research. It also includes the background of the study, problem statements, research objectives, hypotheses, research questions, as well as the significance of study.

### **1.7.2 Chapter Two**

Chapter two consists of the past literatures and studies review which are related to the dependent variable as well as the independent variables. The theoretical framework is also included in this chapter.

### **1.7.3 Chapter Three**

Chapter three described the research methods that were used in this study. This chapter also includes research design, data collection method, sampling design, research instruments, data processing, as well as proposed data analyzing tools.

### **1.7.4 Chapter Four**

Chapter four shows the results of diagnostic checking as well as the results of regression analysis generated using the SPSS Software version 20. The result of this research will be summarized in the end of the chapter.

### **1.7.5 Chapter Five**

Chapter five consists of the summary of the entire research, and discussion of the major findings, implications of study, limitations of study as well as the recommendation for future researchers. The conclusion of the entire research was also included in the end of this chapter.

## **1.8 Conclusion**

The topic on customers' preference in bank selection subjects to numerous debates and discussions. In chapter one, it provides the summary of the study of customer satisfaction towards the customers' preference in bank selection and its determinants. Chapter one also provides the basic guidelines which introduce the overall research background and details for the purpose of further research and development on this study. The subsequent discussions and findings will be stated in the following chapters.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter reviews the studies that have been carried out to date. The aim of this chapter is to identify relevant determinants which are influencing preference of customers on selecting local commercial banks in Malaysia. The chapter begins with the discussion of dependent variable and independent variables of local commercial bank selection. Second, the chapter continues with the theoretical framework and conceptual framework of the selected variables.

### **2.1 Review of the Literature**

#### **2.1.1 Customers' Preference on Bank Selection**

Customers' preference is defined as the personalized tastes of individual customers and it can be measured by their satisfaction with a particular object (Weedmark, 2019). Therefore, this research has been used customer satisfaction as a proxy to the dependent variable. Anjum, Bi, Abbas, and Zhang (2017) found that customer satisfaction can be explained by

comfortable and easy access to bank services. The satisfied customers are the principal component of overall performance and wealth of the business. Companies possess acceptable returns have highly positive correlation with the powerful foundation of customers. Satisfactions of customers depend on the facilities of banks and services provided by banks. Staff behaviour is extremely essential to make relationship with customers and bank. Ultimately, this attitude proved to have a huge influence on customer services improvement such as average rate of customer deposit is actually profit of the bank in future. Tehulu and Wondmagegn (2014) stated that customers who are satisfied have the higher possibility to inform surrounding people of their favourable occurrences and hence engage in positive word of mouth advertising; while customers who are dissatisfied are expected to change brands and engage in negative word of mouth advertising. Customer satisfaction implicit the customer retain for a longer period, which is more affordable than captivating new customers. Narteh and Kuada (2014) claimed that when customers will remain faithful with their banks when they are satisfied and also give more positive comment about their banks to prospective customers. Consequently, it will have a positive influence on the market share of banks

### **2.1.2 Service Quality**

According to Adekiya and Gawuna (2015), service quality as perceived by consumers is the level to which an organization can offer a better quality service to its consumers compared to its competitors. Based on the findings in their study, service quality are positively significant determinant factors of bank choice decision among the university students in Metropolitan Kano.

Quy et, Vinh and Chang (2015) described that delivering quality services to customers is a must for success and survival in today's competitive banking environment. After investigated the customers who have a loan account and bank deposit in five commercial banks in Bahir Dar City, Tehulu and Wondmagegn (2014) found that service quality was one of the significant elements for bank selection decision. In addition, Gebremeskel (2014) who studied the same topic on students, businessmen and employees dwelling in Addis Ababa City also made a same conclusion with previous study. Moreover, Braima (2018) concluded that service quality is the most vital factor when choosing a bank's service in Saudi Arabia specially Tabuk city and suggested Saudi banks to focus in quality of service. Service quality has been found by some researchers that it will affect a customer on making a bank selection decision (Ara & Begum, 2018; Oluwaseyitan, Hashim & Yusof, 2018). Lelissa and Lelissa (2017) found that service quality, availability and approachability of physical and human resources are the factors that influencing customers in commercial banks selection in Ethiopia.

Abbam, Say and Dadson (2015) reported that the out of their 6 major factors, efficient services provided by the bank is the most significant determinant of customer bank selection. Besides, Khaitbaeva, Enyinda and Abdulaziz (2015) found out that service quality played an important character in affecting customers' bank choice. The research was carried out in Dubai, among students from Canadian University of Dubai, UAE. Zulfiqar, Arshad, Fareed, Shahzad and Hussain (2014) revealed that service quality, price and convenience play important roles on bank selection in Pakistan.

### **2.1.3 Technological Factor**

According to Tehulu and Wondmagegn (2014), the evolution in technology has affected business institution in various ways in the recent time. The studies found that the significance of technological determinants is the main concern of customers on choosing banks. Availability of secured and serviceable Automated Teller Machine(ATM) and association to other ATMs of bank are also regarded to be the vital option factors. When the researchers studied the switching behaviour of bank customers, the availability of technology based services is found to be a crucial motive for customers. They explored that ATM service had significant impact for a customer choice of bank. The results of this study also disclosed that the service supplying of ATM brings a positive impact on customer's commercial bank selection. Araand Begum (2018) examined that technological factor was perfectly positively and significantly correlated with bank selection resolution. The outcomes interpreted that bank using or not using modern technologies and equipment is the most significant determinant to be considered during the selection of bank. According to Nkamnebe, Ukenna, Anionwu, and Chibuike (2014), technological factor began to be a criterion in bank selection in the 1980s in the USA when availability of ATM as the key factor of influencing bank selection. The results indicated that availability and functional ATM network is the second most important factor.

### **2.1.4 Convenience Factor**

Gebremeskel (2014) studied on the determinants effecting the banks selection in Addis Ababa city and found that convenience factor measured by proximity to home or work place was the most important bank selection criteria factor. This is consistent with the finding from a study by Tehulu and Wondmagegn (2014) for commercial banks in Ethiopia that also represented closeness to work place or home as convenience aspect. The study of Adekiya and Gawuna (2015) identified location, proximity and ease of access as convenience related factors and were consistently considered as the most important choice criteria among the bank customers.

Moreover, some researchers also get same conclusion that convenience factor positively significant to banking selection decision by using qualitative research methodology (e.g.: Hinson, Osarenkhoe&Okoe, 2013; Oluwaseyitan, Hashim&Yusof, 2018).After conducted interview to the respondents,Hinson, Osarenkhoe and Okoe (2013) concluded that a bankwill have a superiority over other competitors when it provides a convenient service that meets the needs of the consumers.

### **2.1.5 Corporate Image of the Bank**

Tehulu and Wondmagegn (2014) found that corporate image is essential element to increase customers' willingness to do business with a bank. The research declared that teenage customers are more attention on determinants

such as good impression to the bank. The results show that sitting arrangement and external appearance of the bank has influential impact on bank choice of customers. According to Selvanathan, Nadarajan, Zamr, Suppramaniam, and Muhammad (2018), reputation of bank is important in the market as it is related with the greater profitability and sustainability of the bank and this has been detected that it can affect people's option for selecting a bank. However, the reputation may be preferably subjective because it heavily depends on the customers' view and impression of the bank. Customers perceive more safe and secured when the bank has good image and reputation. The positive association between bank reputation and the bank selection of customer was accepted. Ara and Begum (2018) also examined that corporate image factor was perfectly positively and significantly correlated with bank selection intention of customers.

### **2.1.6 Marketing and Advertising of Bank**

Based on study, bank selection of customers is positively affected by promoting of banking services. Hence, customers rely on referral from the satisfied customers. The presences in different medium such as newspaper, television or radio are not affecting customers as expected. However, proper advertising is trusted that the possibility of bank selection can be enhanced as witnessed in a mean score above the expected average (Lelissa&Lelissa, 2017). According to Tehulu and Wondmagegn (2014), bank customers who are interested in achieving the most cost-beneficial and favourable terms will have interest on advertising at first while choosing their bank, but this is not the reaction of all those who are not interested in these. Although the presence of advertising is a prerequisite as it verifies a bank's critical presence in the

market and plays a significant role in customers' options, however it is not the main criteria for them in choosing their bank. Gebremeskel (2014) also claimed that the "promotion strategy" factor which involve in advertising the various services offered in banks and availability of several branches is an importance criteria of bank selection. Based on a qualitative research by interview method, marketing communication was one of the insignificancefactors. Some of the respondents aware that there is an impact in the communication of a bank presented, but this will not influence them. This is because they understand and can differentiatethe perceived quality and actual quality of the service delivered by bank (Hinson, Osarenkhoe&Okoe, 2013).

### **2.1.7 Core Banking Services**

According to Narteh and Kuada (2014), the core service represents the fundamental service or product being offered by the service provider. Sophistication of core service delivery includes the diversity of services provided as well as the accuracy and competence of services are delivered, the hours within which the services are delivered, how the bank branches are networked, the price at which the services are offered, and how fast the services are delivered. The core banking service is very essential that the failure of bank to deliver on it could cause customers to switch to other competitive providers. Consequently, there is a direct positive relationship between the sophistication of core services and the customer satisfaction with the bank. Oluwaseyitan, Hashim, and Yusof (2018) found that bank services are considered as significant in impacting on student bank selection decision such as speed of service. In addition, ease of opening current accounts was

one of the five key criteria for banking selection among the students. The study also showed that fast service delivery and accurate account information are significant factors in banking selection decision.

## **2.2 Theoretical Framework**

### **2.2.1 SERVQUAL Model**

The service quality is mainly used in marketing sector to identify the critical criteria of service quality. SERVQUAL model looks at the components that make perception of patrons and their anticipation apart. It is able to tell the degree of customer satisfaction as well as the size of deviation between a firm and the firm's existing customer on the issue of service quality (Banahene, Ahudey, Asamoah, 2017)

There are five main dimensions under the scope of SERVQUAL. The first one is tangibility of an object, second is reliability of a personnel, the third is responsiveness which refers to stand-by service, the fourth and fifth are assurance (strong ability) and empathy that provides individualized catering. This method is a top pick by many people and extensively used (Stephen et al, 2017).

Researcher constructed and discussed in numerous textbooks that relate to marketing and management, conducted with case studies and research papers

(Baumann et al., 2007; and ChingangNde Daniel and Lukong Paul Berinyuy, 2010). In Jordanian banking industry, researchers have used SERVQUAL as a measurement to study customer satisfaction and examine service quality dimensions (Pakurár et al, 2019). Their aim of study were to maximize shareholders wealth and gaining competitive advantage so that banking sector is sound and stable. In 2018, a similar case has been done in Turkish banking sector by Yilmaz, Ari and Gürbüz, by analyzing the relationship between how students perceive bank services and the overall level of satisfaction. Finally, they confirmed that the following reasons below contribute to overall satisfaction pointer:

1. Appearance from the bank premise
2. Reliability of service
3. Integrity of a bank
4. Easy accessibility

These have shown that SERVQUAL is useful and user friendly by providing comprehensive details of customers' perspective for service quality management and controls.

This service quality model consists of five aspects that differentiate between patron's want and firms' offer:

1. **Knowledge gap-** it happens because an organisation is unable to serve customers in a right way due to incomplete knowledge of customers.
2. **Standards gap-** When an organisation formed a wrong idea on the expectation of customers, the organisation may wrongly interpret then add it into a quality policy and corresponding rules.

3. **Delivery gap-** A problem where organisation couldn't deliver to consumers with their real wishing list. This brings to faulty implementation, such as employees' misunderstanding to the extent he provides incorrect policy.
4. **Communications gap-** Occasionally, external (marketing) communication can impact faulty anticipation among customers, or the communication and promises from organization do not match perfectly with what is delivered actually.
5. **Satisfaction gap-** arises from a (major) difference by expected service varies with what is actually experienced. Ultimately, it brings a quality gap of experiencing.

The SERVQUAL Model allows firms to understand what are the components forming customer's expectancy pattern so that they will be competitive and prepared beforehand (Mulder, 2018).

### **2.2.2 Competition Theory**

Competition and competitiveness are common terms that frequently being found in business. It is publicly discussed on the economic issues, their environment and their ability to exhibit according to the strategic or policy goals derived from business, economic objectives or social missions. There are 3 elements regarding objectives of competition, which are:

1. ~ underlying variable of competition (i.e., price, volume, quality)
2. ~ aimed level of target

3. ~ competitive process which is partly or wholly determined by the strategic objectives of agents (Listra, 2015)

Direct competition occurs when some firms compete with one another by producing and selling of goods to the same group of consumers, while competition from indirect way refers to distinct fields of firm that target, position and compete among the same group of customers with non-identical products and services. As an outcome from this scenario, commercial firms tend to improve and update products, services and technologies, eventually grant customers greater choice. In general, people will go for the bank in which they think to receive most rewards or gifts at the lowest cost, given their preferences. (Tehulu, Wondmagegn, 2014)

To date, competition theory is commonly investigated by scholars, researchers and business students. For example, Friske, Zachary (2016) applied competition theory in investigating economic growth of brewing industry. They ought to know the outcome of imposing government regulations to the economic value creation. In the end of the day, their findings showed that tariff and sales controls could adversely impact competition. The emergence of fintech companies and other non-bank financial institutions results in highly competitive market has also triggered Danisman (2018) to analyse the trends of bank from the past to current, using competition theory.

### **2.2.3 Rational Choice Theory**

This theory suggests that desires from every individual are likely to cause his/her "preference". They act within explicit bounds, act on the basis of

knowledge and information received. The rational choice theory, also known as rational action theory, is a clear concept to learn people's economic behaviours and philosophy of the society. It can be seen that men express rationality in microeconomic models by wanting as many items as they can instead of getting less. The theory, therefore assumes that pattern of verbal and non-verbal interactions in societies reflect how individual make decision (choosing). Generally, they strive to reduce their overall costs and optimize to the maximal benefits (Lelissa, Lelissa, 2017). People's reaction is decided by consider the costs and benefits of different courses of action. With the fact of comparing the costs and benefits, rational choice theory exhibits the behaviour of customer when selecting a bank, for example, making comparison with another bank which offer a similar programme to attain the best outcome-least cost and most reward. (Aregbeyen, 2011)

Mukherjee and De (2018) studied the rationality of investors when given pertinent information and private pre-disclosure information. Besides, Juraeu (2016) used rational choice theory to investigate corruption and rational choice theory. He assumed that corruption is a rational choice phenomenon and a rational person is risk neutral. In the case of corruption, he can spend the same amount of time on conducting and hiding corruption as he expected to lose if caught and penalized.

## **2.2.4 Consumer Behaviour Theory**

Consumer behaviour indicates the purchasing habit of end consumers. It is the idea that consumers exhibiting when they are about to procure something.

From looking for, picking, experiencing, assessing until dumping a commodity, consumer behaviour is displayed and in search of whether that product satisfies their need (Metasebiay et al, 2017).

The first theory to be looked at is the stimulus response theories. These theories explain that learning occurs when a person reacts to some stimulus and get the right response by the satisfaction of his needs. The most frequent and recent stimuli are therefore remembered and responded, and this forms the basis of reported advertisements. According to this theory, students would make selection of bank decision based on banks' advertisement. (Nair & Nair, 1998)

The psycho-analytic theory is largely attributed to Sigmund Freud (Stewart, 1994). Based on his idea, super ego, ego and id work on characters, these link to consumer behaviour. Ego which focuses on self-importance would influence a student to patronize a bank's services based on prestige and physical evidence.

The socio-cultural theory is attributed to Thorstein Veblen. He indicated that, human is basically a social animal. His behaviour and desires are mostly influenced by the people around. People have a propensity to behave in a way acceptable by the society, despite their personal likes and dislikes. The selection of a bank by students would therefore be influenced by culture, sub-culture, social class, reference groups, family and friends. (Nair & Nair, 1998)

The significance of comprehending the customer needs is an important determinant in marketing, since it is considered as a human activity which can satisfy all the requirements and needs through exchange procedures. There are two main activities appeared from this illustration which are related to

marketing. Firstly, the seller attempts to satisfy the target market needs. Secondly, marketing includes the study of exchange process through which the two parties shift some resources to each other (HosseiniNajafi, Fatemeh Rahman, MojtabaMaleki, 2016).

Some researchers have discussed consumer behaviour in their journals. For example, AdewaleAdekiya (2015) used consumer behaviour to find out bank choice factors in Metropolitan Kano, whereas Courage Simon Kofi Dogbe, ByronAbeekuBamfo, Sampson AtoSarsah (2019) carried out similar study in Ghana.

## **CHAPTER 3: METHODOLOGY**

### **3.0 Introduction**

This Chapter 3 is going to introduce the methodology used throughout the research in a detailed way in order to let the reader able to figure out how exactly the whole research is being carried out. This chapter is composed of few important parts that used to explain how this study being conducted such as research design, sampling design, data collection method, research instrument, data processing, and data analysis tool.

### **3.1 Research Design**

Research design is a summary about how this research being conducted. The researchers use quantitative research to collect and analysis the data and information in a form of numbers. The data collection method used is through issuing questionnaires and collecting back the data from the respondents then analyze the data to test the hypothesis in this research.

## **3.2 Sampling Design**

### **3.2.1 Target population**

Malaysian who currently owned an account or used the services provided by the local commercial banks is the mainly targeted population of respondents in this study because they are the users of the local banks which make them know exactly the issues and components that will affect people in choosing the services provided by the banks. Therefore, their responses are important and vital in defining the determinants that affect the preferences of customers in choosing local commercial bank for services.

### **3.2.2 Sampling Element**

The factors that determine the preferences of the customers in selecting local commercial banks are the main objective of why this study is carried out by the researchers. Therefore, as long as the respondents are not minors and able to have a personal account and use the bank services provided on their own are eligible to answer the survey including those who have low income level or even no income such as students and housewives due to the reason that different income level and age will have different needs of services provided by the bank. In addition, more precise data can be obtained by the researchers to conduct this study.

### **3.2.3 Sampling frame**

Kuala Lumpur and Johor Bahru, Malaysia are set as the sampling frame of the questionnaires. The reason these two states being chosen because Kuala Lumpur is the centre of economic and business while Johor Bahru is getting developed in this recent years and the number of residents is getting increased. The population size and flow of money are large in these states make the competition of commercial banks there great which enable the researcher to figure out the components that affect the respondents to use the services of a certain bank while various types of commercial banks available among them.

### **3.2.4 Sampling Technique**

Simple random sampling is the sampling method that used in this study as it can boost the data collection process as other complex sampling method required a lot of time to process. Besides it also enable each survey can have equal possibilities to be chosen as sample.

### **3.2.5 Sampling Size**

Google Form is used by the researchers to set questionnaires and distributed to the respondents to collect data because it can improve the efficiency of the researcher in checking the summary and also extract the data collected for analyze purpose. A minimum of 350 sets of questionnaires will be used as sample size in this research study as a large sample size can generate more accurate result.

## **3.3 Data collection method**

The hypothesis and research question as mentioned in Chapter 1 in this research duty is answered by using primary data.

### **3.3.1 Primary Data**

Primary data is the info that comes in first-hand and collected by the researchers. Distributing questionnaires to respondents to obtain the data is the data collection method used in this research in order to study the hypothesis and research questions. The questionnaires are issued personally by the researchers to the random picked respondents in the targeted sampling frame as mention above. Besides, the questionnaires also issued through online and

e-mail as this method is cheaper and easier for the researchers to get the data effectively. More than hundreds of questionnaires will be distributed and collected as more data will increase the accuracy of the result and able to draw a precise conclusion.

### **3.4 Research Instrument**

Questionnaire is designed and used to collect data from the respondents for the research purpose. Kuala Lumpur and Johor Bahru will be targeted area of where the questionnaire will be issued to the respondents.

#### **3.4.1 Questionnaire Design**

The questionnaire consists is composed of Section A and Section B which have a total 39 questions. Section A is designed to collect the basic information of the respondents that answer the questionnaire by asking 4 demographic questions about the gender, age, income level and the most frequently used commercial bank of the respondents. For Section B, a total of 35 questions regarding the dependent variable which is customer satisfaction and independent variables which are service quality, technological factor, convenience factor, corporate image of the bank, marketing and advertising of the bank, and core banking services will be ask to the respondents. For section B, the degree of consent of the respondents regarding to the particular

question will be determined by using the 5 point Likert Scale where different degree of consent will represent different point such as 5 points for Strongly Agree, 4 points for Agree, 3 points for Neutral, 2 points for Disagree and 1 point for Strongly Disagree.

### **3.4.2 Pilot Test**

To lower down the error and strengthen the reliability of the questionnaire that prepared to test whether the selected dependent variable and independent variables are correlated with each other, researchers will conduct a pilot test before implementing the actual test. A total of 100 respondents are selected by the researchers to answer the questionnaires because a large number of participants during the pilot test can help to detect the inadequacy of the questionnaire accurately and easily. Respondents are welcomed to express their opinion towards the questionnaire such as the parts that confuse them or the way of the question asking can be improved. 100 set of pilot test questionnaire will be collected back and use SPSS to process the data. Amendment is made to the questionnaire after the pilot test so that its reliability and adequacy can be increased, and then the data for the study will be collected by conducting the actual test.

## **3.5 Data Processing**

The whole process of transforming the data obtained from the questionnaire into output is referring to data processing. The process includes questionnaire checking, data coding and data cleaning.

### **3.5.1 Questionnaire Checking**

Questionnaire checking is the first step of data processing. Before the questionnaires are being distributed, the questions designed are being checked to ensure that there are no grammar errors and language problems. Simple words and sentences are used when presenting the questions so that the respondents will not confuse and misunderstand what the questions want to present. After the questionnaires are collected, the questionnaires are being checked again to detect any errors including incomplete answer and in-qualification of the respondents.

### **3.5.2 Data Coding**

Data coding is the second step of data processing that transform the data collected through the questionnaires into a format that suitable for the SPSS. There are different codes being used as there are different kinds of questions in the questionnaire. For instance, the gender of the respondents that asked by the question in Section A, the option of “male” is assigned with value “1” while the option for “female” is “2”. However, in the Section B of the questionnaire, the value “1” is assigned for “strongly disagree” and value “5” is assigned for “strongly agree”.

### **3.5.3 Data Cleaning**

The final step in data processing before it is considered “ready” for data analysis is data cleaning. Find out the errors and amend them is what the data cleaning will do in order to obtain a consistent data. For instance, Google form will remind the researchers about the blank option while SPSS version 20.0 is used to carry out consistency checking to avoid errors like extreme values, and out-of-range value.

## **3.6 Proposed Data Analysis Tool**

SPSS is the tool that used to examine and analyze the data that acquired from the questionnaires issued by the researcher, but the data taken for generating are not included those unqualified and questionnaires that are unfinished to prevent bias and to ensure a precise and accurate result can be generated.

### **3.6.1 Descriptive Analysis**

Descriptive analysis is an analysis that quantitatively describes the data that obtained from the questionnaires distributed to the respondents. The raw data will be transformed into a way that can be easily recognize and make interpretation. Descriptive Analysis is differential with inferential analysis as it only summarized the data in a simply way while inferential analysis make a conclusion by using the data obtained from the sample to represent the population.

### 3.6.2 Scale Measurement

#### 3.6.2.1 Reliability Test

Reliability test is often used in measuring the degree of measurements to make sure that the measurements are free from errors. It is an essential test to ensure that we can obtain consistent results. All of the questions in the questionnaire that represent the dependent variable and independent variables must undergo reliability test to measure the data consistency and reliability.

In this research, Cronbach's Alpha test with the measurement scale ranged from 0 to 1 will be used to examine the consistency and reliability of the questions where a higher value represent a more reliable and consistent data. A minimum value of 0.7 from the Cronbach's Alpha test needs to be met by the questions designed to test the variables as it is the benchmark for acceptable reliability coefficient level.

Table 3.1: Benchmark of Reliability Coefficient Level

Cronbach's Alpha	Level of reliability
$\alpha \geq 0.8$	Excellent
$0.7 \leq \alpha < 0.8$	Good
$0.6 \leq \alpha < 0.7$	Fair
$\alpha < 0.6$	Unacceptable

Adopted from: Zikmund, W.G., Barry, J.B., Jon, C.C. & Mitch, C. (2010). *Business Research Method* (8<sup>th</sup>ed). USA : South Western Cengage Learning.

### **3.6.3 Inferential Analysis**

The aim of conducting inferential analysis is to make precise judgement regarding population of the sample drawn. A conclusion for the research questions and hypotheses as stated in this study as stated above is obtained by conducting multiple linear regression analysis and Pearson correlation analysis.

#### **3.6.3.1 Pearson Correlation Coefficient Analysis**

The direction and the intensity of the correlation between the variables are measured using Pearson Correlation Coefficient Analysis by describing it in a linear function (Rebekić, Lončarić, Petrović, Marić, 2015). The strength measure of the linear association between the variables is the Pearson's product-moment correlation coefficient ( $r$ ) and it is a parametric measure that portrays the linear relationship between the variables (Rebekić, Lončarić, Petrović, Marić, 2015). The scale measurement of correlation coefficient is range from -1 to +1 where a positive correlation indicates that the value of the variables go towards a same direction which either decrease together or increase together if one variables has changes in value while a negative

correlation indicates that if the value of one variable decrease, the another variable will tend to increase or vice versa.

Table 3.2: Rules of Thumb of Correlation Coefficient Size

Coefficient Range	Strength of association
±0.91 - ± 1.00	Very Strong
±0.71 - ± 0.90	High
±0.41 - ± 0.70	Moderate
±0.21 - ± 0.40	Small but definite relationship
±0.00 - ± 0.20	Slight, almost negligible

Adopted from : Hair, J.F, Black, W.C, Babin, B.J., & Anderson, R.E. (2010). *Multivariate Data Analysis* (7<sup>th</sup>ed.) Upper Saddle River, New Jersey: Prentice Hall

### 3.6.3.2 Multiple Linear Regression Analysis

The relevancy between the customers' preference on bank selection against the independent variables is measured using multiple linear regression analysis by forming an equation with the result generated. The equation of multiple linear regression model is shown as below:

$$Y=C+\beta_1X_1+\beta_2 X_2+\beta_3 X_3+\dots+\beta_nX_n+\mu$$

The equation of multiple linear regression model in this study is shown as below:

$$Y = C + \beta_1 SQ + \beta_2 TF + \beta_3 CF + \beta_4 IR + \beta_5 MA + \beta_6 BS + \mu$$

Y= Customers' preference on bank selection

C= Intercept Coefficient

$\beta$  = Slope Coefficient

SQ= Service Quality

TF= Technological Factor

CF= Convenience Factor

CI= Corporate Image of bank

MA= Marketing and Advertising of bank

BS= Core Banking Services

$\mu$ = Error Term

### **3.7 Conclusion**

In conclusion, this chapter has greatly explained about the methodology used in this research with detailed explanation in order to solve the research question by discussing the research design, sampling design, data collection method, research instrument, data processing, and data analysis tool. The data obtained in this research study is processed by SPSS in order to generate a result and comes out with a precise conclusion. In the following chapter 4, the results generated will be further discussed and analyzed.

## **CHAPTER 4: DATA ANALYSIS**

### **4.0 Introduction**

From the data collected through the survey from the respondents, the correlations between the independent variables with the dependent variable are tested in chapter four. A total of 350 sets of questionnaires are used by extracting out the data and analysis and interpretation of the data is done by using Statistical Package for Social Sciences (SPSS) version 20.0. This chapter will begin with descriptive analysis.

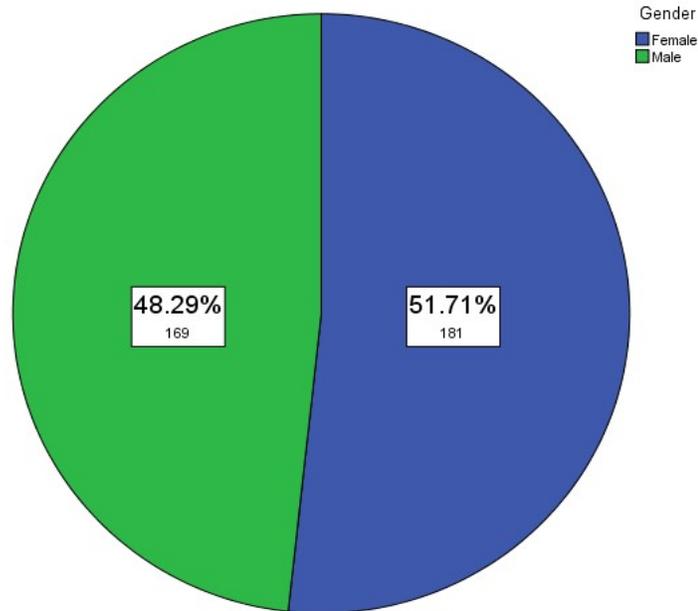
### **4.1 Descriptive Analysis**

#### **4.1.1 Respondent Demographic Profile**

The demographic profiles of the respondents are extracted from the questionnaires and then being analyzed and summarized in the form of chart. The first 4 items in the section A is regarding the demography of the respondents, which includes age, gender, income level, and most frequently used commercial banks.

#### 4.1.1.1 Gender

Figure 4.1: Respondents' Gender

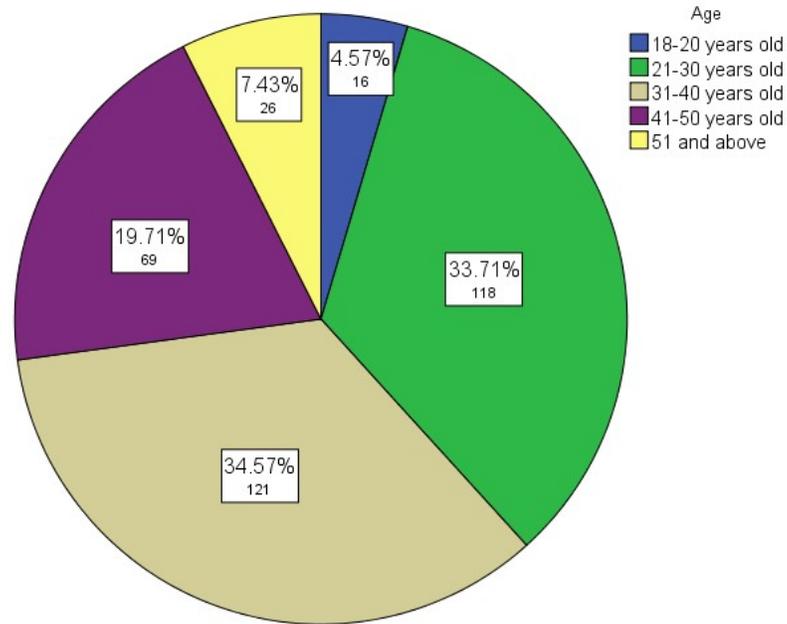


Source: SPSS output.

The above Figure shows the percentage and number of both genders of the respondents that answer the questionnaires. From the Figure, it shown that there are 181 female respondents which cover up to 51.71% while the male respondents consists of 169 and cover up to 48.29%.

#### 4.1.1.2 Age

Figure 4.2: Respondents' Age

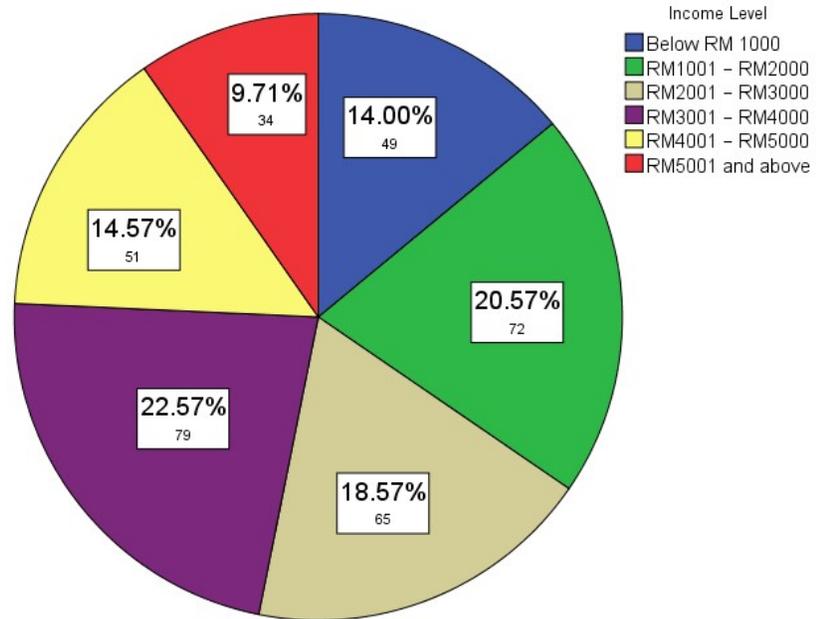


Source: SPSS output.

The Figure above show the age of the total 350 respondents that responding to the research questionnaire. The respondents are classified into five different age groups. These groups include group of eighteen to twenty years old that composes of 16 respondents which cover 4.57%, group of twenty one to thirty years old that composes of 118 respondents which cover 33.71%, group of thirty one to forty years old that composes of 121 respondents which cover 34.57%, group of forty one to fifty years old that composes of 69 respondents which cover 19.71% and group of fifty one years old and above that composes of 26 respondents which cover 7.43%.

### 4.1.1.3 Income Level

Figure 4.3: Respondents' Income Level



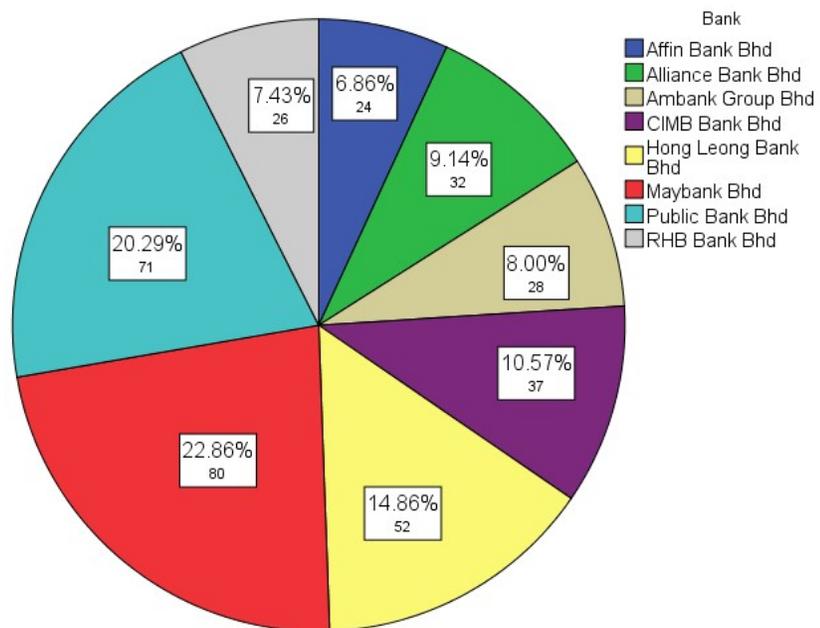
Source: SPSS output.

Figure above show the income level of the total 350 respondents that taking part in the research questionnaire. There are total 6 different categories of income level which are below RM1000, RM1001-RM2000, RM2001-RM3000, RM3001-RM4000, RM4001-RM5000, and RM5001 and above. The category of RM3001-RM4000 has the most respondents which is 79 respondents that cover up to 22.57%. The second highest category is the RM1001-RM2000 which consists of 72 respondents and cover up to 20.57%. For category RM2001-RM3000 has 65 respondents and cover 18.57%. Category RM4001-RM5000 and category below RM1000 are having almost the same number of respondents which are 51 respondents that cover 14.57% and 49 respondents that cover 14.00% respectively. Category that has the least

respondents is RM5001 and above which consists of 34 respondents and cover 9.71% only.

#### 4.1.1.4 Most frequently used commercial banks

Figure 4.4: Most frequently used commercial banks



Source: SPSS output.

Figure above shows the most frequently used commercial banks by the total 350 respondents of the questionnaires. There are total 8 commercial banks which are Affin Bank Berhad, Alliance Bank Berhad, Ambank Group Berhad, CIMB Bank Berhad, Hong Leong Bank Berhad, Maybank Berhad, Public Bank Berhad, and RHB Bank Berhad. The 2 most selected banks are Maybank Berhad and Public Bank Berhad, which consists of 80 respondents that cover 22.86% and 71 respondents that cover 20.29% respectively. Hong Leong Bank Berhad has 52 respondents that cover 14.86%, CIMB Bank Berhad has 37 respondents that cover 10.57%, and Alliance Bank Berhad has

32 respondents that cover 9.71%. The 3 least selected banks are Ambank Group Berhad, RHB Bank Berhad, and Affin Bank Berhad, which consists of 28 respondents that cover 8.00%, 26 respondents that cover 7.43% and 24 respondents that cover 6.86% respectively.

## 4.1.2 Central Tendencies Measurement of Constructs

### 4.1.2.1 Dependent variable: Customers' preference on bank selection

In this research, customer satisfaction is used as the proxy for customer preference. A few questions were design to capture the satisfaction level of each respondent.

Table 4.1: Descriptive Statistic of Customer Satisfaction

No.	Statements	Mean Value	Standard Deviation
CS1	I am satisfied with the products and services provided by the bank	4.30	0.725
CS2	I will not switch to other conventional bank	4.13	0.772
CS3	Overall, the performance of the bank meet my expectations	4.26	0.680

CS4	I will continue to use the bank in the future	4.26	0.736
CS5	Will you recommend the bank to your family and friends	4.30	0.725

Source: SPSS output.

Table above show the measurements of central tendencies for customer satisfaction. The mean value for CS1 and CS5 are the highest (4.30), followed by CS3 and CS4 with the mean value of 4.26. The mean value of CS2 is the lowest as 4.13. CS2 has the highest standard deviation, which is 0.772. CS4 has the second highest standard deviation as 0.736 follow by CS1 and CS5 that share the same value of standard deviation as 0.725. The standard deviation for CS3 (0.680) is the lowest

#### 4.1.2.2 Independent variable: Service quality

Table 4.2: Descriptive Statistic of Service Quality

No.	Statements	Mean Value	Standard Deviation
SQ1	The bank provides fast and efficient services	4.29	0.940
SQ2	The bank performed the promised services accurately	4.01	0.671

SQ3	The bank provides detailed information about the services provided	4.28	0.766
SQ4	The bank management handles customers' complaint well	4.07	0.767
SQ5	The staff in the bank is helpful and friendly	4.23	0.786

Source: SPSS output.

Table above show the measurements of central tendencies for services quality. The mean value of SQ1 is the highest at 4.29, followed by SQ3 and SQ5 which has the mean value of 4.28 and 4.23 respectively. SQ4 and SQ2 have the lowest mean value which is 4.07 and 4.01 respectively. For standard deviation, SQ1 has the highest value which is 0.940 follow by SQ5 which is 0.786. SQ4 and SQ3 have almost the same standard deviation which is 0.767 and 0.766 respectively. The lowest standard deviation goes to SQ2 at 0.671.

#### 4.1.2.3 Independent variable: Technological factor

Table 4.3: Descriptive Statistic of Technological Factor

No.	Statements	Mean Value	Standard Deviation
TF1	The bank provides secured internet banking	4.36	0.648

	service		
TF2	The bank provides secured mobile banking service	4.26	0.627
TF3	The bank provides user friendly interface	4.16	0.658
TF4	The internet or mobile banking service provided is easy to access	4.30	0.662
TF5	You trust the safeness of the internet or mobile service provided	4.24	0.665

Source: SPSS output.

Table above show the measurements of central tendencies for technological factor. The mean value of TF1 is the highest at 4.36, followed by TF4 with the mean value of 4.26. TF2 as well as TF5 have close mean values which are 4.26 and 4.24 respectively. The lowest mean value goes to TF3 at 4.16. TF5 has the highest standard deviation(0.665), followed by TF4 which has the second highest value as 0.662. TF3 and TF1 have the standard deviation value of 0.658 and 0.648 respectively while TF2 has the lowest mean value as 0.627.

#### 4.1.2.4 Independent variable: Convenience factor

Table 4.4: Descriptive Statistic of Convenience Factor

No.	Statements	Mean Value	Standard Deviation
CF1	The bank has many branches in Malaysia	4.51	0.560

CF2	There is a branch near your home or work place	4.25	0.656
CF3	The branch operation hour is convenient	4.27	0.689
CF4	The branch provides enough parking spaces	4.11	0.775
CF5	It is easy to open an account at the bank	4.21	0.686

Source: SPSS output.

Table above show the measurements of central tendencies for convenience factor. It shown from the table that CF1 has highest mean value as 4.51. CF3 and CF2 have almost the same mean value as 4.27 and 4.25 respectively. CF5 has a mean value 4.21 follow by CF4 which has lowest mean value as 4.11. Meanwhile, CF4 has the highest standard deviation value as 0.775. CF3 and CF5 have almost the same value of standard deviation as 0.689 and 0.686 respectively. CF2 has a standard deviation of 0.656 follow by CF1 the lowest standard deviation of 0.560.

#### 4.1.2.5 Independent variable: Corporate Image of the Bank

Table 4.5: Descriptive Statistic of Corporate Image of the Bank

No.	Statements	Mean Value	Standard Deviation
CII	The bank has a strong financial standing	4.34	0.719

CI2	The bank has been founded in Malaysia for a long time	4.24	0.701
CI3	The bank has been carried out its corporate social responsibility	4.11	0.860
CI4	The bank does not involve in any scandal related activity to the banking industry	4.14	0.743
CI5	The bank building has good appearance	4.09	0.830

Source: SPSS output.

Table above show the measurements of central tendencies for corporate image of the bank. The mean value of CI1 is the highest at 4.34, followed by CI2 which has second highest mean value of 4.24. CI4 and CI3 have the mean value of 4.14 and 4.11 respectively. The mean value of CI5 is the lowest at 4.09. The standard deviation of CI3 the highest (0.860), followed by CI5 with standard deviation of 0.830. The standard deviation for CI4 is 0.743 while the standard deviation for is 0.719. The standard deviation of CI2 is the lowest at 0.701.

#### 4.1.2.6 Independent variable: Marketing and advertising of bank

Table 4.6: Descriptive Statistic of Marketing and Advertising of Bank

No.	Statements	Mean Value	Standard Deviation
MA1	The TV or radio advertisement of the bank has influence my choice when selecting a bank	4.10	0.982

MA2	The presence of the bank in social media platform has influence my choice when selecting a bank	4.08	0.895
MA3	Personnel from the bank has influence on me to select a bank	4.26	0.838
MA4	The presence of the bank in newspaper or other print media has influence my choice when selecting a bank	4.10	0.957
MA5	Referral from other customers has influenced my choice when selecting a bank.	4.09	0.993

Source: SPSS output.

Table above show the measurements of central tendencies for marketing and advertising of the bank. Based on the table shown, MA3 has the highest mean value at 4.26, the followed by MA1 and MA4 with the mean value as 4.10. The fourth and fifth are MA5 and MA2 which have the mean value of 4.09 and 4.08 respectively. For standard deviation, MA5 has the highest value at 0.993, followed by MA1 with the standard deviation of 0.982. MA4 has a standard deviation of 0.957, while MA2 which has a standard deviation of 0.895. MA3 has the lowest standard deviation with a value of 0.838.

#### 4.1.2.7 Independent variable: Core banking services

Table 4.7: Descriptive Statistic of Core Banking Services

No.	Statements	Mean Value	Standard Deviation
CBS1	The bank provides innovative products and services	4.30	0.725
CBS2	The bank offers a vast range of products and services	4.13	0.772
CBS3	The bank has differentiated its products and services from its competitors	4.26	0.680
CBS4	The bank provides remittance service	4.26	0.736
CBS5	The bank provides one stop banking service	4.30	0.725

Source: SPSS output.

Table above show the measurements of central tendencies for core banking services. Based on the table shown, CBS1 and CBS5 have the same highest mean value as 4.30. CBS3 and CBS4 share the same second highest value of mean as 4.26 while the lowest mean value fall on CBS2 as 4.13. However, CBS2 has the highest standard deviation with the value of 0.772, followed by CBS4 with standard deviation of 0.736. CBS1 as well as CBS5 have same value of standard deviation of 0.725. The lowest standard deviation falls on CBS3 as 0.680.

## 4.2 Scale Measurement

### 4.2.1 Reliability Analysis

Table 4.8: Case Processing Summary

		N	%
Cases	Valid	350	100.0
	Excluded <sup>a</sup>	0	.0
	Total	350	100.0

a. List wise deletion based on all variables in the procedure.

Source: SPSS output.

Table 4.9: Reliability Statistics

Cronbach's Alpha	N of Items
.877	7

Source: SPSS output.

Cronbach's Alpha analysis is applied to test how reliable and consistent the data is. The table above shows the result of Cronbach's Alpha analysis. Since

the Cronbach's Alpha of 0.877 shown in the result is larger than 0.8, the questions design in the questionnaire has excellent reliability.

## **4.3 Inferential Analysis**

### **4.3.1 Person Correlation Analysis**

#### **4.3.1.1 Hypothesis 1: Relationship between service quality and customer preference**

$H_0$  : There is no relationship between service quality and customer preference.

$H_1$  : There is a relationship between service quality and customer preference.

**Decision Making :Reject  $H_0$  if p-value is less than 0.05**

Table 4.10: Correlations between customers' satisfaction and service quality

	customers_satisfac tion	Service_Quality
Pearson Correlation	1	.565**
Sig. (2-tailed)		.000
N	350	350
Pearson Correlation	.565**	1
Sig. (2-tailed)	.000	
N	350	350

The result shows that service quality and customer preference are correlated with the coefficient of 0.565. There is a direct relationship between service quality and customer preference. If the commercial bank provides service with better quality, the customers will be satisfied. On the other hand, the customers will be upset if the bank offers poor service. Since the correlation of 0.565 falls between  $\pm 0.4$  to  $\pm 0.7$ , the correlation between the two variables is moderate. According to the result, the alpha value of 0.05 is greater than the p-value (0.000). Therefore, the  $H_0$  is rejected. Hence, there is a significant relationship between service quality and customer preference.

**4.3.1.2 Hypothesis 2: Relationship between technological factor and customer preference**

H<sub>0</sub> : There is no relationship between technology factor and customer preference.

H<sub>1</sub> : There is a relationship between technology factor and customer preference.

**Decision Making :Reject H0 if p-value is less than 0.05**

Table 4.11: Correlations between customers' satisfaction and technology factor

		customers_satisfac tion	Technology_factor
customers_satisfac tion	Pearson Correlation	1	.544**
	Sig. (2-tailed)		.000
	N	350	350
Technology_factor	Pearson Correlation	.544**	1
	Sig. (2-tailed)	.000	

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N	350	350
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The result shows that technology factor and customer preference are correlated with the coefficient of 0.544. There is a direct relationship between the technology factor and customer preference. Generally, the customers will prefer choosing commercial bank which is using advanced technology in daily transactions. Since the correlation of 0.544 falls between  $\pm 0.4$  to  $\pm 0.7$ , the correlation between the two variables is moderate. According to the result, the alpha value of 0.05 is greater than the p-value (0.000). Therefore, the  $H_0$  is rejected. Hence, there is a significant relationship between technology factor and customer preference.

#### **4.3.1.3 Hypothesis 3: Relationship between convenience factor and customer preference**

$H_0$  : There is no relationship between convenient factor and customer preference.

$H_1$  : There is a relationship between convenient factor and customer preference.

**Decision Making :Reject  $H_0$  if p-value is less than 0.05**

Table 4.12: Correlations between customers' satisfaction and convenient factor

		customers_satisfac tion	convenient_factor
customers_satisfac tion	Pearson Correlation	1	.515**
	Sig. (2-tailed)		.000
	N	350	350
convenient_factor	Pearson Correlation	.515**	1
	Sig. (2-tailed)	.000	
	N	350	350

The result shows that convenient factor and customer preference are correlated with the coefficient of 0.515. There is a direct relationship between convenient factor and customer preference. Normally, customers will prefer choosing a bank which provides convenient location, convenient operating hour and convenient facilities. Since the correlation of 0.515 falls between  $\pm 0.4$  to  $\pm 0.7$ , the correlation between the two variables is moderate. According to the result, the alpha value of 0.05 is greater than the p-value (0.000). Therefore, the  $H_0$  is rejected. Hence, there is a significant relationship between convenient factor and customer preference.

**4.3.1.4 Hypothesis 4: Relationship between corporate image of bank and customer preference**

H<sub>0</sub> : There is no relationship between corporate image of the bank and customer preference.

H<sub>1</sub> : There is a relationship between corporate image of the bank and customer preference.

**Decision Making :Reject H<sub>0</sub> if p-value is less than 0.05**

Table 4.13: Correlations between customers' satisfaction and corporate image

		customers_satisfac tion	Corporate_image
customers_satisfac tion	Pearson Correlation	1	.598**
	Sig. (2-tailed)		.000
	N	350	350
Corporate_image	Pearson Correlation	.598**	1
	Sig. (2-tailed)	.000	
	N	350	350

The result shows that corporate image of the bank and customer preference are correlated with the coefficient of 0.598. There is a direct relationship between corporate image of the bank and customer preference. Customers will prefer choosing bank with good reputation and does not involved in any scandal. Since the correlation of 0.598 falls between  $\pm 0.4$  to  $\pm 0.7$ , the correlation between the two variables is moderate. According to the result, the alpha value of 0.05 is greater than the p-value (0.000). Therefore, the  $H_0$  is rejected. Hence, there is a significant relationship between corporate image of the bank and customer preference.

#### **4.3.1.5 Hypothesis 5: Relationship between marketing and advertising of the bank and customer preference**

$H_0$  : There is no relationship between marketing and advertising of the bank and customer preference.

$H_1$  : There is a relationship between marketing and advertising of the bank and customer preference.

**Decision Making :Reject  $H_0$  if p-value is less than 0.05**

Table 4.14: Correlations between customers' satisfaction and marketing advertising

		customers_satisfac tion	Marketing_advertisi ng
	Pearson Correlation	1	.452**
	Sig. (2-tailed)		.000
	N	350	350
	Pearson Correlation	.452**	1
	Sig. (2-tailed)	.000	
	N	350	350

The result shows that marketing and advertising of the bank and customer preference are correlated with coefficient of 0.452. There is a direct relationship between marketing and advertising of the bank and customer preference. Customers will prefer choosing bank with good marketing and advertising strategy. Since the correlation of 0.452 falls between  $\pm 0.4$  to  $\pm 0.7$ , the correlation between the two variables is moderate. According to the result, the alpha value of 0.05 is greater than the p-value (0.000). Therefore, the  $H_0$  is rejected. Hence, there is a significant relationship between marketing and advertising of the bank and customer preference.

**4.3.1.6 Hypothesis 6: Relationship between core banking service of the bank and customer preference**

H<sub>0</sub> : There is no relationship between core banking service of the bank and customer preference.

H<sub>1</sub> : There is a relationship between core banking service of the bank and customer preference.

**Decision Making :Reject H<sub>0</sub> if p-value is less than 0.05**

Table 4.15: Correlations between customers' satisfaction and core banking service

		customers_satisfac tion	Core_banking_ser vice
customers_satisfa ction	Pearson Correlation	1	.624**
	Sig. (2-tailed)		.000
	N	350	350
Core_banking_ser vice	Pearson Correlation	.624**	1
	Sig. (2-tailed)	.000	
	N	350	350

The result shows core banking service of the bank and customer preference are correlated with the coefficient of 0.624. There is a direct relationship between core banking service of the bank and customer preference. Customers will prefer choosing bank that offers a vast range of core banking services. Since the correlation of 0.624 falls between  $\pm 0.4$  to  $\pm 0.7$ , the correlation between the two variables is moderate. According to the result, the alpha value of 0.05 is greater than the p-value (0.000). Therefore, the  $H_0$  is rejected. Hence, there is a significant relationship between core banking service of the bank and customer preference.

### 4.3.2 Multiple Regression Analysis

Multiple linear regression analysis is a methodology that involves using two or more independent variables in explaining the dependent variable. It can be expressed as the regression model below:

$$Y = C + \beta_1 SQ + \beta_2 TF + \beta_3 CF + \beta_4 IR + \beta_5 MA + \beta_6 BS + \mu$$

Where

Y = Customers' preference on bank selection

C = Intercept Coefficient

$\beta$  = Slope Coefficient

SQ = Service Quality

TF= Technological Factor

CF= Convenience Factor

IR= Corporate image of bank

MA= Marketing and Advertising of bank

BS= Core Banking Services

$\mu$ = Error Term

**Hypothesis 7: Relationship between Six independent variables and Customer preference**

H<sub>0</sub> : There is no significant relationship between the six independent variables (service quality, technology factor, convenient factor, corporate image of bank, marketing and advertising of bank, and core banking services) and customer preference.

H<sub>1</sub> : There is a significant relationship between the six independent variables (service quality, technology factor, convenient factor, corporate image of bank, marketing and advertising of bank, and core banking services) and customer preference.

Table 4.16: Multiple Regression coefficient

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
-------	-----------------------------	---------------------------	---	------

	B	Std. Error	Beta		
(Constant)	.226	.260		.871	.385
Service_Quality	.151	.052	.154	2.872	.004
Technology_factor	.175	.068	.135	2.566	.011
Convenient_factor	.154	.073	.106	2.127	.034
Corporate_image	.151	.063	.143	2.404	.017
Marketing_advertising	.079	.035	.105	2.301	.022
Core_banking_service	.250	.058	.249	4.302	.000

a. Dependent Variable: customers\_satisfaction

Source: SPSS output.

The equation of the model can be expressed as below:

$$Y \text{ (Customer preference)} = 0.226 + 0.151 \text{ (Service Quality)} + 0.175 \text{ (Technology Factor)} + 0.154 \text{ (Convenient Factor)} + 0.151 \text{ (Corporate Image)} + 0.079 \text{ (Marketing and Advertising)} + 0.250 \text{ (Core Banking Service)}$$

There is a positive relationship between service quality and customer preference. The Unstandardized Beta of 0.151 indicates that when the score

of service quality increased by 1 point, on average, the score of customer preference will increase by 0.151 point, *ceteris paribus*

There is a positive relationship between technology factor and customer preference. The Unstandardized Beta of 0.175 indicates that when the score of technology factor increased by 1 point, on average, the score of customer preference will increase by 0.175 point, *ceteris paribus*

There is a positive relationship between convenient factor and customer preference. The Unstandardized Beta of 0.154 indicates that when the score of convenient factor increased by 1 point, on average, the score of customer preference will increase by 0.154 point, *ceteris paribus*

There is a positive relationship between corporate image of the bank and customer preference. The Unstandardized Beta of 0.151 indicates that when the score of corporate image of the bank increased by 1 point, on average, the score of customer preference will increase by 0.151 point, *ceteris paribus*

There is a positive relationship between marketing and advertising of the bank and customer preference. The Unstandardized Beta of 0.079 indicates that when the score of marketing and advertising the bank increased by 1 point, on average, the score of customer preference will increase by 0.079 point, *ceteris paribus*

There is a positive relationship between core banking services and customer preference. The Unstandardized Beta of 0.250 indicates that when the score of core banking services increased by 1 point, on average, the score of customer preference will increased by 0.250 point, *ceteris paribus*

### **Ranking for unstandardized coefficient of Independent variable**

The independent variables are being ranked as shown in the table above based on their Unstandardized Beta.

Table 4.17: Ranking for unstandardized coefficient of Independent variable

Independent Variables	Beta	Rank
Service Quality	0.151	4
Technology Factor	0.175	2
Convenient Factor	0.154	3
Corporate Image	0.151	4
Marketing and Advertising	0.079	5
Core Banking Services	0.250	1

Source: Developed from the research.

### Coefficient of Determination ( $R^2$ )

Table 4.18: Model Summary

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 <sup>a</sup>	.503	.494	.41506

a. Predictors: (Constant), Core\_banking\_service, Marketing\_advertising, Technology\_factor, convenient\_factor, Service\_Quality, Image\_reputation

Source: SPSS output.

The R value represents the relationship of the correlation coefficient of dependent variable with independent variables. The R value of 0.709 indicates that independent variables (service quality, technology factor, convenient factor, corporate image, marketing and advertising, core banking service) are strongly correlated with the dependent variable (customer preference). The value of R square measures the percentage of customer preference which is explainable by the six independent variables. As shown in the table above, the value of R square is 0.503, which indicates that 50.3% of the variance of customer preference can be explained by the six independent variables included in the model. In other words, there are other independent variables that also affect customer preference but were not included in this model.

**ANOVA**

Table 4.19: ANOVA<sup>a</sup>

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.845	6	9.974	57.898	.000 <sup>b</sup>
	Residual	59.090	343	.172		
	Total	118.935	349			

a. Dependent Variable: customers\_satisfaction

b. Predictors: (Constant), Core\_banking\_service, Marketing\_advertising, Technology\_factor, convenient\_factor, Service\_Quality, Image\_reputation

Source: SPSS output.

The result shows that the F value is 57.898 while the p-value is 0.000. Since the alpha value (0.05) is greater than the p-value, this model is considered as fit and significant. Overall, the model describes the relationship between the dependent variable (customer preference) and independent variables (service quality, technology factor, convenient factor, corporate image, marketing and advertising, and core banking services) well.

## **4.4 Conclusion**

In Chapter 4, the hypotheses stated in Chapter 1 are tested and result obtained is summarized in this chapter. Before running the inferential analysis with SPSS 2.0, Cronbach's Alpha Test is conducted to examine the consistency and reliability of the data. Pearson Correlation Analysis and Multiple Linear Regression are conducted in the inferential analysis. The result shows that each of the six independent variables (service quality, technology factor, convenient factor, corporate image, marketing and advertising, and core banking services) has significant relationship with the dependent variable (customer preference). The overall analysis will be explained in details in Chapter 5.

## **CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS**

### **5.0 Introduction**

This chapter discusses on the findings according to the outcomes derived from previous chapter. Besides, implication of the study, limitations throughout the study and recommendations for future researchers will also be included in this chapter. Ultimately, a summary of this research project will be provided at the end of this chapter.

### **5.1 Summary of Statistical Analysis**

Based on the results obtained in previous chapter including descriptive analysis, scale measurement, and inferential analysis of the model, 350 sets of questionnaires were examined for the following research.

## **5.1.1 Descriptive Analysis**

### **5.1.1.1 Respondent Demographic Information**

The investigation of the respondents' demographic profile which includes gender, age, income level, and most frequently used commercial banks has been conducted. 350 respondents were participated in the survey.

In this study, 169 respondents are male (48.29%) and 181 respondents are female (51.71%). Majority of the respondents are from the age group of thirty one to forty years old which is 121 respondents (34.57%) and followed by 118 respondents (33.71%) from twenty one to thirty years old, 69 respondents (19.71%) from forty one to fifty years old, 26 respondents (7.43%) from fifty one years old and above as well as 16 respondents (4.57%) from eighteen to twenty years old.

For the income level, there are a total of 79 respondents (22.57%) in the category of RM3001 – RM4000. The second highest category is the RM1001 – RM2000 which consists of 72 respondents (20.57%), and followed by 65 respondents (18.57%) in the category of RM2001 – RM3000, 51 respondents (14.57%) in the category of RM4001 – RM5000, 49 respondents (14.00%) in the category of below RM1000. The least number of respondents which is 34 respondents (9.71%) is in the category of RM5001 and above.

The most frequently used commercial bank by the larger number of respondents are MaybankBerhad which is 80 respondents (22.86%) and the second most selected commercial bank is Public Bank Berhad which is 71 respondents (20.29%). This is followed by the Hong Leong Bank Berhad, CIMB Bank Berhad, Alliance Bank Berhad, Ambank Group Berhad, and Affin Bank Berhad which is 52 respondents (14.86%), 37 respondents (10.57%), 32 respondents (9.14%), 28 respondents (8.00%), and 26 respondents (7.43%) respectively. While the least frequently used commercial bank is Affin Bank Berhad by 24 respondents (6.86%).

#### **5.1.1.2 Central Tendencies Measurement of Constructs**

According to the discussion of central tendencies measurement in the Chapter 4, there are 35 questions in the questionnaire are used to analyse the response variable which is customers' preference on bank selection (customer satisfaction) and six explanatory variables which are service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of bank, as well as core banking services. Statistical Package for Social Sciences (SPSS) version 20.0 is conducted to summarize the descriptive statistic of the data.

For the customers' preference on bank selection (customer satisfaction), result shown that "I am satisfied with the products and services provided by the bank" (CS1) and "Will you recommend the bank to your family and friends" (CS5) have the same largest mean value of 4.30 and the statement of "I will not switch to other conventional bank" (CS2) has the lowest mean value of

4.13 among all of the five statements in the questionnaire. Besides that, the statement of “I will not switch to other conventional bank” (CS2) obtains the highest standard variation of 0.772 and the statement of “Overall, the performance of the bank meet my expectations” (CS3) obtains the smallest standard deviation of 0.680 among all of the five statements.

For the service quality, result shown that “The bank provides fast and efficient services” (SQ1) has the highest mean value and standard deviation of 4.29 and 0.940 respectively; while the statement of “The bank performed the promised services accurately” (SQ2) has the lowest mean value and standard deviation of 4.01 and 0.671 respectively among all of the five statements in the questionnaire.

For the technological factor, result shown that “The bank provides secured internet banking service” (TF1) has the largest mean value of 4.36 and the statement of “The bank provides user friendly interface” (TF3) has the lowest mean value of 4.16 among all of the five statements in the questionnaire. Besides that, the statement of “You trust the safeness of the internet or mobile service provided” (TF5) obtains the highest standard variation of 0.665 and the statement of “The bank provides secured mobile banking service” (TF2) obtains the lowest standard deviation of 0.627 among all of the five statements.

For the convenience factor, result shown that “The bank has many branches in Malaysia ” (CF1) has the largest mean value of 4.51 and the statement of “The branch provides enough parking spaces” (CF4) has the lowest mean value of 4.11 among all of the five statements in the questionnaire. However, “The branch provides enough parking spaces” (CF4) obtains the highest standard

variation of 0.775 and “The bank has many branches in Malaysia” (CF1) obtains the lowest standard deviation of 0.560 among all of the five statements.

For the corporate image of bank, result shown that “The bank has a strong financial standing” (CI1) has the largest mean value of 4.34 and the statement of “The bank building has good appearance” (CI5) has the lowest mean value of 4.09 among all of the five statements in the questionnaire. Besides that, the statement of “The bank has been carried out its corporate social responsibility” (CI3) obtains the highest standard variation of 0.860 and the statement of “The bank has been founded in Malaysia for a long time” (CI2) obtains the lowest standard deviation of 0.701 among all of the five statements.

For the marketing and advertising of bank, result shown that “Personnel from the bank has influence on me to select a bank” (MA3) has the highest mean value of 4.26 and the statement of “The presence of the bank in social media platform has influence my choice when selecting a bank” (MA2) has the lowest mean value of 4.08 among all of the five statements in the questionnaire. Besides, the statement of “referral from other customers has influenced my choice when selecting a bank” (MA5) obtains the highest standard variation of 0.993 and the statement of “Personnel from the bank has influence on me to select a bank” (MA3) obtains the lowest standard deviation of 0.838 among all of the five statements.

For the core banking services, result shown that “The bank provides innovative products and services” (CBS1) and “The bank provides one stop banking service” (CBS5) have the same highest mean value of 4.30 and the statement of “The bank provides a vast range of products and services” (CBS2)

has the smallest mean value of 4.13 among all of the five statements in the questionnaire. Besides that, the statement of “The bank provides a vast range of products and services” (CBS2) obtains the highest standard variation of 0.772 and the statement of “The bank has differentiated its products and services from its competitors” (CBS3) obtains the lowest standard deviation of 0.680 among all of the five statements.

## **5.1.2 Scale Measurement**

### **5.1.2.1 Reliability Analysis**

Cronbach's Alpha test is conducted in the reliability analysis. It is used to examine the reliability and consistency of the data collected in the questionnaire. A survey of 350 respondents and a total of 7 items are being used in this analysis. The results obtained from the analysis shows that the Cronbach's Alpha is 0.877 which is greater than 0.8. Therefore, the questions design in the questionnaire has an excellent reliability.

### **5.1.3 Inferential Analysis**

#### **5.1.3.1 Pearson Correlation Analysis**

Pearson correlation analysis reflects the ability and direction of linear relationship whether there are positive or negative relationship between one dependent variable and six independent variables.

Based on the results of this analysis, each of the independent variable included in this research has a significant positive relationship with the customers' preference on bank selection. The highest correlation is core banking services with  $r = 0.624$ , followed by corporate image of bank with  $r = 0.598$ , service quality with  $r = 0.565$ , technological factor with  $r = 0.544$ , convenience factor with  $r = 0.515$ , and lastly is marketing and advertising of bank with  $r = 0.452$ .

#### **5.1.3.2 Multiple Regression Analysis**

Multiple regression analysis is used to estimate the relationship among independent variables against customers' preference on bank selection. Based on the result of regression, the value of R square is 0.503 which indicates that 50.3% of the total variation in dependent variable (customers' preference on bank selection) can be defined by total variation in independent variables

(service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of bank, and core banking services).

Besides that, the p-value of 0.000 is lower than the alpha value of 0.05 based on the ANOVA table in the previous chapter. In addition, the F-statistic value of 57.898 indicates that the model is significant. Generally, the model used in this study is considered as an excellent indicator of the relationship between the dependent variable and independent variables. In short, variance in the customers' preference on bank selection can be significantly defined by the explanatory variables (service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of bank, and core banking services).

The coefficient equation is formed as following:

$$Y \text{ (Customers' Preference on Bank Selection)} = 0.226 + 0.151 \text{ (Service Quality)} + 0.175 \text{ (Technological Factor)} + 0.154 \text{ (Convenience Factor)} + 0.151 \text{ (Corporate image of Bank)} + 0.079 \text{ (Marketing and Advertising of Bank)} + 0.250 \text{ (Core Banking Services)}$$

It shows that service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of bank, and core banking services have significant positive effect towards the customers' preference on bank selection since the p-value is less than the significance level of 0.05.

## 5.2 Discussion of Major Findings

Table 5.1 Summary of the hypothesis testing result

H1: Service quality positively affects customers' preference on selecting local commercial banks in Malaysia.	Yes
H1: Technological factor positively affects customers' preference on selecting local commercial banks in Malaysia.	Yes
H1: Convenience factor positively affects customers' preference on selecting local commercial banks in Malaysia.	Yes
H1: Corporate image of bank positively affects customers' preference on selecting local commercial banks in Malaysia.	Yes
H1: Marketing and advertising of bank positively affects customers' preference on selecting local commercial banks in Malaysia.	Yes
H1: Core banking services positively affects customers' preference on selecting local commercial banks in Malaysia.	Yes

Source: Developed from the research.

### 5.2.1 Service Quality

According to the previous chapter, service quality positively affects customers' preference on selecting local commercial banks in Malaysia and it is ranked at the fourth important factor (0.151). This result is consistent with the findings of Adekiya and Gawuna (2015); Quyet, Vinh and Chang (2015); Tehulu and Wondmagegn (2014); Gebremeskel (2014); Braima (2018); Ara and Begum (2018); Oluwaseyitan, Hashim and Yusof (2018); Lelissa and Lelissa (2017); Abbam, Say and Dadson (2015); Khaitbaeva, Enyinda and Abdulaziz (2015);

as well as Zulfiqar, Arshad, FareedShahzad and Hussain (2014). Braima (2018) concluded that service quality is the most essential factor when choosing a bank service in Saudi Arabia specially Tabuk city and suggested Saudi banks to focus in quality of service.

### **5.2.2 Technological Factor**

Technological factor positively affects customers' preference on selecting local commercial banks in Malaysia and it is ranked at the second important factor (0.175). This outcome is reliable as the findings of past researchers, Tehulu and Wondmagegn (2014); Ara and Begum (2018) as well as Nkamnebe, Ukenna, Anionwu, and Chibuike (2014) also found that technology factor can positively influence the customers' preference on bank selection. Ara and Begum (2018) examined that technological factor was perfectly positively and significantly correlated with bank selection resolution. The outcomes interpreted that bank using or not using modern technologies and equipment is the most significant determinant to be considered during the selection of bank.

### **5.2.3 Convenience Factor**

In our findings, convenience factor positively affects customers' preference on selecting local commercial banks in Malaysia. It is the third important factor

with a coefficient of 0.154. This outcome is similar with findings of Gebremeskel (2014); Tehulu and Wondmagegn (2014); Adekiya and Gawuna (2015); Hinson, Osarenkhoe & Okoe (2013) as well as Oluwaseyitan, Hashim and Yusof (2018) that obtained the same result as this study. Hinson, Osarenkhoe and Okoe (2013) claimed that a bank will have a superiority over other competitors when it provides a convenient service that meets the needs of the consumers.

#### **5.2.4 Corporate Image of Bank**

Corporate image of bank positively affects customers' preference on selecting local commercial banks in Malaysia. It is ranked at the fourth important factor (0.151) which is same rank with the service quality. Tehulu and Wondmagegn (2014); Selvanathan, Nadarajan, Zamr, Suppramaniam, and Muhammad (2018) as well as Ara and Begum (2018) also found the same result as this research. According to Selvanathan, Nadarajan, Zamr, Suppramaniam, and Muhammad (2018), reputation of bank is important in the market as it is related with the greater profitability and sustainability of the bank and this has been detected that it can affect people's option for selecting a bank.

### **5.2.5 Marketing and Advertising of Bank**

Based on our findings, marketing and advertising positively affects customers' preference on selecting local commercial banks in Malaysia and it is the fifth important factor (0.079) which is the least important factor among the independent variables. The similar result were conducted in the researches of Lelissa and Lelissa (2017); Tehulu and Wondmagegn (2014); Gebremeskel (2014) as well as Hinson, Osarenkhoe and Okoe (2013). Gebremeskel (2014) claimed that the "promotion strategy" factor which involve in advertising the various services offered in banks and availability of several branches is an importance criteria of bank selection.

### **5.2.6 Core Banking Services**

Lastly, core banking services also positively affects customers' preference on selecting local commercial banks in Malaysia and it is the most important element (0.250). This result is parallel with the findings of Narteh and Kuada (2014) and Oluwaseyitan, According to Narteh and Kuada (2014), the core banking service is very essential that if the bank fails to deliver it could cause customers to switch to other competitors. Consequently, there is a direct positive relationship between the sophistication of core services and the customer satisfaction with the bank.

## **5.3 Implication of the Study**

The findings of previous chapters have shown that all of the six determinants which are service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of the banks, and core banking services of the bank have a positive significant relationship with the customers' preference in local commercial bank selection. Therefore, the banks should enhance its strengths and find new opportunities by manipulating these independent variables in order to dominate the market and build customer loyalty.

### **5.3.1 Managerial Implications**

Based on the ranking in Chapter 4, the most important factor is core banking services with the highest coefficient which is 0.250. That means customers prefer to have innovative, vast range and one stop banking service with differentiated products and services. The banking product significantly attract the customer interest since it is the most important criteria to customer preference on selecting a bank, thus, bank management has to keep this as a main strategy for their long term goal and short term objectives by continue providing special and functional product and service. Also, strive to introduce new and innovative products that suit customer and frequently assess, evaluate as well as analyze the market trend are must because customer needs and wants can alter now and then. For example, expand the range of financial services, by providing some zero-charge credit card with terms and conditions applied and rebate or reward for certain transactions.

Secondly, local commercial bank should pay attention to technology factor as it has the second highest coefficient, 0.175. This illustrates that technology is a big concern to people nowadays. Under this research, technological factor includes secured internet banking service, secured mobile banking service, user friendly interface, easy access, and trusted safeness of the internet or mobile service provided. Being a bank manager, he/she has to pay attention to the latest technology and ensure the safety of each transaction. Technology creates value products to customer, especially in terms of convenience and barriers. For instance, banks which cooperate with fin-tech companies are able to provide simple but meaningful product at economies of scale. They thus introduce mobile app for banking transaction, online robot to receive inquiries and solve problems within seconds, E-wallet for purchasing and transferring fund and Duit-now which only requires identity of an individual. In order to make sure the transactions are safe, the FSA 2013 has replaced BAFIA 1989 after updating with the new market trend, whereas Computer Crime Act aims to handle the issues from electronic banking system. To maintain the existing customer and explore more potential clients, bank needs to focus on new technology which can assist in financial institutions.

On the other hand, convenience more or less has brought impact to customer preference, as the result showed a coefficient of 0.154. The convenient factor refers to many branches in Malaysia, vicinity to home or work place, convenient opening and closing hours, ample parking lots and ease of open an account at the bank. The bank should consider expanding more branches or setting up adequate ATM in neighborhood areas because the result showed people prefer a closer bank branch. Quick maintenance to respond ATMs malfunction is also another incentive to convenient factor (Dogbe, Bamfo 2019). Besides, provide an empty area for car park to customer or offer shuttle bus service at reasonable rate is a good option to reduce troubles regarding to

convenience. Finally, lower the barriers to eligible participants to open a bank account, such as low initial capital.

In addition, a value of 0.151 from service quality showed that it has an almost equivalent effect as convenience to the dependent variable. Under the scope of service quality, it covers well train staff, fast and efficient services, performed the promised services accurately, provides detailed information about the services provided, handles customers' complaint well, helpful and friendly staff. So, bank is encouraged to establish a professional relationship with customers, deliver value to them in the hope of retaining their business. A good recovery process should be ready in case bank fails to retain them (Gebremeskel, 2014). Furthermore, increase the manpower that understand multilingual capabilities would catalyze the service and make it more efficient.

Meanwhile, corporate image of bank carries a coefficient of 0.151, which is identical to service quality. This illustrates that people cares on the external appearance of a bank as much as service quality and bank is able to take this opportunity to grab the customers. The corporate image of a bank comprised of strong financial standing, founded in Malaysia for a long time, involvement of corporate social responsibility, does not involve in any scandal and good appearance. A strong financial standing build confidence to customers to believe that the bank has stable and sound financial structure. The longer a bank was founded in Malaysia, customers are tempted towards it.

Lastly, marketing and advertising with a value of 0.079 carries the least effect to the dependent variable. It refers that TV or radio advertisement, presence of the bank in social media platform, personnel from the bank, presence of the

bank in newspaper or other print media and referral from other customers (word of mouth) will positively affect the customer preference. In order to improving the word of mouth, bank can organize a customer referral program to encourage customers to do suggestions on bank products or services to prospective customers. They can be remunerated according to the number of comments they gave (Adekiya&Gawuna, 2015). The willingness of existing customers to share their experiences or recommendations to the potential customers can give them more confident to choose that bank.

## **5.4 Limitations of the Study**

In this research, we identified 6 factors that potentially impact the customer selection criteria of choosing a bank. By referring to journals and articles, a comprehensive questionnaire comprised of dependent and all independent variables was spreading to nationwide respondents. Data were collected and inserted into SPSS to run multiple regression analysis. From the outcomes obtained from regression analysis, there are some hindrances discovered in our study.

### **Result is Not Applicable for Other Countries**

Firstly, the flaw of our project arises when we only investigated the customer selection criteria of choosing bank in Malaysia. The data collected is not derived from worldwide sample, thus the factors and their degree of importance may vary with foreign country. In foreign countries, the financial services act and guidelines to banking sectors, culture, demography and geographical location may change the worthiness of each explanatory variables to selection criteria. Since Malaysia is a

developing country, the results obtained may only give a little effect to other developed or poor countries because they tend to have different types of innovative bank products and receive asymmetrical technology.

### **Language Barriers**

Besides, due to collecting samples from different ages of respondents, we face language barriers at times when we circulate the questionnaires to the aged people. Some of them is less educated and merely understand their mother language. The Malays are familiar with Malay language, Chinese familiar with Mandarin language and Indians familiar more with their mother tongue. The research therefore was able to reach fewer senior citizens because they refused to fill up the survey form.

### **Time Constraint**

On the other hand, using primary data to run the analysis is more time and energy consuming than secondary data because we ought to construct a questionnaire beforehand and gather information by ourselves. Thus, we suffer time constraint during our research as we are only allowed to handle our workloads in few months. The future researches which are going to be initiated by others should consider the time constraint and plan carefully in order to work for efficiently.

### **Problematic Data**

Furthermore, there were some problematic data collected from our survey. Out of 500 questionnaires distributed, many were omitted and only 350 questionnaires were taken because of errors like incomplete answer and inappropriate. Our method data collection is through spreading the questionnaires to respondents, so, when some of the respondents feel confused on the questions asked in our survey, they just simply answer the questions without enquiring us.

## **5.5 Recommendations**

Based on the limitations that are stated on above, we have suggested some solutions to treat the problems arose.

### **Conduct a More Comprehensive Model for Future Research**

Since our research topic target the banking system in Malaysia, we might unable to apply this model to other countries especially countries which are very modern or very poor. It is proposed for the following research to target a bigger sample size and observations (in terms of more countries and more diversified respondents) so that the regression analysis could be helpful and benefit to more countries.

### **Bilingual or Multiple Languages in Explanation**

Encounter old folks with low literacy did become problematic while gather information. The future research may provide bilingual or multiple languages that are commonly used in Malaysia to translate English words and terms.

### **Form a Larger Team, Lengthen Duration**

The time constraint shortens the period of doing research. Team up with larger number of members reduce the tasks for everyone and eventually speed up the process. Alternatively, treat the time constraint by lengthen the duration of progress.

### **Generate More Alternatives**

Missing data indirectly slows down the process because of consuming more time in search for next respondent and this causes wasting (in case of non-online distribution of survey). We recommend allowing more alternatives for quality sample collecting, like providing face-to-face interview and one-to-one guidance so that the respondents clearly understand and pick the correct likertscale for the questionnaire. This will confirm the true thoughts from customers' mind set and making a more accurate estimation.

## 5.6 Conclusion

The purpose of this research is to investigate the determinants influencing our dependent variable, customers' preference on bank selection. We have adopted 6 factors as our independent variables which are service quality, technological factor, convenience factor, corporate image of bank, marketing and advertising of bank, and core banking services. These factors were converted into some questions and asked in our survey questionnaire.

In this research, we attempted to answer the research question as following:

1. Does service quality affects customers' preference on selecting local commercial banks in Malaysia?
2. Does technology factor affects customers' preference on selecting local commercial banks in Malaysia?
3. Does convenient factor affects customers' preference on selecting local commercial banks in Malaysia?
4. Does corporate image of the bank affects customers' preference on selecting local commercial banks in Malaysia?
5. Does marketing and advertising of the bank affects customers' preference on selecting local commercial banks in Malaysia?
6. Does core banking services affects customers' preference on selecting local commercial banks in Malaysia?

Based on our result, it expresses that all of the explanatory variables have significant positive relationship to the response variable. The core banking services is the most important determinant with the largest coefficient (0.250) compared to other

independent variables. This study can be utilized as a citation for future researchers to further study customers' preference on selecting local commercial banks in Malaysia.

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APPENDICES

APPENDIX A – QUESTIONNAIRE



**UNIVERSITI TUNKU ABDUL RAHMAN**  
**FACULTY OF BUSINESS AND FINANCE**

**UBFZ3026 Research Project**

**Questionnaire**

Research Title: The Determinants that influence customers' preference on selecting local commercial banks in Malaysia

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Dear Respondent,

We are Banking and Finance students from Universiti Tunku Abdul Rahman. We are currently undergoing our Final Year Project titled “The Determinants that influence customers' preference on selecting local commercial banks in Malaysia”.

We hoped that you could cooperate by spending 5 to 10 minutes to complete this questionnaire. Kindly please be informed that all of the response will be kept private and confidential and will only be used for academic purpose.

Thank you for your participation.

<b>Name</b>	<b>Student ID</b>
Cheng Yee Lay	16ABB06329
Lee Jia Mei	16ABB07432
Lew Jun Xuan	16ABB06691
MahHin Kit	15ABB02521
Tan Jing Ven	16ABB06745

Instruction

- 1) There will be TWO (2) sections in this questionnaire. Answer ALL questions.
- 2) The contents of this questionnaire will be kept confidential.

Section A

Please tick (√) the following answer box for each question.

*Demographic*

1. Gender
  - Male
  - Female
  
2. Age
  - 18-20 years old
  - 21-30 years old
  - 31-40 years old
  - 41-50 years old
  - 51 and above
  
3. Income level
  - Below RM 1000
  - RM1001 – RM2000
  - RM2001 – RM3000
  - RM3001 – RM4000
  - RM4001 – RM5000
  - RM5001 and above
  
4. Most frequently used conventional bank
  - Affin Bank Bhd
  - Alliance Bank Bhd
  - Ambank Group Bhd
  - CIMB Bank Bhd
  - Hong Leong Bank Bhd
  - Maybank Bhd
  - Public Bank Bhd
  - RHB Bank Bhd
  - Othes

**Section B**

Please circle only one response for each of the following statement below from the scale of 1 to 5 where,

1= Strongly disagree, 2= disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

The following questions will based on the answer you selected in Section A Question 4.

*Service Quality*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The bank provides fast and efficient services.	1	2	3	4	5
The bank performed the promised services accurately.	1	2	3	4	5
The bank provides detailed information about the services provided.	1	2	3	4	5
The bank management handles customers' complaint well.	1	2	3	4	5
The staff in the bank is helpful and friendly.	1	2	3	4	5

*Technological factor*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The bank provides secured internet banking service.	1	2	3	4	5
The bank provides secured mobile banking service.	1	2	3	4	5
The bank provides user friendly interface.	1	2	3	4	5
The internet or mobile banking service provided is easy to access.	1	2	3	4	5
You trust the safeness of the internet or mobile service provided.	1	2	3	4	5

*Convenient Factor*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The bank has many branches in Malaysia	1	2	3	4	5
There is a branch near your home or work place.	1	2	3	4	5
The branch operating hours are convenient.	1	2	3	4	5
The branch provides enough parking spaces.	1	2	3	4	5
It is easy to open an account at the bank.	1	2	3	4	5

*Corporate image of the bank*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The bank has a strong financial standing.	1	2	3	4	5
The bank has been founded in Malaysia for a long time.	1	2	3	4	5
The bank has been carried out its corporate social responsibility.	1	2	3	4	5
The bank does not involve in any scandal related to the banking industry.	1	2	3	4	5
The bank building has good appearance.	1	2	3	4	5

*Marketing and advertising of the bank*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The TV or radio advertisement of the bank has influence my choice when selecting a bank.	1	2	3	4	5
The presence of the bank in social media platform has influence my choice when selecting a bank	1	2	3	4	5

Personnel from the bank have influence on me to select a bank.	1	2	3	4	5
The presence of the bank in newspaper or other print media has influence my choice when selecting a bank.	1	2	3	4	5
Referral from other customers has influenced my choice when selecting a bank.	1	2	3	4	5

*Core Banking Service*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The bank provides innovative products and services.	1	2	3	4	5
The bank provides a vast range of products and services.	1	2	3	4	5
The bank has differentiated its products and services from its competitors.	1	2	3	4	5
The bank provides remittance service.	1	2	3	4	5
The bank provides one stop banking service.	1	2	3	4	5

*Customers' satisfaction*

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am satisfied with the products and services provided by the bank.	1	2	3	4	5
I will not switch to other conventional bank.	1	2	3	4	5
Overall, the performance of the bank meet my expectations	1	2	3	4	5
I will continue to use the bank in the future	1	2	3	4	5
Will you recommend the bank to your family and friends	1	2	3	4	5

APPENDIX B – DESCRIPTIVE ANALYSIS

		<b>Gender</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	181	51.7	51.7	51.7
	Male	169	48.3	48.3	100.0
	Total	350	100.0	100.0	

		<b>Age</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-20 years old	16	4.6	4.6	4.6
	21-30 years old	118	33.7	33.7	38.3
	31-40 years old	121	34.6	34.6	72.9
	41-50 years old	69	19.7	19.7	92.6
	51 and above	26	7.4	7.4	100.0
	Total	350	100.0	100.0	

		<b>Income Level</b>			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below RM 1000	49	14.0	14.0	14.0
	RM1001 – RM2000	72	20.6	20.6	34.6
	RM2001 – RM3000	65	18.6	18.6	53.1
	RM3001 – RM4000	79	22.6	22.6	75.7
	RM4001 – RM5000	51	14.6	14.6	90.3
	RM5001 and above	34	9.7	9.7	100.0
	Total	350	100.0	100.0	

**Most Frequently Used Bank**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Affin Bank Bhd	24	6.9	6.9	6.9
	Alliance Bank Bhd	32	9.1	9.1	16.0
	Ambank Group Bhd	28	8.0	8.0	24.0
	CIMB Bank Bhd	37	10.6	10.6	34.6
	Hong Leong Bank Bhd	52	14.9	14.9	49.4
	Maybank Bhd	80	22.9	22.9	72.3
	Public Bank Bhd	71	20.3	20.3	92.6
	RHB Bank Bhd	26	7.4	7.4	100.0
	Total	350	100.0	100.0	

## APPENDIX C – SCALE MEASUREMENT

### Reliability Test

#### Case Processing Summary

		N	%
Cases	Valid	350	100.0
	Excluded <sup>a</sup>	0	.0
	Total	350	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	N of Items
.877	7

APPENDIX D – PEARSON CORRELATION ANALYSIS

Pearson Correlation Analysis between customer satisfaction and service quality

**Correlations**

		customers_satis faction	Service Quality
customers_satisfaction	Pearson Correlation	1	.565**
	Sig. (2-tailed)		.000
	N	350	350
Service_Quality	Pearson Correlation	.565**	1
	Sig. (2-tailed)	.000	
	N	350	350

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Pearson Correlation Analysis between customer satisfaction and technology factor

**Correlations**

		customers_satis faction	Technology_fact or
customers_satisfaction	Pearson Correlation	1	.544**
	Sig. (2-tailed)		.000
	N	350	350
Technology_factor	Pearson Correlation	.544**	1
	Sig. (2-tailed)	.000	
	N	350	350

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Pearson Correlation Analysis between customer satisfaction and convenient factor

**Correlations**

		customers_satis faction	convinient_facto r
customers_satisfaction	Pearson Correlation	1	.515**
	Sig. (2-tailed)		.000
	N	350	350
convinient_factor	Pearson Correlation	.515**	1
	Sig. (2-tailed)	.000	
	N	350	350

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Pearson Correlation Analysis between customer satisfaction and corporate image

**Correlations**

		customers_satis faction	Image_reputatio n
customers_satisfaction	Pearson Correlation	1	.598**
	Sig. (2-tailed)		.000
	N	350	350
corporate_image	Pearson Correlation	.598**	1
	Sig. (2-tailed)	.000	
	N	350	350

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Pearson Correlation Analysis between customer satisfaction and marketing and advertising

**Correlations**

		customers_satis faction	Marketing_adver tising
customers_satisfaction	Pearson Correlation	1	.452**
	Sig. (2-tailed)		.000
	N	350	350
Marketing_advertising	Pearson Correlation	.452**	1
	Sig. (2-tailed)	.000	

N	350	350
---	-----	-----

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Pearson Correlation Analysis between customer satisfaction and core banking service

		customers_satis faction	Core_banking_s ervice
customers_satisfaction	Pearson Correlation	1	.624**
	Sig. (2-tailed)		.000
	N	350	350
Core_banking_service	Pearson Correlation	.624**	1
	Sig. (2-tailed)	.000	
	N	350	350

\*\* . Correlation is significant at the 0.01 level (2-tailed).

APPENDIX E – MULTIPLE REGRESSION ANALYSIS

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	Core_banking_s ervice, Marketing_adver tising, Technology_fact or, convinient_facto r, Service_Quality, Image_reputatio n <sup>b</sup>		Enter

- a. Dependent Variable: customers\_satisfaction  
b. All requested variables entered.

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.226	.260		.871	.385
	Service_Quality	.151	.052	.154	2.872	.004
	Technology_factor	.175	.068	.135	2.566	.011
	convinient_factor	.154	.073	.106	2.127	.034
	Image_reputation	.151	.063	.143	2.404	.017
	Marketing_advertising	.079	.035	.105	2.301	.022
	Core_banking_service	.250	.058	.249	4.302	.000

- a. Dependent Variable: customers\_satisfaction

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 <sup>a</sup>	.503	.494	.41506

a. Predictors: (Constant), Core\_banking\_service,  
 Marketing\_advertising, Technology\_factor, convinient\_factor,  
 Service\_Quality, Image\_reputation

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	59.845	6	9.974	57.898	.000 <sup>b</sup>
	Residual	59.090	343	.172		
	Total	118.935	349			

a. Dependent Variable: customers\_satisfaction

b. Predictors: (Constant), Core\_banking\_service, Marketing\_advertising, Technology\_factor,  
 convinient\_factor, Service\_Quality, Image\_reputation