



Commercial Bank Selection: Comparison between Single and Multiple Bank Users in Malaysia

Safiek Mokhlis (Corresponding author)

Faculty of Management and Economics, Universiti Malaysia Terengganu

21030 Kuala Terengganu, Malaysia

Tel: 60-9-668-3164 E-mail: safiek@umt.edu.my

Hayatul Safrah Salleh

Faculty of Management and Economics, Universiti Malaysia Terengganu

21030 Kuala Terengganu, Malaysia

Tel: 60-9-668-3417 E-mail: hayatul@umt.edu.my

Nik Hazimah Nik Mat

Faculty of Management and Economics, Universiti Malaysia Terengganu

21030 Kuala Terengganu, Malaysia

Tel: 60-9-668-3184 E-mail: nikhazimah@umt.edu.my

Abstract

This paper presents an empirical study of selection criteria employed by single and multiple bank users and to see if certain personal characteristics can be used to differentiate these two segments. The study chose to sample a specific consumer segment in Malaysia, namely the young-adults, which have not been given enough attention in the literature. Selection factors of which both single and multiple bank users had variation were attractiveness, branch location, ATM service, financial benefits and secure feeling. Multiple-bankers appear to place significantly more importance to all these factors. Female customers engage in multiple banking significantly more than their male counterparts. The implications of the findings were discussed and opportunities for future research were provided.

Keywords: Bank selection criteria, Single bank users, Multiple bank users, Young-adult, Malaysia

1. Introduction

Multiple banking, also called split-banking occurred when people employed two or more bankers to handle their personal financial affairs (Denton & Chan, 1991). Chan (1993) stated that multiple banking exists where the same person uses the same service at two or more banks. Whereas, definition of multiple banking given by Gerrard and Cunningham (1999) focus on product specific which relate to savings account. They stated that multiple banking exists if a customer maintains a savings account at two or more banks. This approach is justified for this study because it is known that saving account is used by almost all young-adult consumers in Malaysia particularly undergraduate students.

Multiple banking, where it exists, has obvious advantages for both banks and customers (Gerrard & Cunningham, 1999). For a bank, multiple banking creates an extra relationship with customers, which is good from a statistical point of view. From a customer's perspective, multiple banking enable a customer to access a wider range of ATMs, possibly a wider range of financial services and the ability to negotiate a better deal on financial services such as a loan.

Single banking also has certain advantages for both banks and customers. The benefit of a single banking relationship over multiple ones is that it can save overall monitoring costs (Diamond, 1984) and transaction costs. Single banking creates efficiency within the banking system due to non-duplication of certain service provision (for example, saving account passbook or sending out of regular account statements). Some customers may desire to maintain relationship with one single bank to save time, cost and effort, especially if the bank is able to provide more integrated services and implement a customer-centric strategy to satisfy their banking needs.

Despite its significance, the issue of single versus multiple banking is not one which has been over-researched. Instead, the major focus of studies in the bank marketing literature was either the taxonomy of banks' customers or attempted to determine the bank selection criteria employed by individual customers (for example, Kaufman, 1967; Reed, 1972; Mason & Mayer, 1974; Anderson, Fox & Fulcher, 1976; Kaynak, 1986; Boyd, Leonard & White, 1994; Hon & Tom, 1994; Holstius & Kaynak, 1995; Zineldin, 1996). Relatively less effort has been directed towards identification of

choice criteria factors employed by single and multiple bank users. Some of those who have published information about the practice have done so in what can be considered as a side issue (cf. Gerrard & Cunningham, 1999) and the population of interest in these studies has been the general population. Far less is known about the multiple banking behavior of young-adult segment with Gerrard and Cunningham (2001) is being the only study of note.

Considering the limitations in the studies conducted to date, the purpose of this study is to compare the selection criteria employed by single and multiple bank users and to see if certain personal characteristics can be used to differentiate a multiple bank user from a single bank user. It was predicted that significant discrepancy would exist between single and multiple bank users with regard to the importance of bank selection criteria.

This paper would make contribution by providing bank marketers with an enhanced understanding of the factors which influence selection of single and multiple bank users, which will enable them to tailor marketing efforts towards attracting such account holders. The findings of the study would also contribute to the very limited knowledge presently available about banking behavior of young-adult consumers in Malaysia, which has not been given much attention in previous studies.

The remainder of this paper is divided into six sections. The next section provides an overview of Malaysian banking sector, followed by a general overview of young-adult segment and its significance to financial service providers. Next presented is a review of previous studies, research methodology, empirical results and finally concluding comments.

2. The Malaysian Banking Sector

The Malaysian financial system comprises the banking system and the system of non-bank financial intermediaries. The banking system includes the Central Bank (Bank Negara Malaysia), commercial banks and also several important non-financial institutions which are closely linked to the monetary institutions. These institutions are the finance companies, merchant banks, discount houses and the money and foreign exchange brokers. The non-bank financial institutions, apart from the above, include development finance institutions, saving institutions, provident and pension funds, insurance companies, building societies, unit trusts and other special investment agencies.

Commercial banks play a vital role in the Malaysian economy for two reasons; first, they provide a major source of financial intermediation and secondly, their checkable deposit liabilities represent the bulk of the nation's money stock. By the end of 2008, there were 39 commercial banks in Malaysia including 17 Islamic banks. Of these, there were 20 domestic banks and 19 locally incorporated foreign banks which operate in Malaysia (Bank Negara Malaysia, 2008). Commercial banks constitute the largest and most important group all of financial institutions in Malaysia with total assets of approximately MYR1,231 billion as at 30 June 2008 (The Association of Banks in Malaysia, 2008). In December 2008, total deposits with the banking system increased significantly by MYR29.3 billion or 11.9 per cent on an annual basis (November: MYR9.6 billion; 12.4 per cent), reflecting mainly higher deposit placements by financial institutions, business enterprises, and individuals (Bank Negara Malaysia, 2008).

Expansion in the commercial banks in Malaysia has also been in terms of increasing numbers of bank branches. As in May 2009, the domestic conventional banks had a total of 1725 branches, concentrated among the nine anchor banks: CIMB Bank Berhad (360), Malayan Banking Berhad (277), Public Bank Berhad (243), AmBank Berhad (165), EON Bank Berhad (136), Hong Leong Bank Berhad (185), RHB Bank Berhad (186), Affin Bank Berhad (84) and Alliance Bank Berhad (89). The domestic Islamic banks also proved to be viable banking institutions in the country with a total of 1983 branches, exist side-by-side with those conventional banking institutions.

Foreign banks also continued to play an important role in the economy. As in May 2009, there are 19 foreign banking offices with a total of 233 branches all around Malaysia, dominated by United Overseas Bank (Malaysia) Berhad, having 41 branches, followed by HSBC Bank Malaysia Berhad (40), The Standard Chartered Bank (M) Berhad (38), Oversea-Chinese Banking Corporation (M) Berhad (29) and Al Rajhi Banking & Investment Corporation (Malaysia) Berhad (19).

The evolution of the banking industry in Malaysia has led to conventional banking products and services, such as deposits and loans/hire purchase, taking on more sophisticated and advanced features such as phone banking, auto pay, auto-debit, ATMs and online shopping and banking. These features are facilitated by advanced technological developments that allow bank customers easier and simpler methods and processes of going about their daily banking. The scenario gives a significant impact on changing customer behavior in banking.

In addition to improving banking features and methods, it has also led to the introduction of new products and services like credit and debit cards, investment products (insurance and unit trusts), financing products and services (trade and share financing), trade and credit facilities, remittances, loans to priority sectors and Islamic banking.

As the financial reforms changed the environment, this have resulted with new business opportunities and increased competition. This development also further strengthened the incentives for improved performance among banks to fulfill customer's needs. This is due to the behavioral changes among customers that is believed do not solely caused by

the modification of the consumers' perception of a given business in relation with the competitors, but also on the introduction of new attributes or products for consumer consideration.

3. The Young-Adult Market

Increasing levels of competition in the banking industry (Grady & Spencer, 1990) and similarity of financial services offered by commercial banks (Holstius & Kaynak, 1995) led financial providers to seek new market segments. It is in this context that college students became a focus of attention in the bank market both as a source of new accounts and future profitability. Despite the fact that the majority of college students are unemployed and their 'earning' comes mainly from educational loans and parental contributions, they provides an excellent business opportunity for commercial banks for several reasons.

First, the student market is expanding and has become lucrative. With the expansion of tertiary educational services, which resulted in the establishment of 20 public universities and many more private colleges, the number of students in further and higher education has been increasing steadily over the years. Recent statistics showed that the number of students entering local public universities for undergraduate studies rose dramatically from 29,962 in 2001 to 58,304 in 2006 – a 95 per cent increase within a five year period (Ministry of Higher Education, 2007). The government policy to have at least 35% of the labor force with tertiary education should see this growth continue in the future (Government of Malaysia, 2001).

Secondly, college students are likely to need a bank account to negotiate their educational loans or parental contribution and may be obliged to administer their own personal financial affairs for the first time. Those who do not yet have bank accounts will need to open one as they started college because all grant providers pay allowances directly through students' bank accounts. Despite their relatively basic banking needs, students are to some degree a captive audience and at the stage in the purchase cycle where they may be more responsive to marketing activities from financial institutions (Thwaites & Vere, 1995).

A third important feature of the student market is the potential for above-average profitability in the future. Lewis (1982) commented that "the banks believed that it might well be in their interest to attract these young people to open accounts as they started college in the anticipation that they would remain, after graduation, with the bank and be profitable, in the long term, to that bank" (p. 63). The underlying logic of this comment is that college student is the segment of the population who has the potential of earning a greater income than any other segment of the population. Only college educated individuals have a significantly higher than average chance of rising from the low income group into the middle class (Duncan, Smeeding & Rodgers, 1992). Specifically, as compared with non-graduates of the same age, graduates should normally secure more highly paid employment, to have a more progressive career and hence, develop a need for a wider range of personnel financial services as they pass through their own life cycle. Thus the ability to develop a presence in the student market through appropriate acquisition and retention strategies is therefore likely to have an influence on banks' future market share and profitability (Thwaites & Vere, 1995).

Finally, although students have a high purchasing power especially with the availability of educational loans and parental contribution, college students in general tends to be good savers (Azis, Aziz, Mohd-Sanusi & Abd-Hamid, 2006). Increases in tuition and cost of living expenses forces them to manage their money wisely and save a small portion of allowances they received from parental contribution and loan providers while they attend classes. A study by Sabri and Masud (2002) on financial socialization among university students in Malaysia found that adolescence started receiving allowances, have own accounts, make own savings and handle own expenses at an earlier age. Their study produced evidence to show that a substantial proportion of students open their bank accounts before arriving at college or university. They found that, among a sample of university students, 36.3 per cent have own bank accounts opened whilst at primary school (aged 7-12) and 37.1 per cent whilst at secondary school (aged 13-17). These findings clearly indicate the potential of young consumers as a profitable target segment attractive to bank marketers.

4. Previous Studies

This section reviews the studies that have been carried out to date. The review will deal firstly with the literature pertaining to bank choice criteria employed by college students and then focus specifically on issues relating to multiple banking behavior.

4.1 Bank Selection Criteria

A limited number of studies dealing with the topic of bank selection criteria of college students have been conducted in the West. One earlier study reported by Lewis (1982) indicated that 92 percent of the first-year college students in Manchester thought they would stay with their present bank until the end of their course while 44 percent believed they would continue with the same bank. While, 80 percent of the final year students believed they would continue with the same bank even after graduation. A study by Thwaites and Vere (1995), also conducted in a British setting, showed that proximity of an ATM to college, free banking service and overall student offer were the top three selection criteria employed by college students in selecting which banks to patronize.

In his article about American college students, Schram (1991) pointed out that convenience remains the primary reason why most college students choose their banks. Other than that, family tradition and loyalty to the banks seemed to be the important factors for college students. Meanwhile, Khazeh and Decker (1992-93) identified the following factors as the most important determinant attributes of bank selection decisions: service charge policy, reputation, interest charged on loans, quick loan approval and friendly tellers.

In Singapore, Huu and Kar (2000) found that undergraduates place high emphasis on the pricing and product dimensions of bank services. Where as, the third party influences were found to be the least important selection criteria. Gerrard and Cunningham (2001) surveyed a sample of 184 Singapore's undergraduates found that the most important dimensions in bank selection are "feel secure", followed by "electronic services" and "service provision". Consistent with the findings of Huu and Kar (2000), the "third party influences" was found to be the least important dimension.

Almossawi (2001) also conducted a study in Bahrain to examine the bank selection criteria employed by college students. He found that the key factors determining college students' bank selection were: bank's reputation, availability of parking space near the bank, friendliness of bank personnel and availability and location of automated teller machines (ATM).

More recently, Pass (2006) in his surveyed in a large metropolitan area of the Western United States had obtained information about the reasons for students switching banks and selecting new banks. Results stated that pricing and convenience were found to be the principal reasons for selecting a new bank and 'hypothetically' switching banks.

4.2 Multiple Banking Behavior

Although multiple banking behaviour of Malaysian consumers has not been studied in a scholarly context, relevant literature on this topic using data from other countries can be found. Chan et al. (1993) established that 70.6 per cent of a Singapore undergraduate sample practiced multiple banking. Study by Gerrard and Cunningham (1999), using a sample of adult Singaporeans, found that 76.8 per cent of the respondents engaged in multiple banking. Chan (1993) found that 70 per cent of a Hong Kong undergraduate sample practised multiple banking. A study by Kaynak and Kucukemiroglu (1992) also conducted in a Hong Kong setting; showed that 83 per cent of the respondents engaged in multiple banking.

Burnett and Chonko (1981) in the USA and Gerrard and Cunningham (1999) in Singapore sought to distinguish multiple bank customers from single bank customers using various demographic and psychographic characteristics. Both studies were able to identify distinguishing demographic characteristics while only Burnett and Chonko (1981) found differences in psychographics.

Denton and Chan (1991) ranked the selection criteria of multiple bank customers in Hong Kong. They reported that multiple bank usage was widespread and was heavily influenced by factors such as a desire for risk reduction and improved convenience in terms of number of branches and automatic teller machines, to benefit from the known relative advantage that one bank had over another and to meet product prestige needs. Statistically significant differences were found in the evaluation of the relative importance of these factors on multiple banking behaviour based on sex, age, marital status, income and education discriminators. Lam and Burton's (2005) qualitative study on business customers in Hong Kong indicated that specialized bank skills, perceived risk and a perception of having a better negotiation position were identified as a key factor influencing the choice to use more than one bank.

Gerrard and Cunningham (2001) collected responses from a sample of young Singaporeans about various choice criteria from those who were multiple bank users and made a comparison with those who were single bank users. Of the seven choice dimensions that were compared, only convenience was found to be significantly different. Devlin and Gerrard (2005), in their British study, analyze the relative importance of various choice criteria for main and secondary banks and highlight their differences. Their study exhibited marked differences between selecting a first and secondary bank. Recommendations from others were found influential and significantly more important in prompting choice of secondary bank but it less influential in terms of overall ranking of importance. Service expectation and low fees/overdraft charges were found less significant in prompting secondary bank choice.

5. Methodology

5.1 The Questionnaire and Variables

A structured questionnaire was prepared for use in the survey based on literature review and objectives of the study. The questions were organized into three sections according to the following topics: bank selection criteria, banking behavior and personal background.

The first section of the questionnaire asked respondents to rate the relative importance of 29 bank attributes when choosing which banks to patronize. They were measured on a five point Likert-type scale of importance ranging from 1 (not important at all) to 5 (very important). The list was based on previous similar studies (Thwaites & Vere, 1995; Almossawi, 2001; Gerrard & Cunningham, 2001).

The second section of the questionnaire sought to obtain information on the banking behavior of respondents. The respondents were asked for the name of banks at which savings accounts were maintained; which bank was the respondent's main bank (in this study, the term "main bank" was defined as the bank with which the respondents conducted most of their transactions); and which was the respondent's subsidiary bank(s). The length of time that customers have been with their banks was also measured. Finally, to obtain personal background of the respondents, questions regarding their gender, age, ethnicity, faculties and course studied included in the last part of the questionnaire.

To determine the potential effectiveness of the questionnaire and whether further revision is needed prior to conducting the survey, the questionnaire was pilot tested. In addition, the pilot study was conducted to ensure the validity, sequence and relevance of the questionnaire to this study. It should be noted that the test was not used for statistical purposes and therefore responses from the pilot test were not included in the research findings.

The researcher distributed the questionnaire to 20 undergraduate students as a sample group. The subjects were asked if they had any problems understanding the questionnaire or have specific comments regarding the questionnaire. The format for responding was through open-ended questions. The subjects were encouraged to be very free with their responses, make suggestions for improvement and delineate any difficulties they found.

After each questionnaire was completed, each subject was asked what he/she meant in checking various answers. Comments were solicited on the clarity of the questions and what the changes should be done in order to make the questions simpler. These respondents also gave their comments on understanding the instructions about the scaling and the time taken to answer the questions. The test found no serious problems and minor amendments were made to the survey questions based on the verbal feedback received from the interview. The final result of the pilot test finally indicated that the questions had face validity.

5.2 Sample

The sample for this study was selected from among undergraduate students of Universiti Malaysia Terengganu, who were registered on a range of degree courses. Given the nature of the study, a non-probability (convenience) sampling was chosen. To obtain a representative cross-section of the population, the sample was drawn from a wide range of schemes of study from all four faculties.

Since this is an exploratory study, a sample size of 350 thought to be an adequate one. Self-administered surveys were distributed in January 2007. The survey was taken in a controlled classroom environment; allowing for a stronger research design. Specifically, the researcher read a standard set of instructions to the class, informing them of the survey purpose and conditions and encouraged their participation in the study. Students were assured of the confidentiality of their responses and their names were not solicited. They were given approximately 20 minutes to complete the questionnaire and were prevented from communicating with each other while the survey was in progress.

From a total of 350 questionnaires distributed, 323 were returned, out of which 281 were deemed usable (valid and completed), thereby yielding a response rate of about 87 percent. Such a response rate was considered sufficient for statistical reliability and generalizability (Tabachnick & Fidell, 2001) and most satisfactory especially when compared with earlier research works on bank selection decisions (Khazeh & Decker, 1992-93; Huu & Kar, 2000; Gerrard & Cunningham, 2001). This relatively high response rate was attributed to the self-administered approach undertaken in distributing questionnaires.

6. Analysis and Results

6.1 Profile of Respondents

Examination of the respondents ($N=281$) indicated a majority of females (60.1 per cent) compared to males (39.9 per cent). The over representation of female respondents is expected since the population of students in universities in Malaysia is 60 per cent females and 40 per cent males (Ministry of Higher Education, 2007). 40.6 per cent of students describe themselves as studying social science schemes (marketing, accountancy, social policy, maritime management and counseling) compared to 59.4 per cent science and technology. Ages of respondents ranged from 20 to 27, with a median age of 21.9 years (\pm s.d. 1.19). In terms of ethnic group, about 82.3 per cent of the respondents were Malay, 7.8 per cent were Chinese and 4.3 per cent were Indian.

6.2 Number of Banks

The respondents were asked the number of banks at which their saving accounts are maintained. As seen in Table 1, 18.5 per cent of respondents (52 of them) engaged in single banking and thus, 81.5 per cent were engaged in multiple banking.

6.3 Bank Selection Criteria

To determine the underlying dimensions in the set of bank selection criteria, the importance ratings for the 29 evaluative

criteria were factor analyzed. Factor analysis is a technique which is used to “reduce a large number of variables to some smaller number by telling us which belong together and which seem to say the same thing” (Emory & Cooper, 1991). This technique was deemed to be appropriate for this particular analysis because banking selection factors have many connotations. As noted by De Vaus (2002), such factors are not single measurable entities but are constructs of a number of other directly observable variables. By factor analysis, these observable variables can be clustered into factors, each reflecting an underlying property, which is commonly shared by a certain group of variables (De Vaus, 2002). It also helps to validate that respondents are able to distinguish between the various variables despite the similarity of the items questioned.

Factor analysis was deemed appropriate for the items because the Keiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy test index was higher than the acceptable limit of 0.5 (KMO = 0.723) and Bartlett’s test gives a significance level of less than 0.0001 confirming the appropriateness of the factor model (Hair, Anderson, Tatham & Black, 1998). The analysis yielded a nine principal components solution, which together explained more than half of the variance observed in the variables (61.84 per cent), which satisfies the percentage of variance criterion for social science research (Hair *et al.* 1998). The factor groups of bank selection items, their factor loadings, eigenvalues of each factor and per cent of variance explained are given in Table 2.

6.4 Description of Bank Selection Factors

Factor 1, accounting for 10.5 per cent of the total variance, identifies a dimension based on “attractiveness” of the bank including exterior and interior décor of bank building, appearance and friendliness of bank personnel, bank atmosphere and class of people who patronise the bank.

Factor 2 containing items related to recommendations of friends and relatives, influence of parents and lecturers and reception at the bank. This factor has been labeled “people influences” and it accounts for 9.17 per cent of the total variance.

Factor 3 accounts for 7.57 per cent of the total variance. The factor has four items loaded on it namely regular bank statement, professionalism of bank staff, appropriate range of service and variety of service offered. This factor may be labeled a “service provision” factor.

Factor 4 has been labeled “branch location”. Three items loaded on this factor namely convenient branch location, several branches and convenience location of the main branch. This factor accounts for 6.32 per cent of the total variance.

Factor 5 containing two items related to financial stability of the bank and confidentiality of information. This factor may be labeled “secure feeling”. The factor accounts for 5.84 per cent of the total variance.

Factor 6, explaining 5.79 per cent of the total variance, is seen as a “marketing promotion” grouping, the promotion activities being free gifts for customers and influential marketing campaign.

Factor 7 relates to “ATM service”, more particularly the availability of ATM in several locations, 24 hours availability of ATM service and convenience ATM locations. The total variance accounted by this factor is 5.72 per cent.

Factor 8, which explains 5.63 of the total variance, has two items loaded positively on it, namely proximity to university and proximity to home. This factor has been labeled “proximity”.

Factor 9 accounts for 5.3 per cent of the total variance. The factor can be labeled “financial benefits”, and this relating to low service charges and low interest rates on loans.

6.5 Reliability Analysis

To assess the internal consistency of each factor group obtained, a reliability analysis was carried out (Table 3). The assumption behind this approach is that the items of a measure work together as a set and should be capable of independently measuring the same construct. The items should be consistent in what they indicate about the concept being measured. The Cronbach alpha was used to measure internal reliability by unit weighting items with salient loadings in a factor where Cronbach’s alpha coefficient at 0.5 or higher was considered acceptable (Kerlinger & Lee, 2000). These factors produced alpha coefficients between 0.526 and 0.796, indicating high internal consistencies and reliability.

6.6 Ranking Importance of Bank Selection Factors

Table 4 presents the ranking importance of bank selection factors of single and multiple bank customers. Two factors appearing at the top of the lists, namely “secure feeling” and “ATM service” are most influential in the selection decision of both single and multiple bank users. “Service provision” is ranked third for the single bank users but sixth for multiple bank users. “Proximity” came next in terms of relative importance which is ranked fourth in each case.

The matter of “financial benefits” is seen in the fifth/middle group for the single bank users but ranked third for multiple bank users. “Branch location” being in the sixth place in terms of relative importance for the single bank users,

is ranked fifth by their counterparts. The least important three selection factors for young people (for both single and multiple bank users) are “promotion”, “attractiveness” and “people influences”.

6.7 Comparison between Single and Multiple Bank Users

Table 5 shows the results of the t-test that were used to examine the statistical difference between single and multiple banking undergraduates with regard to various bank selection factors. The null hypothesis that there is no difference in means between groups is rejected if the t-statistic is sufficiently large to be significant. Following the precedent of previous studies, the probability level accepted for statistical significance of t-statistic in the present study was set at $p < 0.1$, showing there was 10 per cent probability that the result occurred by chance. At the 0.05 level, factors of which both samples had variation were “attractiveness” ($t = -2.18$, $p = 0.033$), “branch location” ($t = -2.111$, $p = 0.036$) and “ATM service” ($t = -2.338$, $p < 0.022$). “Financial benefits” ($t = -2.636$, $p = 0.01$) factor was significantly different at the 0.01 level while “secure feeling” ($t = -1.691$, $p = 0.096$) was at the 0.01 level. Multiple-bankers appear to place significantly more importance to all these factors.

6.8 Characteristics of Single and Multiple Bank Users

Table 6 shows three characteristics which were used to distinguish multiple bank users from their counterparts. It can be seen that female respondents engage in multiple banking significantly more than their male counterparts. Race and the course being studied show no significant differences.

7. Concluding Remarks

The importance of this study can be viewed from two dimensions: theoretical contribution and practical implications. Theoretically, the study fills an important gap in the literature by examining bank selection criteria of single and multiple bank users with particular reference to young-adult consumers in Malaysia. This study established that 81.5 per cent of its respondents engaged in multiple banking. The analysis also revealed the existence of a significant variation between single and multiple bank users in the following selection factors: attractiveness, branch location, ATM service, financial benefits and secure feeling. Multiple-bankers appear to place significantly more importance to all these factors. Such findings exhibit some consistency with those of previous studies. For example, Gerrard and Cunningham (2001) found convenience factor was rated significantly higher by multiple bankers while Devlin and Cunningham’s (2005) study indicated that the process of choosing a secondary bank is strongly influenced by the incentive offered by banks. In addition, the study found that female customers engage in multiple banking significantly more than their male counterparts.

The results of the current study can carry significant managerial implications for retail bank marketing. Retail banks generate new accounts by routinely promoting products and services to college students. Prospecting for new student customers is an ongoing and challenging task. Therefore, it is essential for bank marketers to know the degree to which various bank attributes are important and how these factors influence students’ choice of their banker. Armed with this knowledge, bank marketers can focus on relevant features and benefits when interacting with potential student customers. Retaining them as customers poses another challenge, so it is also important to know how well banks in the marketplace perform on certain attributes. In the light of such information, bank marketers can tailor their marketing strategies to ensure that they emphasize attributes which are the most important in prompting choice and ones that can differentiate a bank from its competitors.

As with any empirical study, this study also had certain constraints that must be considered when assessing the outcomes of its findings and implications. This study poses generalizability questions because the sample frame used is the undergraduate students and thus the results do not represent the banking behavior of the general public. This study needs replication using a larger, more representative sample in order for the findings to generalize the population. This larger-scale replication could be used to produce even more specific strategies for Malaysian banks. As the present study focuses on young-adult consumer segment, it would be interesting to examine the underlying factors influencing multiple banking behavior of the business organization such as small and medium enterprises.

For comparative purposes, the future research could be replicated with a sampling frame composed of consumers with a different cultural background such as foreign students or expatriate. Furthermore, the study could have been improved by conducting qualitative interviews with individual single and multiple bank customers to ascertain other influence factors not identified in this analysis, and also can examine dimensions that influence customers to engage in switching behavior from one bank to another.

References

- Almossawi, M. (2001). Bank selection criteria employed by college students in Bahrain: An empirical analysis. *International Journal of Bank Marketing*, 19(3), 115-125.
- Anderson, W. T., Fox, E. P. & Fulcher, D. G. (1976). Bank selection decision and market segmentation. *Journal of Marketing*, 40(1), 40-45.

- Azis, N., Aziz, Z., Mohd-Sanusi, Z. & Abd-Hamid, S. F. (2006). Awareness and habits on saving: A study on public university students. *Malaysian Journal of Consumer and Family Economics*, 6, 33-341.
- Bank Negara Malaysia (December, 2008). *Monthly Statistical Bulletin*. Retrieved February 9, 2009, from Bank Negara Malaysia website: <http://www.bnm.gov.my/files/publication/msb/2008/12/pdf/2.3.pdf>.
- Boyd, W., Leonard, M. & White, C. (1994). Customer preferences for financial services: An analysis. *International Journal of Bank Marketing*, 12(1), 9-15.
- Burnett, J. J. & Chonko, L. B. (1981). An examination of the multiple bank user segment through a multiple discriminant approach. *Proceedings of Services Marketing Conference*, American Marketing Association, Chicago, IL.
- Chan, R. Y. K. (1993). Banking services for young intellectuals. *International Journal of Bank Marketing*, 11(5), 33-40.
- Chan, L. L., Ghee, S. F. & Ho, K. S. (1993). *Bank selection criteria and multiple banking behaviour of tertiary students in Singapore*. Unpublished B.Bus. dissertation, Nanyang Technological University, Singapore.
- Denton, L. & Chan, A. K. K. (1991). Bank selection criteria of multiple bank users in Hong Kong. *International Journal of Bank Marketing*, 9(5), 23-34.
- Devlin, J. & Gerrard, P. (2005). A study of customer choice criteria for multiple bank users. *Journal of Retailing and Consumer Services*, 12(4), 297-306.
- Duncan, G. J., Smeeding, T. M. & Rodgers, W. (1992). The incredible shrinking middle class. *American Demographics*, 14, 34-38.
- De Vaus, D. (2002). *Analyzing social science data*. London: Sage Publications.
- Diamond, D. W. (1984). Financial intermediation and delegated monitoring. *Review of Economic Studies*, 51(3), 393-414.
- Emory, C. W. & Cooper, D. R. (1991). *Business research methods*. Burr Ridge, IL: Irwin.
- Gerrard, P. & Cunningham, J. B. (2001). Singapore undergraduates: How they choose which bank to patronize. *International Journal of Bank Marketing*, 19(3), 104-114.
- Gerrard, P. & Cunningham, J. B. (1999). The multiple banking behavior of Singaporean. *International Journal of Bank Marketing*, 17(1), 20-25.
- Government of Malaysia (2001). *Third Outline Perspective Plan 2000-2010*. Government Printing.
- Grady, B. & Spencer, H. (1990). *Managing commercial banks*. Englewood Cliffs, NJ: Prentice-Hall.
- Hair, J. F., Anderson, R. E., Tatham, R. L. & Black, W. C. (1998). *Multivariate data analysis* (5th ed.). New Jersey: Prentice-Hall Inc.
- Holstius, K. & Kaynak, E. (1995). Retail banking in Nordic countries: The case of Finland. *International Journal of Bank Marketing*, 13(8), 10-20.
- Hon, K. Y. & Tom, G. (1994-95). How the Chinese select their banks. *Journal of Retail Banking*, XVI, 36-39.
- Huu, P. T. & Kar, Y. H. (2000). A study of bank selection decisions in Singapore using the Analytical Hierarchy Process. *International Journal of Bank Marketing*, 18(4), 170-180.
- Kaufman, G. G. (1967). A survey of business firms and households view of a commercial bank. *Report to the Federal Reserve Bank of Chicago*, Appleton, University of Wisconsin-Madison.
- Kaynak, E. (1986). How to measure your bank's personality: Some insights from Canada. *International Journal of Bank Marketing*, 4(3), 54-68.
- Kaynak, E. & Kucukemiroglu, O. (1992). Bank and product selection: Hong Kong. *International Journal of Bank Marketing*, 10(1), 3-16.
- Kerlinger, F. M. & Lee, H. (2000). *Foundations of behavioral research* (4th ed.). Stamford: Wadsworth.
- Khazeh, K. & Decker, W. H. (1992-93). How customers choose banks. *Journal of Retail Banking*, 14(4), 41-44.
- Lam, R. & Burton, S. (2005). SME banking loyalty (and disloyalty): A qualitative study in Hong Kong. *International Journal of Bank Marketing*, 24(1), 37-52.
- Lewis, B. R. (1982). Student accounts – A profitable segment. *European Journal of Marketing*, 16(3), 63-72.
- Mason, J. B. & Mayer, M. L. (1974). Differences between high-and-low-income savings and checking account customers. *The Magazine of Bank Administration*, 65(June), 48-52.
- Ministry of Higher Education Malaysia (2007). http://www.mohe.gov.my/web_statistik

- Pass, M. W. (2006). Western US college students: Banking preferences and marketplace performance. *Journal of Financial Services Marketing*, 11(1), 49-63.
- Reed, J. D. (1972). *Commercial bank selection: A study in consumer decision making*. Unpublished doctoral dissertation, University of Cincinnati.
- Sabri, M. F. & Masud, J. (2002). Sosialisasi kewangan di kalangan remaja. *Malaysian Journal of Consumer and Family Economics*, 5, 21-32.
- Schram, J. (1991). How student choose their banks. *US Banker*, 110, 75-78.
- Tabachnick, B. G. & Fidell, L. S. (2001). *Using multivariate statistics* (4th ed.). New York: HarperCollins.
- The Association of Banks in Malaysia (October 23, 2008). Malaysian banking sector remains strong, says the Association of Banks in Malaysia. *ABM Press Release*. Retrieved February 10, 2009, from The Association of Banks in Malaysia (ABM) website: <http://www.abm.org.my/pdf/press-release231008FINAL.pdf>
- Thwaites, D. & Vere, L. (1995). Bank selection criteria: A student perspective. *Journal of Marketing Management*, 11(1-3), 133-149.
- Zineldin, M. (1996). Bank strategic positioning and some determinants of bank selection. *International Journal of Bank Marketing*, 14(6), 12-22.

Table 1. Number of banks at which saving accounts are maintained

Number of Banks	<i>n</i>	Percentage
1	52	18.5
2	140	49.8
3	73	26.0
4	13	4.6
5	2	0.7
6	1	0.4
Total	281	100.0

Table 2. Factor groups of the bank selection criteria

Factor and Items	Factor Loadings	Eigenvalue	% of variance
<i>Factor 1 – Attractiveness</i>			
Attractiveness of bank building	0.850	4.632	10.5
Interior décor of building	0.839		
Appearance and attire of staff	0.708		
Pleasant bank atmosphere	0.556		
Friendliness of bank personnel	0.545		
Class of people who patronized the bank	0.483		
<i>Factor 2 – People influences</i>			
Recommendations of friends	0.851	2.595	9.17
Recommendations of relatives	0.847		
Influence of parents	0.612		
Influence of lecturers	0.564		
Reception at the bank	0.483		
<i>Factor 3 – Service provision</i>			
Regular bank statement	0.814	1.994	7.57
Professionalism of bank staff	0.712		
Appropriate range of service offered	0.698		
Variety of service offered	0.427		
<i>Factor 4 – Branch location</i>			
Convenient branch locations	0.795	1.895	6.32
Several branches	0.790		
Convenient location of the main branch	0.596		
<i>Factor 5 – Secure feeling</i>			
Financial stability of the bank	0.760	1.564	5.84
Confidentiality	0.733		
<i>Factor 6 – Marketing promotion</i>			
Free gifts for customers	0.801	1.523	5.79
Influential marketing campaign	0.700		
<i>Factor 7 – ATM service</i>			
Availability of ATM in several locations	0.748	1.328	5.72
24 hours availability of ATM service	0.686		
Convenient ATM locations	0.636		
<i>Factor 8 – Proximity</i>			
Proximity to university	0.846	1.228	5.63
Proximity to home	0.841		
<i>Factor 9 – Financial benefits</i>			
Low service charges	0.806	1.067	5.3
Low interest rates on loans	0.756		

Table 3. Reliability analysis

Factor	# Item	Cronbach's Alpha
Attractiveness	6	0.796
People influences	5	0.733
Service provision	4	0.712
Branch location	3	0.642
Secure feeling	2	0.583
Marketing promotion	2	0.592
ATM service	3	0.509
Proximity	2	0.714
Financial benefits	2	0.526

Table 4. Ranking importance of bank selection factors of single and multiple bank users

Factor	Single (n = 52)			Multiple (n = 229)		
	Mean	S.D.	Rank	Mean	S.D.	Rank
Secure feeling	4.558	.6907	1	4.729	.5053	1
ATM service	4.532	.4772	2	4.699	.4018	2
Service provision	4.269	.5876	3	4.270	.5698	6
Proximity	4.212	.8708	4	4.280	.7363	4
Financial benefits	4.096	.8286	5	4.423	.7068	3
Branch location	4.077	.5664	6	4.273	.6127	5
Marketing promotion	3.577	.9309	7	3.646	.8241	7
Attractiveness	3.311	.7832	8	3.564	.6223	8
People influences	3.039	.6694	9	2.924	.6594	9

Based on a five-point Likert scale 1 = not important at all; 5 = very important

Table 5. Bank selection factors – a comparison between single and multiple bank users

Bank Selection Factors	Mean	S.D.	t-statistic	Sig.
Attractiveness				
Single	3.311	0.783	-2.180	0.033**
Multiple	3.564	0.659		
People influences				
Single	3.039	0.669	1.128	0.26
Multiple	2.924	0.659		
Service provision				
Single	4.269	0.588	-0.005	0.996
Multiple	4.270	0.570		
Branch location				
Single	4.077	0.566	-2.111	0.036**
Multiple	4.273	0.613		
Secure feeling				
Single	4.558	0.691	-1.691	0.096*
Multiple	4.729	0.505		
Marketing promotion				
Single	3.577	0.931	-0.535	0.593
Multiple	3.646	0.824		
ATM Service				
Single	4.532	0.477	-2.338	0.022**
Multiple	4.699	0.402		
Proximity				
Single	4.212	0.871	-0.580	0.562
Multiple	4.280	0.736		
Financial benefits				
Single	4.096	0.829	-2.636	0.010***
Multiple	4.423	0.707		

Notes: * Significant at $p < 0.1$; ** significant at $p < 0.05$; *** significant at $p < 0.01$

Table 6. Characteristics of single and multiple bank users

	Single ($n=52$)		Multiple ($n=229$)		χ^2
	n	Percentage	n	Percentage	
Gender					
Male	16	14.3	96	85.7	2.199 ($p = .091$)
Female	48	17.7	223	82.3	
Race					
Malay	46	19.7	187	80.3	1.384 ($p = .166$)
Non-Malay	6	12.5	42	87.5	
Course					
Science	23	20.2	91	79.8	0.355 ($p = .329$)
Non-Science	29	17.4	138	82.6	