An Analysis of Factors of Consideration in Choosing Commercial Banks by Retail Borrowers

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Abstract

The present study made an attempt to identify factors considered by retail borrowers of commercial banks in choosing banks for satisfying their credit need. The study also tries to find out the degree of preference of retail borrowers towards locally owned commercial banks, joint venture banks and Government owned banks. Methodology was developed to collect data related to the major factors of consideration for choosing banks viz - access, tangibles, responsiveness, reliability, empathy, assurance, loan factors, installments, interest rates and others. The data used for this were collected through two different questionnaires sets such as one for the management team of five commercial banks across the types (locally owned banks, joint venture banks and Government owned banks) whereas 120 retail borrowers across the cross section of demographic characteristics were collected through second set of questionnaires. The study analyzed descriptive variables through cross-tabulated data set and for inferential analysis; it used One-Sample t-test and One-way ANOVA. Various hypotheses testing were employed to see the significance of relationship between factors of consideration and demographic variables.

The major finding of the study was that, the retail borrowers consider major factors related to reliability, assurance, accessibility, and responsiveness for choosing commercial bank. Also that installments factor was found to be the one that borrowers are least satisfied with their banks. Regardless of the retail borrowers being dissatisfied with the bank, they are continuously transacting with the bank due to the other services the bank provides. Also, from the analysis it was found that the borrowers choose the factors for bank selection regardless of their education level and occupation. The respondents preferred mostly the locally owned banks followed by the joint venture banks and least of the government ownership banks. From the finding it is recommended for the banks to consider the responsiveness, assurance and reliability factor while designing their operational and marketing strategies. Also, the bank should try to design the installment flexible according to the need of the retail borrowers. The banks should focus on training its employees to the maximum so as to give prompt service to its customers and they should be aware that some of the bank selection determinants differ from one segment to another in the business firm market.

Keywords: commercial banks, descriptive statistics, interest rate, retail borrowers, tangibles

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