Impact of External Factors on Customers' Choice of Deposit Money Banks in Akure, Ondo State

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ABSTRACT

The study investigated the influence of external factors on customers' choices of Deposit Money Banks in Akure, Ondo State. With the population of 22 deposit money banks in Akure, Ondo State, Nigeria, a survey research design was used. Ten bank clients from each of the 11 deposit money banks in Akure that were chosen (50%) out of the 22 deposit money banks in Akure were taken into consideration using the random sampling technique. Information from respondents was gathered via the primary data source, and the study's hypotheses were tested using linear regression. The study's conclusions showed that customers' choice of bank in Akure is significantly influenced by organizational factors ($p=0.28<0.005$) and that physical factors and customers' choice of bank have a positive relationship ($p=0.032< 0.005$). Furthermore, the results demonstrated that, in Akure, Ondo State, customers' choice of bank is positively influenced by technological factors ($p=0.17< 0.005$). The study came to the conclusion that customers' decisions about depositing Money in money banks in Akure, Ondo State, are influenced by outside factors. The study also concluded that banks should cater to the social needs of their customers in order to draw in more of them and that they should operate with little to no bank interest to influence customers' choices. According to the study, banks should determine which external factors influence customers' choice of bank and address them appropriately.

Keywords: Deposit, Banks, Customers, Factors, External

INTRODUCTION

The ever-evolving economic landscape, coupled with increasingly sophisticated and demanding customers, has made it imperative for financial institutions to identify the factors that influence their customers' choices. Thus, the task for this industry is to ascertain the criteria by which clients choose banking services (Aregbeyen, 2017). Among the sectors that seem to be developing the fastest is the banking sector. Therefore, it is now more crucial than ever for banks to pinpoint the elements that influence consumers' decisions about which financial service providers to use. Banks differ significantly from one another in terms of overall size, revenue streams, customer focus, loan concentration, and operational efficiency, despite their shared strong expansion. (Fatah, 2018). It is crucial for banks to understand the criteria that consumers use to compare financial service providers.

Over the last ten years, Nigeria's financial services industry has experienced significant transformations that have led to a highly competitive market with minimal primary demand growth and increased deregulation (Solomon, Stanley, & Ufuoma, 2017; Obioha & Garg, 2018). Numerous studies have been conducted on the topic of selecting banks based on customer preferences, including the reasons behind and methods used by customers to choose a specific bank for their banking needs. It is therefore worthwhile to research the key considerations that consumers use when choosing financial service providers in this rapidly expanding sector, which is characterized by fierce competition.

However, to the best of the researcher's knowledge, very few quantitative studies on Nigerian customers' bank selection decisions have been conducted. In addition to focusing on gender (Goiteom 2017; Tesfaye, Abera, & Mengesha, 2019) and attempting to determine bank selection criteria in relation to other demographics like age, income, and marital status, the study aims to explore the influence of external factors on customers' choice of Deposit Money Banks in Akure, Ondo State. Specifically, the study seeks to determine the effect of technological factors on customer choice in Akure, Ondo State, as well as the influence of physical and organizational factors on customer choice.

The study's goal served as the foundation for the formulation of the hypotheses and research questions. The dynamic nature of the economic landscape and the increasing sophistication and demands of consumers have necessitated the identification of relevant factors that influence the selection process. Customers typically struggle to choose a bank, especially when opening an account for the first time. For this reason, the objective of this study is to examine the impact of External factors on customer choice of deposit money banks in Akure, Ondo State and to investigat.

LITERATURE REVIEW

Conceptual Review

Consumer influences and organizational influences are the two main categories of influences that have an impact on consumer behavior, as shown by Blackwell, Miniard, and Engel (2018) (i.e., obtaining, consuming and disposing). Numerous factors, such as culture, personality, life cycle stage, income, attitude, motivation, feeling, knowledge, ethnicity, family, values, available resources, opinion, prior experiences, and peer groups, are influences on consumers. Brand, advertising, price, promotion, service, convenience, packaging, product features, word-of-mouth, retail display, quality, store atmosphere, loyalty programs, and product availability are the factors that fall under the category of organizational influences. (Writz & Lovelock, 2016).

Financial service providers are not selling a business, a good, or a service, as Nagdeman (2017) pointed out. They are offering to sell your trust. Government policies, business trends, deregulation, social changes, information technology advancements, and internationalization all have a significant impact on the financial services industry. In an environment where competition arises not only between businesses in the same industry but also between businesses from other industries that are positioned to offer new solutions to customers' needs through different alternative approaches, all these factors taken together are reshaping the competitive landscape, demand, supply, and even the customer's style of decision-making (Saha, Hasan & Uddin, 2014). The following factors are identified as affecting customers' selection of banks:

Physical Factors

According to Kassa (2017), a service environment increases customer satisfaction because it exposes customers to a variety of stimuli that may have an impact on their behavior, purchasing decisions, and degree of satisfaction with the experience. Kassa (2017) noted that tangibles (the structures, the physical design, etc.) that surround the service environment are used by customers to draw conclusions about the quality of the services. Physical evidence has a significant impact on the overall quality of bank services, according to an analysis of customer satisfaction in New Zealand. The physical environment must have features like sleek, contemporary equipment, a counter area, secure parking, a welcoming interior, and ample seating (Mihir, 2017).

Organizational Factor

The institutional sub-dimension, which includes factors like accessibility, location convenience, a vast ATM network, nationwide branches, global presence, longevity in the market, reputation, and technology orientation, came in at the top, indicating that it has made the biggest impact on explaining why current customers choose a particular bank. (Mihir, 2017) Because customers' time and energy are limited and can result in costs and energy loss, convenience in banking is crucial and can greatly impact their choice of bank (Hinson, Osarenkhoe & Okoe, 2017). Convenience seems to be the primary factor influencing customers' decisions when choosing a bank.

Technology factors

Technology is the term used to describe information technology used in modern life, which is always evolving

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and helps the banking industry create better financial activities. With the introduction of Automatic Teller Machines (ATMs) for customer interaction and improved services, technology for financial institutions like banks reduced the hassle of manual input on registers and ledgers for customers who were served through checks and pay orders (Tesfaye, Abera & Mengesha, 2017).

Social Factors

Customers are growing more conscientious and frequently choosing banks that contribute to the environment and society, claim Darmayanti and Cahyono (2014). There is potential for corporate social responsibility to positively impact business and society development. An increasing number of businesses are starting to realize how beneficial it is to establish a CSR program. According to Tilahun and Gedifew (2014), as reported by Mihir (2017), companies that offer experience products—like banks—have a higher chance of winning over customers to their cause by implementing successful CSR initiatives. This suggests that in order to achieve product differentiation, companies selling "experience" products would benefit more from a CSR strategy.

Nusrat and Golam (2021) targeted the younger generation in order to learn more about their unique perspectives. The purpose of this study is to identify the most important variables and ascertain how much of an impact they have on young customers' satisfaction and loyalty to mobile banking. 279 complete questionnaires were returned out of a total of 300. The data gathered was then analysed using the partial least squares structural equation model (PLS-SEM) and Smart_PLS (V 327) in order to test the hypothesis and validate the model. The study's conclusions showed that while security and convenience have little bearing on satisfaction, cost, responsiveness, and relative advantage have a big impact. However, despite the strong correlation between loyalty and satisfaction, they are not directly related to loyalty.

Theoretical Review

Disruptive innovation theory as established by Christensen (1997), the theory posited that industry leaders are dislodge by new entrants especially when the new entrants initiate a disruptive innovation that the industry leaders are not able or willing to respond to. The theory further predicted that the industry leaders are relatively removed from the industry and the new entrants take over the market. Oslo Manual (2005) viewed disruptive innovation as an innovation that has a significant impact on a market and on the economic activity of firms in that market. Any type of innovation can be disruptive. Disruptive theory is much relevant to this study due to it describe the type of innovations banking sector adopt. Technological, marketing and management innovations are disruptive because they replace traditional banking through adoption of new technology to move with global trend and to achieve better service operation in this customer world. Therefore, the impact of external factors on customer choice of deposit money banks is best described by disruptive innovative theory (Ndunga, Njati and Rukangu, 2016).

Empirical Review

Kassa (2017) examined how the service environment and physical evidence, such as the design and structure of bank facilities, influence customer satisfaction and behavior. This study provided empirical evidence showing that the physical environment plays a critical role in shaping customer perceptions and decisions. Similarly, Tesfaye, Abera, and Mengesha (2017) investigated the impact of technological factors, specifically the adoption of ATMs and digital banking, on customer interaction. Their research provided practical insights into how advancements in technology streamline banking processes and enhance customer experience, making these factors crucial in bank selection. In addition, social factors have been empirically studied by Darmayanti and Cahyono (2014) and Tilahun and Gedifew (2014), as referenced by Mihir (2017). These studies explored the relationship between corporate social responsibility (CSR) initiatives and customer loyalty, highlighting how customers are more likely to remain loyal to banks that demonstrate social responsibility. Finally, Nusrat and Golam (2021) focused on the perspectives of young customers, using quantitative methods like partial least squares structural equation modeling (PLS-SEM) and Smart_PLS to analyze the factors influencing satisfaction and loyalty. Their empirical findings revealed that factors such as cost, responsiveness, and relative advantage significantly impact young customers' choices, while security and convenience have lesser effects.

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These studies collectively provide a robust empirical foundation for understanding the external factors influencing customers' bank choices.

METHODOLOGY

This study adopted a survey research design. The target population comprised clients of commercial banks in Akure, Ondo State. Akure was selected as the study area due to its status as the state capital and the concentration of deposit money banks. A random sampling technique was employed to select ten bank customers from each of the eleven deposit money banks in the city, representing 50% of the deposit money banks in Ondo State. Consequently, the sample size for the study consisted of 110 respondents. Data were collected through a structured questionnaire, and the hypotheses were tested using linear regression at a 5% significance level. The dependent variable in the study is revenue growth, while the independent variables include physical factors, technological factors, and organizational factors.

Test of Hypotheses

H_{01}: There is no significant effect of physical factors on customer's choice in Akure, Ondo State

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.1201[a]	.110	.000	.86986

a. Predictors: (Constant), physical factors

The correlation between the observed and predicted values of the dependent variable, customers' choice, and the independent variable, social factor, as well as the adjusted R square with the standard error of the estimate, are shown in Table 1 above. R is the square root of R-square. Additionally, the R2 coefficient determinations show that social factors account for 11% of the variation in customers' bank preferences.

Table 2: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.175	.671		4.734	.000
physical factors	.166	.167	.101	.995	.032

a. Dependent Variable: customer choice

Additionally, Table 2 above demonstrated a positive correlation between the social factor and the bank preference of the customer. This demonstrates how customers' preferred banks may be determined by social factors. This is demonstrated by the variable's coefficient, which has a value of 0.166 and indicates that a 1% increase in the social factor will result in a 16% increase in the bank that customers choose. The idea behind this was that the chosen banks' management would attract more new clients if they strengthened their social component. Nonetheless, the research findings indicate that the bank's predictor variable accurately predicts customers' choices ($\beta = 0.101$; $t = 0.995$; $p<0.05$). Thus, the null hypothesis is disproved.

Hypothesis Two

H_{02}: There is no significant effect of organizational factors on customer's choice in Akure, Ondo State

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.322[a]	.149	.039	.85259

a. Predictors: (Constant), organizational factors

The correlation between the observed and predicted values of the dependent variable, customers' choice, and the independent variable, physical factors is shown in the above table along with the adjusted R-square with the standard error of the estimate. R is the square root of R-square. Additionally, the coefficient determination (R2), which has a value of 0.322, shows that 32% of the variation in customers' bank preferences can be attributed to organizational factors.

Table 4: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.350	.673		3.493	.001
	organizational factors	.363	.163	.222	2.227	.028

a. Dependent Variable: customer choice

Table 4 above demonstrated that customers' choice of bank and organizational factors have a positive relationship. This demonstrates how organizational factors may influence customers' preferred bank choices. This is demonstrated by the variable's coefficient, which has a value of 0.363 and indicates that a 1% increase in organizational factors will result in a 36.3% increase in customers' choice of bank. The rationale behind this was that the chosen banks would attract more new clients if their management strengthened organizational aspects. Nonetheless, the research findings indicate that the bank's predictor variable accurately predicts customers' choices ($\beta = 0.222$; $t = 2.25$; $p<0.05$). Thus, the null hypothesis is disproved.

Hypothesis Three

H_{03}: There is no significant effect of technology factors on customer's choice in Akure, Ondo State

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.251[a]	.103	.008	.87319

a. Predictors: (Constant), technology factors

The correlation between the observed and predicted values of the dependent variable, customers' choice, and the independent variable, physical factors, is shown in Table 5 above. R is the square root of R-square, and the adjusted R-square includes the standard error of the estimate. Additionally, the coefficient determination (R2), which has a value of 0.103, shows that 10% of the variation in customers' bank preferences can be attributed to technological factors

Table 6: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.490	.697		5.010	.000
	technology factors	.089	.177	.051	.501	.017

a. Dependent Variable: customer choice

Additionally, Table 6 above demonstrated that customers' choice of bank and technology factors have a positive relationship. This demonstrates how customers may choose a particular bank over others due to technological factors. This is demonstrated by the variable's coefficient, which has a value of 0.089 and indicates that a 1% increase in technological factors will result in an 8.9% increase in customers' choice of bank. This was done with the intention of making the chosen banks' management more appealing to new clients by improving their technological aspects. Nonetheless, the research findings indicate that the bank's predictor variable accurately predicts customers' choices ($\beta = 0.051$; $t = 0.501$; $p<0.05$). Thus, the null hypothesis is disproved.

CONCLUSION

The study found that customers' preferences for money deposit banks in Akure are influenced by physical attributes like the building, logo, colors and infrastructure. Also, organizational factors that influence customers' choice of money deposit banks in Akure include an increase in branches nationwide, a global presence and the way the bank operates. The sophisticated technology used by the banks influenced the deposit banks that clients chose in Akure for their money. The study came to the conclusion that customers' decisions about depositing Money in money banks in Akure, Ondo State, are influenced by outside factors. Additionally, customers' choice of Deposit Money Banks in Akure, Ondo State, is heavily influenced by organizational, technological, social, and physical factors as well as brand image. Based on the study's findings, banks should identify the various external factors that influence customers' choice of bank and address them appropriately. They should also exhibit highly positive corporate social responsibility initiatives in order to attract more customers.

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