

BANK SELECTION DECISION CRITERIA EMPLOYED BY INDIAN EXPATRIATES IN SULTANATE OF OMAN: AN EMPIRICAL ANALYSIS

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Abstract

Currently the percentage of Indian expatriates in Oman's total population of around 3.4 million stands at around 19 percent. A vast majority of Indian expatriates consist of semiskilled and unskilled workers. Professionals form a very small percentage of the population.

The paper argues that the commercial banks in Oman need to identify and develop suitable criteria on the basis of which potential Indian expatriates can decide their bank selection decision. A total of 200 Indian expatriates in the age group 18-60 formed the sample, as reflected by the demographic characteristics of Indian expatriates in Muscat, Sultanate of Oman.

Principal Component Factor Analysis simplified the correlations between continuous variables. Non-probabilistic convenience sampling and Kaiser-Meyer-Olkin Measure of sample adequacy made the variances clear. Findings revealed that majority of the Indian expatriates considered technology/reputation factor and convenience factor as very critical. Males and females appeared as distinct segments with different priorities determining their selection for a particular bank.

Therefore, banks selecting expatriate clients to broaden their customer base have to carefully attend to client retention and client satisfaction.

Keyword(s): Bank selection criteria, Customer selection, Marketing strategy

JEL Classification: G21

1. INTRODUCTION

Lot many researchers have undertaken empirical research that sheds light on 'how customers select banks' without attempting to link them in a model to further

explore and explain bank selection criteria amongst the expatriate population in a particular country.

An unexplored and promising segment that has not been hitherto given much attention is the expatriate Indian population living in Oman. The Omani banking system consists of 17 commercial and 10 foreign banks as at the end of 2011. The commercial banks have a network of 461 branches of which 7 are locally incorporated with 11 branches and two representative offices abroad. Commercial banks supported a total of 971 ATMs (of which 510 were off-site), 12 on-site banking facilities and 32 cash deposit machines. (CBO Annual Report 2011) Banking sector in Oman has expanded rapidly and newly established banks like Bank Nizwa have launched upon Islamic banking initiatives to capture this emerging vibrant market segment.

An attempt is made in this paper to seek a precise answer to the difficulties faced by banks in evolving a suitable marketing strategy for attracting new Indian expatriate clients. Majority of the semi-skilled and un-skilled Indian workers are under intense pressure to save their earnings and remit home to support their families.

The Indian expat residents are faced with growing uncertainty and complexity when it comes to adjustment problems related to jobs, contract status, global labour mobility, adaptation to new workplaces etc. Against the backdrop, it becomes imperative for banks in Oman to provide quality services which are the guiding factor for selection of a particular bank branch.

The research focuses on studying the bank selection criteria being employed by a crucial segment (i.e. expatriate Indians) of potential customers (aged 18-60) in Muscat, Oman. For the purposes of this study, the term “expatriate Indians” refers primarily to white collar, blue collar workers both, male and female. This segment of the market provides an excellent opportunity for financial institutions for three reasons. First, Indian expat population in general (age 18-60) constitutes 19 percent i.e. a sizeable market segment of Oman’s total population. Rising incomes from a booming economy coupled with a strong desire to save while staying with their families; the Indian expatriates have been at the forefront in availing different banking facilities offered by different banks in different sectors. Second, due to the prosperity of the Gulf region and a strong OMR against the weakening INR has led to good savings amongst newly arrived expatriates. Third, many Indian expatriate students are pursuing higher education in Oman. Once they complete their education and start working, they will open a bank account as all

companies in Sultanate of Oman pay salaries directly through employees' bank accounts.

2. LITERATURE REVIEW

Several studies have investigated bank selection criteria for broad categories of customers globally (Yue and Tom, 1995).

Noteworthy among them are (Anderson *et al.*, 1976:40-5), (Evans, 1979:243-9), (Kaynack and Yavas, 1985:177-88), (Ross, 1989:130), (Kazeh and Decker, 1993:92-3), (Hegazi, 1995:46-61), (Metawa and Almossawi, 1998:219-313) etc. The above research has helped banks successfully attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1992:3-16). Competitiveness has increased in the banking industry (Grady and Spencer, 1990) and service differentiation has become more limited by banks (Holstius and Kaynak, 1995:10-20) This necessitates the need for identifying bank criteria that can distinguish between any two providers of financial services. (Boyd *et al.*, 1994:9-15) investigated the importance of bank selection criteria in terms of the age of the head of the household for the age group under 21 years and found the bank's reputation played a major role in determining their bank selection.

Consumers and business firms in US went in for convenience of access to branch, customer long term relationships and customer services quality (Kaufman, 1967) (Mason and Mayor, 1974:48-52) agreed with the findings of (Kaufman, 1967) about two different classes of customers having chequing account customers in USA. (Fits, 1975) factor analyzed the data to arrive at six factors that influenced bank attractiveness to customers. (Rigall, 1980:93-4) arrived at similar results on a sample of 250 newcomers to a community in US. Convenience of location to home or workplace was the most important factor. Other major determinant was the influence of friends (also found by (Mason & Mayor, 1974:48-52)) and (Fitts,1975). (Laroche *et. al*, 1986:35-55) studied the banking environment in Montreal, Canada and found bank selection criteria highly competitive in nature.

(Javalgi *et. al*, 1989:33-49) used 'analytic hierarchy process' to conclude that financial factors like safety of funds and availability of loans were main criteria. Similar findings were obtained in Hong Kong (Kaynak & Kucukemiroglu, 1992:3-16) Customers of conventional and Islamic banks in Jordan focused more on efficiency of services (Erol *et. al*, 1990:25-35) In a landmark study on dual banking environment, Muslim and non-Muslim commercial bank customers in Malaysia showed the same factors when selecting banks (Haron *et. al*, 1994:32-40)

(Holstius and Kayank, 1995:10-20); (Yue and Tom, 1995), Mylonakis et. al, 1998:109-16), (Coyle, 1999:16-18), (Driscoll, 1999:22-30) and (Mohd al Moosawi, 2001:115-125) have all argued that friendliness of staff, hours of operations, convenience of location, low service charges and efficiency of banking services personnel are the main selection criteria

3. DATA COLLECTION

For the purpose of study the required data was collected through a specially designed questionnaire based on the descriptors found by (Dillman, 1978). Sample population consisted of 200 Indian expatriates representing an age group between 18-60 years (60 percent male and 40 percent female). Many commercial banks find little mention simply because Indian expatriates do not deposit their wage incomes or operate salary accounts in those banks.

The questionnaire was divided into two parts i.e. Part I elicited demographic information from the respondents. Part II of the questionnaire asked the respondents to rate the relative importance of 44 potential bank selection criteria influencing factors. The respondents based their selection decision of commercial banks, using a five-point Likert scale ranging from 'strongly agreeing' to 'strongly disagreeing'. The factors were adapted from the relevant literature, personal experience, interviews with bank officials and discussions with Indian expatriates. In answering the questions, respondents were assured of the confidentiality of their responses and their names were not to be revealed.

4. METHODOLOGY

The methodology used in the research is Principal Component Factor Analysis. It allowed simplifying the correlational relationships between a numbers of continuous variables (Rao, A.S. and Sharma R.K. 2010: 56-9) Exploratory factor analysis was used in order to identify constructs and investigate relationships among key interval key scaled questions regarding reasons for choosing a bank services from 200 respondents. The correlations matrices revealed that there is enough correlation to go ahead for factor analysis. Kaiser-Meyer-Olkin Measure of Sample Adequacy (KMOSA) for individual variance showed adequate correlation for all the variables (0.873). KMO & Bartlett's Test indicated that the sample is good enough for sampling. To provide support for the validity of the factor analysis of the data the significance of correlation matrices was tested with Barlett's Test of Sphericity (Table I)

Table I: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy: 0.873	
Bartlett's Test of Sphericity (Approx. Chi-Square : 5590.265)	Df
946	Sig.000

The Principal Component Analysis allowed determining the factors underlying the relationship between a numbers of variables as evident from Total Variance calculations. The higher the loading the more important is the factor. All the loading in the research are positive implying that there is no inverse relationship.

The factors have been rotated using Varimax, as there is more than one factor. The rotation of factors also gives the idea of how the factors initially extracted differ from each other and provide a clearer picture of which item load on which factor.

Thus only ten factors, have Eigen value exceeding 1 for mobile banking drivers. The Eigen values for ten factors were 13.973, 4.069, 2.549, 1.808, 1.676, 1.558, 1.350, 1.273, 1.190 and 1.028 respectively. The percentage 69.262 % of total variance is used as an index to determine how well the total factor solution accounts for what the variables together represent for choosing bank services. It is pretty good extraction as it can economize on the number of factors (from 44 it has reduced to 10 factors) while we have lost 25.380% information content for factors in choosing a bank. The percentage of variance explained by factor one to six for factors effecting in choosing a bank are 31.758, 9.248, 5.792, 4.109, 3.810, 3.540, 3.069, 2.893, 2.705 and 2.337 respectively.

The proportion of variance in any one of the original variables, which is being captured by the extracted factor, is known as communality (Nargundkar, 2002). Out of a total of 44 communalities, ten are extracted and retained; the communality is 0.681 for variable 1, 0.695 for variable 2 and so on. Large communalities indicate that a large number of variance has been accounted for by the factor solution.

The ten factors as shown by Component Matrix have been discussed below:

Factor 1: Dependability of services

Dependability includes factors like locker facility, car loan, personal loan, home loans etc.

With 31.758% of the variation it exerts a great influence while choosing banking services. Reliability factors such as employees in the bank are friendly and courteous (0.740), ease of opening a current account (0.621), variety of offers on

products (0.639), pleasant banking atmosphere (0.751), confidence in management (0.737), bank reputation (0.746), access of information about bank (.718) and bank reception emerge with good positive correlations.

Factor 2: Banking convenience

The variation percentage of 9.28% placed it second. The factors are parking facility with the bank (0.845), tele-banking facility to India (0.741), Phone banking (0.849), and free home cash delivery (0.849) signifies that consumers want convenience in banking. Proximity of ATM to the house (0.555) and the ability to conduct transaction using International VISA/ELECTRON cards via GCC Net switch. Expatriates are keen to send remittances to India are also looking forward to NRI services (0.528)

Factor 3: Assurance

There are six significant variables capturing 5.792% of the variations and these factors are location convenience (0.634), 24X7 operational ATMs (0.622), bank pays higher rates of interest on savings accounts (0.423), loans at low rates of margin money (0.555), speedy queue for banking transactions (.553), bank charges low rates of interest on loans (.756) and depicts that the respondents want assurance of the services from the bank.

Factor 4: Value Added Services

It explained 4.109% of the variation, comprising three loadings depicting 0.691, 0.753 and 0.646 representing low service charges, providing debit card with no annual fees and credit card with no annual fees respectively.

Factor 5: Accessibility

It captures 3.810% of the variation; comprising two loadings i.e. free parking space available near the branch and enough parking spaces available near the ATM with rotated value of 0.845 and 0.806. It signifies that easy accessibility to their bank accounts is vital factor in choosing a bank.

Factor 6: Word of mouth publicity

Publicity was the next factor, with an overall variation of 3.540 %. Bank trust and promotion had four loadings namely the bank branch is recommended by friends (0.754) and by peer groups (0.660), customers recommending the branch to relatives (0.465) and friends (0.493)

Factor 7: Reach

The next factor comprises four attributes with an overall variation standing at 3.069 %. Recommendations of parents or elders turned up to be an important factor. Customers were found to be very conscious when it came to using their Debit and Credit cards over Oman-Switch (for Oman only) (0.442) and GCC-Net (GCC and internationally) (0.693) It was revealed that the customers opted for Dr/Cr cards that were internationally valid and therefore could also be functional while visiting India or any other third country. Second highest score in the category went to existence of ATMs in shopping arcades (0.587) Majority of customers did not carry cash while shopping and preferred to pay through Debit/Credit cards or resorted to cash withdrawals from ATMs.

Factor 8: Dedicated services

With a variation of 2.893 % it had three attributes closely resembling the factors chosen for factor no. 3. Here time element or speed in conducting transactions was the distinguishing attribute. It ranked the expatriate services for remittances (0.836). Bank branches with priority windows to serve and assist expatriate remittances ranked the top, followed by bank offering free gifts to new customers (0.648) Customers were very particular in having high expectation when it came to queuing up and waiting long to access the counters.

Factor 9: Competition and offers

There are two variables with a factor loading of 2.705 %. Expatriate customers are attracted to banks that cater to raffle and draws (0.594) Winning a lottery is a major temptation to maintain more than one bank account with minimum balance.

Factor 10: Personal finance

This factor displays least preference with an overall variation of 2.337 %. A weak Indian rupee against Omani Riyal is a big temptation to convert personal loans into home remittances.

Males and females appeared as distinct segments of expatriate population. Inflation has necessitated the need for an increasing number of expatriate women to becoming independent in matters related to financial decisions.

5. LIMITATIONS AND SCOPE FOR FURTHER RESEARCH

As the survey conducted was only confined to the capital area of Muscat, it is possible that results will vary in other parts of Oman. If all the expatriates, from different nationalities, living in Oman are taken the results will vary substantially.

The main limitation of the survey is that it was only confined to only 200 expatriates in the age group 18-60 (60 percent male and 40 percent females).

This study has examined only Indian expatriates. Expatriates of other nationalities should also be studied. The findings of the study can also be generalized to other GCC countries where Indian expatriates reside in large numbers and form a significant percentage of the population. Indian expatriates in GCC share many common factors in economy, culture, language, religion, standard of living, geography and consumption-savings habits. It would be an interesting topic to research if the findings of the study are replicated by conducting similar studies in GCC countries.

6. CONCLUSION

Theoretically, this study fills a critical gap in the literature by adding to the existing body of literature that can serve as a starting point on which future studies can be undertaken. On the practical side the information can help the management of commercial banks in working out suitable marketing strategies for reaching out to potential Indian expatriate customers.

Many a times uneducated expatriates prefer to remit their earnings directly without saving in banks or saving a miniscule portion with friends or peer groups. A significant number of population prefers to act independently and genuinely rather than relying on the recommendations and experience of others.

Finally, a holistic view of the bank selection criteria factors shows that two criteria i.e. technology/reputation factor and convenience factor are very critical.

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