

# Factors Influencing Customers' Preferences on Banking Services in the City of Mati, Davao Oriental

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## Abstract

This research investigates the factors that influence customers' preferences in banking services in the City of Mati. A survey was conducted among 400 bank customers within the City of Mati that involved interviews with bank customers to explore how customers choose their banks. Respondent's views were presented and examined with test of reliability, descriptive statistics, and Exploratory Factor Analysis (EFA). Finding from the study revealed that *Facilities, Services, and Values* which includes good working order, the bank has a debit card facility, bank has speedy service, strong commitment to meeting customers' needs, interior decor of the bank, prompt response to bank statement queries, promptness of service, sustained trust on delivery, and maintenance of sound relationship, and *Price* which includes adequate numbers of tellers, low interest rate of loans, bank provide good interest rate, low service charges, influential marketing campaign, higher returns on saving, and individualized the attention to customers were the most significant factors influences on customers preference on banking services; and in contrast, *Fundamental* which includes adequate numbers of tellers, low interest rate of loans, bank provide good interest rate, low service charges, influential marketing campaign, higher returns on savings, individualized the attention to customers identified as least significant factor in this study, however, it still holds importance for banking services. Results of this study contribute to the existing literature on customers' preferences on the banking services and offer practical insights for local customers and bankers, Government, academe, and business sectors seeking to enhance their competitive advantage.

**Keywords:** Customers Preference, Bank, Exploratory Factor Analysis, Bank Customers, Bank Services

## 1. Introduction

The banking industry has evolved over the last few decades and consumer preferences have become more important in banking services (Mokhlis, 2009) & (Stiftung, 2010). Consumer preferences in the banking industry are influenced by a variety of factors including service quality, convenience, cost, technology, customer service, and trustworthiness (Kashyap & Bhatt, 2018). As such, banks need to understand consumer preferences in order to effectively compete in the banking industry (Kashyap & Bhatt, 2018). In order to understand consumer preferences in the banking industry, researchers have conducted numerous studies. For example, Maulana, Wiryono, and Purwanegara (2019) conducted a study to

examine consumer preferences for banking services in Indonesia. The results showed that online banking facilities and ATM locations were the most important factors for consumers when selecting banks.

Bangko Sentral ng Pilipinas granted licenses under the General Banking Act of 2000 to 6,267 non-banks with quasi-banking functions, including 36 universal and commercial banks, 57 savings banks, 492 rural banks, and 40 credit unions as of October 2017. The Philippines' banking sector has always been essential for maintaining the expansion of the national economy (Srivastav, n.d.). In the Philippines, banks are classified into universal banks, commercial banks, thrift banks, rural banks, cooperative banks, Islamic banks, government-owned banks and other banks as may be classified by the Bangko Sentral ng Pilipinas (BSP). The two largest groupings, universal and commercial banks, account for over 70% of the banking system's resources (Morales, 2022).

Banko Sentral ng Pilipinas (2022) statistics show that BDO Unibank Inc.; Land Bank of the Philippines, Bank of the Philippine Island, Metropolitan Bank & TCO, Philippine National Bank, China Banking Corp., Rizal Commercial Banking Corp., Development Bank of the Philippines, Security Bank Corp., and Union Bank of the Philippines are the top 10 universal and commercial banks in the Philippines in terms of total assets.

Customer response is probable to be the main factor affecting the performance of a business, mainly in the stage of sense and respond (Jayachandra, Hewett, & Kaufman, 2004). The customer's choice of good or service to patronize largely depends on the ability of the chosen good or service to render satisfaction to the customer. Satisfaction is the customer's evaluation of a product or service in terms of whether that good or service has met their needs and expectations. Customer satisfaction is derived largely from the quality and reliability of products or services (Babatunde & Olukemi, 2012).

According to the literature on consumer preferences for banking services, several essential variables influence consumer preferences including reliability, convenience, assurance, value-added services, accessibility, and responsiveness (Saleh, Rosman, & Nani, 2013); Understanding the relative significance of these elements and how they interact to form consumer preferences should be the main goal of future research.

The City of Mati is experiencing significant growth in terms of business establishments. Naturally, these establishments require employees, which eventually need to save money. On the other hand, with the implementation of the new salary standardization for government employees, their salaries increased, providing them with more funds. Although some government employees may not have savings due to their expenses incurred through purchases in business establishments, these establishments ultimately deposit their income or money into banks. As for government employees who have excess money, they often choose to invest or deposit it in banks. Therefore, it is crucial to examine the preference of these potential bank savers.

There has been few researches done on consumer preferences for banking services in developing nations such as the Philippines, much more in the City of Mati. The rapid advancements in technology, which have fundamentally altered the banking scene in many developing nations and increased the demand for research in this field, have made this knowledge gap even worse. Thus, to close this gap, this study concentrated on the preferences of banking customers in the City of Mati.

## 2. Objectives of the Study

The general objective of this study was to uncover the factors influencing customers' preferences on banking services in the City of Mati. Specifically, it aimed to achieve the following:

- 2.1 Determine the demographic profile of bank customers in the City of Mati;
- 2.2 Identify the potent factors influencing customers' preferences on banking services;
- 2.3 Identify the least factors influencing customers' preferences on banking services;
- 2.4 Determine if there is a significant difference on potent factor when grouped according to:
  - 2.4.1 Gender;
  - 2.4.2 Age;
  - 2.4.3 Income;
- 2.5 Determine if there is a significant difference on the least factor when grouped according to:
  - 2.5.1 Gender;
  - 2.5.2 Age;
  - 2.5.3 Income.

### 3. Hypotheses

The following hypotheses were tested at 95% confidence level,  $p < .05$ :

$H_{01}$ : There is no significant difference in the potent factor when respondents are grouped according to gender, age, and income.

$H_{02}$ : There is no significant difference in the least factor when respondents are grouped according to gender, age, and income.

### 4. Literature Review

Many attempts have been made to investigate the relationship between demographic factors and bank choice such as the studies of Bhatt and Jain (2020); Maulana, Wiryono, and Purwanegara (2019); and Akin and Kaya (2011). Significant differences in views and opinions between gender, age, income, occupation, and education levels were found in these research.

Bhatt and Jain (2020) evaluated the factors influencing customers' bank selection decision in Bhairahawa City, Nepal. The study was done through distributing and collecting 137 questionnaires. The respondents were inclusive of 63.5 percent male and 36.5 percent female with age mostly ranges from 27-35, and majority's monthly income of 20,001-40,000 with 35 percent, shown in Appendix A.

There were 655 respondents gathered for the study of Maulana, Wiryono, and Purwanegara (2019) in Indonesia. In this study, 54 percent of respondents were between the ages of 18 and 35, and 46 percent were 36 and older. Gender was distributed to 53 percent female and 43 percent male with 60 percent monthly spending IDR 5,000,000.00-7,000,000.00. Also, 65 percent of respondents had undergraduate or master's degrees combined. All respondents must have a banking account in order to complete the survey. According to the data, 235 respondents had a single bank account, 163 had two, and 257 had several accounts. This indicates that at least two bank accounts were used in the arrangements of 64 percent of the respondents, as shown in Appendix B.

Akin and Kaya (2011) assessed the factors affecting individuals' bank choices in Turkey. The study was done through distributing and collecting data from 411 respondents: 55.5 percent male and 44.5 percent female with ages mostly ranging from 26-35, and the majority with monthly income of 1,001-1,500 lira, as shown in Appendix C.

#### ***Factors Influencing Customers' Preferences on Banking Services***

Customers' preferences are the processes by which people form preferences about businesses and the goods they provide by making purchases. In order to give themselves a meaningful and cogent

understanding of the good or service, customers must first choose, arrange, and interpret information. Additionally, it describes how customers interpret a product based on their findings. These requirements are generated from several elements, including the product's pricing and other characteristics (Adesoga & Louise, 2016).

According to Devlin and Gerrard (2004) many studies shifted over time toward other facets of bank selection, such as an investigation of customer choice criteria for various bank users and a trend study of choice behavior. A corporation often makes a decision after assessing the market's attractiveness and its capacity to compete in the segment. The qualities and advantages a client consider while assessing goods and services are known as choice criteria. They offer justifications for selecting one brand over another. The same criterion in choosing may be applied differently by different customers and may be utilized differently by the same customers (Donovan & Henley, 2010). Choice criteria may alter over time as a result of adjustments in income, preferences, economic considerations, competitive behavior, and other reasons (Sahiti, Aliu, Sahiti, & Aliu, 2020).

A product or service will almost never be able to completely satisfy every customer in a market. In a similar spirit, it is challenging for a company to satisfy every customer. As a result, in order to apply the marketing concept and satisfy customer wants, various goods and services must be produced for the various client groups that make up a market (Donovan & Henley, 2010).

To account for the numerous investigations that have been completed internationally and to give a very rich context for this study, a selective review of prior research was conducted. Beginning from South Africa, Adesoga and Louise (2016) conducted a study on the open and distance learning students (ODL). They found that the r factor with 0.70 and higher factor coefficient that determined the banking choice among ODL students are variety of services offered, staff courtesy and friendliness, professionalism of bank staff, low service charges, influential marketing campaign, higher returns on savings, financial counselling services, easily obtainable loans, security of the bank, interior décor of the bank, low interest rate of loans, prompt response to bank statement queries, influence of parents, warm reception of the bank, internet banking facilities, foreign exchange services, adequate numbers of tellers, bank maintains several branches, confidentiality of information, impressive results declared, promptness of service, willingness to help customers, physical facilities / equipment in good working order, security of financial services, ability to offer promised services, individualized attention to customers, customers treated competently and with professionalism, strong commitment to meeting customers' needs, sustained trust on delivery, maintenance of sound relationship, knowing the bank management, knowing the board members, knowing the bank's profile, familiarity with the audited annual report, interaction with the user's family, interaction with the user's relatives/friends, and interaction with the user's organization. Also, the study recommends to improve their staff's expertise and professionalism in dealing with customers and banks should invest heavily in training. Second, banks' delivery services must be purposefully customer-oriented and focused on satisfying their needs. Thirdly, in order to cultivate a positive reputation with customers, banks must value and adhere to both effective customer relationship management and competent public relations. The results of the factor analysis coefficients in this study are shown in Appendix D.

Saleh, Rosman, and Nani (2013) concluded in their study in Kelantan, Malaysia with 100 Muslim and non-muslim respondents that bank has a good security management, convenient bank locations, low services charges, bank provides good interest rate, low interest rate on loan, the bank has a debit card facility, the bank has a credit card facility, bank has ATM facility, convenient ATM locations, 24 hours availability of ATM services, bank has a speedy service, the employees in the bank are were friendly and

courteous, and lastly, knowledge, skill, and expertise of staff was the most significant factor coefficient with an r factor of 0.70 and higher that affected customers in choosing a bank. The ranking of the importance of bank selection factors of the above study is shown in Appendix E.

Bhatt and Jain (2020) investigated the criteria for selecting a bank on Nepal and confirmed that the most important factor influencing the customer in choosing a bank is reliability. This factor included security arrangement, many branches, reputed brand name, fast and evidence service and ATM facilities. However, bank responsiveness was the least considered factor which included the convenient location, provide internet/online banking facility, and provides good customer reception.

Zineldin (1996) performed a poll of 19 potential factors that clients might value when choosing a bank in Sweden. These elements included a company's reputation, others' recommendations, interesting advertising, convenience of location, business hours, and high-tech services. On a scale of 5 (very important) to 1 (completely unimportant), each respondent was asked to rate the significance of each of the aforementioned criteria. According to his research, the most crucial elements were the availability of loans and the provision of services, as well as the friendliness and helpfulness of the personnel, and availability of loans.

Mylonakis, Malliaris, and Siomkos (1998), revealed that bank reputations, interest rates and fees, employee connections and education, facilities, branch environments, services, and after-service satisfaction, are the most crucial bank selection characteristics. Their study of Greek bank customers revealed that characteristics including location and convenience, customer service quality, and advertising did not appear to have any effect on bank customers at all.

Omer (2007) looked at the factors that Nigerian clients used to choose a bank and found that fund safety, effective service, and quick transactions were the most important ones. Also, the most crucial criteria for choosing a bank in Pakistan, according to Rehman and Ahmed (2008), are customer service, E-banking services, speed, and the overall bank environment. By employing a sample of 2,000 customers from 22 banks, Hinson, Owusu-Frimpong, and Dasah (2009) investigated the factors influencing bank selection in Ghana. They discovered that proximity was the most significant factor, while word-of-mouth advertising was the least significant.

On the other hand, a group of researchers, Lelissa and Lelissa (2017) studied the determinants of bank selection choices and customer loyalty in Ethiopia. According to the results of the individual factors, there are four important factors that influence the choice of commercial banks in Ethiopia: the branch network's size is adequate, the branches are located in the right places, and it is simple to access the bank's foreign exchange resources. These four factors all contribute to the banks' ability to provide some of the fastest services in the business. According to the study, the main determinant of which bank customers choose appears to be the availability and quality of services, as well as the standard and accessibility of physical and human resources. Appendix F shows the differences in bank selection criteria by various factors: gender, age, educational level, and income respectively.

### ***Utilization of Exploratory Factor Analysis***

Factor Analysis is a commonly used technique for reducing the number of variables in data analysis. In the study of Bhatt and Jain (2020), multivariate statistical technique was employed to reduce the size of the variables, establishing a primary relationship between the measured variables and constructs, and indicating construct validity. On the other hand, Adesoga and Louise (2016) factor analysis coefficient was calculated indicating the strength and relative importance of each factor.

The statistical technique known as exploratory factor analysis (EFA) enhances the reliability of a scale by identifying and eliminating unsuitable items. Additionally, EFA helps determine the dimensionality of constructs by examining the relationships between items and factors, particularly in situations where the information about dimensionality is limited (Netemeyer, Bearden, & Sharma, 2003). Through EFA, Bhatt and Jain (2020) identified the significant factors and examined the relationships among the variables that influence bank choice.

Kaiser-Meyer-Olkin (KMO) measures to assess the adequacy of the sample (Bhatt & Jain, 2020), and measured sample adequacy above 0.5 is considered sufficient for conducting a factor analysis (Tsadik, 2013). On the other hand, Bartlett's test of Sphericity was employed to check the validity of the dataset for factor analysis (Bhatt & Jain, 2020), and the significance level of less than 0.0001 obtained from Bartlett's test confirms the suitability of the factor model (Tsadik, 2013).

A study conducted by Lelissa and Lelissa (2017) was achieved by employing Principal Components Analysis which was used to determine the number of factors to be retained and Taneja and Kaushik (2009) used for extracting factors. The eigen value rule, known as Kaiser's criterion, guides the selection of factors with eigen values greater than 1.0 for subsequent analysis.

Among the rotation methods employed in statistical analysis, Varimax is widely recognized as the most commonly utilized approach (Akhtar-Danesh, 2017). Kaiser (1958) introduced Varimax, which serves as a criterion for conducting analytic rotation in exploratory factor analysis and principal component analysis. This technique facilitates the transformation of the initial solution, specifically the factor loadings, into a more comprehensible pattern that enhances inspection and interpretation. Additionally, results from the study conducted by Taneja and Kaushik (2009) were obtained through Varimax method and all the factor loadings greater than 0.40 were retained.

The proportion of variance accounted for by the collective influence of the factors signifies that a significant portion of the information contained in the original factor variables can be captured by these factors (Liu, Wu, Yue, & Zhang, 2019).

## **5. Theoretical Bases**

### **5.1 8P's Marketing Mix**

According to Wickham (2009), and Parmer, Dillard, and Lin (2021) the marketing mix aids in defining the marketing components for effectively positioning the market offer. They also added that the satisfaction is developed through the marketing mix, and one of the best-known models in marketing mix is the 8Ps, containing: product, place, promotion, price, people, process, physical evidence, and productivity. The 8Ps of the marketing are briefly described as follows: Product refers to the presentation of an item in a way that makes it appealing to the intended consumer and satisfies their "core need" or "desire". Place refers to the availability of the product to the targeted customers. Promotion is defined as sales promotion, advertising, personal selling, public relations and direct marketing It helps to make potential customers aware of the many choices available regarding products and services. Price is what has been given up to get a product/service, on how much consumers are willing to pay fluctuate due to their different needs. People refers to the service employees who produce and deliver the service. Process is generally defined as the implementation of action and function that increases value for products with low cost and high advantage to customer and is more important for service than for goods. Physical Evidence refers to the environment in which the service and any tangible goods that facilitate the performance and communication of the service are delivered. And lastly, Productivity refers to the

required level of service that is given to the client with careful consideration for their expectations prior to, during, and following the purchase event.

In addition, Dewi, Sulivyo, and Listiawati (2022) concluded on their study that consumer behavior towards the marketing mix has a positive and significant influence; consumer behavior towards purchasing decisions has a positive and significant influence; marketing mix on purchasing decisions has a positive and significant influence; and lastly, the result of the analysis of indirect influence pathways between consumer behavior to purchasing decisions mediated by marketing mix proves that marketing mix has a significant effect in mediating the relationship between consumer behavior to purchasing decisions.

## 5.2 Service Quality

Service quality has been the main goal of the service sector for the past decades, particularly in terms of studies finding a link between good service quality and customer satisfaction. This is due to the fact that it is necessary for a service company's survival as well as for gaining an advantage over and above its competition (Zalatar, 2012). In New Zealand, (Abdullah, Manaf, Yusuf, Ahsan, & Azam, 2014) investigated the connections between the three aspects of service quality and customer satisfaction. All the three factors, reliability, assurance and enabling are significant predictors of customer satisfaction in retail banking in New Zealand. Thus, any policy to increase customer satisfaction in retail banking in New Zealand would know what to target and according to what priority, either from the government or the management of these companies. According to Abedin, Zahangir, Rahman, and Akhter (2016) banks have individual strengths and weaknesses in the service quality. For better service quality, the weaknesses have to be improved, while strong features should be strengthened by relevant bank models.

## 5.3 Choice Theory/Rational Choice Theory

A framework for comprehending and frequently explicitly modeling social and economic behavior is the choice theory, also known as rational choice theory or rational action theory. In microeconomic models, the premise of rationality, which essentially represents the idea of wanting more of a thing rather than less of it is frequently used to predict how people will behave. Therefore, according to the idea, social behavior patterns are a reflection of the decisions that people make in an effort to maximize their advantages and reduce their disadvantages. The theory presumptions lead to the conclusion that an individual can rank a collection of exhaustive and exclusive actions according to his preferences, and that his preferences are consistent (Aregbeyen, 2011).

## 5.4 Competition Theory

The competition theory explains how businesses attempt to win customers' patronage and loyalty through service excellence, meeting customers' needs, and offering innovative products. Competition in economics is best defined as the presence of enough buyers and sellers in a market for an item or service such that no one market participant has sufficient sway to impact the market's average price. The competitive strategy of businesses is reliant on customer choice traits that tend to affect business decisions that are conducive to satisfying customer preferences (Aregbeyen, 2011).

## 5.5 Consumers' Preferences Theory

The Consumer Preferences Theory examines reasons why people choose to purchase a given product or not in order to explain consumer behavior. Self-preference, price preference, and benefit preference are the three pillars of consumers' preference theory (Adesoga & Louise, 2016).

## 6. Research Methods

This study applied descriptive and inferential research designs. Descriptive research was used to gather

information in order to test hypotheses or answer questions about the current state of the subject of study. The descriptive study determined and reported the way things were. Scientific research, known as descriptive research, methodically discussed events, phenomena, or facts pertaining to a particular region or population (Gay, Mills, & Airasian, 2012). A descriptive research design was suitable as primary data was collected from a sample of respondents and the findings of the study were generalized to represent the whole population where the sample was drawn from (Bhatt & Jain, 2020). With this design, the demographic profile of bank customers in Mati was determined, aiding in describing them as a whole or as groups.

On the other hand, since the general objective of the study at hand was to determine the factors influencing customers' preferences on banking services with the use of various factors from different studies, it was the motive to reduce and summarize them; hence, inferential design was applied. This design examined significant differences based on age, gender, and income. Inferential design enabled accurate predictions about the nature of these populations to be made by describing a sample with inferential statistics and then generalizing the results to the population (De Caro, 2006).

Furthermore, the quantitative method was also used to measure numerical analysis of data collected through a survey questionnaire.

The sampling technique used in this study was purposive sampling. Respondents had a bank account within the City of Mati, savings, or current account regardless of the product and/or service availed. These respondents may or may not have yet engaged in online banking services. With this, the sample size was based on the Cochran formula because the population of actual customers per bank was unknown. Hence, the equation

$$n_0 = \frac{Z^2 pq}{e^2}$$
$$= \frac{1.96^2 \times 0.50(0.50)}{0.05^2} = 385$$

where: e = margin of error;

p = population  
proportion;

z = use Z Table.

However, a total of 400 respondents were gathered as samples.

The researcher constructed a questionnaire administered to the bank customers in the City of Mati, Davao Oriental. The questionnaire was validated by experts on the field of marketing, banking, and academe to ensure the validity of the data that was collected. Trained enumerators were deployed in the conduct of the actual survey. The enumerators then personally administered the questionnaires to the respondents by using KoBoCollect. This tool is based on the open source ODK (Open Data Kit) Collect software. KoboCollect could collect data with ease, add multiple Toolbox accounts, switch to dark mode, collect data offline, and customize data collection (Google Play, 2022).

It is utilized for primary data collection in challenging field settings, such as humanitarian emergencies. Primary data can be submitted from interviews or other sources online or offline using this software (Bokonda, Ouazzani-Touhami, & Souissi, 2020). The data collected was exported to a spreadsheet software, then undergone data cleansing. Identified errors were eliminated before it was subjected to statistical treatment. Further, all the information collected were treated with confidentiality.



According to Kothari (2004) questionnaires produce data that are simple to evaluate and can gather a larger sample size in the shortest period of time. The questionnaire of this study were divided into two parts. Part A was the collection of the primary data which included the demographic profile of the respondents, and Part B was for the factors influencing customers' preferences on banking services. The Likert scale questionnaire was used to measure the influence of each factor to customers' preferences on banking services. The scale has the descriptive representation as: 1 as not important at all, 2 as less important, 3 as important, and 4 as very important. Although factors were clustered during the statistical treatment, the questionnaire did not identify them. This eliminated bias or confusion from respondents' end.

This study provided presentation of the findings from the data analyzed. The data collected was coded, summarized and analyzed which were presented through tables containing frequency count and percentage, and results of EFA. The results of the objectives were on a table format as provided for by the statistical treatment. Each of these results have their corresponding discussion, analyses, and implications. Three statistical treatments were utilized, namely: frequency count and percentage, exploratory factor analysis, and analysis of variance. Each responded to the respective objectives at hand.

**6.1 Frequency Count and Percentage.** It is systematic tabulation or graphical representation of the number of individuals in each category on the measuring scale and it also enables the researcher to simply glance over all of the data (Manikandan, 2011). With this, it is easier to count the number of individuals who achieved each score that was presented (Hole, 2000). Thus, frequency count and percentage disclosed the demographic profile of the bank customers in the City of Mati, thus, objective No. 1 or the demographic profile of bank customers was answered.

**6.2 Exploratory Factor Analysis (EFA).** It is a technique used to determine the factor structure or model for a set of variables (Bandalos, 1996). Also, it is use to evaluate the validity of a test (Stapleton, 1997). Among all the methods for examining the internal organization of a group of variables or indicators, factor analysis is arguably the most effective (Pedhazur & Schmelkin, 1991). Hence, this multivariate analysis reduces and summarized the factor which led to uncover the potent and least preferred factors of customers' on banking services. Consequently, factor analysis answers Objective 2 and 3 of this study.

**6.3 Analysis of Variance (ANOVA).** According to Te et al (2019) this is used when measuring one interval-scaled variable against three or more categories of a nominal variable. Additionally, it is used to assess the equality of several means by evaluating the variation between groups in relation to the variance within groups (Larson, 2008). In accordance to Te et al (2019), ANOVA was useful to Objective 4 and 5 as it found the significant difference of the means of the answers from the respondents, if there are any.

## 7. Results and Discussion

Table 1 presents the demographic profile of bank customers in the City of Mati. It indicates that out of 400 respondents, 64.8% (259) were female and the remaining 35.3% (141) were male. The age of respondents was comprised of 36.5% (146) aged 25 years old and below, 21.8% (87) aged 41 years old and above, 21.3% (85) aged 31 to 40 years old, and 20.5% (82) aged 26 to 30 years old.

The table also revealed that most respondents had monthly income less than PhP 10,000 (42.5%), followed by PhP 10,001 to PhP 15,000 (21.5%), over PhP 25,000 (19.8%), PhP 20,001 to PhP 25,000 (10.8%), and PhP 15,001 to PhP 20,000 (5.5%).

**Table 1. Demographic Profile of Bank Customers in the City of Mati**

Demographic	Level	Counts	% of Total	Cumulative %
Gender	Female	259	64.8%	64.8%
	Male	141	35.3%	100.0%
Age	25 yrs. old and below	146	36.5 %	36.5%
	26 to 30 years old	82	20.5 %	57.0%
	31 to 40 years old	85	21.3 %	78.3%
	41 yrs. old and above	87	21.8 %	100.0%
Monthly Income	Less than 10,000	170	42.5 %	42.5%
	10,001 to 15,000	86	21.5 %	64.0%
	15,001 to 20,000	22	5.5 %	69.5%
	20,001 to 25,000	43	10.8 %	80.3%
	Over 25,000	79	19.8 %	100.0%

Table 2 shows that using coefficient at 0.5 or higher was considered acceptable (Kerlinger & Lee, 2000), and factor analysis was run three times in order to reduce the factors (see appendix I and J). In addition, appropriateness and adequacy in using the factor analysis were obtained.

All of the variables have a sufficient correlation, as shown in Table 2 the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy, and Bartlett's Test of Sphericity. According to KMO Sampling Adequacy of 0.924, the sample is adequate for sampling. This figure also suggests that factor analysis was effective, particularly given that the KMO score is above 0.50.

The results of Bartlett's test of sphericity indicated that the correlation matrix was not random,  $\chi^2 = 7,099, p < .001$ . Bartlett's Test of Sphericity supported the validity of the factor analysis considering that it had generated an overall significance of approximately 0.000.

Table 3 shows the extracted variable which was reduced into three clustered factors. This result was from

Table 2. KMO and Bartlett's Test of Sphericity	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy	0.924
Bartlett's Test of Sphericity	7099
Df	1035
P	<0.001

a Principal Component Analysis (PCA) with a Varimax rotation. Factors that did not reach 0.50 commonalities and factor loading were eliminated for the next run. Three clustered factors or components were generated after three FA runs.

*Factor 1 or Facilities, Services, and Values* was composed of items: (1) physical facilities/equipment in good working order (Q); (2) the bank has a debit card facility (Z); (3) bank has speedy service (AG); (4) strong commitment to meeting customers' needs (AM); (5) interior decor of the bank (AN); (6) prompt response to bank statement queries (AO); (7) promptness of service (AP); (8) sustained trust on delivery (AQ); (9) maintenance of sound relationship (AR); (10) knowledge, skill, and expertise of staff (AS); and (11) warm reception of the bank (AT).

This implied that this cluster dealt with *facilities, services, and values* such as physical facilities/equipment in good working order and interior decor of the bank represented facilities, the bank has a debit card

facility, bank speedy service, prompt response to bank statement queries, promptness of service, knowledge, skill, and expertise of staff, and warm reception of the bank represented services, and strong commitment to meeting customers' needs, sustained trust on delivery, and maintenance of sound relationship represented values.

Knowledge, skill, and expertise of staff (Saleh, Rosman, & Nani, 2013) and interior decor of the bank, prompt response to bank statement queries, promptness of service, warm reception of the bank, a strong commitment to meeting customers' needs, and prompt response to bank statement queries, and maintenance of sound relationship (Adesoga & Louise, 2016) represented responsiveness from the previous studies. However, physical facilities/equipment in good working order, the bank has a debit card facility, and bank speedy service where grouped in this cluster. Thus, this suggests that the City of Mati has a distinct preference compared to other studies.

This implied that banks should prioritize regular maintenance and up keeping to ensure a positive customer experience, offer debit card services to meet customer expectations and provide convenient payment options, prioritize streamlining their processes, reduce waiting times to enhance customer satisfaction, prioritize personalized service and tailored solutions to meet customer needs effectively, pay attention to the interior decor to create a pleasant atmosphere for their customers, ensure efficient systems for addressing customer inquiries, provide clear and comprehensive responses to enhance customer satisfaction and invest in training and development programs to equip their staff with the necessary skills and expertise to provide quality service.

As to *Factor 2 or Price* it is composed of items (1) adequate numbers of tellers (O), (2) low interest rate of loans (S), (3) bank provide good interest rate (T), (4) low service charges (U), (5) influential marketing campaign (V), (6) higher returns on savings (W), and (7) individualized the attention to customers (AK). This suggests that this cluster dealt with price.

Low interest rate of loans, bank provide good interest rate, and low service charges (Saleh, Rosman, & Nani, 2013) and low interest rate of loans, influential marketing campaign, and higher returns on savings (Adesoga & Louise, 2016) represented assurance from the previous studies. However, it did not encompass factors such as adequate numbers of tellers, and individualized the attention to customers. This stressed that aside from assurance, bank customers in the City of Mati preferred adequate numbers of tellers, and individualized the attention to customers.

This implied that the customers' banking preferences in the City of Mati value banks that can meet these customer preferences by ensuring adequate staffing levels, offering competitive interest rates, providing transparent service charges, developing impactful marketing campaigns, offering attractive savings options, and delivering personalized experiences to enhance customer satisfaction.

Lastly, *Factor 3 or Fundamental* is composed of items (1) knowing the board members (F), (2) knowing the bank's profile (G), (3) familiarity with the audited annual report (H), (4) interaction with the user's family (I), (5) interaction with the user's relatives/friends (J), and (6) interaction with the user's organization (K). This implied that this cluster dealt with *fundamental*.

Knowing the board members, knowing the bank's profile, familiarity with the audited annual report, interaction with the user's family, interaction with the user's relatives/friends, and interaction with the user's organization (Adesoga & Louise, 2016) represented reliability from the previous studies. Thus, this implied that the City of Mati has a distinct preference compared to other studies.

This means that the distinct preferences observed in the City of Mati highlight the importance of considering local context and understanding the specific needs and expectations of the target market.

With these results, larger factor loadings that are greater than 0.5 were considered in the factor analysis for the three (3) factors.

**Table 3. Rotated Component Matrix – Final Run**

Items		Factor		
		Facilities, Services, and Values	Price	Fundamental
<b>F</b>	Knowing the board members			0.598
<b>G</b>	Knowing the bank’s profile			0.680
<b>H</b>	Familiarity with the audited annual report			0.710
<b>I</b>	Interaction with the user’s family			0.636
<b>J</b>	Interaction with the user’s relatives/friends			0.609
<b>K</b>	Interaction with the user’s organization			0.575
<b>O</b>	Adequate numbers of tellers		0.544	
<b>S</b>	Low interest rate of loans		0.588	
<b>T</b>	Bank provide good interest rate		0.596	
<b>U</b>	Low service charges		0.594	
<b>V</b>	Influential marketing campaign		0.560	
<b>W</b>	Higher returns on savings		0.520	
<b>AK</b>	Individualized the attention to customers		0.505	
<b>Q</b>	Physical facilities/equipment in good working order	0.517		
<b>Z</b>	The bank has a debit card facility	0.507		
<b>AG</b>	Bank has speedy service	0.506		
<b>AM</b>	Strong commitment to meeting customers’ needs	0.515		
<b>AN</b>	Interior I of the bank	0.604		
<b>AO</b>	Prompt response to bank statement queries	0.621		
<b>AP</b>	Promptness of service	0.549		
<b>AQ</b>	Sustained trust on delivery	0.577		
<b>AR</b>	Maintenance of sound relationship	0.579		
<b>AS</b>	Knowledge, skill, and expertise of staff	0.615		
<b>AT</b>	Warm reception of the bank	0.658		
	<b>Mean</b>	<b>0.568</b>	<b>0.558</b>	<b>0.635</b>

Table 4 presents the variance explained per factor. The three components were taken into consideration since their SS Loading or Eigenvalues for Facilities, Services, and Values (3.70), Price (5.81), and Fundamental (3.57) were all more than 1. And according to the rule of factor analysis, the factors that have eigenvalue larger than one are retained (Bhatt & Jain, 2020).

Hence, the three variables can account for a total of 34.90% (cumulative percentage) of the factors influencing customers’ preferences on banking services in the City of Mati. Although the acceptable threshold for the cumulative percentage is considered to be not less than 60% (Hair, Black, Babin, & Anderson, 2010), there is a literature which stressed that it still depends on the situation. For instance, if

there is a quite low percentage of explained variance, say, about 30%, but it consists of 20% for one "good" factor and 10% for several "bad" factor, this can generally be considered as good factor, and could be practically or scientifically quite useful (Vaitkevicius, 2015).

Factor	SS Loadings	% of Variance	Cumulative %
Facilities, Services, and Values	6.70	14.58	14.6
Price	5.81	12.62	27.2
Fundamental	3.57	7.75	34.9

### 7.1 Potent Factors Influencing Customers' Preferences on Banking Services

From the results of Table 5, Factor 3 or Fundamental is the potent cluster factor where there were six (6) factors composed of knowing the board members (F) (0.598), knowing the bank's profile (G) (0.680), familiarity with the audited annual report (H) (0.710), interaction with the user's family (I) (0.636), interaction with the user's relatives/friends (J) (0.609), and interaction with the user's organization (K) (0.575).

Familiarity with the audited annual report has the highest factor loading suggesting that figures or bottom line were very influential to bank customers. Evaluation of annual audited reports is a fundamental action of a bank customer. On the other hand, knowing the bank's profile has the second highest factor loading suggesting that by familiarizing with a bank's profile, bank customers can gain insights into its strengths, weaknesses, and areas of expertise. Customers can evaluate whether the bank aligns with their specific financial needs and goals. Lastly, interaction with the user's organization has the lowest factor loading for the potent cluster factor, suggesting that effective and positive interaction with the user's organization was essential for building and maintaining strong relationships, ensuring customer satisfaction, and achieving organizational goals.

This implied that Familiarity with audited annual reports is crucial to customers in the City of Mati as it reflects their preference for transparency and financial accountability. Knowing the bank's profile is also significant, allowing customers to align their financial needs with the bank's offerings and capabilities. Personal connections, including interactions with family and friends, hold influence, with customers seeking recommendations and experiences from their personal network. Positive engagement with the customer's organization is valued, fostering satisfaction and potential collaborations for customized financial solutions. To attract and retain customers, banks should prioritize transparent information sharing, promote their profiles effectively, cultivate strong relationships with personal networks, and engage positively with customers' organizations.

Hence, this stressed that the City of Mati exhibited a distinctive preference that differs from the potent factors found in other studies (Maulana, Wiryono, & Purwanegara, 2019; Kashyap et al., 2018; Bhatt & Jain, 2020; Zineldin, 1996; Mylonakis, Malliaris, & Siomkos, 1998; Omer, 2007; and Rehman & Ahmed, 2008).

**Table 5. Potent Factors Influencing Customers' Preferences on Banking Services**

Factors	Factor Loading
knowing the board members	0.598
knowing the bank's profile	0.680
familiarity with the audited annual report	0.710
interaction with the user's family	0.636
interaction with the user's relatives/friends	0.609
interaction with the user's organization	0.575

**7.2 Least Factors Influencing Customers' Preferences on Banking Services**

From the results of Table 6, Factor 2 or Price was the least cluster factor where there were seven (7) factors composed of Adequate numbers of tellers (O) (0.544), low interest rate of loans (S) (0.588), bank provide good interest rate (T) (0.596), low service charges (U) (0.594), influential marketing campaign (V) (0.560), higher returns on savings (W) (0.520), individualized the attention to customers (AK) (0.505) Bank provide good interest rate has the highest factor loading suggesting that although price was identified as the least influential factor in the study, it still holds importance for banking services. High interest rate is one key factor that influences bank customers for price. On the other hand, low service charges have the second highest factor loading suggesting that customers feel that they are getting value for their money, and they are more likely to perceive the service as fair and be satisfied with their overall experience. Lastly, individualized the attention to customers has the lowest factor loading for the least cluster factor which suggests that by customizing interactions and services, businesses can better meet the unique requirements of each customer. This personalized approach can lead to increased satisfaction and a stronger sense of being valued and understood.

This implied that although price was identified as the least influential factor in the study, it still holds importance for banking. Banks should ensure they have sufficient staff to minimize wait times and provide prompt service to customers, offer competitive interest rates to attract and retain customers, provide attractive interest rates to attract and retain customers' deposits, be transparent about their fees and strive to keep them competitive to meet customer expectations, develop effective marketing strategies to communicate their value propositions and engage customers, provide attractive savings products that offer competitive returns to meet customer expectations, and strive to understand their customers' needs and preferences to provide tailored solutions.

Hence, this stressed that the City of Mati exhibited a distinctive preference that differs from the potent factors found in other studies Bhatt & Jain, 2020; Zineldin, 1996; Mylonakis, Malliaris, & Siomkos, 1998; and Omer, 2007).

**Table 6. Least Factors Influencing Customers' Preferences on Banking Services**

Factors	Factor Loading
adequate numbers of tellers	0.544
low interest rate of loans	0.588
bank provide good interest rate	0.596
low service charges	0.594
influential marketing campaign	0.560
higher returns on savings	0.520

individualized the attention to customers	0.505
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### 7.3 Significant Difference on the Potent Factor according to Demographic Profile

Table 7 shows the results, which examines the relationship between two categorical variables. The variables in this case are potent factors knowing the board members, knowing the bank's, familiarity with the audited annual report, interaction with the user's family, interaction with the user's relatives/friends, and interaction with the user's organization, and demographic profiles gender, age, and monthly income. The frequency associated with each chi-square statistic indicates the probability of observing a result as more extreme than the observed result. Looking at the gender column, the p-values for all potent factors were greater than 0.05, indicating fail to reject the null hypothesis. Thus, there was no significant difference on the potent factor selected by the respondents when they were grouped according to gender. As to the significant difference on the means in terms of the age of the respondents, the null hypothesis was rejected. It shows that there was a significant difference on the potent factors when grouped by age particularly on knowing the bank's profile ( $p < 0.001$ ). This suggests that knowing the bank's profile may be more appealing to certain age groups than others. All other factors under fundamental have no significant difference according to age.

**Table 7. Significant Relationship of Demographic Profiles to Potent Factors**

Fundamental (Potent Factors)	Demographic Profiles					
	Gender		Age		Monthly Income	
	$\chi^2$	p-values	$\chi^2$	p-values	$\chi^2$	p-values
knowing the board members	1.36	0.715	20.5	0.059	15.5	0.218
knowing the bank's profile	2.86	0.414	47.1	<0.001**	11.7	0.469
familiarity with the audited annual report	4.94	0.176	20.8	0.053	7.81	0.8
interaction with the user's family	3.46	0.326	15.5	0.216	4.12	0.981
interaction with the user's relatives/friends	2.84	0.417	18.4	0.104	21.2	0.047*
interaction with the user's organization	6.16	0.104	14.6	0.264	19.1	0.086
<b>Overall</b>	<b>3.2</b>	<b>0.783</b>	<b>51.6</b>	<b>&lt;0.001**</b>	<b>25.8</b>	<b>0.365</b>

### 7.4 Significant Difference on the Least Factor according to Demographic Profile

Table 8 shows the results, which examine the relationship between two categorical variables. The variables, in this case, are the least factors adequate numbers of tellers, low interest rate of loans, bank provide good interest rate, low service charges, influential marketing campaign, higher returns on savings, individualized the attention to customers, and demographic profiles gender, age, and monthly income. The frequency associated with each chi-square statistic indicates the probability of observing a result as more extreme than the observed result. Looking at the gender column, the p-values for all least factors were greater than 0.05, indicating that the study failed to reject the null hypothesis. Thus, there was no significant difference on the potent factor selected by the respondents when they were grouped too their gender.

On the other hand, as to the significant difference on the means in terms of the age of the respondents, the study failed to reject the null hypothesis. However, there was a significant difference particularly on adequate numbers of tellers ( $p < 0.007$ ) and influential marketing campaign ( $p < 0.005$ ). This suggests that these least factors may be more appealing to certain age group than others. All other factors under price have no significant difference according to age. In particular, the influence of marketing campaign maybe more appealing to younger generation than the older generation such that the former is more inclined to social media than the latter.

Finally, looking at the monthly income column of respondents, the null hypothesis was rejected. However, there were significant difference in adequate numbers of tellers ( $p < 0.007$ ), low interest rate of loans ( $p < 0.015$ ), bank provide good interest rate ( $p < 0.001$ ), and higher returns on savings ( $p < 0.005$ ). This suggests that this particular least factor may be more appealing to individuals with a certain level of monthly income. All other factors under price have no significant difference according to monthly income. Overall, these results implied that there were significant differences in the distribution of least factors based on age and income, but not on gender.

**Table 8. Significant Relationship of Demographic Profiles to Least Factor**

Price (Least Factors)	Demographic Profiles					
	Gender		Age		Monthly Income	
	$\chi^2$	p-values	$\chi^2$	p-values	$\chi^2$	p-values
adequate numbers of tellers	0.618	0.892	27.3	0.007* *	27.3	0.007**
low interest rate of loans	2.12	0.548	4.58	0.971	24.9	0.015*
bank provide good interest rate	0.905	0.824	6.38	0.896	48.6	<0.001**
low service charges	2.58	0.462	13.6	0.326	11.5	0.484
influential marketing campaign	1.71	0.635	28.1	0.005* *	19.4	0.078
higher returns on savings	0.873	0.832	12.3	0.423	28.3	0.005**
individualized the attention to customers	1.85	0.605	13.9	0.307	14.3	0.284
<b>Overall</b>	<b>3.68</b>	<b>0.298</b>	<b>18.5</b>	<b>0.102</b>	<b>27.3</b>	<b>0.007**</b>

### 8. Conclusion

Due to the increasing competitiveness in the banking industry and the similarity of services provided by banks, it becomes essential to gain a comprehensive understanding of the factors that significantly influence customers when selecting a bank. Banks must identify the key factors that play a role in customers' decision-making process when choosing banking services. Hence, the primary objective of this study was to uncover the factors influencing customers' preferences on banking services.



Based on the factor analysis result, this study identified forty-six (46) factors that influence customers' preferences on banking services. Twenty-four (24) factors have influenced customers' preferences on banking services and grouped them into three clustered factors; facilities, services, and values, price, and fundamental. Fundamental was found to be the potent factor whereas, price was the least factor. These factors were given importance in the banking industry where they would promote banking services.

This study is not consistent to the study conducted by Bhatt & Jain (2020) where the most important factor influencing the Nepal customer in choosing bank is reliability; in Zineldin's (1996) where the most crucial elements were the the provision of services, as well as the friendliness and helpfulness of the personnel, and availability of loans; Mylonakis, Malliaris, & Siomkos (1998) revealed in their study that convenience was the most crucial bank selection characteristics; Omer (2007) revealed that clients used to choose a bank and found that fund safety, effective service, and quick transactions were the most important ones; the most crucial criteria for choosing a bank in Pakistan, according to Rehman & Ahmed (2008), are customer service, E-banking services, speed, and the overall bank environment; Hinson, R., Owusu-Frimpong, & Dasah (2009) discovered that proximity was the most significant factor, while word-of-mouth advertising was the least significant; and on the study conducted by Lelissa & Lelissa (2017) found that determinants of bank selection choices and customer loyalty were availability and quality of services, as well as the standard and accessibility of physical and human resources.

## 9. Recommendations

Based on the findings and conclusion of the study, some recommendations are proposed to the banking sectors in the City of Mati to improve bank services. To begin, banks should consider fundamental aspects to differentiate themselves in the market and strive to build strong and lasting relationships with their customers. This can be achieved by maintaining a high level of commitment to meeting customers' needs and consistently delivering personalized and attentive service. Especially when it comes to familiarity with the audited annual report, it enhances transparency and provides insights into the bank's financial performance. Building trust and loyalty among customers is crucial for long-term success. Also, banks should focus on improving the quality of their facilities, services and values, such as physical infrastructure and equipment, to provide a comfortable and modern banking environment. Additionally, prompt and efficient services should be prioritized to address customers' needs effectively.

In addition, banks should consider offering attractive price options to cater to the preferences of their customers. This may include competitive interest rates on loans and savings, low service charges, and influential marketing campaigns. By providing compelling price opportunities, banks can differentiate themselves from competitors and attract more customers.

This study recommends the following to the banking sector to monitor customer satisfaction (Sahiti, Aliu, Sahiti, & Aliu, 2020), implement market strategies such as upholding high ethical standards and transparent governance practices (Hartarska & Nadolnyak, 2018), quarterly conferences (Chaffey & White, 2010) and (Schroeck, 2011), sponsor researchers (Krimsky, 2003), and government regulatory intervention (Demirguc-kunt, 2013), and market orientation (Hawajreh, 2013). By implementing these recommendations, banks can enhance customer satisfaction, loyalty, and retention, gain a competitive edge, and drive sustainable growth in the banking industry.

It is recommended further to expand the research scope by conducting surveys in other municipalities of Davao Oriental. This will provide a broader perspective and allow for comparisons between different

provinces. Adequate sample sizes should be ensured, and banks not included in the initial study should be considered to gather comprehensive data.

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