



# Attributes Influencing Financial Institutions Selection by African Youth Tourists

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## Abstract

Youths are increasingly travelling to live, study and work in different parts of South Africa. A significant population of the youth in South Africa are opening bank accounts. In this vein, youth tourists have become an important customer segment for commercial banks in South Africa. The objectives of this study were to investigate the differences in the factors that influence bank selection amongst African youth tourists based on demographic variables. The study was conducted within a small town in South Africa with a higher education institution. A cross-sectional survey design was used in the study with a convenience sample of 96 local youth tourists. The results revealed that there were two main factors that emerged that influence bank selection, namely, service provision factors and accessibility factors. Additionally, it was noted that there was no statistically significant difference in the factors influencing bank selection in terms of demographic variables of the participants. An understanding of the selection behaviour of different demographic groups can aid banks to meet the needs of different demographic groups of local youth tourists.

**Keywords:** bank selection, demographic variables, youth, South Africa

## Introduction

Schlich (2012) suggests that, globally, commercial banks are facing challenges within the banking industry as most of the banks are earning little cash flows, slow equity returns and slim profit margins. At the same time increased rivalry through entrants of new players squeeze in the returns. Moreover, intensified competition amongst banks has escalated as customers' move towards technologically advanced banks which allow customers to easily open accounts. Martin (2012) proposed that banks are then challenged to reformulate their visions, mission statements and realign their capabilities with their vision in order to mitigate challenges and the external driving forces. Schlich (2012) pointed out that external driving forces are also characterized by a sophisticated ever changing micro and macro environment signalled by high inflation, changes in exchange rates, and ever escalating regulatory fees. Ernst and Young (2012) added that customers require transparency in their transactions; hence clients are challenging banks to pay more attention to their needs and preferences.



Schlich (2012) suggested that understanding consumer behaviour will help banks in making strategic decisions, operational planning and managing day-to-day customer service. Higher education youth represent an attractive segment for commercial banks. It is vital for banks to offer valuable services to youth in order to remain competitive in the environment. Studies (Chigamba & Fatoki, 2011; Mokhlis & Salleh, 2008) indicate that there is a growing number of youth enrolling at higher education institutions in South Africa who need and use banking services for various transactions. In this respect, furthermore, not only wage earning individuals and the corporate world contribute to the earnings of the bank but also youth need banks to pursue their daily economic transactions (Chigamba & Fatoki, 2011). Sayan and Miniaoui (2013) suggest that youth tend to be first time account holders, hence, it is important for banks to attract and retain them. Youth tourism is defined by Theuns (1992) as “the tourism of young adults travelling for leisure, work or educational purposes”.

The study focused on African youth tourists in a small town with a higher education institution in South Africa. In South Africa, youth tourists represent a growing and attractive segment in the banking sector since these young consumers will soon be fully establishing themselves in the world of work and thus require banks to readily participate in economic transactions.

## Literature Review

The financial sector is increasingly becoming competitive due to shifts in technology, global economic growth, customer preferences, and technological advancements. Customers actively choose banks based on the innovative offerings and services offered by the banks, which include, mobile banking and internet banking services (Chigamba & Fatoki, 2011; Lichtenstein & Williamson, 2006). According to Knox (2004) for any organisation to succeed in any industry, the organization needs to be competitive by ensuring that it provides products and or services which enable customer satisfaction. In recent years, competitive forces have compelled banks to reconsider and improve their efficiency to maintain their profitability and competitive nature (Cronje 2007).

Banks increasingly perceive young people as a key market for personal financial services (Lewis, Orledge & Mitchell, 1994). For banks, young people may not be profitable in the short term but contribute to the profits of the banks in the long-term (Lewis, Orledge & Mitchell, 1994). The youth market is key for banks because when the youth move and leave their families, they require the services provided by financial institutions to independently engage in financial transactions (Lewis, Orledge & Mitchell, 1994).

The youth market is important to the banking sector because banks believe that when youth who attend universities complete their academic studies and graduate they will gain employment in relatively secure and high paying jobs (Colgate, Stewart & Kinsella, 1996). Banks also believe that attracting and retaining this segment enhances the chance of maximizing the full lifetime economic value of these customers (Colgate, Stewart & Kinsella, 1996). Banks anticipate that when youth that are students graduate from university or college, they tend to open new bank accounts in their new location with the same bank that they used when they were students (Colgate, Stewart & Kinsella, 1996; Fry, Shaw, Lanzener & Dipchand, 1973).

According to Gerrard and Cunningham (2001) educated youth are an important segment of the banking sector which requires a wider range of financial services to retain illiterate consumers. Once young consumers have graduated from university or college they tend to be mobile in their careers and they tend to switch banks owing to locational convenience, bank charges, impersonal service, lack of personal contact and inability to meet borrowing requirements (Lewis et al., 1994).



Gerrard and Cunningham (2001) conducted a study to determine the factors which youth at universities in Singapore consider when choosing a bank. The results of the study showed that the youths considered reliability of the bank as an important factor when choosing a bank and also the influence of friends and relatives was also an important factor to them when they were selecting a bank (Gerrard and Cunningham, 2001). Due to high levels of competition within the banking sector, it is important for the banks to understand the factors that drive customers into selecting banks (Holstius & Kaynak 1995).

Parvin and Perveen (2012) observed that responsiveness is the most important factor to customers. Services such as loan and deposit schemes, electronic fund transfer service, cash management service and merchant banking have also been found to be important to customers. The selection of a bank by customers is also determined by aspects such as, convenience, assurance, reliability and safety (Parvin & Perveen, 2012). Mokhlis, Salleh and Mat (2009) conducted an empirical study on bank selection criteria in Malaysia and found that the bank selection decision is based primarily on nine factors which are; security, ATM service, provision, proximity, branch location and attractiveness. Nonetheless, within the South African context not much is known about the factors which are considered by young consumers, specifically local youth tourists, when selecting a bank. In this vein, it is essential to investigate the factors which influence bank selection by local youth tourists. Since the size of the youth travel market has transformed over the past decade youth tourism has positively contributed towards the growth of the tourism market (Correia, 2011). Youth globally, are considered an essential active group in tourism since they travel for varied reasons including, business, learning and leisure (Correira, 2011).

Until recently, it is evident that in tourism scholarship, little focus was given to issues relating to the youth travel market. However, globally the student market is one of the most overlooked youth markets. The travels and activities by students for varying purposes adds tremendous economic value to the student destinations (Correira, 2011). Hence, it can be noted that the student market which engages in various economic transactions in different student destinations requires financial services (Gerrard & Cunningham, 2001) and banks to pursue their transactions.

### **Aims of the study**

The objective of the research was to determine the factors affecting bank selection amongst African youth tourists in South Africa. Furthermore, the research seeks to determine the differences in the factors which influence bank selection based on demographic differences.

### **Methodology**

A quantitative cross-sectional survey design was adopted. The quantitative research method emphasizes on objective measurement and numerical analysis of data collected through questionnaires (Hopkins, 2014). In the present study, data was collected from participants using self-administered questionnaires. An adapted questionnaire from previous studies (Gerrard and Cunningham, 2001; Mokhlis, Salleh & Mat, 2009) was used to investigate the factors influencing students' selection was used. The questionnaire used in the study was a five-point Likert scale on importance which range from 1 (not important at all) to 5 (very important). The questionnaire consisted of two parts. The first part included the demographic information about the participants. The second part of the questionnaire sought to identify the different factors considered by participants when selecting a bank.

The research participants included African youth tourists who resided in a small town in South Africa and attended a higher education institution in the small town. These youths were older than 18 years old. Descriptive statistics as well as inferential statistics were used to analyze the data. Cronbach's alpha computation was used to measure the Reliability and internal



consistency of the measuring instrument (Pallant, 2007). Principle component factor analysis was conducted to perform factor analysis. To ensure ethical considerations, informed consent was obtained from the participants before conducting the study. Participation in this study was voluntary and participants had the right to withdraw from the study at any given point in time. Information provided by participants was treated with confidentiality. Ethical clearance was sought and obtained from the higher education institution before conducting the study.

## Results

A total of ninety-six usable questionnaires were returned. The descriptive statistics of the factors influencing bank selection amongst African youth tourists are presented in Table 1 below. The results in the table below measured the mean scores of the factors that were under investigation that is obtained from the research findings. A total of ninety-six usable questionnaires were returned. The descriptive statistics of the factors influencing bank selection amongst African youth tourists are presented in Table 1 below. The results in the table below measured the mean scores of the factors that were under investigation that is obtained from the research findings.

**Table 1: Descriptive Statistics of the Research Findings**

	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Quality	96	1	5	4.52	0.767
Reputation	96	3	5	4.50	0.696
Bank charges	96	1	5	4.44	0.856
Easy opening	96	1	5	4.33	0.890
Security	96	1	5	4.17	1.149
Special services	96	1	5	4.16	1.050
Friendliness	96	1	5	4.12	0.954
Proximity	96	1	5	4.07	0.920
Online services	96	1	5	3.93	1.145
Interest rates	96	1	5	3.80	1.202
Availability	96	1	5	3.67	1.254
Recommendation	96	1	5	3.24	1.167
Short loans	96	1	5	3.03	1.269
Financial services	96	1	5	2.90	1.277
Parking space	96	1	5	2.75	1.281
Valid N (listwise)	96				

From Table 1 above, the most important to the least important factors considered when selecting a bank have been represented in descending order. The most important factors which influence bank selection among African youth tourists have the highest mean values. The factors with the highest mean scores are, quality of service provision (4.52), the reputation of the bank (4.50), bank charges (4.4), the ease of opening an account (4.33), security (4.17), the bank's special services for youth (4.15), the friendliness of staff (4.12) and the proximity of bank location and ATMs (4.07).



The factors with the lowest mean values are; online services (3.93), the bank’s interest rate on loans (3.80), availability of the bank’s branches in other countries (3.67), recommendation from friends and family (3.24), the availability of emergency short loans (3.03), the nature of financial services and products (2.90) and the availability of parking space (2.75). This means that these factors are less important and are less likely to be considered during bank selection.

### Cronbach’s alpha Result

Cronbach’s Alpha was used as the measure of reliability of the scale. The higher the reliability coefficient, the more reliable the generated scale is. A Cronbach’s Alpha of 0.724 was obtained in the study which was above the threshold of 0.7 (Pallant, 2007), therefore indicating that the scale was reliable.

### Factor Analysis Technique

Before performing the factor analysis, the Kaiser-Meyer-Olkin and Bartlett test of sphericity were performed to ensure the adequacy of the data for factor analysis. Table 2 indicates the findings from the Kaiser-Meyer-Olkin and Bartlett test of sphericity.

**Table 2: KMO and Bartlett’s test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	0.710
Bartlett’s Test of Sphericity	313.629
Sig.	0.000

The results (BTS = 313.629, sig. = 0.00) represented in Table 2 above from the Keiser-Meyer-Olkin test and the Barlett’s test indicated that, the data was adequate and suitable for principal component factor analysis (Pallant, 2007). After the Keiser-Meyer-Olkin test and the Bartlett’s test, principle component factor analysis was performed. The findings from the principle component factor analysis are presented in Table 3. From the factor analysis, two factors were generated from the data.

**Table 3: Rotated Component Matrix**

	Component	
	1	2
Reputation		.338
Easy opening		.746
Quality		.599
Proximity	.772	
Parking space	.726	
Friendliness		.583
Online services		.497
Special services		.714
Bank charges		
Interest rates	.542	
Financial services	.628	
Recommendation		
Security	.515	
Availability	.482	
Short loans	.646	



The Rotated Component Matrix (Table 3) generated two components. These components were therefore named Component 1 and Component 2: Component 1 comprised of accessibility factors which were, (Proximity, Parking space, Interest rates, financial services, Security, Availability of ATMs and short term loans). Component 2 comprised of service provision factors which were, (the bank reputation, easy of opening up a bank, quality of services, friendliness, and online services).

In order to determine whether there were significant differences between the factors influencing bank selection and demographic characteristics, statistical tests were carried out. The tests included t-test of independent samples and one-way analysis of variance (ANOVA).

A t-test of independent sample was used to test the differences between gender and Component1 (Accessibility). Table 4, below indicates the results of the independent t-test between gender and Component 1 (Accessibility) and also between gender and Component 2 (Service Provision). From the results in table 4, it can be noted that there was no statistically significant difference between gender in terms of component 1 (accessibility) and component 2 (service provision).

**Table 4: t-test results for Gender**

Component	GENDER	
	T	P value
Component1 (Accessibility)	0.744	0.459
Component 2 (Service Provision)	0.389	0.698

In order to investigate the difference in age with respect to component 1 (accessibility) and component 2 (service provision), analysis of variance (ANOVA) was performed.

**Table 5: ANOVA for age and Component 1 (Accessibility)**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	40.735	3	13.578	.714	.546
Within Groups	1749.890	92	19.021		
Total	1790.625	95			

The results from the ANOVA test shown in Table 5 indicate that there was no statistically significant difference between the different ages with respect to Accessibility (F=0,714; df=92; p≤ 0.546).

**Table 6: ANOVA for age and Component 2 (Service provision)**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	36.594	3	12.198	.965	.413
Within Groups	1162.365	92	12.634		
Total	1198.958	95			

The results from the ANOVA test shown in Table 6 indicate that there was no statistically significant difference between the different age groups with respect to Service provision (F=0,965; df=92; p≤ 0.413).





## Discussion

The findings from the study showed that the most important factors influencing African youth tourists were quality of service provision, the reputation of the bank and ease in opening a bank account while the least important factors are the availability of parking space, financial service and the availability of ATMS and short loans. Similarly, in a study conducted by Phuong Ta and Yin Har (2000) it was observed that the youth at a university in Singapore considered the following factors as important when choosing a bank, quality of the service offered by the bank and interest rates charged by the bank. Furthermore, Holstius and Kaynak (1995) found that the friendliness of the staff members of a bank, a bank's reputation and referrals from friends and family were key determinants in choosing a bank. On the other hand, Fatoki and Chigamba (2011) observed that the availability of parking space was not an important factor in determining bank selection amongst youth.

In the same light, Parvin and Perveen (2012) found that parking space did not affect a customer's decision when choosing a bank, instead friendliness of staff and the support offered to customers were noted as key factors valued by customers when choosing banks. With this in mind it can be observed that it is critical for banks to focus on providing a sound service quality for customers (Holstius & Kaynak, 1995; Lee & Marlowe, 2003). Hence, it is important for a bank to be customer-centric and ensure that its products offering meet the needs of its customers (Holstius & Kaynak, 1995). Educated young people are deemed an important and sensitive target market because they are highly mobile in their careers and they tend to switch banks owing to locational inconvenience, bank charges, impersonal service, lack of personal contact and inability to meet borrowing requirements (Lewis, Orledge & Mitchell, 1994; Sharma & Rao 2010).

The results from the study revealed that there is no significant difference between gender and age pertaining to the factors identified in the study. Similarly, in a study conducted by Chigamba and Fatoki (2011) it was noted that there were no significant differences between gender and age with respect to the factors which influence bank selection amongst youth. Hence, it can be observed that from the study African youth tourists value, the quality of service provision, reputation of the bank and banking charges as key determinants in choosing a bank.

## Conclusions

Banks need to ensure that they fully satisfy the different factors which influence bank selection by the youth. In this regard, the quality of service provision, the reputation of the bank and ease in opening a bank account is deemed important by youth tourists. On the other hand, in terms of attracting the youth, banks can focus less on the availability of parking space, financial service and the availability of ATMs and short loans. This study contributes in allowing banks to hopefully understand the attributes valued by youth when selecting a bank.

Furthermore, it offers value by the gaining of a sound insight of the valued attributes by the youth as they become adults who enter the world of work. In this regard, banks can introduce appropriate practices and systems to attract and retain youth. Moreover, identifying the factors which influence bank selection among youth tourists will enable banks to grow and become more sustainable and competitive in the business environment.

Future studies can involve comparing the bank selection factors between youth tourists and employed adult tourists. Furthermore, mixed methods can be employed in future studies to gain a deeper insight of the factors influencing the selection of banks by youth tourists.



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