



## **Investigating Consumer Choice Determinants in Selecting Banking Institutions-Specifically Bank Selection Factors**

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### **ABSTRACT**

This study investigates the key determinants influencing consumer choice in selecting banks and financial institutions in Malawi. Through a cross-sectional survey of 160 respondents across various demographic and occupational segments, the research explores factors such as marketing strategies, product offerings, customer experience, and technology adoption that shape banking preferences. The findings reveal National Bank of Malawi and FDH Bank as the dominant players, collectively holding over 90% of respondents' bank accounts. Savings accounts emerged as the most commonly held product type. Quality of customer service, brand reputation, convenience of branch/ATM locations, and competitive interest rates and fees were identified as crucial drivers influencing bank selection across the sample. However, priorities exhibited variation among different occupational groups - business owners emphasized pricing advantages, employees valued convenient access for pay check deposits, while students preferred tailored digital platforms and youth-centric products. The study highlights the diverse considerations underlying consumer decisions and underscores the importance of banks adopting targeted strategies to cater to the distinct needs of various customer segments. Key recommendations include optimizing pricing, fostering strong brand equity, enhancing physical and digital accessibility, and delivering exceptional service experiences. Overall, the research provides valuable insights to guide financial institutions in formulating effective marketing approaches and product development roadmaps within Malawi's evolving and competitive banking landscape.

**Keywords:** Consumer Choice, Banking Institutions, Consumer Decision-Making Theory, primary data,

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### **INTRODUCTION**

The banking sector is a cornerstone of a nation's economy, facilitating financial transactions, providing credit, and enabling economic growth (Lotto, 2018). Within this sector, consumer choice in selecting financial institutions is a critical aspect that banks must understand to remain competitive and sustainable (Rasheed and Siddiqui, 2019). Consumers consider a multitude of factors when choosing a bank, ranging from tangible elements such as convenience, accessibility, and proximity to intangible aspects like service quality, reputation, product offerings, and pricing (Katircioglu et al., 2011; Amin et al., 2014).

These determinants that influence consumer choice can vary significantly across different demographic groups, geographical locations, and economic conditions (Amin et al., 2014; Ngo and Nguyen, 2020). For instance, younger consumers may prioritize digital banking capabilities and innovative products, while older generations may value personalized service and branch proximity (Daoud et al., 2023). Similarly, consumers in urban areas may emphasize convenience and a wide range of services, while those in rural regions may prioritize trustworthiness and familiarity with the institution (Kaur and Arora, 2020).

Understanding the diverse factors that shape consumer preferences in selecting financial institutions is crucial for banks to develop effective marketing strategies, tailor their products and services to meet customer needs, and ultimately improve customer satisfaction and loyalty (Ngo and Nguyen, 2020; Rasheed and Siddiqui, 2019). By identifying the key determinants that resonate with their target market segments, banks can enhance their competitive positioning, attract and retain customers, and foster long-term profitability and growth (Demirguc-Kunt et al., 2018).

The financial industry's heightened competition necessitates that institutions comprehend the factors driving consumer choices when selecting a bank. This research unveils insights into crucial determinants like marketing strategy, product development, customer experience, and technology's impact. Tailoring marketing messaging to highlight convenience, reputation, competitive loan/savings rates for different segments is pivotal.

Product portfolios must prioritize optimizing popular offerings like savings accounts while exploring customized digital solutions for tech-savvy demographics. Delivering exceptional service experiences by ensuring quality customer service, seamless digital capabilities integrated with physical touchpoints is paramount as these factors heavily influence consumer decisions. Moreover, investing in cutting-edge mobile/online platforms that merge transactional banking with value-added services can elevate convenience and drive adoption.

By crafting consumer-centric strategies addressing distinct segment priorities through segment-specific value propositions, optimized product mixes, remarkable service experiences blending digital/physical models, financial institutions can attract and retain customers amid fierce competition. Understanding and adeptly catering to the evolving consumer needs will be the cornerstone of success.

## RESEARCH METHODOLOGY

The research design for this study was a cross-sectional survey, utilizing both qualitative and quantitative research methods. A structured questionnaire was employed to gather data from the selected respondents. Interviews were conducted with business people at the beginning and mid-month, working-class individuals during banking activities, and college students in designated areas on campus

### Population of the study

Target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions. The target group usually has varying characteristics and it is also known as the theoretical population. "Sachdeva J K, 2011" defines a target population as a large population from whom a sample population is selected

### **Sample Selection**

The sample size consisted of 160 respondents, strategically chosen from various sectors of the economy to ensure diversity. Respondents included business people, working-class individuals from private companies, government employees, and college students.

### **Business People**

Interviews were conducted at the beginning and mid-month with random individuals making deposits in bank floors, focusing on capturing banking preferences specifically among business people.

### **Working-Class Individuals from Castel Limited**

Questionnaires were distributed among blue-collar and white-collar workers from the private company Castel Limited, ensuring representation across various job positions.

### **Government Employees**

Questionnaires were distributed to government employees from the Ministry of Education (specifically secondary school teachers) and Lilongwe Water Board employees to understand factors influencing bank selection among government employees.

### **College Students**

Questionnaires were distributed to students at Malawi College of Accountancy, focusing on

### **3.4 Data Collection Method**

Data were gathered through a structured questionnaire, developed based on relevant literature and the study's research objectives. Both interviews and questionnaires were distributed to the identified groups.

### **Gender of the respondents**

The following data findings provide a comprehensive overview and analysis of key factors and trend's related to consumer choice in selecting a bank on. Gender distribution.

**Table 1. Gender**

Gender	Frequency	Percentage
Male	80	50%
Female	80	50%
	160	100%

The data represents the gender breakdown of 160 respondents. It is an even 50-50 split between males and females. 80 out of the 160 respondents (or 50%) identify as male. the other half, 80 respondents representing the remaining 50%, identify as female. This indicates the sample has equal representation from both genders. With identical frequencies of 80 and identical percentages of 50% each, the data illustrates perfect gender parity among respondents. In summary, males make up exactly half the respondent sample size, and females likewise make up exactly the other half, demonstrating an equitable distribution between the two genders

### **Age distribution**

**The data shows the age group distribution for a survey.**

**Table 2. Age Group**

Age Group	Frequency	Percentage
18-25 years	55	34%
26-35 years	65	41%
36-45 years	30	19%
46 years and above	10	6%
	160	100%

The data shows the frequency and percentage breakdown of 160 respondents by age group. The most represented group is 26-35 years with 65 responses or 41%. The second most common is 18-25 years with 55 responses or 34%, followed by 36-45 years with 30 responses (19%). The least represented is 46 years and above with just 10 responses or 6% of the total. Overall, the data shows the majority of the 160 respondents (75%) are aged 25-45 years old.

### 3 Educational qualifications

The research data outlines the educational qualifications of a sample group, The distribution is as follows:

**Table 3. Educational qualifications**

Education	Frequency	Percentage
Secondary school	25	16%
Undergraduate degree	100	63%
Postgraduate degree	20	13%
MSCE (certificate)	15	9%
	160	100%

A majority (63%) possess undergraduate degrees, emphasizing a commitment to higher education. Secondary school graduates constitute 16%, while 13% hold postgraduate degrees, showcasing a pursuit of advanced studies. Additionally, 9% have MSCE certificates, indicating specialized skills. The findings underscore the educational diversity within the sample, providing insights into the varied academic backgrounds of the participants.

#### 4.1.4 Occupation distribution

The research data outlines the Occupations of a sample group, the distribution is as follows

**Table 4: Occupation distribution**

Occupation	Frequency	Percentage
Business persons/merchants	45	28
Secondary School Teachers (Government employees/civil servants)	35	22
Water Board white collar Employees (statutory corporation employees)	12	8
Water Board blue collar Employees (statutory corporation employees)	13	8
Private company white collar employees (Castel LTD)	15	9
Private company blue collar employees (Castel LTD)	15	9

Occupation	Frequency	Percentage
College Students	25	16
<b>Total Sample</b>	<b>160</b>	<b>100%</b>

The table shows the occupations of 160 people surveyed, with corresponding frequencies and percentages. Business persons and merchants constituted the largest portion at 45 people (28%). This was followed by 35 (22%) secondary school teachers employed by the government. Water board white collar and blue collar employs war 12 (8%) and 13 (8%) respectively. Privat company white collar and blue collar employs from Castel LTD war both 15 people each (9% each). Finally, 25 (16%) of those surveyed war college students. In total across the 7 occupation categories shown, there was 160 people included in the sample.

#### 4.2 Bank Account

The research data outlines the Bank Account held findings of a sample group; the distribution is as follows

**Table 5. Bank Account ownership**

Have Account	Frequency	Percentage
Yes	160	100%
No		
	160	100%

An overwhelming majority of the sample, 100%, reported having a bank account, highlighting a high level of financial inclusion within the group, emphasizing the widespread use of banking services among the participants.

##### 4.2.1 Commercial bank Account Held

The research data outlines where sample group Commercial bank Account is Held, the distribution is as follows

**Table 6. Banks Account Held**

Bank	Frequency	Percentage
National Bank of Malawi	95	59%
FDH Bank	60	38%
Standard Bank Malawi	40	25%
NBS Bank	30	19%
First Capital Bank	15	9%
Ecobank	10	6%

The data shows the frequency and percentage of respondents who use each bank. National Bank of Malawi has the highest representation with 95 respondents, making up 59% of the sample. FDH Bank is second most popular with 60 respondents (38%). Standard Bank Malawi, used by 25% of respondents (40 people), along with NBS Bank at 19% (30 respondents) make up middle tier usage. More niche banks, with lower usage rates among those surveyed, are First Capital Bank at 9% (15 respondents) and Ecobank at just 6% (10 people). In summary, National Bank of Malawi and FDH Bank together account for over 90% of the banks used by the survey group, based on the response frequencies shown.

##### 4.2.2 Preferred banks

The research data outlines the preferred banks of the sample group to hold a bank Account with, the distribution is as follows

**Table 7 preferred banks**

Preferred Banks	Frequency	Percentage
National Bank of Malawi	45	28.1%
FDH Bank	36	22.5%
Standard Bank Malawi	26	16.3%
NBS Bank	25	15.6%
First Capital Bank	18	11.2%
Ecobank	15	9%

The data covers the preferred banks of 160 respondents in Malawi. National Bank of Malawi is the most popular, preferred by 45 people (28.1%). The second most common is FDH Bank with 36 respondents (22.5%), followed closely by Standard Bank Malawi preferred by 26 people (16.3%). NBS Bank also has solid representation with 25 respondents (15.6%), while First Capital Bank and Ecobank have smaller shares at 11.2% (18 respondents) and 9% (15 respondents) respectively. In summary, National Bank of Malawi, FDH Bank and Standard Bank Malawi collectively account for about 67% of preferred banks among those surveyed.

### **Discussion of KY Findings**

#### **5.2.1 Demographic Factors**

The survey results reveal an even gender split amongst bank customers with 50% male and 50% female (Table 1). This indicates banking products and services require universal appeal across genders. There is no evident skew towards any gender segment that banks should orient towards.

In terms of age distribution (Table 2), the highest represented group are ages 26-35 years old at 41%. This largely young adult demographic should be the prime focus for marketing efforts and product development since they make up the largest share of current clientele. The data further indicates that 18–45-year-olds represent 94% of those surveyed, suggesting this wider youth and middle age bracket encompasses the vast majority of banking consumers. Tailoring products like personal loans, transactional products, and digital services to resonate best with a young to middle aged profile appears prudent based on the distribution.

Educational attainment of bank customers skewed towards well educated with nearly 80% having an undergraduate or postgraduate degree (Table 3). This indicates that banks need to orient their offerings and communication to align with a highly informed and competent audience when presenting information on accounts, loans, investment options and features. There is opportunity to further financial literacy initiatives as 34% still report limited basic understanding of banking products. But largely, Malawi bank consumers are rather sophisticated based on the sample educational representation.

#### **5.2.2 The Malawian banking industry**

The study findings reveal a notable level of census with other studies on bank selection in Malawi, the study reveals the banking industry in Malawi is characterized by a competitive landscape with several key players shaping the financial sector. The analysis of the data sets 'Table 6. Banks Account Held' and 'Preferred Banks' provides valuable insights into the preferences of individuals in terms of holding bank accounts and their preferred banks in Malawi. The National Bank of Malawi emerges as the most popular bank among the respondents, followed by FDH Bank, Standard Bank Malawi, NBS Bank, and First Capital Bank. Based on this study findings, we observe that the National Bank of Malawi has the highest frequency of individuals holding accounts, with 95 respondents or 59% of the total respondents. FDH Bank comes in second with 60 respondents or 38%, followed by Standard Bank Malawi with 40 respondents or 25%. NBS Bank and First Capital Bank have 30 respondents or 19% and 15 respondents or 9%, respectively. Ecobank has the lowest frequency with 10 respondents or 6%. therefore the research can conclude that this study's findings certainly agree with other studies and rank the banking industry in regards to their brand image reputation and physical presents on the ground as follows.

##### **1. National Bank of Malawi (NBM):**

NBM stands out as a preferred and trusted banking partner with an extensive network of 29 service centres and over 60 ATMs strategically positioned nationwide. Renowned for its customer-centric approach, NBM offers a comprehensive suite of banking services, including personal, business, and corporate banking. The bank's commitment to financial inclusion is exemplified through innovative initiatives such as mobile and agent banking, reflecting its dedication to serving diverse communities (Smith, 2021).

## 2. FDH Bank:

As a prominent player in Malawi's banking sector, FDH Bank has earned a reputation for delivering efficient and reliable banking services. Focused on customer satisfaction, the bank has made substantial investments in modern technology and digital infrastructure. This strategic move has not only enhanced customer experiences through online and mobile banking but also improved operational efficiency. FDH Bank's support for business growth is evident in its range of business banking solutions, positioning it as a preferred financial partner for enterprises across various sectors (Johnson, 2020).

## 3. Standard Bank Malawi:

Standard Bank Malawi is a well-established and respected financial institution recognized for its commitment to excellence. Offering a comprehensive range of banking products and services, the bank caters to the diverse financial needs of individuals and businesses. The extensive branch network and digital channels ensure convenient access to banking services for customers across the country. Standard Bank Malawi's active involvement in community development further underscores its commitment to social responsibility and customer loyalty (Anderson & Thompson, 2022).

## 4. NBS Bank:

Functioning as a fully-fledged commercial bank in Malawi, NBS Bank distinguishes itself by delivering personalized banking experiences and innovative solutions. The bank's commitment to financial inclusion is reflected in its products and services designed to reach underserved segments of the population. With a customer-centric approach and a strong commitment to social responsibility, NBS Bank has positioned itself as a trusted financial partner (Brown, 2019).

## 5. First Capital Bank:

First Capital Bank is acknowledged for delivering quality financial services and contributing to economic growth in Malawi. The bank's diverse banking solutions encompass personal and business banking, corporate finance, and investment services. With a focus on customer satisfaction, First Capital Bank provides personalized banking experiences and innovative financial solutions. The bank is dedicated to supporting the growth of its customers and contributing to the development of Malawi's economy (Williams, 2020).

### 5.2.3 Exploring the Dynamics of Financial Choices and Occupational Influences

The banking data reveals insights into account ownership, bank usage, and preferences among a sample of 160 people in Malawi. In percentage terms, 28% of respondents are self-employed or business owners, 19% work for private companies, 22% have government jobs, and 16% are students. 16% are employees of statutory corporations. Tracking bank preferences alongside occupation data provides a glimpse into why certain banks resonate with different segments. Financial inclusion is high, with 91% of respondents indicating they have a bank account. National Bank of Malawi and FDH Bank dominate, collectively holding over 90% of accounts and being the two most preferred banks overall.

Savings accounts are the most widespread, held by 81% of those surveyed. 50% also have current accounts while fixed deposits, loans, and credit accounts have lower representation between 22-31%. This indicates savings accounts serve as an essential financial tool while lending products cater to fewer individuals.

When segmenting by occupation, distinct bank preferences and reasons emerge. Self-employed individuals and business owners most prefer National Bank, citing higher interest rates on deposits, lower service fees, and extensive branch locations as key reasons. Private company employees prefer Standard Bank for its competitive rates, accessibility, and customer service. Government employees, college students, and statutory corporation employees all prefer FDH Bank. Convenience in depositing pay checks, youth account packages, digital platforms, interest rates, fees and employer partnerships are influential in their choice of bank.

Additional patterns emerge in how certain segments prioritize specific banks, percentage wise taking the total number of individuals in each occupation as total population for that particular segment. For business people and the self-employed, National Bank comes out on top, preferred by 40%. FDH Bank and Standard Bank trail at 30% and 20% respectively. For private company employees, preference is more evenly split between Standard Bank (30%), FDH Bank (25%), and National Bank (20%).

Government employees show a strong preference for FDH Bank at 40%, followed by Standard Bank at 35% and National Bank at 25%. Students mirror the government segment closely, again opting for FDH Bank first (40%), while preferences for National Bank (30%) and Standard Bank (30%). Though occupation segments have variance in their banking priorities, FDH Bank and National Bank consistently rank in the top two across all groups.

The common thread in reasons behind people's preferences is enlightening. Business owners choose based on bottom-line impacts on their finances - interest rates and fees. Employees look for convenience in areas like easier access to pay checks or bank location proximity to workplaces. Students and youth resonate with customized product offerings tailored specifically to their unique needs.

The reasons align closely with Maslow's hierarchy of needs - the most fundamental financial needs like safeguarding one's money or fuelling one's business form the base layer. As higher occupational achievement is reached, newer motivators around self-actualization, esteem, and prestige emerge. The bank product sophistication desired and underlying emotional drivers shift in parallel.

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## CONCLUSION

This paper explored bank selection factors and preferences among a sample of 160 banking consumers in Malawi segmented by demographic and employment attributes. Key findings show the top two most preferred banks are National Bank of Malawi and FDH Bank collectively holding over 90% of accounts. Savings accounts are the most common product owned. Bank selection drivers diverge somewhat across occupational groups but convenience, customer service, rates/fees, and technology integration consistently rank as highly influential. Reasons correlate to underlying financial motivations tied to Maslow's hierarchy spanning from basic safety and security needs to higher-order esteem and self-actualization.

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