Perceptions towards Banking in Pakistan

Dr Kamran Siddiqui  
Assistant Professor  
Institute of Business Administration  
University Road, 75270  
Karachi, PAKISTAN  
E-mail: kssiddiqui@iba.edu.pk

Ms. Rukhsana Gul Gilal  
PhD-Scholar  
Sukkur Institute of Business Administration  
Sukkur, PAKISTAN  
E-mail: rukhsanagulgilal@yahoo.com

ABSTRACT

The aim of the study is to highlight the customers’ perception towards Bankers and Banking products. The data for the research was collected through questionnaire personally administrated in commercial Banks operating in Pakistan. Positive stick technique was used for this research. The finding of this research is that mostly customer perceives the commercial Banks as secure place to save their money. Most promising factor that creates the positive perception is value added services, followed by deposit facility. The research suggests that Bankers in Pakistan are perceived as middle class people doing busy and rewarding job. Research also suggests that male customers are more satisfied, loyal and willing to continue the same Bank as compared to female customers.

Keywords: Commercial banks, Perceptions, Satisfaction, Attitudes, Services.

INTRODUCTION

The purpose of this paper is to explore the banking perceptions in Pakistan. This paper provides meaningful insights to Bank marketers in Pakistan who are facing more challenges due to slow stiff competition in local market. In this competitive services industry, prevailing perceptions among consumers provide pivotal importance for both academicians and marketers.

According to the World Fact Book, Pakistan, is an impoverished and under-developed country having a population of more than 174 million (2010 estimates), with a meagre per capita income of $2,500 per year (2009 estimates). Between 2002-2007 it has generated solid macro-economic recovery (World Fact Book, 2010). Pakistan is already the sixth most populous nation in the world and the fourth most populous in Asia, and that its population is expected to increase to 350 million by the year 2025 (Khan and Bamber, 2007). Furthermore, they argued that although the country is poor and 25% of the population lives under the poverty line, Pakistan nevertheless imports around $10 billion in commodities, and a remarkable growth of 7% in GDP, with a unique set of barriers to entry, represents a market with good potential for growth to credit card services (Khan & Bamber, 2007).

Pakistan’s banking sector has been ranked in third position worldwide by a report published by the International Monetary Fund (IMF). This is due to its higher profitability in the international banking markets, which has attracted foreign investors, including multinational financial institutions. The South American states of Colombia and Venezuela occupy first and second places on the IMF list, whilst Pakistan’s neighbours India and China are in 36th and 40th positions respectively. The report said "Pakistan’s banking system continued to strengthen since 2004" (The Daily Times, December 13, 2006).
Banking industry in Pakistan has achieved tremendous progress in last decades which fuels the competition in banking sector. Besides this rapid advancement in technology have changes the way of commercial Banks to do the business. As a result of more competition, customers’ expectations are enhanced, therefore more strategies are required to improve the efficiency of Banks in delivering more innovative products and services and to create positive perception in customers’ mind.

LITERATURE REVIEW

Many research studies was conducted for banking, customer retention, satisfaction, customer complaining attitude and switching but research about customer’s perception is very few, so there is gap in Pakistan to know the customers’ perception. A research has placed the advanced technology, lucrative facilities and return on deposit on priority position whereas price, attitude of staff came as secondary position (Hossain and Leo, 2009). All commercial Banks are considered to be similar with respect to their offerings; only those Banks possess the positive image that provides efficient service, accessible and convenient branch network and flexible credit policy. Whereas customers give less importance to timings, staff attitude & interest rates. (Evans, 1978). If commercial Banks want to increase the revenue or snatch the market share, they should develop the strategies that create positive perception (Ekrem, 2007) but the bank can only create positive perception in customers’ mind when they offer according to needs and wants of customers (Hossain, 2009). Another research suggests that financial institutions particularly the commercial bank provide the similar products and services, customers will only be fascinated when they obtain value added utilities (Barnes & Hawlet 1998). Literature also suggest that product quality, service quality, benefits that offered to customers, competitive price, lucrative return on deposit, convenience are important factors to create positive perception.

This research focuses on what is happening in Pakistan and what are the prime factors that have more importance in customer’s mind and most importantly what is customer's perception towards commercial Banks in Pakistan?

METHODOLOGY

The target respondents for this research consist of customers of commercial banks including the private Banks, Government Banks and customers of Foreign Banks operating in Pakistan. For this research non probability sampling was used, specifically judgmental and convenience sampling techniques were implemented.

The sample size for this research consisted of 150 respondents, 22 respondents were refused to cooperate, 19 respondents filled the questionnaire improperly and 9 questionnaires were canceled due to other reasons left with 100 usable questionnaires.

The questionnaire consists of open ended, close ended and likert scale. The questionnaire was prepared with the aim to measure the perception of customers regarding Banking industry in Pakistan, product quality, service quality, attitude of staff towards customer, pricing factor and perception of customer regarding the Bankers. This instrument was included the open end and closed end questions to draw a clear picture of what are people’s perceptions about a Bank and what are realities. The questionnaire has been designed with the help of focus group technique, the questionnaire was first distributed to seven experts for pre testing; experts suggested some corrections, and rewording of questionnaire.

To measure the reliability of instrument, a pilot test was conducted, consist of sample size 50, the cronbach alpha coefficient results seem to be satisfactory to conduct the study at intended level. The data was collected through questionnaire personally administrated in commercial Banks consist of private Banks, government Banks and foreign Banks operating in Pakistan.
ANALYSIS

When asked about three worst things/features of any Bank, the findings showed how customers map delay in service, staff behavior and rules and formalities at first, second and 3rd priority in considering as worst aspects of any commercial Bank. Research suggests that 29% percent customer consider delay in service as first most awful feature, 19% people put it at second point and 18% people place it at 3rd point. With respect to staff behavior 25% customer comments the worst feature of Bank is staff behavior, 15% people put it second point and 14% people put it at 3 point. The ranking for high service charges are 19% respondents put it at first rank, 24% at second rank and 26% at 3rd rank. Whereas 17% customer consider about rules, formalities and inconvenience of branch locations at first priority, 39% put these factor at second point for consider it as awful feature and 38% customer put it at 3rd point.

The most prominent perception of customer about commercial Bank is “Financial institution” and interesting finding is that people consider the Banks as secure place to save their money.

As value added services are the heart of commercial Banks therefore customers look for the Banks that provide them efficient service, research reveals that 19% customer consider it at
foremost important feature, 23% put it at second priority and 15% customer's desire this feature at third point. Research finding shows that customer's seek for safe place where they can save their money therefore 20% of customer gives it as first priority 19% at second priority and 9% at third priority. Whereas customers also consider the credit facility as most important feature while Account opening and quick response is less important feature in customer's perception.

Common perception is that the banking profession is tough and time consuming job but 65% people comment that although it is busy job yet it is rewarding.

Interested findings are that male customers are more satisfied, loyal and willing to continue the same Bank as compares to female's ratio. The ratio of satisfied male is 52% and only 7 females are satisfied with Bank they are dealing. The loyalty ratio of male is 42% female' ration is 17%. 56% male customers are strongly agreed to continue the same Bank where as only 28% female are strongly agree to continue the same Bank. This finding is contradictory as females in eastern countries are considered to be more loyal.
CONCLUSION

The study fabricates several findings about Banking perception and realities in Pakistan.

One finding suggests that male customers are more satisfied, loyal and tent to patronize the Bank than female customers. Study suggests that most frequent word that comes in customer’s mind when they hear the word Bank is “Financial Institution”, another finding and perception of customers pertaining to Banker is that, the Bankers are middle class, average qualified people, doing the busy and rewarding job.

The research concludes that most promising feature of Banks that attracts the customer is value added services, followed by Deposit facility. The research suggests that the most awful features that annoy the customer are high service charges; high interest charges tax deductions and astonishing rules and formalities. These are the areas where much more is needed to be done to create the point of differences in customers’ mind. The commercial Banks have to develop the strategies that create the positive perception in customer’s mind.

REFERENCES