

Factors Affecting the Decision on Savings Deposits of Individual Customers at Agribank O Mon Branch, Can Tho City

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ABSTRACT

In the context of fierce competition among financial institutions, capital scale management and development play an essential role in the operational activities. For commercial banks, effectively attracting savings deposits from individual customers is significant. The objective of this study is to identify factors affecting individual customers' decision to keep savings deposits at Agribank O Mon, Can Tho City. The study collected data from 155 customers who are having savings at Agribank O Mon based on the convenient sampling. By applying the exploratory factor analysis and multivariate linear regression, the study has proven factors positively impacting the decision to send savings deposits of individual customers. Accordingly, these factors are safety, financial benefit, bank brand, staff, service, and convenience. In particular, security and financial benefit have the strongest influence on customers' decision to keep savings deposits at Agribank O Mon, Can Tho City.

Keywords: *continue, savings deposit, decision, individual customer*

1. PROBLEM STATEMENT

Capital mobilization, especially deposit mobilization brings banks capital sources to carry out business operations. Without capital mobilization, commercial banks do not have enough capital to develop their activities. In recent years, the capital mobilization of Agribank O Mon has increased slowly, it reached 95% of the plan in 2019. In this context, attracting new

customers to put savings deposits at the bank and retaining old customers face difficulties. With the desire to attract savings from individual customers in the coming time, Agribank O Mon needs to improve its image and service quality, as well as find out solutions to retain old customers and increase customer loyalty. Therefore, this study was implemented to determine factors affecting the decision to keep savings deposits of individual customers at Agribank O Mon, Can Tho City.

2. LITERATURE REVIEW AND RESEARCH HYPOTHESES

2.1 Literature review

Loyalty reflects the attitudes of customers, if they trust and have a great impression of a brand, they will prioritize buying products of that brand (Yoo et al., 2000). Ky and Hung (2007) said that customer loyalty is a combination of customer interests, customer attitudes towards the service and their intention to continue to use the service, the intention to stay with the supplier and to recommend the supplier to others. Loyalty to a bank brand represents that customers continue to use the bank's services and always consider the bank for their future intentions. Loyalty focuses on the customer value to the brand (Schultz & Bailey, 2000).

Theories used as the basis for the study: (1) Maslow's Hierarchy of Needs (1954), (2) Theory of Reasoned Action

(TRA) by Ajzen and Fishbein (1975), (3) Theory of Planned Behavior (TPB) by Ajzen (1991). With the above scientific arguments, this study was carried out to identify factors that affect the decision to keep savings deposits of individual customers at Agribank O Mon, Can Tho City.

2.2 Research hypotheses

The financial benefit is measured by the deposit interest rate and service charge. Many studies around the world have pointed out the positive influence of financial benefits on the decision to open a deposit account at a bank of an individual customer (Hedayatnia and Eshghi, 2011; Mokhlis et al., 2011). The higher the deposit interest rate, the greater the ability to attract customers (Thuy and Hang, 2017). Customers' financial benefits are considered in terms of deposit interest rate, service charge, and preferential interest rate for customers with savings pledged loans. *The hypothesis H1 is proposed as follows: Financial benefits positively affect the decision to keep savings deposits of individual customers.*

Trust is an important element when choosing a bank of individual customers. According to Dabone et al. (2013), security is a major factor affecting the customer's choice of a bank. The safety of savings deposits has a positive impact on customers' bank choice is also a finding of Mokhlis et al. (2011). In this study, the factor of security is assessed under three criteria, including payment capacity, confidential information, and trust of the bank's executive team as well as security measures. *The hypothesis H2 is as follows: Security positively affects individual customers' decision to keep savings deposits.*

The variety of products and services make it easier for customers to choose a bank for their transactions. Similar to other organizations, products of a bank, especially products related to savings deposits greatly attract individual customers. Some customers want to send long-term money to

get high-interest rates, a part of them have temporary savings deposits to wait for investment opportunities. Meanwhile, others want to receive promotions, or to demonstrate financial capability for their studies abroad or traveling. The variety and quality of banking services are one of the factors that directly affect customers' decision to deposit cash (Kamenidou et al., 2013; Tu, 2015). Parvin and Perveen (2012), Hedayatnia and Eshghi (2011) have proved that products and services have a positive influence on the choice of banking services. *Thus, hypothesis H3 said that "Banking services positively affect individual customers' decision to keep savings deposits."*

Another factor that impacts individual customers' decision is the convenience of transactions. The convenience represents the location, timing, and convenient transactions between the bank and customers. Research results of Hedayatnia and Eshghi (2011); Tam and Thuy (2010) have confirmed that convenience is an essential factor, affecting customers' decision to choose a bank. According to Dabone et al. (2013), in research on factors affecting customers' choice of a bank, convenience is the most significant element. Research by Parvin and Perveen (2012) has determined that one of the most important factors in choosing a state-owned commercial bank is its convenient branch location. The convenience of transactions is shown in the network of the bank branches, the number of transaction offices, diversity in forms of savings deposits, and simple transaction procedures. *Therefore, the authors suggested hypothesis H4 as "Convenience positively affects individual customers' decision to keep savings deposits."*

In banking transactions, customers interact with bank tellers, so their attitudes and working styles affect the bank's image and reputation. Therefore, the bank staff with courtesy, adequate knowledge, persuasion skill, good appearance and attire helps increase service quality and customer

satisfaction (Tu, 2015; Nhut, 2016). Bank staff is an important factor affecting the decision of individual customers (Hedayatnia and Eshghi, 2011). Hypothesis H5 said that "Banks staff positively impacts individual customers' decision to keep savings deposits."

A professional and friendly bank image with social security activities will be highly considered when customers put their savings in the bank (Kamenidou et al., 2013). Mokhlis et al. (2011) showed that the attractive appearance of a bank staff has the

greatest influence on customer choice. Unlike other physical products, banking services are intangible, so customers often judge them by their external values (Trung, 2009). Proposed hypothesis H6 as "Bank brand positively affects the decision to keep savings deposits of individual customers."

Based on the above literature review and suggested hypotheses. The research model of factors affecting individual customers' decision to keep savings deposits at Agribank O Mon, Can Tho City is established below:

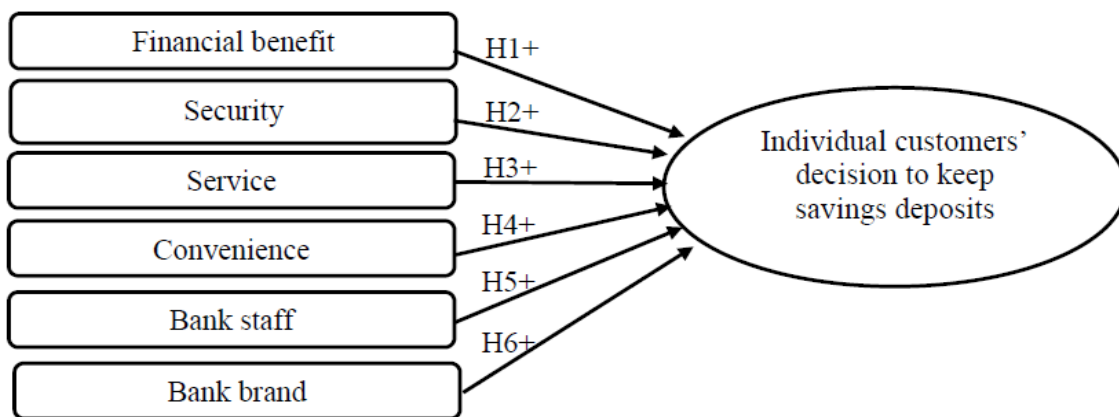


Figure 1: Proposed research model

Table 1: Interpretation of observed variables in the research model

Scale	Observed variables	Sign	Reference resources
Security	Agribank has high solvency.	SEC1	Dabone et al. (2013), Mokhlis et al. (2011), Thuy and Hang (2017)
	Agribank always follows its commitments.	SEC2	
	Customer information is kept confidential.	SEC3	
	There is no risk of savings at Agribank.	SEC4	
Financial benefit	Agribank has competitive deposit interest rates.	FIN1	Hedayatnia and Eshghi (2011); Mokhlis et al. (2011)
	Agribank has promotions on service fees and gifts.	FIN2	
	Policies on deposit interest rates are beneficial to customers.	FIN3	
	Agribank applies preferential interest rates for customers who have savings pledged loans.	FIN4	
Service	Deposit services at Agribank are diversified.	SER1	Parvin and Perveen (2012), Hedayatnia and Eshghi (2011), Kamenidou et al. (2013), Tu (2015)
	The deposit interest calculation is simple and easy to understand.	SER2	
	Agribank's deposit services meet customer needs.	SER3	
	Agribank has high-quality deposit services.	SER4	
Convenience	The transaction network is nationwide.	CON1	Parvin and Perveen (2012), Tam and Thuy (2013), Dabone et al. (2013)
	Transaction points locate near home or office.	CON2	
	There are many forms of savings deposits.	CON3	
	Transaction procedures are simple and quick.	CON4	
Bank staff	Agribank's staff has a polite manner.	STA1	Hedayatnia and Eshghi (2011), Tu (2015), Nhut (2016)
	Agribank's staff are dedicated and attentive.	STA2	
	Agribank's staff performed accurately and quickly.	STA3	
	Agribank's staff are professional in handling customers' queries and complaints.	STA4	
Bank brand	Agribank has a long-standing reputation.	BRA1	Mokhlis et a. (2011), Trung (2009), Kamenidou et al. (2013)
	Agribank has many social security activities.	BRA2	
	Agribank is a state-owned commercial bank.	BRA3	
	Agribank has a high ranking position.	BRA4	
The decision on savings deposits	Agribank is the right place to continue sending money.	DEC1	Kamenidou et al. (2013), Dabone et al. (2013), Tu (2015)
	I always trust Agribank to put my savings deposits.	DEC2	
	I will recommend my relatives to deposit cash at Agribank.	DEC3	
	When I have a deposit demand, Agribank is my first choice.	DEC4	

Source: The authors' proposal, 2020

3. RESEARCH METHODOLOGY

3.1 Data collection method

The study used convenient sampling to survey 155 individual customers who have repeated savings deposits at Agribank O Mon. According to Hair et al. (1998), in exploratory factor analysis (EFA), the ratio of observations/measurement variable is 5:1, meaning that a measurement variable requires at least five observations. Also, Tabachnick and Fidell (2007) said that the appropriate sample size in regression analysis is defined as $N \geq 50 + 5*m$ (m is the number of independent variables). Therefore, the obtained sample size is 155, meeting the reliability requirement.

3.2 Data analytical method

The study used three methods to test the research hypotheses. They include reliability test using Cronbach's alpha, exploratory factor analysis (EFA), and multivariate linear regression. The order of steps is as follows: Step 1, using Cronbach's alpha to test the internal correlations among observed variables. Step 2, using exploratory factor analysis (EFA) to test the convergent validity and discriminant validity of observed variables. Step 3, using multivariate linear regression to test research hypotheses.

4. RESEARCH RESULTS AND DISCUSSIONS

4.1 Reliability test of scales

Cronbach's alpha coefficients help evaluate the reliability of scales and eliminate inconsistent variables. The scale is reliable if the overall Cronbach's alpha is greater than 0.6 and the item-total correlation of observed variables is greater than 0.3 (Tho, 2011). The analysis results in table 2 show that the item-total correlation of each observed variable meets the requirement (the minimum is 0.504) and the scales have high reliability (the minimum Cronbach's alpha is 0.769). Therefore, these scales are reliable to be included in the exploratory factor analysis (EFA).

Table 2: Reliability test result

Scale	Number of observed variables	Min item-total correlation	Cronbach's alpha
Security	4	0.548	0.796
Financial benefit	4	0.504	0.826
Service	4	0.621	0.847
Convenience	4	0.647	0.838
Bank staff	4	0.694	0.876
Bank brand	4	0.511	0.769
The decision on savings deposit	4	0.681	0.856

Source: Survey data, 2020

4.2 Exploratory factor analysis (EFA)

According to the result of the rotated component matrix, there is no disturbance among variables so 6 factors with 24 observed variables form. Trong and Ngoc (2008), Hair et al. (1998) suggested considering the following criteria: (1) KMO = 0.868 (between 0.5 and 1), which shows the appropriateness of the model. (2) Sig. = 0.000 < 0.05 showing that the observed variables are correlated with each other. (3) The total variance explained is 69.534, which means the variables included in the model explain 69.534% of the model's appropriateness (if this value is greater than 50%, the model has high appropriateness).

Table 3: Factors formed from EFA result

Sign	Observed variable	Factor
F1	4 variables: SER1, SER2, SER3, SER4	Service
F2	4 variables: STA1, STA2, STA3, STA4	Bank staff
F3	4 variables: CON1, CON2, CON3, CON4	Convenience
F4	4 variables: FIN, FIN2, FIN3, FIN4	Financial benefit
F5	4 variables: BR1, BRA2, BRA3, BRA4	Bank brand
F6	4 variables: SEC1, SEC2, SEC3, SEC4	Security

Source: Survey data, 2020

Similarly, the EFA result for the dependent variable is satisfactory. The significance level of the model (Sig.) is less than 0.05 and KMO = 0.822 (between 0.5 and 1), factor loading of observed variables are all greater than 0.5, and total variance explained is 70.309% > 50%. This shows that the research data are consistent (Anderson and Gerbing, 1988). Hence, one dependent factor forms that are individual customers' decision to continue sending savings deposits.

4.3 Multivariate linear regression

Multivariate linear regression helps identify factors affecting the decision of

individual customers to deposit cash at Agribank O Mon, Can Tho City. The result presents in Table 4.

Table 4: Multivariate linear regression result

Factor	Standardized coefficients	Sig.	Variance inflation factor (VIF)	Hypothesis
Service	0.178	0.003***	1.056	H1: accepted
Bank staff	0.225	0.000***	1.019	H2: accepted
Convenience	0.132	0.035**	1.151	H3: accepted
Financial benefit	0.414	0.000***	1.065	H4: accepted
Bank brand	0.239	0.000***	1.000	H5: accepted
Security	0.415	0.000***	1.012	H6: accepted
Adjusted R ²				0.484
Durbin-Watson stat				1.597
Sig.F				0.000

Source: Survey data, 2020

Based on Table 4, adjusted R² = 0.484 proving that the independent variables explain 48.4% of the change in individual customers' decision to keep savings deposits. The Sig.F = 0.000 < 0.05 proves the significance of the model. Durbin-Watson value reaches 1.597 and VIF < 4 which means that there is no autocorrelation and multicollinearity. Based on the result, five independent variables in the model are statistically significant at a 99% significance level, which are service, bank staff, financial benefit, bank brand, and security. The "convenience" factor is statistically significant at 95%. In particular, security and financial benefit have the most influence on the decision to continue depositing cash of individual customers. The factor that creates customer trust is presented through professional manner, good expertise, and excellent communication skill so that customers feel safe when using the bank's services (Khoi et al., 2015). A study by Giao et al. (2020) indicated that the honorable thing about Agribank is that the price index has not changed over ten years. This brings a reasonable cost orientation, which also is the vision and mission that Agribank has been pursuing for more than 30 years. The achievement comes from policies on reasonable interest rate frameworks, including ladder interest rates as well as policies for early withdrawal and lending on savings deposits at a reasonable interest rate.

5. CONCLUSION

The study has determined the factors affecting individual customers' decision to keep savings deposits at Agribank O Mon, Can Tho City. Those six factors include service, bank staff, financial benefit, bank brand, security, and convenience. In which, security and financial benefit have the strongest influence on individual customers' decision to continue sending money at Agribank O Mon, Can Tho City.

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