



**POLYTECHNIC UNIVERSITY OF THE PHILIPPINES
COLLEGE OF BUSINESS ADMINISTRATION
DEPARTMENT OF MARKTING MANAGEMENT**



**POLYTECHNIC UNIVERSITY OF THE PHILIPPINES' COLLEGE OF BUSINESS
ADMINISTRATION STUDENTS' PREFERENCE AND LOYALTY TOWARDS CHOOSING
A BANK INSTITUTION: RURAL BANKS VS. COMMERCIAL BANKS**

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By

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I. ABSTRACT

The study is about identifying the preference and loyalty of college students in Polytechnic University in the Philippines under the College of Business Administration in banking institutions such as rural and commercial banks. Preference is a “big thing” at this point of our lives since we are now on the reality. You got to decide about different things which you are responsible with – whether it may result to positive or negative, consequences should be faced and accepted. Choosing between things is always based on your preference. As a college student, especially when you are renting an apartment or a place to stay near your school, the hardest thing to do is allocating your allowance, thinking and deciding where your allowance should be spent. The methods used in the study is by randomly choosing and distributing questionnaires in the College of Business Administration department of Polytechnic University of the Philippines, using the Cochran formula in getting the sample size. Based on the questionnaires and data gathered the results showed that most of the respondents prefers or show their loyalty to commercial banking garnering 119% of respondent’s answers. In conclusion commercial banks in the Philippines have higher population compared to rural banks, the respondents said that commercial banks has the ability to put up advertising campaigns and is usually seen by the public mass more often, so people show their loyalty to commercial banks as shown by the results. They also said that they are satisfied with the services and feature commercial banks have.

II. INTRODUCTION

Preference is a big thing at this point of our lives since we are now on the reality. You got to decide about different things which you are responsible with – whether it may result to positive or negative, consequences should be faced and accepted. Throughout the research, we will be encountering three particular problems that will be solved and proven through empirical evidences.

Choosing between things is always based on your preference. As a college student, especially when you are renting an apartment or a place to stay near your school, the hardest thing to do is allocating your allowance, thinking and deciding where your allowance should be spent. Regarding this, we can’t deny the possibility that some of these students slowly turned into a binge buyer and is having a hard time saving money aside from the fact that they’re also taking academic related expenses into consideration. Since college students are now in a legal age, money saving through banks is a great recommendation. Through banks, they will not just be saving money but they will also gain interest from it which is a great deal. This is just one of the many things that the college students can get and benefit from banking but there is an underlying question, “What’s the preference of a specific student on choosing what banking institution should he/she trust?” and from the banking institutions’ perspective, “How do we maintain our client’s loyalty to us?” Regarding this, customer Loyalty is one of the main factors why a specific business is still on the market and is continuously gaining profit and is one of the main factor that should be considered especially in high competitive industries especially in banking. Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. Loyal customers are one of the keys to a business’ success. According to Ranade (2012),

“Loyal customers believe the products and services purchased from their supplier are superior to those of the competition. Frequently, they are customers who view their interactions as more than simply transactional. They believe there is a relationship that is bigger than just the products or services they buy. Measuring loyalty means measuring the strength of this relationship between buyer and seller, between the organization and its customer.” In addition, these loyal customers themselves are not just one of the main factor of sales increase. These loyal customers also serve as the word-of-mouth dealer of a business because they recommend their specific bank institution to their colleagues which is a plus factor for a business since it will generate more customers and eventually gain more income. In line with that, going further to this research will let you know why customers do or clients chose to be loyal to their bank reference and what are the things or factors that made them one of the loyal customers of that bank.

Going through, this research will tackle the factors that affects the preferences of the College of Business Administration students of Polytechnic University of the Philippines in choosing a bank institution and how highly their prerequisites affects their choices. Moreover, this research will also identify the relevance of this study to the said students.

To know the reason and solution for the aforementioned problems, the researchers will gather and combine previous researches regarding the problems. The researchers will gather data through questionnaire surveys that consists of different aspect on customer's preference on choosing a specific type of bank. Furthermore, this research aims to gain knowledge on what's the basis of a client on choosing what type of bank he/she would trust for his/her banking transactions.

III. LITERATURE REVIEW

This journal focuses on the set of students and this does not show the results as general. The distribution of questionnaires is restricted to students coming from the College of Business Administration of Polytechnic University of the Philippines, wherein the results may vary if it is conducted in other parts of the Philippines and other universities and colleges.

This journal focuses on the perception or the preference and loyalty of students from College of Business Administration, Polytechnic University of the Philippines in choosing a Bank Institution.

Bank is a financial institution licensed to receive deposits and make loans. Banks may also provide financial services, such as wealth management, currency exchange, and safe deposit boxes (Barone, 2019). Banks are institutions that is divided into two major types; the commercial bank and rural banks. Commercial banks make money by offering and presuming loans and gaining or earning interest income from these loans. In addition, Commercial banks make money by providing loans and earning interest income from those loans. The types of loans a commercial bank can issue vary and may include mortgages, auto loans, business loans, and personal loans while rural banks is simply defined as a banking service that serves smaller, rural communities (Kagan, 2019). They tend to be

deeply embedded in the communities they serve. In other words commercial banks are mostly found in the cities and rural banks are mostly found in the provinces.

“Customer’s Satisfaction is defined as a measurement that determines how happy customers are with a company’s products, services, and capabilities.” (Asq.org, 2019) Attempting to provide all things to everybody is difficult, if unworkable in a dynamic and competitive market place. Many financial institutions are selecting a few key target markets and concentrating on trying to serve them better than their competitors. Generally speaking, customers and business banks have three main targeting choices (Zineldin, 1996). Customer satisfaction information, including surveys and ratings, can help a company determine how to best improve or changes its products and services. Satisfying the customer would be of great help in establishing and creating a name for the customers because in this way it would create brand loyalty and preference from the customers.

Service Quality is the area of study that has developed to define and describe how services can be delivered in such a manner as to satisfy the recipient (American Marketing Association, 2012) (Handbook of Research on Transnational Higher Education (2 Volumes)). For a customer to fully show his or her loyalty in a bank institution it should have a good service quality to meet its perception.

The main conclusion of our journal based on the results we have gathered a lot of people chose commercial banking because of how the institution advertise its bank, their loyalty is already there in the said banks, and some said that they are more capable in securing the customers privacy.

IV. METHODS AND MATERIALS

a. Sample and Data Collection

The purpose of this study is to identify the effect of service quality, bank image, and level of satisfaction on the views of the customers for choosing their bank institution. The researchers created a questionnaire that has all the important questions that they think they should ask to the respondents in order for them to successfully view and assess customer ideals for their bank and the data collected will be tested upon further statistical treatments. The research’s target population were students of The Polytechnic University of the Philippines College of Business Administration, they randomized them by using Cochran formula for getting the sample size. The researchers randomly chose 101 students from Human Resources department, 102 from Marketing Management department, 78 from Office Administration department, and 56 from Entrepreneurship department and they came up with 337 respondents.

b. Demographic Detail of the Respondents

The total sample size was 337, out of these, the percentage of male respondents was 44.5% and the female was 55.5%, with a majority of less than 30 years old age bracket, mostly were single and all of them studying for a Bachelor’s Degree in Business Administration.

The researchers designated sections from our questionnaire to identify whether the respondent uses rural bank or commercial bank. The percentage of respondents who were in a rural bank is 117% and commercial bank 119%.

c. Variables of Measurement

The questionnaire consists of 5 sections and an additional part for the demographics. We use a 1-5-point scale, 5 for strongly disagree and 1 for strongly agree. The first four sections discuss about the features and services of the bank, brand image of the bank how it affects the respondents' choices, their experience, and respondents' loyalty towards their bank institution. The last section contains the rural and commercial bank preferences. All in all, the questionnaire contains 35 items and an additional 6 questions for the demographics.

d. Control Variables

The control variables consist of the first four sections of the questionnaire, wherein this would be the dependent variable and the bank type would be the independent variable. For the reliability of the data, we will use ANOVA wherein F is less than or equal to 0.5 and P-Value is less than or equal to 0.05.

V. RESULTS AND DISCUSSION

Commercial Bank		Rural Bank	
SUMMARY OUTPUT		SUMMARY OUTPUT	
<i>Regression Statistics</i>		<i>Regression Statistics</i>	
Multiple R	0.446421162	Multiple R	0.343356528
R Square	0.199291854	R Square	0.117893706
Adjusted R Square	-0.601416292	Adjusted R Square	-0.76421259
Standard Error	0.187584791	Standard Error	0.238959186
Observations	3	Observations	3

To be able to get the relationship and relevance of the dependent variable which are the features and the services of the bank, brand image and reputation, service experience, and customer loyalty to the bank institution, to the independent variable which is the bank type. The researchers, get the total mean of each sections of the questionnaire first that discusses about each dependent variable and run it separately with the mean total of each bank type. To measure and test the reliability and significance of F and P-values, we used ANOVA. The reliability and significance of the data for the commercial bank passed wherein $F=0.2488945$, which is lower than 0.5, and $P\text{-Value}=0.027135279$, 0.0135 that comes out lower than 0.05. For the rural bank, $F=0.133650226$ and $P\text{-value}=0.034988881$, 0.075896 To measure the relevance and relationship of y (dependent variable) to x (independent variable), the researchers used regression analysis.

As you can see, the data shown is observable and it shows that both X and Y variables were directly affected by each other The features and service of the bank, brand image and reputation, service experience, and customer's loyalty to the bank institution responds

directly to the customer's loyalty and preference of the bank institution. R square is both on the 0.1 or greater value which indicates the dependence of each variable to each other.

VI. CONCLUSION

The students of Polytechnic University of the Philippines, College of Business Administration, prefer to join in a commercial bank institution because of the following reasons that came up after the conducting of survey and getting the results from it. First, commercial bank institutions in the Philippines has higher population compared to rural banks. Second, commercial banks has higher amount of funding for upgrading their system for security and services offered by the bank, which in the survey that we have conducted, almost 60% of the respondents that is in a commercial bank institution was satisfied with the features and service of the bank. Commercial banks also has the ability to put up advertising campaigns and is usually seen by the public mass more often, so their brand image is highly recognized by the people. In line with this, is what Zineldinin the year 1996 has said, customer service is one of the things that makes the customer trust their brands in this case commercial banks has shown a better customer service because the customers showed their loyalty towards these banks and prefers to use it even more, rather than using rural banks.

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Appendices:

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