FACTORS AFFECTING THE DECISION TO CHANGE THE BANK SERVICE AMONG THE YOUTH IN HANOI

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Abstract: ***This study examines factors influencing young customers' bank switching behavior in Hanoi, highlighting service quality as a key factor. Nevertheless, banks should not rely solely on improving service quality for customer retention. Other factors warrant attention. Understanding these influences aids managers in allocating resources effectively to reduce customer churn and attract new clients. This study offers practical insights for banks, enhances the methodological framework, and contributes to the development of bank services.***

• Keywords: *young people, bank, switching behavior, exploratory factor analysis, Hanoi.*

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1. Introduction

In today's competitive financial markets, customer loyalty is crucial for banks to maintain long-term profitability. With advancements in digital banking, young consumers in particular can easily switch services if their needs are not met. Many customers, rather than expressing dissatisfaction, leave silently, which can lead to declining service quality as banks remain unaware of their issues.

In Vietnam, the rapid growth of both domestic and international banks, particularly in Hanoi, has heightened competition. The city, with over 8.4 million residents and nearly 1800 bank branches, has seen a shift toward digital banking, especially among the youth. While prior studies have examined bank switching behaviors, they often focus on older generations or foreign markets. This study seeks to understanding the underlying motivations that drive young individuals in Hanoi to switch their bank services.

Therefore, with a comprehensive perspective on the dynamic behaviors and preferences of the youth demographic, banks can develop strategies to retain their young customer base and improve service offerings in a competitive landscape.

2. Theoretical basis and research model

2.1. Theoretical basis

Previous research on bank-switching behavior has emphasized several key factors that influence customers' decisions to change financial service providers. Colgate & Lang (2001) developed a model identifying price, service quality, and switching barriers as crucial elements driving bank-switching behavior. Building on this, Clemes et al. (2010) introduced additional factors such as technology, highlighting that digital banking services are increasingly important in customer retention.

This study also draws from the Technology Acceptance Model (TAM) proposed by Davis (1989), which suggests that perceived usefulness and ease of use are key determinants in the adoption of new technologies. For Generation Z, who are digital natives, technology plays a significant role in their banking choices. This makes the TAM particularly relevant for analyzing bank-switching behavior in Hanoi, where digital banking has become the norm among young customers.

In the Vietnamese context, studies by Vu & Pham (2022) identified additional factors like effective advertising, switching costs, and involuntary switching (such as relocation) as influential in bank-switching decisions of customers between the ages of 18 and 32 in Hanoi.

2.2. Research hypothesis

Based on research theory and characteristics of the youth in Hanoi, the author selects and proposes the following research hypotheses:

Hypothesis H1: Price has a positive impact on the switching behavior.

Price refers to the fees, interest rates, and service charges imposed by banks. Prior studies, such as those by Clemes et al. (2010) and Gerrard & Cunningham (2004), have shown that high fees, loan interest rates,

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and low interest rates on savings accounts are major reasons for bank switching.

Hypothesis H2: Service quality has a positive impact on the switching behavior.

Service quality, which encompasses customer service, staff behavior, and the effectiveness of banking products, has been shown to affect customer satisfaction and loyalty. Zeithaml et al. (1996) emphasized that service quality is a significant driver of customer retention. Clemes et al. (2010) also identified poor service quality as a primary reason for bank switching.

Hypothesis H3: Technology has a positive impact on the switching behavior.

Technology, especially in the form of online and mobile banking services, plays a crucial role in customers' bank-switching behavior. Gerrard & Cunningham (2004) also identified technology as an important factor in the decision to switch banks. Masocha & Matiza (2017) confirmed that difficulties in using digital banking systems prompt customers to switch to banks with better technological offerings.

Hypothesis H4: Inconvenience has a negative impact on the switching behavior.

Inconvenience, particularly related to branch and ATM locations, can drive customers to switch banks. Levesque & McDougall (1996) argued that customers are more likely to leave a bank if they perceive its locations to be inconvenient. In the case of digital banking, however, Peppard (2000) noted that the importance of physical location might diminish as customers increasingly turn to online banking.

Hypothesis H5: Reputation has a positive impact on the switching behavior.

Reputation, which includes perceptions of a bank's financial stability, ethical conduct, and market standing, is a significant factor in customer retention. Gerrard & Cunningham (2004) found that reputation strongly influences bank-switching decisions, especially in competitive markets like Asia.

Hypothesis H6: Switching costs have a negative impact on the switching behavior.

Switching costs refer to the monetary, psychological, and procedural costs incurred by customers when switching from one bank to another. Colgate & Lang (2001) found that in the financial services industry, customers with higher switching costs are less likely to change providers, even when dissatisfied. Matthews & Murray (2007) further noted that switching costs strongly influence customer decisions to remain with their current bank.

Hypothesis H7: Effective advertising has a positive impact on the switching behavior.

Effective advertising can influence customers by raising awareness about better services and offers from competing banks. Cengiz et al. (2007) found that effective advertising plays a vital role in increasing customer loyalty and retention, while Clemes et al. (2010) suggested that competitive advertising can induce switching behavior in the Chinese retail banking sector.

Hypothesis H8: Involuntary switching factors affect customers' switching banks behavior.

Involuntary factors, such as relocation or life changes, often force customers to switch banks, even if they are satisfied with the service. Research by Khan et al. (2010) highlighted that involuntary or unavoidable switches are the most prevalent form of switching behavior.

2.3. Research model

Based on the above hypotheses, the authors propose a research model consisting of eight independent variables (Price, service quality, technology, inconvenience, reputation, switching costs, effective advertising, and involuntary switching) and one dependent variable (Customers' switching banks behavior).

3. Research methodology

The research subjects are Generation Z customers (born in 1997-2012) living in Hanoi who use banking services. The research was conducted in two main steps: (i) Preliminary research using qualitative methods to refine the research model and questionnaire through a pilot survey; (ii) Official research using quantitative methods by distributing surveys to 204 respondents. Data was analyzed using SPSS 25 software to examine the factors influencing bank-switching behavior

4. Model estimation and the results

4.1. Research sample

The research sample consists of 204 respondents, all young bank customers in Hanoi. After eliminating 24 invalid responses, 180 completed survey forms were used for analysis.

Regarding gender distribution, 63 participants were male (35%), and 117 were female (65%). In terms of age, the majority of respondents (128 people, 71.1%) were aged 18-22, followed by 23-26 years old (36 people, 20%), and under 18 years (16 people, 8.9%). The research also covered various occupations, with students making up the largest group (120 people, 66.7%), followed by office staff (32 people, 17.8%).

Income distribution showed that 42.2% (76 people) of the respondents had a monthly income of less than 5 million VND, while 31.1% (56 people) earned between 5 and 10 million VND.

4.2. Cronbach's Alpha test

Based on the results from the Cronbach's Alpha test, the table 1 shows that most factors are statistically significant, with Cronbach's Alpha coefficients greater than 0.6, ensuring the reliability of the scale. However, the Inconvenience factor, with a Cronbach's Alpha of 0.533, and the Reputation factor, with a Cronbach's Alpha of 0.536, do not meet the reliability threshold and are excluded from further analysis.

Table 1: Cronbach's Alpha test

Factor	Observed Variable	Mean Value	Standard Deviation	Variable-Total Correlation	Cronbach's Alpha Coefficient
Price	PC1-PC4	11.83-11.94	3.547-5.067	0.476-0.632	0.694-0.845
	α = 0.823				
Service Quality	SQ1-SQ4	11.80-11.93	1.904-2.708	0.578-0.650	0.408-0.807
	α = 0.657				
Technology	TC1-TC4	9.27-9.98	5.335-7.627	0.553-0.883	0.722-0.856
	α = 0.846				
Inconvenience	IC1-IC4	10.84-11.17	3.173-5.082	0.120-0.441	0.338-0.598
	α = 0.533				
Reputation	RP1-RP4	12.87-13.33	1.832-2.637	0.193-0.332	0.481-0.582
	α = 0.536				
Switching Costs	SC1-SC3	5.61-6.11	3.446-5.871	0.507-0.648	0.548-0.740
	α = 0.737				
Effective Advertising	EA1-EA3	6.03-6.66	3.143-6.506	0.449-0.741	0.499-0.835
	α = 0.761				
Involuntary Switching	IS1-IS4	8.64-9.03	9.444-14.005	0.545-0.890	0.822-0.939
	α = 0.898				

4.3. Exploratory factor analysis

Exploratory factor analysis is a technique used to reduce and summarize data. KMO coefficient equals 0.670 > 0.5: This indicates that factor analysis is appropriate for the dataset. The significance level = 0.000 < 0.1, indicating that the observed variables are correlated, making them suitable for EFA.

With the Principal Components extraction method and Varimax rotation, factor analysis extracted 6 factors from 21 observed variables and high factor loadings ranging from 0.676 to 0.938 (Table 2). Total variance explained = 64.462% > 50%, indicating that these six factors account for 64.46% of the variability in bank-switching behavior.

Table 2: Rotated component matrix

	Component					
	1	2	3	4	5	6
IS1 - IS4	0.676 - 0.938					
TC1 - TC4		0.721 - 0.936				
PC1 - PC4			0.689 - 0.897			
SQ1 - SQ3				0.762 - 0.912		
EA1 - EA3					0.719 - 0.884	
SC1 - SC3						0.751 - 0.853
Total variance explained = 64.462%						

4.4. Model evaluation

The regression analysis was performed with six independent variables and one dependent variable, "Switching behavior" (SB). The regression equation takes the following form:

$SB = \alpha + \beta_1(Price) + \beta_2(Service\ Quality) + \beta_3(Technology) + \beta_4(Switching\ Costs) + \beta_5(Effective\ Advertising) + \beta_6(Involuntary\ Switching)$

4.4.1. Multicollinearity Test

All the Variance Inflation Factors (VIF) of the independent variables are between 1.042 and 1.073, which are greater than 1 and less than 2. This indicates that the regression model does not violate multicollinearity (Table 3).

Table 3: Multicollinearity Test

	IS	TC	PC	SQ	EA	SC
VIF	1.037	1.042	1.059	1.070	1.048	1.055

4.4.2. Model Fit

The regression model has an $R^2 = 0.226$ and adjusted $R^2 = 0.199$, indicating that 22.6% of the bank service switching behavior are affected by the above group of factors.

According to table 4, significance level (β_1, β_2, β_6) < 0.01: The independent variables Price, Service Quality and Involuntary Switching are statistically significant at the 1% level. This suggests that these variables have a strong and significant impact on customers' decisions to switch banks.

Significance (β_3, β_4, β_5) > 0.1: The variables Technology, Switching Costs and Effective Advertising are not statistically significant at the 10% level.

Table 4: Regression coefficient

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	β		
Constant	0.882	0.434		2.029	0.044
IS	0.132	0.036	0.252	3.639	0.000***
TC	0.039	0.048	0.055	0.813	0.417ns
PC	0.274	0.061	0.311	4.521	0.000***
SQ	0.278	0.061	0.313	4.523	0.000***
EA	0.014	0.039	0.025	0.359	0.720 ns
SC	0.011	0.040	0.018	0.267	0.789 ns
Dependent variable: Switching behavior (SB)					

This result coincides with previous research. However, there are some differences when the inconvenience, reputation and switching costs do not have effects on the switching behavior. Nowadays, young customers can easily access the online banking service, therefore the distance and inconvenience of bank's branches is not a barrier for them. Moreover, most of the commercial banks meet the standard requirements of the State bank, and the reputation gap between banks is no longer significant. In terms of switching costs, the author believes that the youth prioritize their satisfaction when using banking services.

In contrast, young people in Hanoi often prioritize price when choosing bank services. With limited budgets, they are more mindful of fees and charges. Many have financial goals like saving for education, buying a house, or traveling. Given Hanoi's high living costs, minimizing expenses, such as banking fees, helps them work toward these goals

Service quality is crucial for young people in Hanoi, who led busy lives balancing work, education, and social activities. They value convenient, efficient banking, favoring seamless digital experiences and responsive customer support. Additionally, involuntary switching impacts their behavior; disruptions to banking services are inconvenient, especially given their reliance on internet banking and the prevalence of salary payments through banks.

4.6 .Variance test

** Gender*

The Independent Sample T-Test method is used to test the difference in qualitative variables with two values (gender).

Table 7 shows us that the significance level of the test = 0.754 > 0.1, meaning the variance between the two genders has no difference. The two-tailed significance equals 0.970 > 0.1, from which it can be concluded that there is no statistically significant difference when switching bank services of survey takers by gender.

Table 7: Levene Test

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
SB	Equal variances assumed	0.098	0.754	0.038	178	0.970	0.00366	0.09609
	Equal variances not assumed			0.038	127.811	0.970	0.00366	0.09589

** Age, Occupation, and Income*

Tests of Homogeneity of Variance for Age, Occupation and Income show all the significance levels of the test > 0,1, meaning the variance between different age groups, occupations, and income group has no difference.

ANOVA tests for age, occupation and income show that the significant level of ANOVA test equal 0,390; 0,849; 0,217 respectively, which are greater than 0,1, therefore the author can conclude that there is no difference of bank services switching behavior between different age groups, occupations, and income groups.

5. Conclusion and recommendations

5.1. Conclusion

According to the results of regression analysis, there are 03 factors affecting the bank services switching behavior of the youth in Hanoi: Price, Service quality and Involuntary switching. The model also shows that there are no differences between gender, age, occupation, and income groups that affect the bank services switching behavior of the youth in Hanoi.

5.2. Recommendation

5.2.1. State bank and government

Firstly, the State Bank should develop a clear legal framework for personal banking services, as this area currently lacks regulation. It should also work with the General Statistics Office to create a standardized list of banking products. Additionally, the State Bank must guide resource allocation to support new financial models and ensure effective supervision to maintain a stable market. The government, in turn, should provide a stable political and social environment, strengthen the legal framework in line with international standards, and regulate competition in the banking sector to maintain optimal conditions.

5.2.2. Commercial banks

Commercial banks can retain customers by providing excellent customer service, offering competitive rates, and using technology for convenience. Personalized financial advice and clear communication about policy changes build trust and loyalty; engaging in community events and initiatives further strengthens customer connections.

5.3. Limitations and future research directions

This study offers theoretical and managerial insights but has some limitations. A broader geographic sample could reveal regional differences in customer attitudes toward bank switching. While it examines eight factors affecting switching behavior, other unexamined factors may also play a role and warrant further study. Additionally, this research focuses on past behaviors rather than future intentions; future studies should explore factors that could influence long-term customer relationships and future switching behavior.

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