



Determinants of Preference and Bank Selection Criteria

From Business Customers Perspective in Ethiopian Banking Sector

(A Case of Addis Ababa City)

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College of Business and Economics**

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DETERMINANTS OF PREFERENCE AND BANK SELECTION CRITERIA FROM BUSINESS CUSTOMERS
PERSPECTIVE IN ETHIOPIAN BANKING SECTOR – A CASE OF ADDIS ABABA CITY

Determinates of Preference and Bank

STATEMENT OF DECLARATION

I, the undersigned, declare that this thesis is my original work, has not been presented for degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

(A Case of Addis Ababa City)

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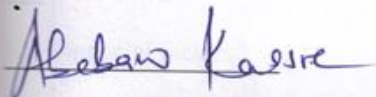
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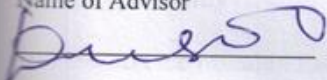
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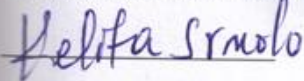
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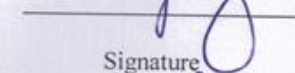
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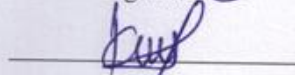
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LIST OF ACRONYMS

ANOVA = Analysis of variance

CBS = Commercial Banks

CLRM = Classical Linear Regression Model

NBE = National Bank of Ethiopia

SPSS = Statistical Package for Social Science

BSD = Bank selection decision

C = Convenience factors

R = Bank reputation

TP = Third party influence

T = Technology

F = Financial factors

AC = Accessibility

VIF = Variance Inflation Factors

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ABSTRACT

The banking sector remains highly competitive. To win the markets, banks should focus more on customer expectations. Exploring such information will help banks to identify the appropriate marketing strategies that needed to attract new customers and retain existing ones. The main objective of the study is to assess and determine those factors that influence business customers to select commercial banks in Ethiopian with particular emphasis in Addis Ababa. Primary sources of survey data were used that collected through self-administered questionnaires using a non-probability convenience sampling technique. The Sample size of the study was 400. The collected data analyzed through SPSS version (24). The descriptive and inferential statistical tools such as percentage, ANOVA, correlation and multiple linear regressions used to analyze collected data. The result of regression analysis indicates that, Accessibility and Convenience examined in this study had a significant and positive relationship with customers' bank selection decision. However, Technology factor result depicted that positive and insignificant relationship with customers' bank selection decision. On the other side, Third party influence factor and financial factor had negatively significance relationship with customers' bank selection decision. The researcher recommends for Bank management to be aware that, Customers place more emphasis on factors like Convenience and Accessibility. Therefore, such factors better to be considered seriously by the commercial banks in designing their marketing strategies which helps them to attract as well as retain the existing customers.

Key Words: *Bank Selection Decision, Convenience Factors, Reputation Factor, Third Party Influence Factor, Technology Factor, Financial Factors, Accessibility Factors*

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the study

In recent years, financial institutions of all types are moving into a more competitive financial atmosphere with a wide variety of financial products and services. In response to this volatile market environment, commercial banks have shown a renewed interest in marketing their products and services to their customers more effectively. So that they can increase their Companies customer base through, attracting new customer and retaining the existing companies' loyalty. (Mulugeta, 2013).

Understanding buying behaviour for financial service users and how customers select their bank has long intrigued in the minds of scholars and practitioners. Exploring such information will help banks to identify the appropriate marketing strategies that are needed to attract new customers and retain existing ones (Cleopas, 2011).

The growing competitiveness in the banking industry and similarity of services offered by banks has made it increasingly important that banks expected to identify the factors that determine the basis upon which customers choose between providers of financial services (Omo, 2011).

Sometimes market planning and strategy of financial institutions do fail due to improperly identifying the factors or determinants that consumer consider in bank selection. Hence, there is a need for financial institutions to effectively differentiate their offerings from those of competitors in order to attract customers' attention and choice (Ahmed, 2011).

The trend towards globalization is another force that induced many changes in the economic and business environment of our planet. Ethiopia is no exception to these changes and almost all industries including the banking sector, in one way or the other are being affected by this trend. In consequences of this, banking sector in Ethiopia is becoming increasingly more competitive. The past two decades structural, regulatory and technological factors have been changing the banking environment in Ethiopia and lead an intense competition in the financial institutions. The intense

competitions that are developing in the banking industry present a big challenge to the profitability of financial institutions of all size. Financial services marketing in Ethiopia has become much more complex since the country Adopt market oriented economic policy. Consequently, companies needs and their selection criteria have become much more important for banks in Ethiopia.

Ethiopian banking history, in its modern sense, began towards the end of the reign of Emperor Menilek. This period witnessed the establishment of the country's first bank, Bank of Abyssinia, it was an affiliate of the National Bank of Egypt, and was founded in 1905 (Deribie, 2012). A few years later, disappointed by the behaviour of this bank, mainly devoted to profit rather than promoting economic development, the Emperor proposed the establishment of a wholly Ethiopian owned bank. Accordingly, a new bank, called the Bank of Ethiopia, was established in 1931 with a full ownership of government. The Bank of Ethiopia had been providing both central and commercial banking services to the country and it was the first indigenous bank in Africa (Arnaldo, 2003).

During the Italian invasion in 1935 the government of Italy established branches of their main Banks namely Banca d'Italia, Banco di Roma, Bancodi Napoli and Banca Nazionale del lavoro and started operation in the main towns of Ethiopia. However, all opened branches ceased operation soon after liberation except Banco di Roma and Banco di Napoli which remained in Asmara. In 1941 another foreign bank, Barclays Bank, came to Ethiopia with the British troops and organized banking services in Addis Ababa, until its withdrawal in 1943. Then on 15th April 1943, the State Bank of Ethiopia commenced full operation. It acted as the central Bank of Ethiopia and engaged in all commercial banking activities. Then the Ethiopian Monetary and Banking law that came into force in 1963 separated the function of commercial and central banking creating National Bank of Ethiopia and commercial Bank of Ethiopia (Alemayehu, 2006).

Following the declaration of socialism in 1974 the government extended its control over the whole economy and nationalized all privately owned banks and in 1980 forms the sole commercial bank in the country till the establishment of private commercial banks in 1994. The financial sector that the socialist oriented government left behind constituted only 3 banks and each enjoying monopoly in its respective market. These were The National Bank of Ethiopia (NBE), The Commercial Bank of Ethiopia (CBE) and Agricultural and Industrial Development Bank (AIDB).

Currently Monetary and Banking Proclamation of 1994 established the National Bank of Ethiopia as a judicial entity, separated from the government and outlined its main functions. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector.

Currently the economic and banking environment of Ethiopia is rapidly changing and Organization' customer is becoming more demanding and sophisticated. And with these changes, there has been an intense competition in the provision of effective and quality services to their customers. So, it has become important for financial institutions to determine the factors which are important to the companies in bank selection process. Therefore, the study aims to explore these determinant factors in more detail in Ethiopia and also identifies the prioritization of companies relative to these factors. This study will be adopted both quantitative and qualitative method of analysis specifically survey method through personal administered questionnaire.

1.2 Statement of the Problem

The banking industry has been characterized by increasing competition since the early 1980s (Blankson. C, Cheng J. & Spears N. (2007). This has been the result of a number of interrelated factors such as competition and deregulation that have revolutionized the distribution of many financial services. In other words, an increased competition resulting from a decade of deregulation of the financial services industry has meant that banks find themselves with the task of differentiating their organizations and their offerings as a means of attracting customers.

The banking sector of Ethiopia has undergone considerable changes over time and now it is started to emerge into intense competition in the provision of effective and quality services to their customers. This is a key determinant factor for the growth and prosperity of banking sector in Ethiopia. Consequently, the banking sector of Ethiopia started to offer broadened range of services to provide the needs of sophisticated and demanding customers.

In order to ensure the success of maintain sufficient customer and quality services, understanding customers' behaviour of bank preference and selection criteria has been argued to be helpful to banks in identifying the appropriate marketing strategies needed to attract new customers and retain existing ones. Consequently, the issue of "how customers select banks of their choice" has

been given considerable attention by different researchers (like Omo 2011; Ahmed, 2011; Foscht et al., 2010; Erdener& Talha, 2004; Ugur et al., 2004; Dawit T., 2013; Tilahun A. and Gedifew A., 2014; and Goitom, 2011). However, almost all of those studies have been mainly conducted in individual customer level. Their findings may not be applicable to business customer level, due to differences in culture, economic, legal and technological environments and the like. A set of determinants that may have a significant role in bank selection in one nation may prove to be insignificant in another (Omo, 2011). To the best of the researcher's knowledge, there exists no previous research work has conducted in Ethiopia regarding Business customer. Therefore, this study attempted to address the issue of bank preference and selection of business customers in Ethiopian context through undertaking analysis using recent and extensive evidence collected from some companies those are customers in commercial banks on the determinant factors of bank selection.

1.3 Objectives of the Study

The main objective of the study is to assess and determine those factors that influence business customers to select a particular bank in Ethiopian with particular emphasis in Addis Ababa.

1.4 Specific Objectives:

Based on the main objectives the study has the following specific objectives.

1. To analyze the effect of Bank Reputation on Bank Selection decision.
2. To analyze the effect of third-party influence on Bank selection decision;
3. To analyze the effect of Technological factors on Bank selection decision;
4. To analyze the effect of convenience on Bank selection decision;
5. To analyze the effect of Loan facility (Financial) on Bank selection decision;
6. To analyze the effect of Accessibility on Bank Selection decision;

1.5. Research Hypothesis

To achieve the objective of this study, the researcher has formulated six hypotheses concerning factors affecting customers' bank selection decision in case of Addis Ababa city. These are based on the preliminary review of existing literatures of Kedir, 2018; Almosawi, 2001.

Hypothesis

Ho1: Convenience has a significant effect on Bank selection decision.

Ho2: Reputation has significant effect on Bank selection decision.

Ho3: Third party influence has significant effect on Bank selection decision.

Ho4: Technology has significant effect on Bank selection decision.

Ho5: Financial has significant effect on Bank selection decision.

Ho6: Accessibility has significant effect on Bank selection decision.

1.6 Significance of the study

Undertaking studies in the area of customers' behaviour is important to understand the preference and bank choice of business customers. Identifying such determinates of the preference and bank selection criteria of customer will help bank executives to identify and define the appropriate marketing strategies needed to attract new business customers and retain the existing ones. The results of this study are significant in various aspects. Firstly, it is important to understand the business customers bank selection criteria to both government and private banks to understand and to work on how to satisfy the needs of clients as much as possible and to remain competitive in the banking industry. Secondly, it also provides bank executives with insights into the kinds of service customers find most appropriate for their banking needs. Thirdly, the findings of the study can add to the existing body of the literature and can serve as a starting point on which future studies can be built. Finally, since much of the research are done in individual customer level, this

study will help to observe the other dimension of knowledge in the context of business customer level.

1.7 Scope and Limitation of the Study

1.7.1 Scope of the study

The respondents of the study were business Bank customers those are engaged in different business activities (Small tax payers, Medium tax payers and large tax payers) and selected based on non - random basis conveniently. To evaluate 34 bank selection criteria which include bank reputation, Proximity to home/office, Loan facilities and the like. The study conducted in Addis Ababa city which is the capital city of Ethiopia, the seat of Africa Union and many international activities and the large number of branch. Due to all major banks have their head offices in the city, the study comprised some of business customers who use those banks found in Addis Ababa. The researcher mainly focused on only bank customers of Addis Ababa city tax payers, thus Finding of this study did not consider other regions of the country. The researcher developed the research hypotheses only in specific area and did not include other variables in the study like religion of the customers (Islamic bank of Customers).

1.7.2 Limitation of the study

There are some limitations on this research, since all the samples will be collected from respondents at Addis Ababa city only, then it would not be good enough in generalizing to the whole population in the country. And further if the study is conducted taking all customers of the selected organization and business area the result may vary. Therefore, finding of this study needs further verification. The methodological limitation of this study was use convenience sampling, cross-sectional survey method and carried out once and represent a snapshot of one point in time, a longitudinal study could be more preferable to assure the relationship among the variables over time and the advantage is it can track changes that occur over time because longitudinal studies are repeated over an extended period of time.

1.8 Organization of the Paper

The study has structured in five chapters as follows. Following introduction part of the first chapter, chapter two contains a review of the literature. The research design and methodology presented in chapter Three. Specifically, this chapter showed that the research sampling method followed by methods used in collecting data. Furthermore, statistical methods used to analyse the data and also discussed. In chapter four, the results and findings of the study have been discussed. Finally, the last chapter enclosed the summary of findings, conclusions drawn and recommendations.

CHAPTER TWO

2. REVIEW OF LITRATURES

2.1 Theoretical Review

In this topic of the study tries to explore various theoretical backgrounds which have a contractive idea with the topics under study.

2.1.1 Definition of Terms

A bank is an organization, usually a corporation that accepts deposits, makes (grants) loans, issues credit and debit card, pays, cheques, and performs some other services. A bank acts as an intermediary between suppliers of funds depositors and users of funds borrowers. Banks take over the major risks related to monetary transactions and provide the main element of security for both depositors and borrowers (Whiteley, 1999).

Banks loan out funds at a higher interest rate than the funds, and the difference represents their gross profit margin before expenses and tax. In addition, banks can earn commissions and fees by selling various products such as foreign exchange services, safe custody services, financial advice, money transfer, credit card facilities, insurance and so forth (Pilbeam, 1998). Bank is an institution which deals in money and credit. It accepts deposits from the public and grants loans and advances to those who are in need of funds for various purposes.

There is no statutory definition of a bank customer, and so one has to refer to the decisions of the courts in order to discover the principles which determine whether or not a person is a customer. In the United States, Sect. 4-104 (1) (e) (1957 of the Uniform Commercial Code defines as “any person having an account with a bank or for whom a bank has agreed to collect items and includes a bank carrying an account with another bank”. As stated by Lord Davey in *Great Western Railway Co. V. London and County Banking Co. Ltd.*, in 1901, “there must be some sort of account, either a deposit or current account or some similar relation, to make a man a customer of a banker”.

Role of Banks: The functions of banks are divided into two categories: as primary functions and secondary functions including agency services. The primary functions of banks include: accepting deposits and lending money. The most important activity of banks is to activate deposits from the public. People who have surplus income and savings find it convenient to deposit the amounts with banks. The second important function of banks is to grant loans and advances. Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts.

Customers Behaviour is the process individuals or groups go through to select, purchase, use and dispose of goods, services, ideas or experiences to satisfy their needs and desires. Customer behaviour is not only influenced by external factors, but also by their attitudes and expectations.

These attitudes and expectations are constantly changing in response to a continuous flow of events, information and personal experience (Peer, 2009).

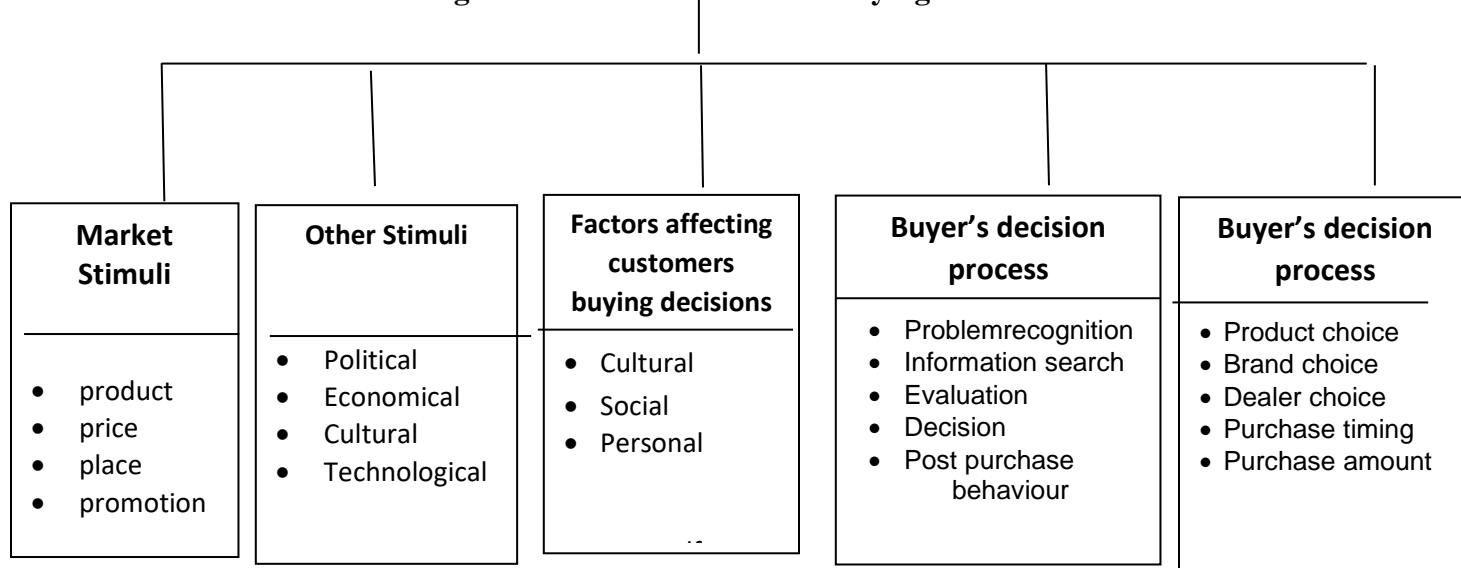
2.1.2 Rational choice theory and competition theory

The relevant theoretical expositions underpinning the study are the rational choice theory and competition theory. The rational choice theory provides useful insights on the choice or selection behaviour of individual customer, while the competition theory explains how firms try to win customers patronage and loyalty through service excellence, meeting customers' needs and providing innovative products. The choice theory otherwise referred to as rational choice theory or rational action theory is a framework for understanding and often formally modelling social and economic behaviour. Rationality, which basically expresses the idea of wanting more rather than less of a good, is widely used as an assumption of the behaviour of individuals in microeconomic models (Aregbeyen, 2011). In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals. Rational choice theory holds that individuals must anticipate the outcomes of alternative courses of action and calculate that which will be best for them. Rational individuals choose the alternative that is likely to give them the greatest satisfaction (Scott, 2000). Factors influencing Bank selection decision: An empirical analysis on criteria employed by graduating students at Addis Ababa University 8 Rational decision-making entails choosing an action given one's preferences, the actions one could take, and expectations about the outcomes of those actions. The validity of rational decision making is rooted in two complementary assumptions namely completeness and transitivity. Completeness requires that all actions of the individual can be ranked in an order of preference (indifference between two or more is possible), while transitivity is a condition that if choice A is preferred to B, and action B is preferred to C, then A is preferred to C. Together these assumptions form the result that given a set of exhaustive and exclusive actions to choose from, an individual can rank them in terms of his

preferences, and that his preferences are consistent. Competition in economics is best described as the existence within a market for some good or service of a sufficient number of buyers and sellers such that no single market participant has enough influence to determine the going price of the good or service (Aregbeyen, 2011). Competition occurs when two or more organizations act independently to supply their products to the same group of consumers. Direct competition exists where organizations produce similar products that appeal to the same group of consumers. Indirect competition exists when different firms make or sell items which although not in head-to-head competition still compete for the same money in the customers’ pocket. Both direct and indirect competition cause commercial firms to develop new products, and services and technologies, which would give consumers greater selection and better products (Aregbeyen, 2011).

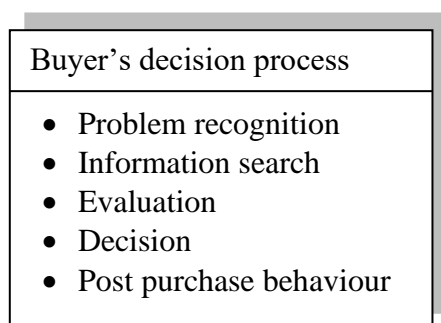
2.1.3 Customers Buying Behaviour

Figure 1-Model of Customers buying Behaviour



Source: Kotler & lane (2006).

Figure 2-Buyer's Decision process



Source: Kotler & lane (2006).

The buying decision making process is a problem solving approach consisting of five stages, namely problem recognition, information search, evaluation, decision and post purchase behaviour. These basic psychological processes play an important role in understanding how customers actually make their buying decisions. Customers may pass through these five stages process but do not always pass through all five stages in buying a product (Kotler & Lane, 2006).

1. Problem Recognition

The process starts when the buyer recognizes a problem or need. The need can be triggered by internal or external stimuli such as advertisement or sight of the product perhaps dissatisfaction with the present product creates tension. Marketers need to identify the circumstances that trigger a particular need by gathering information from a number of customers. They can then develop marketing strategies that trigger customer's interest.

2. Identification of Alternatives

An aroused customer will be inclined to search for more information. We can distinguish between two levels of arousal. The middle search state is called heightened attention. At this level a person simply becomes more receptive to information about a product. At the next level, the customer may enter an active information search: looking for reading material, phoning friends, going online, and visiting stores to learn about the product. Of key interest to the marketer are the major sources of information sources to which the customer will turn and the relative influence each will have on the subsequent purchase decision. This information sources fall into four groups:

Personal: Family, Friends, Neighbours, Acquaintances

Commercial: Advertising, web sites, Sales persons, Dealers, Packaging, Displays

Public: Mass media, Consumer-rating organizations

Experiential: Handling, Examining, Using the product

3. Evaluation of Alternatives

After all the reasonable alternatives have been identified, the customers have to evaluate each alternative with respect to certain qualities of a product such as shape, colour, effectiveness, portability, comfort, cost, tastes, size, operation system, etc. depending on the nature of the product.

4. Purchase Decision

After searching for and evaluating alternatives, the customers must decide whether or not to buy. Once the alternatives are evaluated, the customer forms a ranked set of preferences among the alternatives. The factors that influence purchase intentions are attitude of others, anticipated situational factors, and unanticipated situational factors. The decision of an individual to modify, postpone, or avoid a purchase decision is heavily influenced by the perceived risk because customers assume risk when deciding to buy a certain product.

5. Post Purchase Behavior

After the customer start using the product, the customer might experience dissonance that stems from noticing certain disquieting features or hearing favourable things about other brands, and will be alert to information that supports his or her decision. Marketing communications should supply beliefs and evaluations that reinforce the customer's choice and help him or her feel good about the brand.

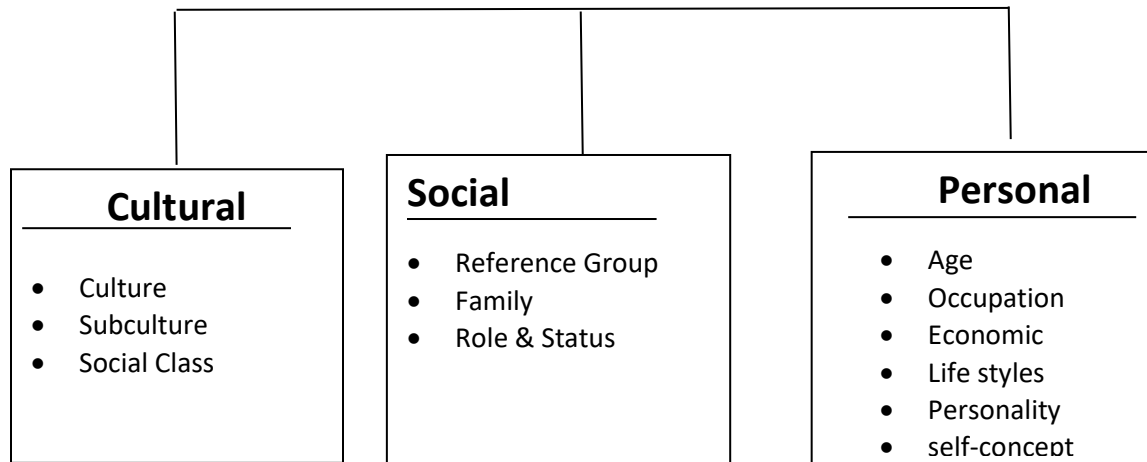
The marketer job therefore does not end with the purchase. Marketers must monitor post purchase satisfaction, post purchase actions, and post purchase product uses.

The buyer characteristics influencing consumer-buying behaviour consist of cultural, social, personal, and psychological characteristics.

Factors Affecting Customers Buying Decision

The customer's buying behavior is influenced by cultural, social, and personal factors.

Figure 3: Factors Affecting Customers Buying Decision



Source: Kotler& lane (2006)

Culture Factor

Culture is the fundamental determinate of a person’s wants and behaviour. Culture consists of smaller subcultures that include nationalities, religions, racial groups, and geographic regions. When subcultures grow large and affluent enough, companies often design specialized marketing programs to serve them. Virtually all-human societies exhibit social stratification. Social classes are relatively homogenous divisions in a society, which are hierarchically ordered, and whose members share similar values, interests and behaviour. Roughly, any society can be divided into three major groups: upper, middle and lower classes.

Social Factors

In addition to cultural factors, a consumer’s behaviour is influenced by such social factor as reference groups, family, and social roles and statuses. A person’s reference groups consist of all the groups that have a direct (face-to-face) or indirect influence on his/her attitudes or behaviour. Groups having a direct influence on a person are called membership groups. Some membership groups are primary groups, such as family, friends, neighbours, and co-workers. People also

belong to secondary groups, such as religions, professional, and trade-union groups, which tend to be more formal and require less continuous interaction.

Personal Factors

A buyer's decisions are also influenced by personal outward characteristics, notably the buyer's age and lifecycle state, occupation, economic circumstances, personality and self-concept. The goods and services that people buy change over their lifetime. The types of food and cloth people need changes with age. People's task in clothes, furniture, and recreation is related to age. Marital status, presence or absence of children, and their ages also affect buying decision. Marketers term these factors collectively as family life cycle.

A person's occupation will lead to certain wants and needs for goods and services. Accordingly, the clothes, households, furniture, recreational systems needs and tastes, etc. for a manager of a certain corporation is different from the proletariat of corporation. The buying decision that a person makes is tremendously affected by the economic conditions of the person. The income that he/she earns, the attitude towards spending and saving, the borrowing power and so on affect his/her buying decision. It is the person's pattern of living in the world expressed in the person's activities, interests and opinions. It portrays the whole person interacting with his or her environment. People coming from the same subculture, income, occupation may lead quite different lifestyle may be reflected by wearing conservative clothes, spending a lot of time for family, helping church.

Personality is another factor that affects the buying behaviour of a person. It describes the person's distinguishing character, traits, attitudes and habits. A person can be creative or conventional, active or passive etc. The attitude of people or mental picture towards themselves is also called self-concept or self-image. Thus, people buy products which fit their assumed self -image. Personality is expressed in terms of self-confidence, dominance, autonomy, deference, sociability, defensiveness, and adaptability (Kotler & lane, 2006).

2.2 Empirical Review

This survey of previous studies was selectively done to take account of the several studies that have been conducted across countries and provide very rich setting for this study.

Table 1-Summary of previous studies of Empirical Review

Author/s and Topic	Methodology and Technique	Sample size	Variables	Main Findings
Omo A., (2011) Determinant of Bank Selection Choice by Customer.	➤ Self-Administration questionnaire	1750 respondents from six most metropolitan	<ul style="list-style-type: none"> ➤ Safety of funds ➤ Quick/prompt service. ➤ Size of the bank ➤ Reputation ➤ Low/Reasonable service charge 	➤ Safety of funds and the availability of Technology are major reason for customer choice of banks.
Mokhlis.S. &Salleh.H.(2008) Commercial Bank Selection;	<ul style="list-style-type: none"> ➤ Self-Administration questionnaire ➤ Factor Analysis and SPSS Stastical Software 	350 Respondents	<ul style="list-style-type: none"> ➤ Attractiveness ➤ People Influence ➤ Service Provision ➤ Branch Location ➤ Secure Feeling ➤ ATM Service 	➤ Secure Feeling and ATM Service are most important factors.
Ahmed.A.M, (2011) Factors Determining bank's selection & preference in Nigerian Retail Banking	<ul style="list-style-type: none"> ➤ Self-Administration questionnaire ➤ SPSS stastical software 	417 Respondents	<ul style="list-style-type: none"> ➤ Size of bank Asset ➤ Convenient access to bank location ➤ Personal Security of Customers ➤ Reputation of banks ➤ Availability of Credit Facility 	➤ Size of bank total asset and availability of large branch network have a great influence in customer's choice of banks.
Cleophas., (2011), Factors Influencing the choice of Commercial banks by University Students in South Africa.	<ul style="list-style-type: none"> ➤ Self – Administration questionnaire ➤ T-test and ANOVA 	250 Respondents	<ul style="list-style-type: none"> ➤ ATM Location ➤ Financial Stability ➤ Easy of opening the bank. 	➤ Easy of opening the bank account, Financial Stability of the bank and ATM location are most important factors.
Hafeez,U.R, & Saima, A. (2008); an Emperical Analysis of the determinant of bank selection in Pakistan.	<ul style="list-style-type: none"> ➤ Self – Administration questionnaire ➤ Factor Analysis 	358 Respondents	<ul style="list-style-type: none"> ➤ Efficient customer service ➤ Convenience ➤ Online banking service ➤ Parking facility ➤ Overall bank environment 	➤ Most important variables Influence customer choice are customer service, convenience, online banking facilities and overall bank environment.
Laroche, (1986); Service used and factors considered Important in selecting a bank;An investigate across diverse Demographic segment.	➤ Self-Administration questionnaire	142 Respondents	<ul style="list-style-type: none"> ➤ Convenience ➤ Location ➤ Convenience ➤ Speed of Service ➤ Competence & friendliness of bank personnel. 	➤ Most important factors are location convenience, speed of service and competence & Friendliness of bank personnel.
Sharma & Rao (2010); Bank selection criteria	<ul style="list-style-type: none"> ➤ Self-Administration questionnaire ➤ Factor Analysis 	312 Respondents	<ul style="list-style-type: none"> ➤ Parking Facility ➤ Loyalty program ➤ Brand name ➤ Security System 	➤ Reliability is a significant choice criteria.

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employed by MBA students in Delhi.			<ul style="list-style-type: none"> ➤ Low bank service charge ➤ Speedy service 	
Almossawi (2001); Bank selection Criteria employed by college students in Bahrain;	<ul style="list-style-type: none"> ➤ Self-Administration questionnaire ➤ Descriptive and Factor Analysis 	1000 Respondents	<ul style="list-style-type: none"> ➤ Friendliness of personnel ➤ Reputation ➤ Availability & Location of ATM ➤ Parking Space. 	➤ Most important factors are Reputation, availability & location of ATM, parking space near bank & Friendliness of personnel
Gerrard and Cuningham (2001); Singapore undergraduates; How they choose which bank to patronize.	<ul style="list-style-type: none"> ➤ Self-Administered questionnaire ➤ Descriptive and Factor Analysis. 	184 Respondents	<ul style="list-style-type: none"> ➤ Free banking ➤ Availability of many branch ➤ Youth Counsellor ➤ Youth Image of the Bank. 	➤ Most Important factors are feeling secure electronic services and service provision.
Cicic et al. (2004); Bank selection criteria employed by students in in a south east European country.	<ul style="list-style-type: none"> ➤ Self-Administered questionnaire ➤ Factor Analysis 	➤ 300 Respondent s	<ul style="list-style-type: none"> ➤ Warm reception ➤ Friendliness of bank personnel ➤ Service charge ➤ Easy of opening a bank account ➤ Location of main branch. 	➤ Reputation, Technology and Financial condition as major variables of student's determination for bank selection.
Mylonakis,J.(1998); Marketing driven factors influencing savers in the Hellenic bank market.	➤ Self-Administered questionnaire	➤ 811 Respondent	<ul style="list-style-type: none"> ➤ Advertising ➤ Residential area ➤ Location convenient ➤ Quality service 	➤ Location convenience and quality of service seem to influence Greece customers of banks.
Moklish S. (2009); Commercial Bank Selection: Comparison between Single and Multiple Bank Users in Malaysia	➤ Self-Administered questionnaire	➤ 350 Respondent s	<ul style="list-style-type: none"> ➤ attractiveness, ➤ branch location ➤ ATM service ➤ financial benefits ➤ Secure feeling. 	➤ People influences and recommendations are also among the important factors in selecting a bank for both male and female customers.
Sayani, H. and Miniaoui, H. (2013); Determinants of bank selection in the United Arab Emirates	➤ Self-Administered questionnaire	➤ 246 respondent s	<ul style="list-style-type: none"> ➤ profit and religion; ➤ religion ➤ recommendation by relatives; ➤ recommendation by friends; ➤ locationof branches; ➤ cost of services ➤ Confidentiality. 	➤ Bank reputation and expectation of profit on deposits are not determinants of bank selection; however, religious preferences are the most important considerations in selection between Islamic and conventional banks.
Dawit T. (2013); Customers Bank Selection Criteria in the case of selected private commercial banks in Addis Ababa	<ul style="list-style-type: none"> ➤ Self-Administered questionnaire ➤ Factor Analysis ➤ T-test & ANOVA 	➤ 120 Respondent s	<ul style="list-style-type: none"> ➤ Convenience ➤ Reliability ➤ Service provision ➤ Security ➤ Arrangement ➤ Financial status ➤ Reputation 	➤ The findings revealed that the chief factors determining customers' bank selection are: "Convenience" "Reliability" and "Service provision" for the entire customers.

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Mulugeta T. (2013); Determinates of Bank Selection in Ethiopian Banking sector.	<ul style="list-style-type: none"> ➤ Self-Administered questionnaire ➤ Factor & ANOVA Analysis 	<ul style="list-style-type: none"> ➤ 193 Respondents 	<ul style="list-style-type: none"> ➤ Proximity ➤ Technology ➤ Service quality ➤ Marketing promotion ➤ Accessibility ➤ Financial benefit 	<ul style="list-style-type: none"> ➤ Finding from this study reveal that Technology, Marketing promotion, Bank Appearance, Accessibility and Quality service are major reason for bank selection.
Kedir E. (2018); Factor Influencing bank Selection decision; an empirical analysis on criteria employed by graduating students at Addis Ababa University.	<ul style="list-style-type: none"> ➤ Self-Administered questionnaire ➤ Descriptive statistics ➤ SPSS 	<ul style="list-style-type: none"> ➤ 400 Respondents 	<ul style="list-style-type: none"> ➤ Convenience ➤ Number of branches ➤ Third party influence ➤ Bank Reputation ➤ E-banking 	<ul style="list-style-type: none"> ➤ The result showed that the convenience, Number of branch and ATM, Bank reputation, and E-Banking are found to be a significant factor for students' bank selection decision.
Tilahun A. & Gedifew A (2014); Factors Influencing Customers' Bank Selection Decision in Ethiopia: The Case of Bahir Dar City	<ul style="list-style-type: none"> ➤ Self-Administered questionnaire 	<ul style="list-style-type: none"> ➤ 204 Respondents 	<ul style="list-style-type: none"> ➤ Technological ➤ Speed and Service Quality ➤ Bank Image and Reputation ➤ Convenience ➤ Promotional ➤ Financial 	<ul style="list-style-type: none"> ➤ Friendly or pleasing manner of staff, ATM service, bank speed, service quality, external bank appearance and internal sitting arrangement, secured feeling, proximity to home or work place, long operating hours were significant factors.

Table 2.1 Summary of Empirical review

▪ **Customers Bank Selection Criteria**

Various empirical research using different methodologies and approaches have been conducted in various parts of the world to investigate the bank selection criteria of the customers. The growing competitiveness in the banking industry and similarity of services offered by banks has made it increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services (Omo, 2011).

According to Omo (2011) points out availability of technology-based service(s) are the major reasons for customers' choice of banks. This implies that customer service is the most important factor that should be given enough attention by marketing officers. In Canada, Laroche et al. (1986) conducted a survey and found that speed of services, and factors relating to the competence and friendliness of bank personnel and convenience of location were the major factors which consumers perceived as important in their selection of a bank. These findings are in consistent with Renman and Ahmed (2008) that revealed convenience location of the bank is one of the most

important variables influencing customer choices among other factors. The study conducted by Sharma & Rao (2010) on bank selection criteria employed by MBA students in India concludes that convenience location of the bank is an important determinant.

In Nigeria Ahmed (2011) found that factors such as size of bank total asset and availability of large branch network have a great influence in customers' choice of banks.

Mokhlis (2008) points out that the most important factor in Malaysia is availability of ATM service in several locations. Almosawi (2001) notes that the vast majority of young people prefer to use ATMs, not only for their speed and convenience, but also for the mental structure of today's young people who have been very much involved with computer-based activities. According to Gerrard and Cunningham (2001) contend that electronic services are of relative importance. Even though they were not available for that long, the current well-educated generation has been exposed to modern technology in their higher education which will increase their drive to patronize banks that are regarded as technology leaders. Almosawi (2001) also claim that technology is the most important determinant of commercial bank selection. This indicates that, in their bank selection, the new generations of customers tend to put more emphasis on the factors which give them quick and convenient access to the bank services, rather than factors related to the hospitality, condition of the bank premises, and location of the bank.

On the contrary Cicicet al. (2004) point out that factors like close proximity to home and work, and price of the product are perceived to be the most important criteria on the choice of banks. Cicicet al. (2004) point out that incompetence and lack of courtesy of banks' personnel are major reasons customers exit their banks. The study reveals that customers highly regard knowledgeable and competent personnel coupled with friendly and courteous values to be the most important criteria in patronizing banks.

A study conducted by Almosawi (2001) in Bahrain to examine the bank selection criteria employed by college students in Bahrain, reveal that bank's reputation is one of the key factors. Creating a positive image in the minds of young people bring them to the understanding that the firm is customer conscious. For today's young people, brand name is one of the major factors that determine their decisions for goods and services. According to Mokhlis (2009), people influences

and recommendations are also among the important factors in selecting a bank for both male and female customers.

Almossawi (2001) finds that recommendations of friends and recommendations of relatives are of relevance despite the fact that young people prefer to act independently. In contrast, Gerrard and Cunningham (2001) find that third party influences are of little importance in commercial bank selection by customers.

Ulengin (1998) indicated that customer in Turkey was more interested in the functional quality of financial services rather than the technical quality dimension. The study further concluded that as there were no big differences among financial products offered by banks and the quality of financial products offered by banks are much beyond expectations of the customers, delivery channels and customer relations gain importance in bank choice process as there were a lot of problems in those areas. Their research on bank customers of Greece showed that bank selection criteria like location-convenience, quality of service (attention to the customer, personalized service, no queues) seen to influence the bank selection and factors like advertising did not seem to influence bank customers at all.

Phuong and Har (2000) the findings indicated that the most important criteria affecting undergraduates' bank selection decisions are higher interest rate for saving, convenient location and overall quality of service.

Findings of Boyd et al. (1994) reveal that interest paid on saving accounts, interest charged on loans, quick service, reputation and hours of operation are viewed as having more importance than other criteria such as friendliness of employees, modern facilities and drive-in –service.

Sayani, H. and Miniaoui, H. (2013), study concluded that the determinants for bank selection are more distinguishable amongst Islamic bank customers. Bank reputation and expectation of profit on deposits are not determinants of bank selection; however, religious preferences are the most important considerations in selection between Islamic and conventional banks.

A few related studies also conducted by Ethiopian researchers. Dawit T. (2013), the findings revealed that the chief factors determining customers' bank selection are: Convenience, Reliability and Service. Mulugeta T. (2013), Finding from the study reveal that Technology, Marketing

promotion, Bank Appearance, Accessibility and quality service are major reason for bank selection. Tilahun A. & Gedifew. A (2014), The result showed that friendly or pleasing manner of staff, ATM service, bank speed, service quality, external bank appearance and internal sitting arrangement, secured feeling, proximity to home or work place, availability of several branches and long operating hours were significant factors. Worku Y. (2017), the findings revealed that Convenience/Security, Technology, Marketing & Promotion, Bank's Image and Proximity have significant positive relationship with bank selection decision. Kedir E. (2018), the finding of the result showed that the convenience, Number of branch and ATM, bank Reputation, and E-Banking are significant factor for students.

2.3 Bank Selection Criteria

Based on the above Literatures the researcher developed that considers the most significant dimension of six explanatory variable that influence bank selection decision among business bank customers of small tax payers, medium tax payers and large tax payers.

2.3.1 Convenience

The first factors that influence for Bank selection is convenience. Convenience includes factors Such as proximity of ATM location, proximity of branch locations, easy opening account and Location being near to home, work and college. Bushra, Dr. Hafiz, Zeeshan, Farrukh and Shahbaz (2014) and Robert E., Aihie, and Abednego (2013) observed significance effect of convenience on Bank selection decision. There were other studies also to observe that convenience was a significant variable that influenced customers for Banks selection decision (Anthony, Ishmael, and Joy, 2015; Hafeez and Saima, 2008; Dawit, 2013). However, research conducted in Arba Minch Town by Agarwal P. (2017) discovered that convenience had an insignificant effect on Bank selection decision. (Kedir, 2018)

2.3.2 Bank Reputation

Reputation has been described as a social identity, and an important and intangible resource that can significantly contribute to a firm's performance and its survival (Rao, 2010). Reputation is a

key asset to firms as it is valuable, distinctive, difficult to duplicate, non-substitutable, and provides the firm with a sustainable competitive advantage (Wang et al., 2003)

Based on a survey of 600 customers of private commercial banks (PCBs) and nationalized Commercial banks (NCBs) located in the city of Rajshahi in Bangladesh (Siddique, 2012), the Findings reveal that image of the bank is one of the most important factors influencing customers for selecting a private commercial bank. A study conducted in Bahrain by Almosawi (2001) focused on examining the bank selection criteria being employed by college students revealed bank's reputation is chief factor that determine college students' bank selection decision. (Kedir, 2018)

2.3.3 Influence by Family and Friends (Third party Influence)

The influence of friends and family in the bank decision process differs per country. In the article of (Tan, 1986) analyze that, the factors influencing bank selection decisions in an oriental culture where family and social relationships are still relative strong. The results reveal that social factors in the oriental culture are a stronger influence than other variables. This is probably because the social and family ties are closer in oriental cultures and consumers are more influenced by advice from friends and other relatives. However, in Western countries these social factors are important as well. In a study to bank selection decisions in Poland (Kennington et al., 1996) respondents rated family/friends influence as one of the important variables. Anderson, Cox and Fulcher, (1976) found out that recommendations by friends have a strong influence in the US as well. (Dawit, 2013)

2.3.4 Technological Factors

In the recent time, the development in technology has affected business organizations in several Ways, many studies revealed that customer emphasized on the importance of technology factors to select banks (Hedayatnia & Eshghi, 2011, Rao & Sharma, 2010). Availability of functional and secured ATMs all times and number of counter windows and connectivity to other bank's ATMs,

are also considered to be important choice determinants (Aregbeyen, 2011; Mokhalis, 2008; Almosawi, 2001). While studying the switching behaviour of bank clients, availability of technology-based services is found to be a major reason for clients to switch banks (Kamakidi, 2008). This factor implies positive influence on customers' bank choice and also indicating that they do not want to spend their valuable time waiting for their turn in a queue. (Worku, 2017)

2.3.5 Financial Factors

The second subgroup in the research of Anderson on the other hand, the so-called service-oriented bank customers, are more aware of the differences in banks and their unique selling points. They rate the different selection criteria relatively high and are using these criteria in their decision-making process. Important criteria for this group are financial considerations like the availability of credit and interest charges on loans. These financial considerations seem important in other studies as well. In a study by unidex Reports (1982) customers were asked what they most disliked about their bank. Some of the most disliked factors were the fees, too high minimum balances and too low rates. In a study of the bank selection criteria in Sweden (Martenson, 1985) this image is confirmed; availability of credit and service charges were significant variables here. (Dawit, 2013)

2.3.6 Accessibility

Accessibility includes factors such as Number of branches, Availability of Large branch network, branch opening hours and security arrangement of the bank. Based on the study of (MohamadS., MohamadR., and Nur Khashima, 2013; Tilahun and Gedifew, 2014; and Ahmed A., 2011), availability of a large number of branches in different location was among the important factors in selecting a bank. Some other researchers also stated that a bank with more branch offices or ATM in the country the more likely will be selected by the citizen (Katircioglu, Tumer, and Kilinc, 2011). When the number of branch office is more it is more convenience for a customer do their transaction or deal with a bank. (Kedir, 2018).

2.4 Research Gap

As per review of the literature, most of the empirical studies that has been conducted are based up on Individual Bank customer level; majority of related research focused on university students Cleophas, (2011), Almosawi. M (2001), Sharma & Rao, (2010), Kedir E. (2018), Gerrard and Cuningham, (2001), Cicic et.el (2004) and the like. Therefore, this study will address the gap by studying Bank customers of Company level those have more transactions and huge financial impact on banks daily activities compared with individual level customers. This gap highlights the need for the proposed study and the researcher will try to investigate this untapped segment of the banking industry.

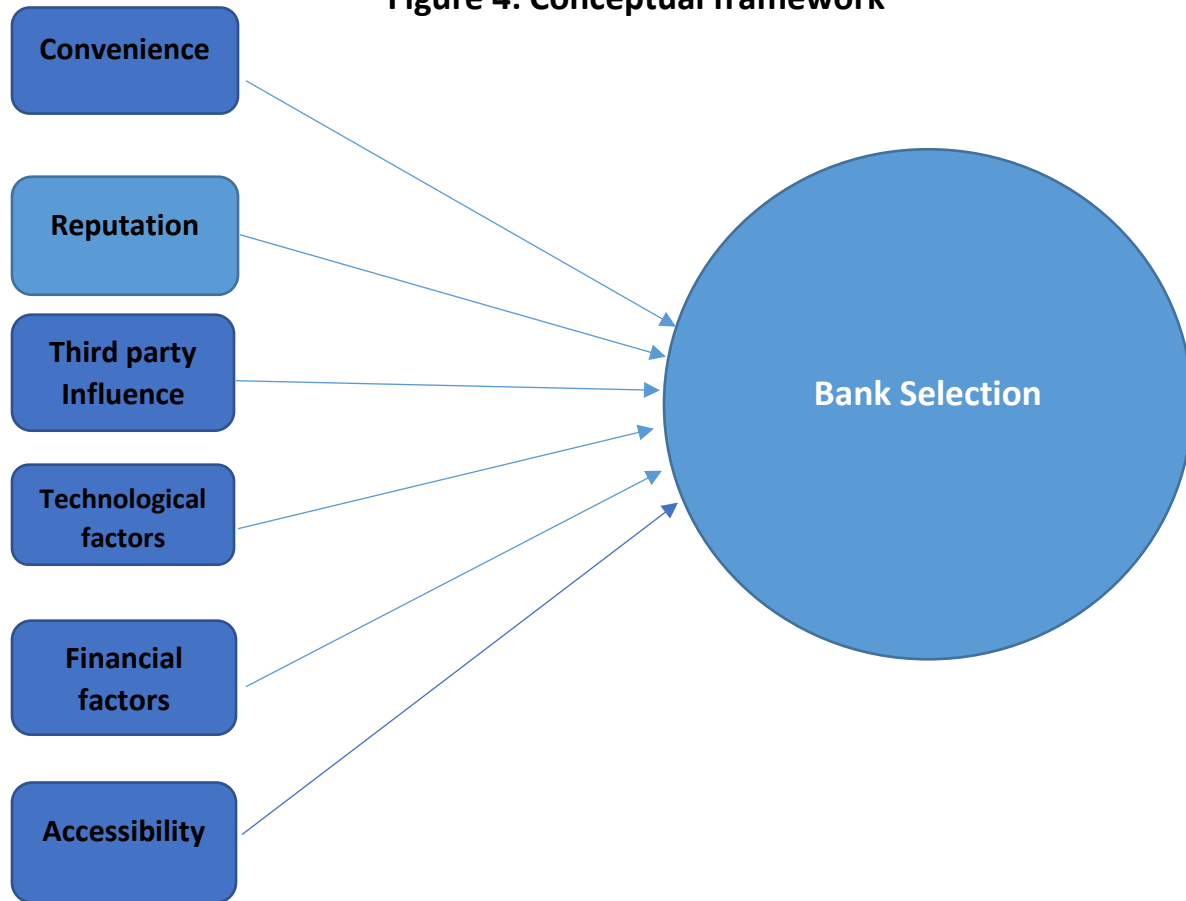
Now a days, the banking industries have been growing rapidly in Ethiopia. Hence, in such growing industries where stiff competition exists knowing the majority factors that attracts bank customers. In addition to that Literature by Dawit, (2013), recommended that there should be frequent marketing research by the banks to monitor and evaluate the ever-changing customers' peculiarities and perspectives in order to develop products or service to meet the current tests of their customers.

2.5 Conceptual Framework

Conceptual model helps to visualize ideas and allow to clearly illustrating how things are related. For this study, conceptual model served to depict causal relationships, which is designed by the researcher for the purpose of this research. Hence Figure 4 below depicts the proposed conceptual model and the causal relationships between the dependent variable Bank selection and the

independent variables; Convenience, Reputation, Third party influence, Technological factors, financial factors and Accessibility.

Figure 4: Conceptual framework



Developed for the research based on Kedir. E. (2018)

CHAPTER THREE

3. RESEARCH METHODOLOGY

In order to meet the intended purpose, the study followed specific techniques of data collection and analysis. Accordingly, the sources of data and sampling method, description of data collection techniques and statistical methods in data analysis has discussed as follow.

3.1 Research Design

The Research design is the set of methods and procedures that used in collecting and analysing measures of the variables specified in the research problem. In order to achieve the objective of the research, the researcher used both descriptive and explanatory type of research design. Descriptive research design was more suitable to detail description of the finding showed in tables and percentages. An explanatory research design used to identify the extent and nature of cause-and-effect relationships since this study tried to examine impact of bank selection factors on customers' bank selection decision by evaluating the relationship among the variables. Quantitative research method used in this study. The researcher designs the data collected at a point in time, and thus, used in cross-sectional in nature. Design studying the data in quantitative method through statistical tests such as Correlation and regression.

3.2 Population of the Study

In Ethiopia tax administration authority (Minister of Revenue) context, there are three tax payers categories. These are small tax payers those annual sales turnover less than 500,000.00 birr, middle tax payers those annual sales turnover between 500,000.00 and 1,000,000.00 and large tax payers those annual sales turnover greater than 1,000,000.00 . In this study, the total target population was 418,133 Addis Ababa City Tax Payers that has been obtained from recent data of Ethiopian monitor daily news that published on December 09, 2021. From total population, 298,964 are small tax payers, 45,875 are medium tax payers and 73,294 are large tax payers.

3.3 Data Sampling Techniques

3.3.1 Sampling Method

The study conducted in Addis Ababa City which is the capital city of Ethiopia, the seat of Africa Union and many international organizations, with high concentration of commercial activities and the large number of branches. due to almost all major commercial banks (Commercial bank of Ethiopia, Nib International Bank, Abay Bank, Addis International Bank, Awash International Bank, Bank of Abyssinia, Berhan International Bank, Bunna International Bank, Commercial Bank of Ethiopia, Cooperative Bank of Oromia, Dashen Bank, Dehub Global Bank, Enat Bank, Lion International Bank, Oromia International Bank, Hibret Bank, Wegagen Bank, Zemen Bank and Development bank of Ethiopia.) Have their head offices in the city, the survey comprised some of business customers who use those bank services in their day-to-day business. Since it is challenging to cover all population through survey, this study used sampling techniques to arrive at representative sample in Addis Ababa City. Therefore, the study used 400 Sample selected from Addis Ababa Government tax payers (Small, Medium and Large). The total of 418,133 Addis Ababa City Tax Payers has obtained from recent data of Ethiopian monitor daily news that published on December 09, 2021.

Table 2-The City Administration Tax payer’s data

The City Administration Tax payer’s data

S/N	TAX PAYERSCATEGORY	POPULATION /N/	PROPORTION %	SAMPLE /n/
1	SMALL TAX PAYERS	298,964	0.71	286
2	MIDDIIUM TAX PAYERS	45,875	0.11	44
3	LARGE TAX PAYERS	73,294	0.18	70
TOTAL		<u>418,133</u>	<u>1.00</u>	<u>400</u>

Source: Own Survey, 2022

The samples of the study used non-probability (Convenience) sampling method. According to Roberts Lombard (2002) convenience sampling is a non- probability sampling technique where subjects are selected because of their convenient accessibility to the researcher. The selection of the sample under convenience sampling depends on the researcher`s personal judgement. The use of a convenience sampling method is consistent with the sampling methods used in previous similar empirical studies such as Rao et al. (2010), Mokhlis et al. (2008), Tilahun et al. (2014) and

Kedir, (2018). The size of the sample should depend on the size of the target population and the significance of the study. In this study a total sample size of 400 business customers will be considered.

Convenience sample selection of the respondents conducted through distributing the questionnaires to available business customers those are proposed to incorporate in the sample size. Time may take for answer the proposed questionnaires 10-15 minutes and the researcher distributed the questionnaires on their tax office Centre where by tax payers available at there. In addition to that send by email for some selected tax payers. The questionnaire distributed conveniently until the sample size reach 400.

3.3.2 Sample size determination

To determine the sample size from the target population, the Yamen`s formula has been used and calculated as follows;

$$n = \frac{N}{1 + N(e)^2}$$

Where, n = the sample size,

N= the entire population

e= error coefficient (0.05 used for maximum sample)

Hence, our sample size determined as,

The sample size= $n = \frac{418,133}{(1+418,133) * (0.05)^2} = \frac{418,133}{1045.35} = 399.99$ or **400**

3.4 Data Type and Source of Data

The sources of data to use for the study were primary and secondary data. Primary data source are questionnaires from the target business customers. A structured questionnaire is prepared for the survey based on literature review and objectives of the study. Self-administered questionnaires were research questionnaires personally delivered to the respondent by the researcher. However, it had been completed by a respondent with no researcher involvement. The main advantage using of questionnaire is that, the researcher can collect all the completed responses within a short period

of time. In designing the questionnaire, the researcher used questionnaire mainly Adopted from Mulugeta, (2013); Kedir, (2018);Worku, (2017) and Dawit, (2013). However, attributes used by mentioned researchers are similar and the researcher take out, reword and modify the attributes. The questionnaire in this study incorporated three parts. The first part designed to collect the Company information from each respondent. In the second part of the questionnaire respondents asked for their banking preference and banking history which is much concern area of the study. In the last part of the questionnaire, respondents asked to rate the relative importance of influencing factors on their selection decision of commercial banks, using a five-point Likert type importance scale ranging from 5 refers "very important" up to 1 refers "very unimportant". The list of factors used in this study adapted from books and earlier studies. Whereas, the Secondary data source collected from different published and unpublished materials. In the case of this study, secondary data source used to gather the information of total target population of the data published.

3.5 Data Analysis Methods

The collected data were analysed by using descriptive and inferential statistics. The data gathered through questionnaires was coded, entered into computer and will be analysed and presented in the form of tables using Statistical package for Social Science (SPSS) Version 24 Software.

For scale measurement Reliability test conducted using Cronbach’s Alpha during pilot test and Pearson correlation for validity test.

$Y_i = f(x_i, \beta) + e_i$ where, Y_i = Dependent variable

f = Function

x_i = Independent variables

β = Unknown parameter

e_i = error term.

$BSD = f(BSF)$ ------(1) where, BSD stands for Bank selection Decision, BSF stands for bank selection factors. The aim of this study is to test the relationship between those variables explaining bank selection factors with bank selection decision. Therefore, the model can be modified in full form as follows,

BSD= f(C,R,TP,T,F,AC) -----(2) where, C-Convenience, R-Reputation, TP-Third party Influence, T-Technological factor, F-Financial factor, AC-Accessibility factors.

Inferential statistics used to measure the relationship between variables. Subsequently the aim of this study is to test the relationship between those variables explaining bank selection factors with bank selection decision. Therefore, the researcher used Regression model.

BSD=β₀+ β₁C+ β₂R+ β₃TP+β₄T+ β₅F+ β₆AC+u where,

BSD=Bank Selection Decision

β₀ = Constant Term

β₁+β₂+β₃+β₄+β₅+β₆= coefficients of independent variables

C-Convenience,

R-Reputation,

TP-Third party,

T-Technological factor,

F-Financial factor,

AC-Accessibility

u= error term

CHAPTER FOUR

4. DATA ANALYSIS, RESULTS AND INTERPRETATION

4.1 Introduction

The aim of this study was to assess the determinants of preference and bank selection criteria from business customers' perspective in Ethiopian banking sector. This chapter presents analysis and discussion on the data obtained from survey to answer the research questions raised in chapter one and support the objectives of the study. From the data which has been collected earlier, the reliability test has been conducted to determine whether the variables used for the research is dependable and accurately measured. The analysis is conducted by using Statistical Package for Social Science (SPSS) version 24 with MS Excel and the results that have got from questioner survey generated. Analysis of descriptive statistics, reliability test, Pearson correlation and multiple regressions conducted to determine the relationship between variables. The Pearson Correlation Coefficient was used to calculate the correlation coefficient between the variables.

4.2 Reliability Test

The reliability measure indicates of the stability and consistency with which the instrument measures the concept and helps to assess the “goodness” of a measure. (Kedir,E. 2018). In order to assess the reliability and consistency of the instrument the Cronbach's alpha analysis was conducted. It is the most commonly used measure of internal consistency reliability that indicates how well the items in a set are positively correlated to one another. The closer Cronbach's alpha is to 1, the higher the internal consistency reliability. Most scholars agree with a Cronbach's alpha greater equal to 70% or 0.7 is acceptable. In this research the Cronbach's alpha value for the all variables of pilot test were between 0.705 to 0.924 as shown in Table 3. As a result, all the variables in this study are at the acceptable level.

Table 3-Reliability test

Reliability test

Variables	Chronbach's alpha (α)
Convenience	0.817
Reputation	0.806
Third party influence	0.722
Technological Factor	0.705
Financial Factor	0.924
Accessibility	0.718
Bank Selection Decision	0.782

Source: Own Survey, 2022

4.3 Response Rate

A sample of 400 questionnaires were distributed to 3 types of business tax payers located in Addis Ababa. A total of 394 questionnaires were returned from the respondents fully filled. This study was conducted with 98.5 % response rate which is indicated as an excellent level. (Tewodros, 2019)

4.4 Descriptive Analysis

The Theme of the research indicates that Bank selection decision and factors to effect of business customers. Descriptive analysis of the questioner part includes the respondent Form of organization, Type of business activity engaged, Types of tax payers; and the bank services the respondents used.

Table 4-Form of Organization

Form of Organization		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole Proprietors	160	40.6	40.6	40.6
	Private Limited Company	32	8.1	8.1	48.7
	Partnership	174	44.2	44.2	92.9
	Share Company	28	7.1	7.1	100.0
	Total	394	100.0	100.0	

Source: Own Survey, 2022

Respondents were asked about form of their company. Accordingly, their response shows that 160 (40.6%) of the respondents are Sole Proprietors, 32 (8.1%) of the respondents are Private Limited Company, 174 (44.2%) are Partnership and finally 28 (7.1%) are share companies. This shows that, majority of them were Partnership and Sole proprietors respectively. In addition to this, minority of respondents are private limited company and share company respectively. This result to describe the bank customer profile and this helps to achieved general information of business customers that are mainly categorizes by Sole proprietor, Private limited company, proprietorship and Share Company.

Table 5-Type of business activity engaged.

Type of Business activities engaged		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Merchandising	80	20.3	20.3	20.3
	Import & Export	126	32.0	32.0	52.3
	Manufacturing	76	19.3	19.3	71.6
	Service Providing	76	19.3	19.3	90.9
	Others	36	9.1	9.1	100.0
	Total	394	100.0	100.0	

Source: Own Survey, 2022

The results for respondents of business activities of engaged in by the companies depicted in the table 5, specifies that of respondents 126 (32.0%) are Import & Export companies, 80 (20.3%) are Merchandising companies, 76 (19.3) Manufacturing as well as service providing companies, while 36(9.1%) are others companies. This shows that the majority of respondents' activities engaged in Import & Export Company. This assessment helps to know if there is difference among companies' activity types to affect the business customers' bank selection factors.

Table 6-Type of Tax payers.

		Type of Tax Payers			Cumulative Percent
		Frequency	Percent	Valid Percent	
Valid		4	1.0	1.0	1.0
	Small Tax Payers	124	31.5	31.5	32.5
	Medium Tax Payers	109	27.7	27.7	60.2
	Large Tax Payers	157	39.8	39.8	100.0
	Total	394	100.0	100.0	

Source: Own Survey, 2022

Respondents were asked about classification of tax payers. Accordingly, their response shows that 124 (31.5%) of the respondents are Small Tax Payers, 109 (27.7%) of the respondents are Medium Tax Payers, 157 (39.8%) are Large Tax Payers respectively.

Table 7-Length of relationship with bank.

		Length of Relationship with Bank (Years)			Cumulative Percent
		Frequency	Percent	Valid Percent	
Valid	0-5	137	34.8	34.8	34.8
	5-10	148	37.6	37.6	72.3
	>10	109	27.7	27.7	100.0
	Total	394	100.0	100.0	

Source: Own Survey, 2022

With regard to length of relationship with banks, 137 (34.8%) respondents have relationship with banks less than 5 years, 148 (37.6%) respondents have relationship with their customer bank are between 5 - 10 years, and 109 respondent (27.7 %) have maintained relationship with their customer banks for more than 10 years. This shows that the majority of the respondents have relationship with their banks between 5 and 10 years.

Table 8-Customer satisfaction with bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	270	68.5	68.5	68.5
	No	124	31.5	31.5	100.0
	Total	394	100.0	100.0	

Source: Own Survey, 2022

As shown the above table, with regard to customer satisfaction with banking service, 270 (68.5%) respondents are satisfied with their customer banks and 124 (31.5%) respondents are not satisfied with their customer banks. This implies that majority of respondents are satisfied with banking service of their customers. The unsatisfied respondents were asked the reason why they were not satisfied with the banking service by the open ended questions, they were respond by their own reason like bureaucratic of service rendering system, network system interruption, the receptions are not willing to support the customers in need, and their service is not fast as required by the business customers. The respondents forwarded the following idea to be taken by the banks to satisfy their customers. Banks may satisfy their customers if they provide quick service to their customers, recruit dedicated employees in their organization who are committed to serve and support the customers.

Table 9-Customer satisfaction with bank.-

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	291	73.9	73.9	73.9
	No	103	26.1	26.1	100.0
	Total	394	100.0	100.0	

Source: Own Survey, 2022

During survey a total of 394 Tax payers /respondent/ participated in the research excluding for pilot test. Among these 394 respondent, 291 (73.9.5%) of them are willing to continue working with their customer banks and the rest of respondents, 103 (26.1) are not willing to continue working with their customer bank. So, this implies that majority of customers have intention to continue working with their customer respective banks.

To summarise of descriptive statistical analysis,

- ✚ Regarding of form of organization, majority of respondents form of company were Partnership and Sole proprietors respectively. On the other side, minority of respondents are private limited company and share company respectively.
- ✚ The result inferred from business activity engaged of the companies shows that the majority of respondents’ activities engaged in Import & Export Company.
- ✚ Regarding of Respondents classification of tax payers, Majority of respondents were 157 (39.8%) are Large Tax Payers, 124 (31.5%) small tax payers and 109 (27.7%) of the respondents are Medium Tax Payers respectively.
- ✚ With regard to length of relationship with banks, the majority of the respondents have relationship with their banks between 5 and 10 years.
- ✚ Regarding of customer satisfaction with banking service, majority of respondents are satisfied with banking service of their customers.
- ✚ Result inferred from regarding of willing to continue working with their customer banks,
- ✚ Majority of customers have intention to continue working with their customer banks.

4.4 Pearson Correlation Analysis

Pearson Correlation measure how variables are related. Correlation can vary from +1 to -1, where values close to +1 are highly correlated while values close to -1 are lowly correlated. The correlations table displays Pearson correlation coefficients, significance values, and the number of cases with non-missing values (N). The values of the correlation coefficient range from -1 to 1. The sign of the correlation coefficient indicates the direction of the relationship (positive or negative). The absolute value of the correlation coefficient indicates the strength, with larger absolute values indicating stronger relationships. The correlation coefficients on the main diagonal

are always 1, because each variable has a perfect positive linear relationship with itself. These correlation statistics tell us three things:

1. The direction of the correlation between the variables Factors influencing Bank selection decision:
2. The strength of the correlation between the variables
3. Whether this correlation is significant or not

Table 10-Pearson Correlation Coefficient matrix

	Convenience	Reputation	Third party influence	Technology	Financial	Accessibility	Bank Selection Decision
Convenience	1						
Reputation	.239**	1					
Third party influence	.237**	.213**	1				
Technology	.022	-.050	.209**	1			
Financial	.590**	-.005	.148**	.236**	1		
Accessibility	.411**	.323**	.192**	.248**	.442**	1	
Bank Selection Decision	.020	.041	-.027	-.001	.019	.066	1

Source: Own Survey, 2022

The result of correlation analysis in the above table 10, shows that, there are positive relation between convenience, Reputation, Financial & Accessibility and customers' banks selection decision. However, there is weak correlation since it is less than 3. On the other side, Third party influence and Technology infers that negatively correlated with Bank selection decision.

Since the significance level (or p-value) of factor of Independent variables & Dependent Variable (Customers bank selection) depicted greater than 0.05 then the correlation is not significant and the two variables among the dependent variables and Independent variables are not linearly related.

However, the inter-correlations between Convenience and other Variables (Reputation, Third party Influence, Technology, Finance, and Accessibility) also show a positive and significant relationship. Since the significance levels of Reputation, (0.000), Third Person Influence (0.000), Financial (0.001), and Accessibility (0.000) are very small (less than 0.05) then the correlation is significant and the two variables are linearly related. Since the significance level of Technology (0.661) is relatively large then the correlation between Convenience and Technology is not significant and the two variables are not linearly related.

4.5 Classical Linear Regression Model Analysis

Tests for Model Assumptions

The Multiple regression assumptions that are identified as primary concern in the research include constant variable, autocorrelation, homoscedasticity, multicollinearity and normality. This section specifically defines each assumption; address how to test for each assumption, and the interpretation of results.

Assumption 1: The errors have zero mean $E(u_t) = 0$

The first assumption required is that the average value of the errors is zero. In fact, if a constant term is included in the regression equation, this assumption will never be violated (Brooks, 2014). As a result, the assumption is addressed since there is a constant term in the regression model.

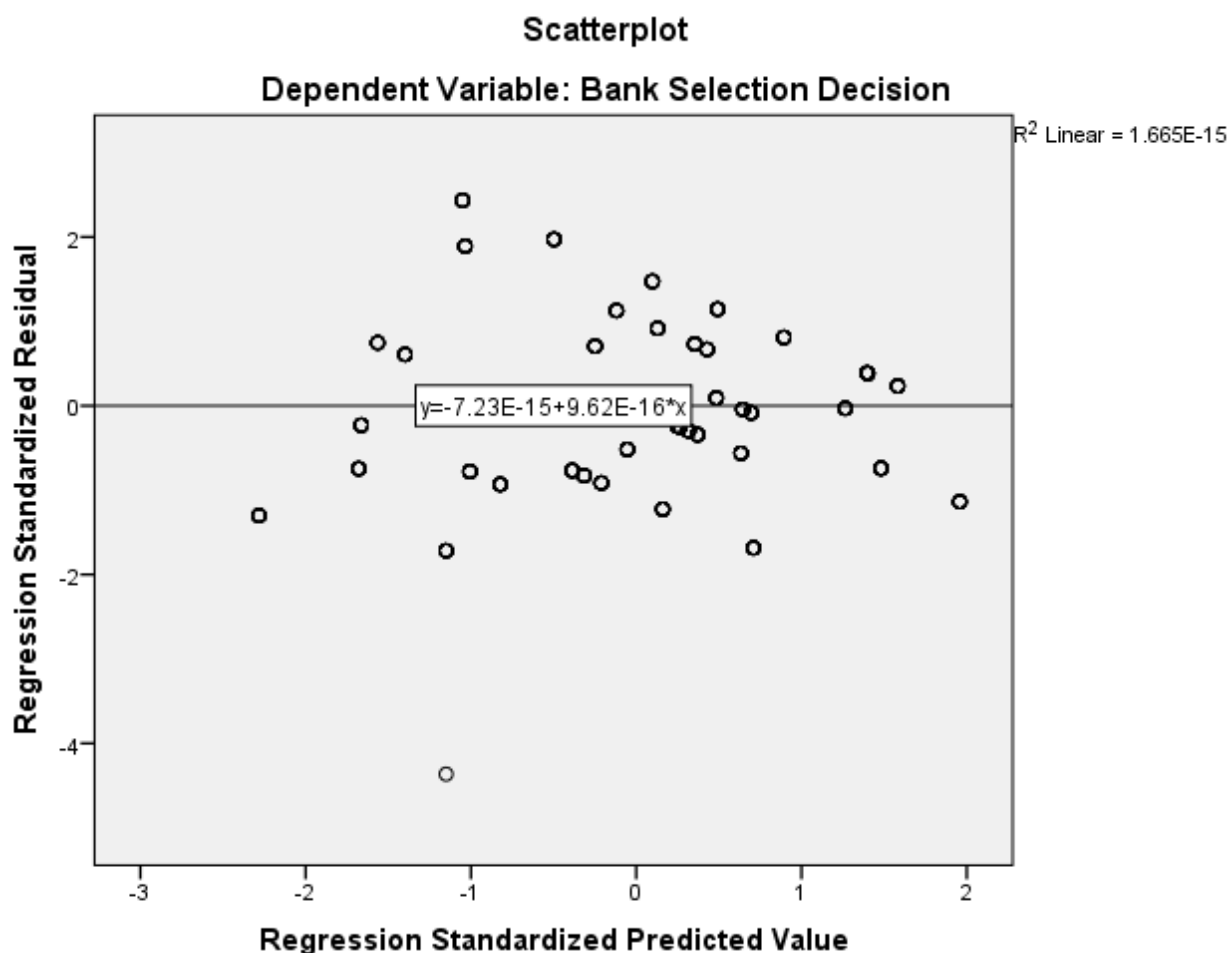
Assumption2: Homoscedasticity ($\text{var}(u_t) = \sigma^2$)

Assumption2: Homoscedasticity ($\text{var}(u_t) = \sigma^2$)

The assumption of homoscedasticity refers to equal variance of errors across all level of the independent variables. This means that researchers assume that errors spread out consistently between the variables (Keith, 2006). If the errors do not have a constant variance, they are said to be heteroscedastic. When heteroscedasticity is marked it can lead to distortion of the finding and weaken the overall over all analysis and statistical power of the analysis, which result in an increased possibility of Type I error, erratic and untrustworthy F-test results, and erroneous

conclusion (Osborne & Waters, 2002). Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by regression standardized predicted value.

Figure 5 Scatterplot



Source: Own Survey, 2022

As regression models should be assumed to have a constant variance of residuals (homoscedasticity), one way of doing this is to look at the plot in the above Figure 6, which is a scatter plot of standardized residuals against standardized predicted values. The graph should show a random array of dots that are evenly dispersed around zero. If, for example the graph funnels out, there are chances that there is heteroscedasticity in the sample. Also, if the graph plots any sort of curve, there are chances that the data have broken the assumption of linearity. In this case

however, the graph shows a random dispersion around zero, and one can conclude that the assumption of homoscedasticity has been met.

Assumption 3: No Autocorrelation $cov(u_i, u_j) = 0$ for $i \neq j$

Factors influencing Bank selection decision: This assumption is assumed that the errors are uncorrelated with one another. If the errors are not uncorrelated with one another, it would be stated that they are “auto correlated” or that they are “serially correlated”. The consequences of ignoring autocorrelation when it is present are similar to those of ignoring heteroscedasticity. The coefficient estimates derived using OLS are still unbiased, but they are inefficient, i.e. they are not BLUE, even at large sample sizes, so that the standard error estimates could be wrong. There thus exists the possibility that the wrong inferences could be made about whether a variable is or is not an important determinant of variations in y. A test of this assumption is therefore required. Graphical methods may be difficult to interpret in practice, however, and hence a formal statistical test should also be applied. The simplest test is due to Durbin and Watson (1951). Brooks (2014)

The Durbin Watson test reports a test statistic, with a value from 0 to 4, Where:

- 2 is no autocorrelation
- 0 to < 2 is positive autocorrelation; and
- >2 to 4 is negative autocorrelation.

The null hypothesis would not be rejected if the result of Durbin Watson is close to 2 therefore, there is little evidence of autocorrelation. A rule of thumb is that test statistic values in the range of 1.5 and 2.5 are relatively normal. (Kedir, 2018)

Table 11-Model Summary for Durbin Watson

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.644 ^a	.415	.406	.31482	1.709

a. Predictors: (Constant), Accessibility , Financial, Convenience , Technology , Third Party Influence, Reputation

b. Dependent Variable: Bank Selection Decision

In this case the Durbin-Watson statistic shown that this assumption had been met as the obtained value is between 1.5 and 2.5 (Durbin Watson =1.709).

Assumption 4: No Multicollinearity /The xt are non-stochastic/

Multicollinearity analysis is the computation that used to identify whether there is occurrences of more than one variable in multiple regression model that are found to be highly interrelated Zikmund, (2010). Multicollinearity can be assessed by examining the tolerance and variance of inflation factors (VIF) which are the two collinearity diagnostics factors. Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. The other value given is the VIF (Variance inflation factor), which is just the inverse of the Tolerance value (1 divided by Tolerance). In order to decide and identify whether there is multicollinearity problem or not if the value VIF value greater than 10 and the value of tolerance is less than 0.1, then we can say that there is multicollinearity problem Zikmund,(2010). The results are presented in the table labelled Coefficients. Two values are given: Tolerance and VIF. VIF values above 10 would be a concern here, indicating multicollinearity. This refers to the relationship among the independent variables. Multicollinearity exists when the independent variables are highly correlated ($r=.1$ and above).

Table 12-Model Summary of Multicollinearity test

Model	Tolerance	VIF
Convenience	.909	1.100
Reputation	.627	1.595
Third Party Influence	.788	1.270
Technology	.637	1.570
Financial	.896	1.116
Accessibility	.791	1.264

Source: Own Survey, 2022

To detect the problem of multicollinearity the VIF technique is used prior to executing the regression analysis. As presented in the table 4.9, the values of VIF are well below 10 and suggesting that there is no problem of multicollinearity among the study independent variables. Based on this study not violated the multicollinearity assumption. This is also supported by the VIF value, which is minimum 1.100, which is well below the cut-off of 10.

Assumption 5: The disturbances are normally distributed / ($u \sim N(0, \sigma^2)$)/

A very important assumption in regression is that the dependent variable is normally distributed. Normality is used to describe a symmetrical, bell-shaped curve, which has the greatest frequency of scores around in the middle combined with smaller frequencies towards the extremes (Pallant, 2005). The researcher can test this assumption through several pieces of information: visual inspection of data plots, skew, kurtosis, and p-plots. Normality can further be checked through histogram of the standardized residuals. Q-plots and P-plots are a more exacting methods to spot deviations from normality, and are relatively easy to interpret as departures from a straight line (Keith, 2006). Normality was checked by two terms by i.e. kurtosis and skewness by using SPSS so there exists normal values for kurtosis as well as skewness. For kurtosis the normal value is greater than 3 whereas for skewness the normal value is supposed to be less than 6 or near to 0 (Asghar and Saleh 2012).

Table 13-Model Summary of Normality test

		Statistic	Std. Error
Standardized Residual	Mean	.0000	.04999
	95% Confidence Interval for Mean	Lower Bound	-.0983
		Upper Bound	.0983
	Skewness	.215	.123
	Kurtosis	.457	.245

The values from table 13, shows that skewness values 0.215 is not only less than 6 but also near to zero as well as for kurtosis values 0.457 is greater than three. Therefore, from the results shown above we can say that the data was normally distributed.

Figure 6-Normality of Histogram

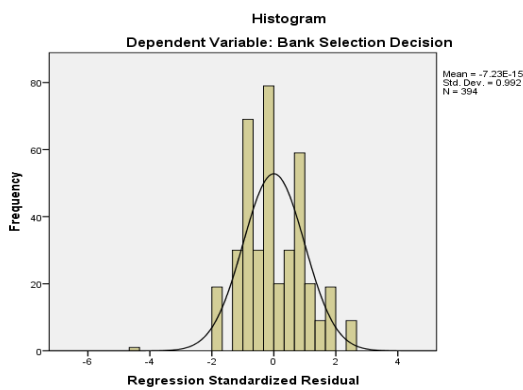
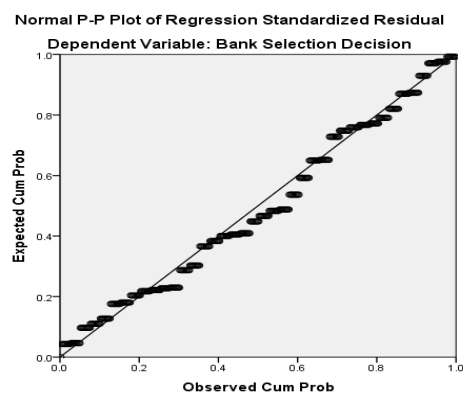


Figure 7-Normality of Histogram



The Histogram show that the dependent variable is normally distributed for each value of the independent variable, and bell shaped then the distribution of the residuals is approximately normal. Additionally, the assumption test by looking at the P-P plot for the model, the dots lie closer to the diagonal line. Hence, the residuals are distributed to closer to normal.

4.6 Multiple Regression Analysis

The researcher tested the five hypothesis set out to be tested at the beginning using the regression analysis, this analysis is used to identify appropriateness of the model in estimating effect of Bank selection decision and overall significance of the dimensions of variables on bank selection decision. The researcher used multivariate linear regression method. F-statistic is significant at 0.01 indicating that the model used is appropriate to estimate the effect of independent variables in the model on the dependent variable. In addition, the significance of the model indicates that

which variables significantly affects the bank selection decision. The result of regression analysis on the independent variables (Convenience, Reputation, Third party Influence, Technology, Financial and accessibility) with the dependent variable (Bank Selection Decision) indicates existence of positive and statistically significant relationship between them. Table 14, depicts that the independent variables all together explain 41.5% ($R^2 = .415$) of variation in the Bank selection Decision.

Table 14-Model Summary of Assurance

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.644 ^a	.415	.406	.31482	1.709

a. Predictors: (Constant), Accessibility , Financial, Convenience , Technology , Third Party Influence, Reputation

b. Dependent Variable: Bank Selection Decision

Table 15-Independent Variable of ANOVA

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.215	6	4.536	45.766	.000 ^b
	Residual	38.355	387	.099		
	Total	65.571	393			

a. Dependent Variable: Bank Selection Decision

b. Predictors: (Constant), Accessibility , Financial, Convenience , Technology , Third Party Influence, Reputation

Since the regression result on the ANOVA table is 0.000 which is $p < 0.05$, the regression analysis proved the presence of positive/ direct association between independent Variables and Bank Selection Decision. Therefore, the regression outcome agreed to accept all factors. Based on table 15, analysis data the F-test shows the overall significance of variables, $F(6,387) = 45.766$, $P = 0.000$. The F-value of the model with 45.766 and the p-value 0.000, which is less than 0.05 level of significant, indicates that there is at least one independent variable influence the bank selection

decision. Therefore, the model variables are jointly significant. Here one can infer from the results of R-squared and F-statistics that the implemented models of this research are well fitted and can conclude that convenience, Reputation, third party influence, Technology, Financial and Accessibility of bank selection decision have significant on bank selection decision. P value of Reputation and Technology is (P=0.812 and 0.440 respectively) is greater than the level of significance 0.05 have not significance relationships with customer satisfaction and they are insignificance. .This indicates that the regression model is feasible. Hence, the model should be

$$BSD = \beta_0 + \beta_1C + \beta_2R + \beta_3TP + \beta_4T + \beta_5F + \beta_6AC + u$$

Where,

BSD=Bank Selection Decision

β_0 = Constant Term

$\beta_1 + \beta_2 + \beta_3 + \beta_4 + \beta_5 + \beta_6$ = coefficients of independent variables

C=Convenience,

R=Reputation,

TP=Third party,

T=Technological factor,

F=Financial factor,

AC=Accessibility

u= error term

Table 16-Coefficients of predictor variables in predicting the dependent variable

Model		Unstandardized Coefficients		Standardized	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.456	.312		7.868	.000
	Convenience	.288	.046	.254	6.237	.000
	Reputation	-.005	.021	-.012	-.238	.812
	Third Party Influence	-.104	.025	-.182	-4.146	.000
	Technology	.019	.025	.038	.773	.440
	Financial	-.173	.034	-.211	-5.130	.000

Accessibility	.366	.040	.400	9.146	.000
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Table 16, shows the regression coefficients of predictor variables and their level of influence on the criterion variable, BSD. In order to assess the relative influence of predictor variables (Convenience, Reputation, and third party influence, Technology, Financial and Accessibility) on the criterion variable, multiple linear regression analysis was computed. The table shows that, some the predictor variables like (Convenience, third party influence, Financial and Accessibility) made a statistically significant prediction in predicting the dependent variable, BSD. However, Reputation and Technology made statistically insignificant for this study.

Beta value shows the relative contribution or influence of each predictor variable to the dependent variable. The Beta value for predictor variable, Accessibility was 0.366 which implies that this predictor variable made the first strong positive and statistically significant influence in explaining or predicting the dependent variable (BSD) when the variance explained by all other variables in the model is controlled for. In addition, predictor variable, Convenience made a statistically significant positive influence to the dependent variable with Beta value of 0.288. This indicates that Convenience made the second strong positive influence in predicting the criterion variable, BSD and predictor variable.

Eventually, the remaining predictor variables third party influence and Financial made negative significant contribution/influence in determining the dependent variable with Beta value of -0.014 and -0.017 respectively.

$$\text{BSD} = 2.456 + 0.288C - 0.005R - 0.104TP + 0.019T - 0.173F + 0.366AC + u$$

The result of the regression analysis for Technology factors in table 15, show that, the coefficient of Technology factors is 0.019 and p-value is 0.440 .This implies that keeping other variable constant, a percentage increase on Technology factors results, increase customers by 1.9%, but statistically insignificant. So, we can interpret for the rest of variables by the same method based on multiple regression models.

4.7 Results & Interpretation of Variables.

Based on the research finding, we will now discuss how regression results of this study support the objectives.

4.7.1 Relationship between Convenience and customers bank selection decision

This study shows that, the relationship between convenience and bank selection decision has a p-value of 0.00 (which is less than $\alpha = 0.05$). This represents that there are significant relationship between convenience and bank selection.

The regression result in this study indicates that, convenience has a positive and significant effect on bank selection decision at 1%, significant level. Convenience is a significant factor for different Addis Ababa tax payer business customers towards bank selecting decision. The result of the regression analysis for convenience factors in table 16, indicates that, the coefficient of convenience factors is 0.288 and p- value 0. 000. The possible reason might be majority of business companies prefer to use nearest bank to their office, availability of parking and also the most of companies matters friendly of staff that smooths the bank service bureaucracy.

This is consistent with prior empirical evidence Austin Mwangi (2017), Suggesting that bank proximity to the university, and proximity to the home ranked the highest mean values of the factors. Among others, the result is consistent with the research conducted by Bushra, Dr. Hafiz, Zeeshan, Farrukh and Shahbaz (2014) and Robert E., Aihie, Abednego (2013) and Kedir. E (2018).

Generally, we fail to reject the null research hypothesis (i.e. there is a significant relationship between Convenience and Bank selection decision)

4.7.2 Relationship between bank reputation and customers bank selection decision

This study shows that, the relationship between reputation and bank selection decision has a p-value of 0.812 (which is greater than $\alpha = 0.05$). This represents that there are insignificant relationship between bank reputation and bank selection.

The regression result in this study indicates that, Reputation has a negative and insignificant effect on bank selection decision at 1%, 5%, and 10% significant level. Reputation has insignificant

factor for different Addis Ababa tax payer bank business customers towards bank selecting decision.

Based on the regression result, therefore, we fail to reject the null hypothesis that there is insignificant relationship between the Bank Reputation and bank selection decision even at 10% significance level. The result of the regression analysis for Bank reputation factors in table 16, indicates that, the coefficient of Bank reputation factors is -0.005 and p- value 0.812. The possible reason might be in our country all commercial banks including the governmental bank (CBE) controlled by National bank of Ethiopia (NBE). So, there is equally providing guarantee of security during in normal circumstance plus in the case of crisis. As a result, no significant difference between companies with higher and low reputations. In addition to that, Private Commercial banks are relatively fast & efficient service provider than the government bank.

4.7.3 Relationship between Third party influence and customers bank selection decision.

The relationship between third party influence and bank selection decision has p-value of 0.000 (less than $\alpha = 0.05$). As a result, third party influence has negatively significant effect on bank selection decision. This is supported by the finding of Dawit T/Tsadik, (2013) as “Recommendation from family and friends” is the least three important factors of bank selection decision. Additionally, the research conducted by Agarwal P. K. (2017) claims that Third party influence has significant impact on bank selection intention. Based on the regression result, therefore, we fail to reject the null hypothesis that there is negatively significant relationship between the Third party Influence and bank selection decision even at 10% significance level.

4.7.4 Relationship between Technology factors and customers bank selection decision.

The regression result for Technology indicates positive and insignificant correlation in determining bank selection decision for Addis Ababa tax payers of bank’s business customers. The relationship between Technology and bank selection decision has p-value of 0.440 (greater than $\alpha = 0.05$). As a result, Technology has not significant effect on bank selection decision. The possible reason for this result might be majority of the commercial banks in Addis Ababa provided almost the same

technological service. Based on the regression result, therefore, we fail to reject the null hypothesis that there is no significant relationship between the Technology and bank selection decision even at 10% significance level. This indicates that there is no evidence that Technology affect Addis Ababa tax payer business customers for their bank selection decision.

4.7.5 Relationship between Financial factors and customers bank selection decision.

Important criterial for this factors are financial considerations like the availability of credit, interest charge on loans, availability of credit and foreign currency.

The relationship between Financial factors and bank selection decision has p-value of 0.000 (less than $\alpha = 0.05$). As a result, financial factor has negatively significant effect on bank selection decision. .

Based on the regression result, therefore, we fail to reject the null hypothesis that there is negatively significant relationship between the Third Financial and bank selection decision even at 10% significance level.

4.7.6 Relationship between Accessibility factors and customers bank selection decision.

This study shows that, the relationship between Accessibility and bank selection decision has a p-value of 0.00 (which is less than $\alpha = 0.05$). This represents that there are significant relationship between convenience and bank selection.

The regression result in this study indicates that, Accessibility has a positive and significant effect on bank selection decision at 1%, 5%, and 10% significant level. Accessibility is a significant factor for different Addis Ababa business bank customers towards bank selecting decision. This implies that, keeping other variables constant a percentage increase Accessibility factors results in an increase of customers by 36.6 % and statistically significant at 10%. The possible reason might be almost all business companies prefer to use nearest bank to their office, banks with large branch & networks and also fast and efficient service. This result of study is similar with the previous such as studies In Canada, Laroche et al. (1986) conducted a survey and found that speed of

services, and factors relating to the competence and friendliness of bank personnel and convenience of location were the major factors which consumers perceived as important in their selection of a bank. These findings are in consistent with Renman and Ahmed (2008) that revealed convenience location of the bank is one of the most important variables influencing customer choices among other factors. The study conducted by Sharma & Rao (2010) on bank selection criteria employed by MBA students in India concludes that convenience location of the bank is an important determinant.

Based on the regression result, therefore, we reject the null research hypothesis (i.e. there is a significant relationship between Accessibility and Bank selection decision).

H₀ = 0: Convenience has no significant effect on Bank selection decision

H₁≠0: Convenience has significant effect on Bank selection decision

Since the p-value = $0.000 \leq 0.05$, we will reject the null hypothesis. Therefore, at $\alpha = 0.05$ level of significant level, there exist enough evidence to conclude that convenience has significant effect on bank selection decision.

H₀ = 0: Reputation has no significant effect on Bank selection decision

H₁≠0: Reputation has significant effect on Bank selection decision

Since the p-value = $0.812 > 0.05$, we will accept the null hypothesis. Therefore, at $\alpha = 0.05$ level of significant level, there is no sufficient evidence exist to conclude that Reputation has no significant effect on bank selection decision.

H₀ = 0: Third party influence has no significant effect on Bank selection decision

H₁≠0: Third party influence has significant effect on Bank selection decision

Since the p-value = $0.000 \leq 0.05$, we will reject the null hypothesis. Therefore, at $\alpha = 0.05$ level of significant level, there exist enough evidence to conclude that third party influence has significant effect on bank selection decision.

H₀ = 0: Technology has no significant effect on bank and Bank selection decision

H₁≠0: Technology has significant effect on bank and Bank selection decision

Since the p-value = 0.440 > 0.05, we will Accept the null hypothesis. Therefore, at $\alpha = 0.05$ level of significant level, there is no sufficient evidence to conclude that Technology has no significant effect on bank selection decision.

H₀ = 0: Financial factors have no significant effect on Bank selection decision

H₁ ≠ 0: Financial factors have significant effect on Bank selection decision

Since the p-value = 0.000 ≤ 0.05, we will reject the null hypothesis. Therefore, at $\alpha = 0.05$ level of significant level, there exist enough evidence to conclude that Financial factors have significant effect on bank selection decision.

H₀ = 0: Accessibility has no significant effect on Bank selection decision

H₁ ≠ 0: Accessibility has significant effect on Bank selection decision

Since the p-value = 0.000 ≤ 0.05, we will reject the null hypothesis. Therefore, at $\alpha = 0.05$ level of significant level, there exist enough evidence to conclude that Accessibility has significant effect on bank selection decision.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The basic intent of this chapter is to present the overall overviews of the research by summing the main findings of the analysis part and give future research directions. Accordingly, the chapter starts with its discussion by briefly sum up the overviews of the study and its main findings.

The study used the non-probability (convenience) sampling method to determine the factors influencing bank selection decision, this study used sampling techniques to arrive at representative sample in Addis Ababa City Government tax payers (Small, Medium and Large). A total of 394 tax payers participated for the actual survey. Pilot test was conducted before the actual test to assess the reliability and validity of the questioner by 40 respondents. A structured questionnaire, comprising 34 attributes was used to evaluate. Data was presented by using descriptive statistics, the correlation and regression analysis. Before performing OLS regression the model was tested for the classical linear regression model assumptions, the model fulfils all assumptions of the CLRM. The explanatory research set out to investigate the six factor of variables. From the all explanatory variables, some of them are statistically significant and the results of models enable us to make following conclusions.

Based on the results of the descriptive statistics, correlation and regression analysis the researcher made the following conclusions.

Respondents were asked about form of their company, majority of them were Partnership 160 (40.6%) and the least of them were share companies 28(7.1%).

The Majority of respondents of business activities engaged by the companies were Import & Export companies 126 (32.0%). Whereas, 36(9.1%) are others companies.

The classification of tax payers result show that Large tax payers 157 (39.8%), Medium tax payers 109 (27.7) and Small tax payers 124 (31.5) respectively.

The majority 109 (27.7 %) of the respondents had relationship with their banks between 5 and 10 years. Majority of respondents 270 (68.5%) are satisfied with their customer banks

The result of regression analysis indicates that, Accessibility and Convenience examined in this study had a significant and positive relationship with customers' bank selection decision. However, Technology factor result depicted that positive and insignificant relationship with customers' bank selection decision. On the other side, Third party influence factor and financial factor had negatively significance relationship with customers' bank selection decision.

5.2 Recommendation

✚ Business customers place more emphasis on factors like Convenience and Accessibility. Business customers need Proximity to home/work, Availability of better parking space, convenient of bank location, the existence of friendly and polite staff, establish good complaint handling system and extended operation hours. In addition to that, Regarding to Accessibility, majority of Business customers need of banks to have more number of branches, Availability of large branch network, advanced branch opening hours, security arrangement of the bank, ease of opening an account, ease of contacting managers for special case to discuss and finally, fast & efficient service that secures the time of getting better service with in the minimum possible time. Therefore, such factors better to be considered seriously by the commercial banks managements in designing their marketing strategies which helps them to attract as well as retain the existing customers.

✚ The greater numbers of the customers were satisfied with the banking services. So, banks better if they satisfy the total business customers who give them a good return on a short period of time. In order to satisfy the customer's commercial banks advisable to reduce the

long process they have to get one window service, hire well experienced bank personnel who are willing to support the customers.

- ✚ Other researchers are suggested to assess the influential factors of bank selection decision by broadening its base and updated situations. It is possible that other factors might have a greater impact on bank selection factor than the ones included in this research.

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Appendixes A

1. Questionnaire

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE (GRADUATE PROGRAM)

Dear Respondents,

The purpose of this questionnaire is to collect primary data for conducting a study on the topic “Determinates of Preference and Bank Selection Criteria from Business customers’ Perspective in Ethiopian Banking Sector” as a partial fulfilment to the completion of Masters of Science in Accounting and Finance from Addis Ababa University Faculty of Business and Economics.

This study is purely for academic purpose and the information you provided will only be used for the mentioned purpose and confidentiality will be strictly maintained. Hence your genuine and timely responses are very valuable in determining the success of the study. Therefore, you are kindly requested to extend your cooperation honestly by providing relevant information and filling out the following questionnaires.

Note: You are not required to write your Company name.

Contact Address: If you have any query, please do not hesitate to contact me and I am available as per your convenience at (Cell phone: +251912156413 or e-mail: sinafael@gmail.com)

Thank you for your cooperation and timely response in advance!

Part I: Company Information

❖ Please choose the suitable answer and tick () in the box given.

1	Form of Organization	Sole Proprietors	<input type="checkbox"/>
		Partnership	<input type="checkbox"/>
		Private Limited Company	<input type="checkbox"/>
		Share Company	<input type="checkbox"/>
2	Duration of your Company established (Year)	1- 5	<input type="checkbox"/>
		6 -10	<input type="checkbox"/>
		> 10	<input type="checkbox"/>
3	Types of Business activities engaged in	Merchandising	<input type="checkbox"/>
		Import & Export	<input type="checkbox"/>
		Manufacturing	<input type="checkbox"/>
		Service Providing	<input type="checkbox"/>
		Other	<input type="checkbox"/>
4	Types of Tax Payers	Small	<input type="checkbox"/>
		Medium	<input type="checkbox"/>
		Large	<input type="checkbox"/>

Part II: Banking Behaviour of Respondents

1. For how long have you been using bank service? (If you are working with more than one bank, please respond referring the oldest one)

1	0 - 5 Years	
2	5 – 10	
3	10 years and above.	

2. What types of service/s do you use in your customer bank?

1	Saving account		5	International Banking Service	
2	Current Account		6	Mobile & Internet Banking	
3	Local/Foreign Money Transfer		7	Fixed Time Deposit	
4	ATM Service (POS Machine)		8	Credit Facilities	

Other, please specify _____

3. Do you need any other services/product apart from the service/products currently rendered by the bank you are working with?

Yes No

4. If your response for Q. 3 is yes, what type of service/products do you need to get?

5. Are you satisfied with banking services that you are currently provided?

Yes No

6. If your response for Q.5 is No, what could be done to solve these problems?

7. Do you have an intension to change your banking service provider?

Yes

No

8. If your answer Q.7 is yes, please elaborated why?

9. If you ever changed your customer bank, does the current bank solve your banking service problems?

Yes

No

Part III: Bank Selection Factor

This section will try to assess the importance of different factors considered to have an effect on individual bank selection based on respondent rating. Here you are expected to rate the significance of the following listed factors in selecting a given bank using five scale measurement criteria. Please circle one number representing your rating for a particular factor by using the following scale: **5= Very Important, 4=Important, 3= Moderately Important, 2=Unimportant and 1=Very Unimportant.**

No	Factors of Bank Selection	Rating Scale				
		5	4	3	2	1
Factor 1: Convenience						
1	Proximity to home/work					
2	Availability of parking space					
3	Convenient of bank Location					
4	Friendly/courtesy of staff					
5	Good complaint handling					
6	Extended operation hours (weekends)					
Factor 2: Reputation						
7	Bank's reputation					

8	Established early (the oldest bank)					
9	Being a governmental bank					
Factor 3: Third Party Influence						
10	Mass Media Advertisement					
11	Recommendation of friends/relatives					
12	Sister company uses the same bank					
Factor 4: Technology						
13	Availability of ATM in Several location					
14	Connectivity to other bank's ATMs					
15	Internet and Mobile banking facilities					
Factor 5: Financial Consideration						
16	Low service charge					
17	Low Interest rate					
18	Paying highest interest rates on saving accounts					
19	Ease access for loans					
20	Accessibility of foreign currency					
21	Prize attached bank service					
Factor 6: Accessibility						
22	More number of branches					
23	Availability of large branch network					
24	Branch opening hours					
25	Security arrangement of the bank					
26	Ease of opening an account					
27	Ease of contacting managers					
28	Fast & Efficient services					
Bank Selection Decision (Dependant)						
1	I'm decide to use this bank due to Convenience of bank attract me.					

2	I'm decide to use this bank due to alternative of bank service attract me.					
3	I'm decide to use this bank because of Family & Friend recommendation.					
4	I'm decide to use this bank due to Trust of customer bank attract me					
5	I'm decide to use this bank due to attracted by Technology oriented of bank service.					
6	I'm decide to use this bank because of accessibility of bank attract me					

Appendix B

2. (SPSS OUTPUTS)

Reliability Test Result of Pilot Test

Reliability Scale: Bank Selection Decision

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.782	.777	6

Reliability Scale: CONVENIENCE

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.817	.817	6

Reliability Scale: REPUTATION

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.806	.808	3

**Reliability
Scale: THIRD PARTY INFLUNCE**

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.722	.733	3

**Reliability
Scale: TECHNOLOGY**

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.705	.680	3

Reliability

Scale: FINANCIAL

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.924	.932	6

Reliability Scale: ACCESSIBILITY

Case Processing Summary

		N	%
Cases	Valid	40	100.0
	Excluded ^a	0	.0
	Total	40	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.718	.744	7

		Correlations				
		Convenience	Reputation	Third party influence	Technology	Financial
Convenience	Pearson Correlation	1	.239**	.237**	.022	
	Sig. (2-tailed)		.000	.000	.661	
	N	394	394	394	394	
Reputation	Pearson Correlation	.239**	1	.213**	-.050	
	Sig. (2-tailed)	.000		.000	.319	
	N	394	394	394	394	
Third party influence	Pearson Correlation	.237**	.213**	1	.209**	
	Sig. (2-tailed)	.000	.000		.000	
	N	394	394	394	394	
Technology	Pearson Correlation	.022	-.050	.209**	1	
	Sig. (2-tailed)	.661	.319	.000		
	N	394	394	394	394	
Financial	Pearson Correlation	.590**	-.005	.148**	.236**	

DETERMINANTS OF PREFERENCE AND BANK SELECTION CRITERIA FROM BUSINESS CUSTOMERS PERSPECTIVE IN ETHIOPIAN BANKING SECTOR – A CASE OF ADDIS ABABA CITY

	Sig. (2-tailed)	.000	.926	.003	.000
	N	394	394	394	394
Accessibility	Pearson Correlation	.411**	.323**	.192**	.248**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	394	394	394	394
Bank Selection Decision	Pearson Correlation	.020	.041	-.027	-.001
	Sig. (2-tailed)	.693	.412	.591	.977
	N	394	394	394	394

** . Correlation is significant at the 0.01 level (2-tailed).

Regression

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.644 ^a	.415	.406	.31482	1.709

a. Predictors: (Constant), Accessibility , Financial, Convenience , Technology , Third Party Influence, Reputation

b. Dependent Variable: Bank Selection Decision

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.215	6	4.536	45.766	.000 ^b
	Residual	38.355	387	.099		
	Total	65.571	393			

a. Dependent Variable: Bank Selection Decision

b. Predictors: (Constant), Accessibility , Financial, Convenience , Technology , Third Party Influence, Reputation

DETERMINANTS OF PREFERENCE AND BANK SELECTION CRITERIA FROM BUSINESS CUSTOMERS PERSPECTIVE IN ETHIOPIAN BANKING SECTOR – A CASE OF ADDIS ABABA CITY

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Tolerance
		B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	2.456	.312		7.868	.000	1.842	3.069	
	Convenience	.288	.046	.254	6.237	.000	.197	.379	.909
	Reputation	-.005	.021	-.012	-.238	.812	-.046	.036	.627
	Third Party Influence	-.104	.025	-.182	-4.146	.000	-.153	-.055	.788
	Technology	.019	.025	.038	.773	.440	-.030	.068	.637
	Financial	-.173	.034	-.211	-5.130	.000	-.240	-.107	.896
	Accessibility	.366	.040	.400	9.146	.000	.288	.445	.791

a. Dependent Variable: Bank Selection Decision

Descriptive

		Statistic	Std. Error	
Standardized Residual	Mean	.0000	.04999	
	95% Confidence Interval for Mean	Lower Bound	-.0983	
		Upper Bound	.0983	
	5% Trimmed Mean	-.0192		
	Median	-.1297		
	Variance	.985		
	Std. Deviation	.99234		
	Minimum	-4.36		
	Maximum	2.43		

DETERMINANTS OF PREFERENCE AND BANK SELECTION CRITERIA FROM BUSINESS CUSTOMERS
PERSPECTIVE IN ETHIOPIAN BANKING SECTOR – A CASE OF ADDIS ABABA CITY

Range	6.80	
Interquartile Range	1.47	
Skewness	.215	.123
Kurtosis	.457	.245