

Addis Ababa  
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***CONSUMERS' BANK SELECTION CRITERIA  
IN SELECTED CITIES IN ETHIOPIA***

**By: Biniyam Tadesse**

**ID. NO GSE/0719/05**

**ADDIS ABABA UNIVERSITY  
SCHOOL OF COMMERCE  
GRADUATE PROGRAM**

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**Addis Ababa**

**CONSUMERS' BANK SELECTION CRITERIA IN SELECTED  
CITIES IN ETHIOPIA**

**A Thesis submitted to the School of Graduate Studies of Addis Ababa  
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**By: Biniyam Tadesse  
ID. NO GSE/0719/05**

**Advisor: Dr. Zewdie Shibre**

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**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
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DEPARTMENT OF MARKETING MANAGEMENT**

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**Approved by the Board of Examiners**

_____	_____	_____
Chairman, Department of Marketing Management	Signature	Date
_____	_____	_____
Advisor	Signature	Date
_____	_____	_____
Internal Examiner	Signature	Date
_____	_____	_____
External Examiner	Signature	Date

## DECLARATION AND CONFIRMATION

I, the under signed, declare that this submission is my own work, prepared under the supervision of Dr. Zewudie Shibre. To the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

\_\_\_\_\_  
Candidate's Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

### **Confirmed by advisor:**

\_\_\_\_\_  
Advisor Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

<b>ANOVA</b>	Analysis of Variance
<b>ATM</b>	Automated Teller Machine
<b>CPO</b>	Cash Payment Order
<b>NBE</b>	National Bank of Ethiopia
<b>GDP</b>	Growth Domestic Product
<b>UNDP</b>	United Nation Development Program
<b>USD</b>	United State Dollar
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>CBB</b>	Construction and Business Bank
<b>CBE</b>	Commercial Bank of Ethiopia

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## **ABSTRACT**

*Due to the policy of free domestic competition in the financial (Banking) Service sector that is followed by government of Ethiopia, currently the banking sector shows high competition. Because of the competition, banks use different strategies to attract new and to retain the existing customers. However, before selecting marketing strategy executives have to understand the need of consumers and the effect of different demographic factor in their preference. Identifying consumers' selection criteria helps bank executives and marketers to make decision by considering the real need of customers. Identifying the bank selection criteria of consumers and identifying if there is any selection criteria difference between genders, cities, income levels and educational status was the main objective of the study. The data have been collected by using structured questionnaire. The consumers' gave their value to the importance of 47 listed bank service attributes to their bank selection by using five point likert-type scale. 301 samples were proportionally selected from four cities: Addis Ababa, Adama, Hawassa and Bahir Dar by using a non-probability convenience sampling technique. The Descriptive statistic, mean score and inferential statistics, Mann-Whitney and Kruskal-Wallis test used to analyze rank of selection variables and to test significance of mean score difference between groups. The study found out that "Core Service", "Convenience" and "Service Encounter" are the top important variables to consumers' bank selection decision and the importance of "Recommendation of Others" and "Marketing Promotion" are found low. The study reveals that there is significant difference between genders, cities, education levels and income level on some selection variables. Based on findings, the paper recommends wide product delivery, increasing branches, increasing working hours and ATM booth, controlling advertisement expenses and designing marketing strategies to specific market segment.*

**Key word:** *Bank Selection Criteria, Consumer Behavior, Decision Process*

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background/Rationale of the Study**

Today's customers face a vast array of product and brand choices, prices and suppliers. The company must answer a key question: How do customers make their choices? The answer is that customers choose the marketing offer that gives them the most value (Lake, 2009). Customers are value-maximizers, within the bounds of search costs and limited knowledge, mobility and income. They form expectations of value and act upon them. Then they compare the actual value they receive in consuming the product to the value expected, and this affects their satisfaction and repurchase behavior (Kotler and Armstrong, 2011).

Since the human mind contains as many interacting neurons, it is not surprising that buying behavior is never simple. Complicated it is, but understanding buyer behavior is central to marketing management. So, marketing management must begin with understanding customers (Kotler, Armstrong, Saunders & Wong, 1999).

Customers make Decision based on emotional and rational values of products. And the emotional and rational value customers give to products is different based on product category. Industrial products, services like banking and household appliance categorized as low in emotional value and high in rational value (Chaudhuri, 2006).

The marketing of financial services is a unique and highly specialized branch of marketing. The practice of advertising, promoting, and selling financial products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services (Ennew & Waite, 2007).

Ennew and Waite (2007) stated that the environment in which financial services are marketed is becoming more competitive, making the task of marketing financial services increasingly

challenging and specialized. Financial services marketers are challenged every day by the unique characteristics of the products they market. For example, often financial services cannot be visually communicated in advertisements as easily as consumer goods can. Furthermore, the relatively unexciting nature of financial services makes the task of attracting consumer attention and inspiring consumer desire a difficult one.

To know how the consumer chooses among the alternative brand, the marketer needs to know about alternative evaluation - that is, how the consumer processes information to arrive at brand choices (Chaudhuri, 2006). Unfortunately, consumers do not use a simple and single evaluation process in all buying situations. Instead, several evaluation processes are at work (Kotler & Armstrong, 2011).

Banks operate in different geography and culture and give services to different type of customers, these difference can be age, education, gender etc. Because of these difference, customers' preference toward service provider is highly different (Khan, 2006). This make analyzing customers' behavior toward different attributes of banking service is essential.

“Understanding consumer behaviour is good business” (Solomon, Bamossy, Askegaard, & Hogg, 2006, p. 8). Firms exist to satisfy customers need. These need can only be satisfied as much as marketers understand customers and organization that use the products and service; and produce and deliver it in better way than other competitors (Solomon et al., 2006).

## **1.2 Statement of the Problem**

Although peoples have been consumers for long times studying Consumer behavior is new and growing field of study. This comes from the marketing perspectives of consumers are king (Solomon et al.; 2006). “Consumer behavior can teach companies of all sizes about the consumption patterns of their consumers as well as the internal and external influences that affect those customers” (Lake, 2009, p. 9).

Study of decision making consider consumers as problem solver and this problem solving process goes a series of actions. From recognizing the problem to learning from outcome (decision) (Noel, 2009).

*Figure 1: Buyer Decision Process*



Source: Kotler and Armstrong (2011, p. 152)

These five actions are not always sequential. Based on the situation of customer, complexity of product, association of product with personal ego and price of product the time taken in each steps will be different. Sometimes some of these steps are skipped (Khan, 2006).

The customers' evaluation process is highly affected by complex interplay of cultural, social, personal and psychological factors. Although the marketer cannot influence many of these factors, they can be useful in identifying interested buyers and in shaping products and appeals to serve their needs better. Marketers have to be extremely careful in analyzing consumer behavior (Kotler & Keller, 2006).

There are a lot of studies undertaken in different countries on the area of customers' Bank selection criteria. However, the conclusion developed in the context of one country may not be applicable in other countries as the institutional, cultural, social, personal, psychological, economical, political and technological factors may different from region to region or from one sector to another within the same region (Rao & Sherma, 2010).

For example the study undertaken by Kennington, Hill and Rakowska (1996) show Poland customers give high value to reputation, rates (price/cost), and convenience. In other way, Levesque and McDougall (1996) study found that Canada customers give high value to providing promised services, getting it right the first time and competitive interest rates.

An examination of service provider selection criteria is the starting point in service marketing from which all marketing activities should be initiated (Kugyte & Sliburyte, 2007). So, understanding the consumer's needs and buying process is the foundation of successful marketing. By understanding how buyers go through need recognition, information search, evaluation of alternatives, the purchase decision and post-purchase behavior, the marketer can pick up many clues as to how to meet the buyer's needs and to develop an effective program to support an attractive offer to the target market (Solomon et al., 2006).

Goiteom (2011) attempted to find out factors influencing customers' decision when they select banking service. The study had been done by taking samples only from Addis Ababa. But the study has limitation on sample size, sampling method, measurement scale and data analysis method.

Currently due to the sector opened to local private investors, the number of banks in the country is increasing. This increase the competition between banks in terms of service quality, technology, extra. In other way, the competition forces banks to change their marketing strategy to customer center in order to retain existing customers and to attract new customers from new market and others banks. The competition also contributes to the development of the sector.

This study investigated the determinants of consumers' bank selection criteria by considering more samples, both from Addis Ababa and other cities and bank service attributes. The paper tries to show if there is any difference in the selection criteria between genders, income levels, education levels and cities.

### **1.3 Research Questions**

This research is designed to address the following questions:

1. What are the banking service selection criteria?
2. What are the most important attributes of banking service to consumers?
3. Is there any significant difference in banking service provider selection criteria between genders?

4. Is there any significant difference in banking service provider selection criteria among cities?
5. Is there any significant difference in banking service provider selection criteria between different income levels?
6. Is there any significant difference in banking service provider selection criteria between different education groups?

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

The main objective of this study is to identify the main banking service attributes (criteria) that influence consumers' bank service provider selection.

### **1.4.2 Specific Objectives**

Beside the main objectives, the research have been conducted for the following sub objectives:

- To identify the factors that influence the consumers' bank selection decisions.
- To find out most important factors that contributes to their selection criteria.
- To find out if there is any selection criteria difference among cities.
- To find out if there is any selection criteria difference between genders.
- To find out if there is any selection criteria difference between income levels and
- To find out if there is any selection criteria difference between education groups.

## **1.5 Scope/Delimitation of the Study**

The scope of the research is bank consumers' criteria to select banking service provider at four selected cities: Addis Ababa, Adama, Hawassa and Bahir Dar. Bank service consumers are

generally divided into two: walking and existing customers. The walking consumers are customers that use the bank service but have no permanent relation with a bank by having account. These consumers use bank services like local money transfer, receiving foreign money transfers, ordering CPO etc. On the other hand, existing consumers are those who have account in the bank that will be saving account, current account, loan account etc. These study will address the selection criteria of both type of bank service consumers.

To understand the market it is better to see both side, from customers' side and from bank managers' and executives' side. Branch managers and executives' attitude toward selection criteria of consumers have its impact on meeting consumers' expectation. But this study has only focused on consumers' response about their criteria when they select banks.

## **1.6 Limitations of the Study**

As with any research study, there are potential limitation or weakness that should be addressed. The first limitation is related with employed methodology; convenience sampling is used to data collection and all weakness related with this sampling techniques are the limitations of the study too. Since samples taken from Adama, Hawassa and Bahir Dar are small, generalizing the result to this cities have to be done with caution.

Given that the research focused only on four cities, it may rise concern on the ability to generalize the result to the total population.

## **1.7 Significance of the Study**

This study have a great importance for the management of the banking sector especially to design targeted marketing strategy. To attract new customers and to retain the exiting customers it is also essential to identify their needs and factors that affect their bank selection decision. So that through identification of factors appropriate marketing strategy can be developed that has greater influence on the market.

While managers and executives understand the real consumers need and want and acting accordingly that will directly benefit consumers by adding value for the banking service by decreasing switching cost.

## **1.8 Organization of the Paper**

The study is organized in the following way. The first chapter cover the introduction part of the paper in this chapter the rational of the study, statement of problem, objectives of the study and extra. The second chapter deals with existing literatures. In this chapter previous works of other researchers related with customer behavior toward selecting service provider have been summarized and presented. The third chapter cover methodology of the study. Population, sample frame and sample will discussed in this chapter. In addition to this sampling techniques, data collection instrument, computational and analysis tools discussed in this chapter. Data analysis and presentation presented within chapter four. Conclusion and recommendation part covered in the last chapter, chapter five.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Banking Sector

Based the agreement made on 1905 between Emperor Minilik and representative of the British owned National Bank of Egypt the first modern bank called Bank of Abysinia was established in 1906. The Bank was totally managed by the Egyptian National Bank. The government promised not to allow any bank to be established in the country within the 50-year concession period ([www.nbe.gov.et](http://www.nbe.gov.et)).

Within the first fifteen years of its operation, Bank of Abyssinia opened branches in different areas of the country. In 1906 a branch in Harar was opened at the same time of the inauguration of Bank of Abyssinia in Addis Ababa. Another branch at Dire Dawa was opened in 1908 and at Gore in 1912 and at Dessie and Djibouti in 1920 ([www.nbe.gov.et](http://www.nbe.gov.et)).

“The fragile and inefficient state-dominated banking sector that existed in Ethiopia during the military government (1974-1991) was a major hindrance to economic growth” (Admassu & Asayehgn, 2014, p. 25). After the fail of Derg regime in 1991, the current government has implemented a number of reforms. For instance, in 1994, the government legalized domestic private investment in the banking industry. In addition, it restructured the two development banks as commercial banks, and introduced a new Banking and Monetary Proclamation that gave more autonomy and further clarified the National Bank of Ethiopia’s activities as the regulator and supervisor of the banking sector (Admassu & Asayehgn, 2014).

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. Consequently shortly after the proclamation private banks, Awash International Bank (1994), Dashen Bank (1995), Bank of Abysinia, Wegagen Bank(1997), United Bank(1998), Nib International Bank(1999), Cooperative Bank of Oromia(2004), Lion International Bank(2006), Zemen

Bank(2008) and Oromia International Bank(2008) were established and started operation(NBE, 2014). As at Jun, 2014, number of banks reached 19, including the three government owned banks, with total branch of 2,208 (NBE, 2014).

As of NBE (2014) annual report, 435 new branches were opened during the fiscal year of 2012/13-2013/14. This raising the total branch network in the country to 2,208 from 1,724 last year. As a result, bank branch to population ratio declined from 49,826.08 people to 39,834 in 2013/14. Despite the continuous increase in the capital base, the banking industry in Ethiopia is still very small compared to some big banks in Africa, depicting the ongoing effort needed to bring Ethiopian banks to the international level.

## **2.2 Goods Versus Service Marketing**

The dynamic environment of services today places a premium on effective marketing. Although it's still very important to run an efficient operation, it no longer guarantees success. “The service product must be tailored to customer needs, priced realistically, distributed through convenient channels, and actively promoted to customers” (Lovelock & Wright, 1999). New market entrants are positioning their services to appeal to specific market segments through their pricing, communication efforts, and service delivery, rather than trying to be all things to all people. The marketing skills that have been developed in manufacturing companies do not directly transferable to service organizations, because marketing management tasks in the service sector tend to differ from those in the manufacturing sector in several important respects (Lovelock & Wright, 1999). Goods can be described as physical objects or devices and services are actions or performances. Early researches (Kotler & Armstrong, 2011; Uhl & Upah, 1979) into services sought to differentiate them from goods focusing particularly on four generic differences, referred to as intangibility, heterogeneity (or variability), perishability of output, and inseparability. Although these characteristics are still cited, they have been criticized for over-simplifying the real world environment (Lovelock & Wright, 1999).

When discussing strategies to market manufactured goods, marketers usually address four basic strategic elements: “product, price, place, and promotion” (Kotler et al., 1999, p. 109). Collectively, these four categories are often referred to as the "4Ps" of the marketing mix. Sometimes these “4Ps” changed in to “4Cs” from customers’ perspective: Customer needs and wants, Cost to the customer, convenience and Communication.

However, the distinctive nature of service performances, especially such aspects as customer involvement in production and the importance of the time factor, requires that other strategic elements be included. To capture the nature of this challenge additional “3Ps”, process, people and physical evidence (Kotler et al., 1999) sometimes it become “4Ps” by adding productivity and quality (Lovelock & Wright, 1999) included in the integrated service management. As describe in Kotler et al. (1999) and lovelock and Wright (1999), the following eight decision variables facing managers of service organizations.

*Table 1 8Ps of integrated service management*

<b>8Ps</b>	<b>Description</b>
<b>Product Elements</b>	All components of the service performance that create value for customers.
<b>Place, Cyberspace, and Time</b>	Management decisions about when, where, and how to deliver services to customers.
<b>Price and Other User Outlays</b>	Expenditures of money, time, and effort that customers incur in purchasing and consuming services.
<b>Promotion and Education</b>	All communication activities and incentives designed to build customer preference for a specific service or service provider
<b>Process</b>	A particular method of operations or series of actions, typically involving steps that need to occur in a defined sequence.
<b>Productivity and Quality</b>	These elements, often treated separately, should be seen as two sides of the same coin. How efficiently service inputs are transformed into outputs that add value for customers. And the degree to which a

service satisfies customers by meeting their needs, wants, and expectations.

**People** Customers and employees who are involved in service production. Successful service firms devote significant effort to recruiting, training, and motivating their personnel, especially those who are in direct contact with customers.

**Physical Evidence** Visual or other tangible clues that provide evidence of service quality. The appearance of buildings, landscaping, vehicles, visual furnishing, equipment, staff members, signs, printed materials, and other visible cues

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Source: Compiled from Kotler and Armstrong (2011) and Lovelock and Wright (1999).

## **2.3 Financial Service Marketing**

As defined by Ennew and Waite (2007) financial services are “concerned with individuals, organizations and their finances. They are services which are directed specifically at people’s intangible assets (i.e. their money/wealth)” (p. 52). The term is often used broadly to cover a whole range of banking services, insurance, stock trading, asset management, credit cards, foreign exchange, and trade finance and so on.

In what follows, intangibility is considered as the dominant service characteristic; intangibility then leads to inseparability and this in turns results in perishability and variability (heterogeneity). Finally, three further characteristics from book of Ennew and Waite(2007) titled “Financila Service Marketing” are introduced which relate specifically to financial services, fiduciary responsibility, duration of consumption and contingent consumption, and their marketing implications are discussed.

### **2.3.1 Intangibility**

In practice, this means that services are impalpable – they lack a substantive physical form and so cannot be seen, touched, displayed, felt or tried in advance of purchase. A customer may purchase

a particular service, such as a savings account, but typically has nothing physical to display as a result of the purchase. In some cases, services may also be characterized by what Bateson (1977) and others have described as ‘mental intangibility’ – i.e. they are complex and difficult to understand (as cited in Ennew & Waite, 2007).

From the customer perspective, these characteristics have important implications. Physical intangibility (impalpability) and mental intangibility (complexity) mean that services are characterized by a predominance of experience and credence qualities, phrases used to describe attributes which can either only be evaluated once they have been experienced or even when experienced cannot be evaluated. Even more difficult from the consumers’ perspective is not being able to evaluate the quality of the service. The technical complexity of many services may hinder consumer evaluation of what has been received; a lack of specialist knowledge means that many consumers cannot evaluate the quality of the financial advice they have received (Ennew & Waite, 2007).

Overall, the predominance of experience and credence qualities means that financial services consumers are much less sure of what they are likely to receive and, consequently, rather more likely to experience a significant degree of perceived risk when making a purchase decision.

### **2.3.2 Inseparability**

The nature of services as a process or experience means that services are inseparable –they are produced and consumed simultaneously. A service can only be provided if there is a customer willing to purchase and experience it. Thus, for example, financial advice per se can only be provided once a specific request has been made; until that request is made, the advice does not exist – there is only the potential for that advice embodied in the mind of the adviser. The provision of a service will typically also require the involvement of the consumer to a greater degree than would be the case with physical goods (Ennew & Waite, 2007).

As a consequence of the interactive nature of services, the way in which the service is performed may be as significant to customers as the actual service itself (Kotler & Armstrong, 2011). A financial services provider's staff may be of particular importance in this process. As the group with whom the customer has greatest involvement, the staff can and do play a decisive role in customer evaluations of the service experience.

### **2.3.3 Perishability**

Services can only be produced when consumers wish to buy them, and when there is little or no demand the service producers cannot manufacture surplus services for sale when demand is high. This characteristic of perishability presents marketing with the task of managing demand and supply in order to make best use of available capacity (Lovelock & Wright, 1999).

### **2.3.4 Heterogeneity**

The inseparability of production and consumption leads to a fourth distinctive characteristic of services: variability or heterogeneity (Kotler & Armstrong, 2011). Service variability can be interpreted in two ways. The first interpretation is that services are not standardized – different consumers will want and will experience a different service. This source of variability essentially arises from the fact that consumers are different and have different needs (Ennew & Waite, 2007). The second interpretation of variability is that the service experienced may vary from customer to customer (even given essentially similar needs), or may vary from time to time for a particular customer. In effect, this type of variability arises not because of changing customer needs; it is primarily a consequence of the nature of an interaction between customer and service provider, but may be influenced by events outside the control of the service provider (Ennew & Waite, 2007).

The first source of variability is easily understandable as a response to differences in customer needs. The second form of variability represents fluctuations in the level of quality that the consumer receives, rather than variations in the type of service. Customers are different and so are

service providers; customer contact staff are people rather than machines, and will experience the same range of moods and emotions as everyone else (Ennew & Waite, 2007).

### **2.3.5 Fiduciary Responsibility**

Fiduciary responsibility refers to the implicit responsibility which financial services providers have in relation to the management of funds and the financial advice they supply to their customers (Ennew & Waite, 2007). Although any business has a responsibility to its consumers in terms of the quality, reliability and safety of the products it supplies, this responsibility is according to Ennew and Waite perhaps much greater in the case of a financial service provider for the following reason:

First, many consumers find financial services difficult to comprehend. Understanding financial services requires a degree of numeracy, conceptual thinking and interest. Many consumers are either unable or unwilling to try to understand financial services. Most customers rely on a professional, an insurer or a financial adviser or they receive advice from members of their reference group, such as family members, friends and work colleagues.

Secondly, the raw materials used to produce many financial products are consumers' funds; thus, in producing and selling a loan product, the bank has a responsibility to the person taking out a loan but at the same time also has a responsibility to the individuals whose deposits have made that loan possible.

Thus, rather than just having to consider responsibility to the purchaser, many financial services organizations must also be aware of their responsibility to their suppliers – indeed, it is conceivable that the needs of suppliers may take precedence over the demands of a customer. Similarly, a bank may decide not to offer credit to a borrower if it is concerned that the granting of a loan simply allows that borrower to build up an even greater volume of debt (Ennew & Waite, 2007).

From a marketing perspective, this presents the rather unusual problem of customers wishing to purchase a particular product (e.g. a loan, insurance, credit card, etc.) and the organization turning them away and refusing to supply that product because they are considered too risky.

### **2.3.6 Contingent Consumption**

It is in the nature of many financial services products that money spent on them does not yield a direct consumption benefit. In some cases it may create consumption opportunities in the future; in other cases it may never result in tangible consumption for the individual who made the purchase. Saving money from current income reduces present consumption by the same amount, and for many people present consumption is far more enjoyable than saving. In buying financial products customers buy peace of mind and protection. However, these two benefits are particularly intangible, and consumers may still be left questioning the benefits that they receive compared to the prices they pay (Ennew & Waite, 2007).

Such contingent consumption presents major challenges to marketing executives as they seek to market an intangible product that reduces current consumption of consumer goods and services for benefits that may never be experienced.

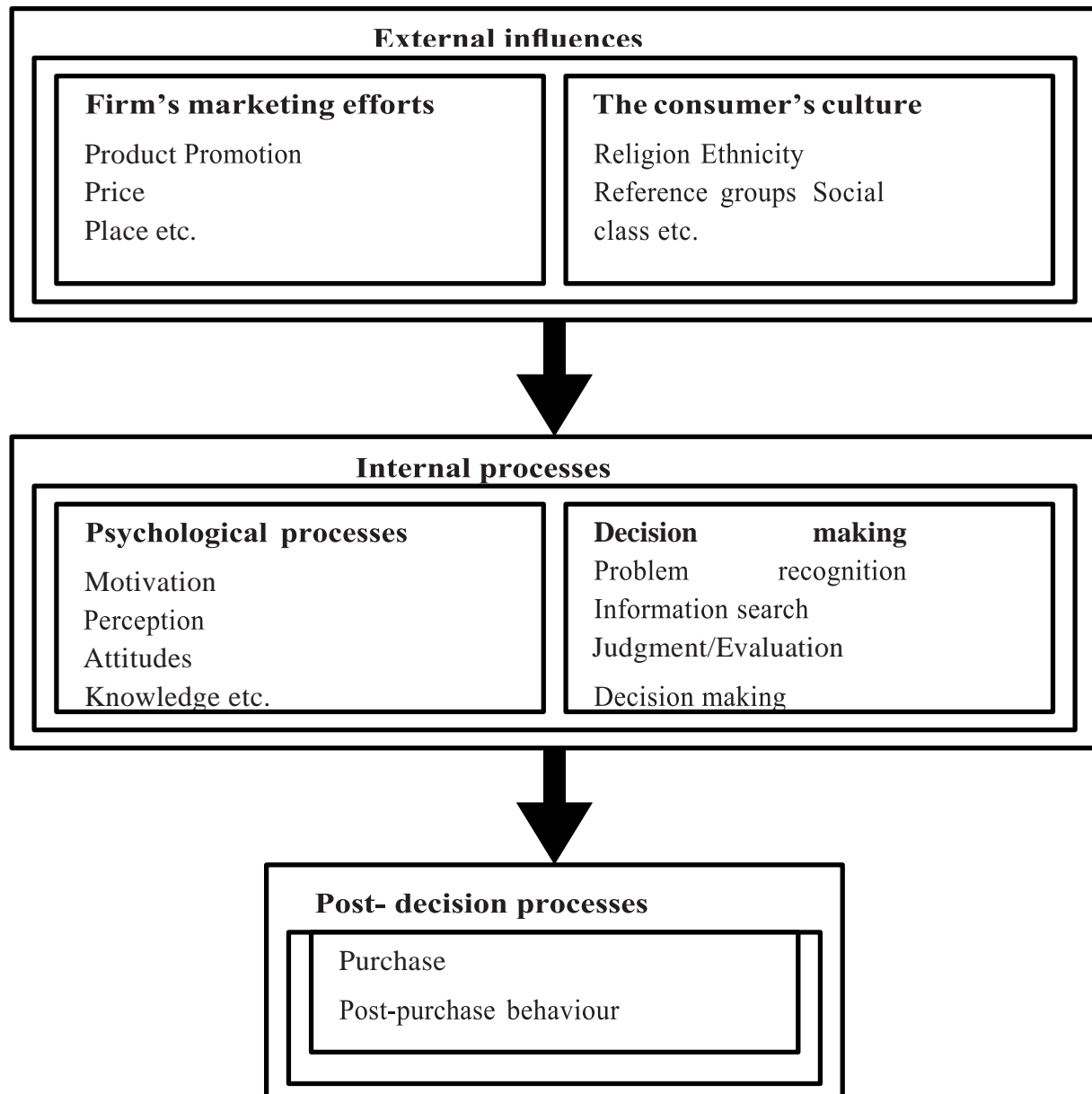
### **2.3.7 Duration of Consumption**

The majority of financial services are long term, either because they entail a continuing relationship with a customer (current accounts, mortgages, credit cards) or because there is a time lag before the benefits are realized (long-term savings and investments). In almost all cases this relationship is contractual, which provides the organization with information about customers and can create the opportunity to build bonds with them that will discourage switching between providers. The long-term relationship between customer and provider creates considerable potential for cross-selling, reinforced by the amount of information that providers have about their customers (Ennew & Waite, 2007).

## **2.4 The Purchase Process for Service**

There are many different frameworks for understanding consumer behaviour. However, the majority of research on financial services consumers has relied on traditional cognitive-based approaches to understanding consumer behavior (Ennew & Waite, 2007). These approaches to understanding consumers are based on the notion that consumer choice is the result of some form of systematic processing and evaluation of information. The consumer is seen as a problem-solver who moves sequentially through a series of stages in a decision-making process prior to making a purchase (Lake, 2009).

*Figure 2: Consumer Behaviour Model*



Source: Adopted from Noel (2009, p. 14)

Generally consumer buying decision influenced by two factors: internal and external. Perception, self-concepts, motivation and attitude are some of internal influences in other way culture, subculture, social groups and role considered as external factors (Lake, 2009) but as of Noel (2009), and Kotler and Armstrong (2011) firms marketing effort or stimuli are considered as one of external factors.

In essence, the decision process begins when the buyer recognizes a problem that is, a difference between a desired and an actual state and is motivated to act. Need recognition may be stimulated by either external factors e.g. advertising, promotion, awareness of the consumption of others or internal factors e.g. hunger, thirst, need for security (Lake, 2009).

To solve the problem, the buyer engages in a search for relevant information either from memory or external sources, or from both. The external sources may be personal sources e.g. friends and family; commercial sources e.g. advertisement and salesperson; public sources e.g. editorial media coverage; and experiential sources e.g. handling and examining (Lake, 2009).

Based on that information, the consumer evaluates the alternative options that are available. The depth of evaluating alternative different based on the important of product to consumer and personal characteristics of the individual (Ennew & Waite, 2007).

As of Kotler and Armstrong (2011), the consumer evaluation processes can be explained by the following concepts. First, consumers see a product as a bundle of product attributes. Consumers will vary as to which of these attributes they consider relevant and will pay the most attention to those attributes connected with their needs. Second, the consumer will attach different degrees of importance to each attribute. Third, the consumer is likely to develop a set of brand beliefs about where each brand stands on each attribute. Fourth, the consumer is assumed to have a utility function for each attribute. The utility function shows how the consumer expects total product satisfaction to vary with different levels of different attributes. Fifth, the consumer arrives at attitudes towards the different brands through some evaluation procedure.

After evaluating alternative consumers makes a purchase decision based on which option best meets the initial need. There are three type of choice process: Affective choice, Attitude based choice and Attribute based choice. In affective choice the customer choice what it feels right and there is no logical back ground for this kind of choice. Attitude based choice is a systematic rule based decision process and the individual identify and evaluate each attributes against what she or

he needs. In attribute based choice the individual strictly compare brands and products based on benefits and future by future basis and chooses the superior one (Lake, 2009).

Finally, once the purchase has been made, there will be further evaluation and responses including, typically, evaluations of satisfaction, willingness to recommend and willingness to repurchase (Ennew & Waite, 2007). These are many depends on the difference between expectation of customers and the perceived quality of product. Whenever perception is greater than expectation chance of future positive word of mouth and repurchase is high and if consumers feel that the product received is less than what expect the rivers is true (Kotler & Armstrong, 2011).

## **2.5 Purchase Process in Financial Market**

### **2.5.1 Problem Recognition**

Needs and wants for personal customers will vary according to personal circumstances, whereas the needs of business customers will depend upon the stage of development and the situation of the business. For personal customers there is a range of needs that may be satisfied through the purchase of financial services, including the need to make payments e.g. cheques, the need to defer payments e.g. loans, mortgages, credit cards, etc., the need for protection e.g. house insurance, health insurance, life insurance, etc., the need to accumulate wealth e.g. managed funds, stocks, life insurance based savings, etc. and the need for information and advice e.g. tax/financial planning, etc. (Ennew & Waite, 2007).

As a consequence of the lack of intrinsic appeal and the complexity of the range of financial services available, it is often argued that consumers do not actively recognize that they have needs for various financial products; rather, they remain essentially passive participants in a decision process until the point of sale (Knights et al., 1994, as cited in Ennew & Waite, 2007)). At this point, the marketing process then starts to focus on the identification and activation of those needs.

### **2.5.2 Information Search**

Information search describes the process by which consumers gather relevant information either from their own memories or from external sources: from marketing communications, from other consumers or from independent third parties (Kotler & Armstrong, 2011). Unless consumers can draw on their own prior experience of the product there will be a tendency to rely heavily on the experience of others in the form of word of mouth recommendations, and on the credibility of the organization as a whole. If there are difficulties for consumers with respect to the gathering of information, these difficulties are magnified when the consumer attempts to evaluate alternative services (Ennew & Waite, 2007).

### **2.5.3 Evaluation of Alternatives**

Depending on consumers and buying decision the evaluation process and steps followed by consumers is different (Ennew & Waite, 2007). Some customers found to use one attribute to select product like price or convenience and their decision is easy to predict. But, most consumers consider several attributes but assign different importance to each (Kotler & Armstrong, 2011).

However, the presence of credence qualities in many financial services also makes this evaluation process complex (Ennew & Waite, 2007).

### **2.5.4 Purchase Decision**

Purchase is normally expected to follow logically as the result of the evaluation of alternatives, unless any unexpected problems materialize. However, earlier discussions have suggested that, for many financial services customers, needs are only created or activated at the point of purchase. Accordingly, the actual process of purchase will often be the result of an active selling effort by a supplier (Ennew & Waite, 2007).

### **2.5.5 Post Purchase**

The post purchase evaluation of financial services is difficult, for the reasons mentioned earlier. Indeed, it is often suggested that evaluation may place rather more emphasis on functional aspects of the service (how things are done?) than on technical aspects (what is done?) because the latter are more difficult to evaluate (Lovelock & Wright, 1999).

However, where a high degree of trust is established between buyer and seller, there can be considerable benefits for both parties. The establishment of trust can bring about a degree of inertia in buyer seller relationships. Since an irreversible amount of time and effort is required by an individual in order to acquire the necessary experience and information on which to assess an institution's reliability, it is usually the case that, once satisfied, a consumer is more likely to remain with that institution than to incur the costs of searching for and checking alternative suppliers (Ennew & Waite, 2007).

Kotler and Armstrong (2011) highlight ten attributes that determines perceived service quality: access (is the service easy to get access to and delivered on time?); credibility (is the company credible and trustworthy?); knowledge (does the service provider really understand customers' needs?); reliability (how dependable and consistent is the service?); security (is the service low-risk and free from danger?); competence (are staff knowledgeable and in possession of the skills required to delivery good service?); communication (how well has the company explained its service?); courtesy (are staff polite, considerate and sensitive to customers?); responsiveness (are staff willing and quick to deliver the service?); and tangibility (does the appearance of staff, the physical environment and other tangible representations of the service reflect high quality?).

## **2.6 Empirical Literature Review**

There are inadequate literatures that are under taken about Ethiopian customers' choice behavior toward different bank service attributes. However, a lot of researches done in different countries by considering many factors. Some of researches' tried to find the general customers' decision

criteria to select bank (Aregbeyen, 2011, Kennington, Hill, & Rakowska, 1996) and others only try to identify the determinant factors of decision making of specific groups (Katircioglu, Tumer, & Kılınç, 2011; Mamunur & Kabir, 2009; Sarwar & Mubeen, 2012). This section present reviews of previously done literatures in the field.

Katircioglu, Tumer and Kilinc (2011) study found that Romanian people give least importance to the people influence, bank marketing campaign and gifts of the bank. While they consider ATM service, internet banking, bank reputation, personal attention shown by the bank staff, privacy of the customer's data and branch network of the bank as important factor to decide either they should select a bank or not this study concede with the finding of Mokhlis (2009) study of "Determinants of Choice Criteria in Malaysia's Retail Banking: An Analysis of Gender-Based Choice Decisions". Maran, Chan, Lim, Low and Tan(2010) study finding on Islamic banking selection criteria in Malaysia using non-probability sampling indicated that cost-benefits, service delivery, convenience, friends/relatives' influence do have significant relationships with the acceptance of Islamic Banking. In other study on customers selection criteria of Islamic banking of Bangladesh that was done by Mamunur and Kabir (2009), founded that customers give high importance to Corporal efficiency, Core-Banking services and Confidence. In their finding customers' choice is statistically differ between gender, marital status, income level and educational status. Manunur and Kabir used multiple regression analyses by making satisfaction level of customers as dependent variable.

Another study done (Subhani, Hasan, Rafiq, Nayaz, & Osman, 2012)on Islamic banking selection criteria in Pakistan by using ten factor suggested that High profit & Low service charges was the most important factor followed by Religious motives and Quality of Service for selecting Islamic banking by consumers.

As studies finding shows the customers' criteria also changed with time. For example the finding of Zineldin (1996) shows the customers' value to location of service providers become decreasing due to ATMs, computers, home banking, credit cards, etc.

The finding of Saleh, Rosman and Nani (2013) revealed that the most significant factor affect the Kelantan, Malaysia, customers in choosing a bank was the Accessibility. This factor was consist of several items which were the bank has ATM facility, convenient ATM locations, 24 hours availability of ATM services, the bank has a speedy service and the bank has an internet banking facility. In their finding gift for customers was the least important attributes.

For the study of determinants of Bank Selection Choices by Customers in Nigeria, Aregbeyen (2011) has collected data on 25 attributes of banks. The responses of customers were measured by using five point Likert-Scale. In this study Aregbeyen identified, safety of fund and availability of technology based service are the major reason for customers' choice. And statistically significant difference is observed between gender and age in their selection criteria of bank. However no significant location and income difference in the factor selection has been observed.

The study undertaken by Muzenda (2014) to identify customers' retail bank selection criteria in South Africa done by considering five dimensions: Security, Service quality, Technology and Products, Location and affordability. The study indicated that customers' choice highly affected by security feeling and less to affordability.

A study (Mylonakis, 2008) showed the advertising effect on Greece customers' selection of banks is insignificant. As the finding customers more depend on the price and product related criteria of the banks than advertisement.

In a study Mokhlis (2009) use the nine factors to identify their importance as selection criteria used by Malaysian students to select the bank by male and female students. From these nine factors he found that ATM service and financial stability of the bank are most important factors for students while selecting any bank. After that factors cost factor was third important factor for male student while female student give third importance to the service provision. Female student give importance to the professionalism of the bank personal, fast and efficient service while this factor comes at the fourth point in the list of male students. Female students give fourth importance to the nearness of the bank branch from home or university while male students give not so

importance to this factor. From all the factors he found that male and female student give least importance to the marketing campaign and people influence while selecting any bank for their financial matters.

The results provided by Katircioglu et al (2011) show that bank selection criteria are statistically different among Romanian cities and different income levels.

Sarwar and Mubeen (2012) study identified important factor that influence business graduate students of Pakistan in selection of bank. Their finding show Marketing, People influence, Bank personnel and Attractiveness of the bank's building have a great influence on their selection criteria.

Goiteom (2011) had conducted gender based study on factors influencing the choice of banking service by using exploratory factor analysis techniques. For the study purpose 201 convenience samples are taken from different occupation: students, employee and businessman. The samples are only from Addis Ababa. Respondent asked to evaluate 23 individual bank attributes on four level scale. These variable finally decreased to 7 factors namely Convenience/ security, Service provision, Employers' influence, Bank image, Promotion strategy, Reputation and Financial benefits/ technology.

The finding showed that the first important factor that influence customers' bank selection is convenience/security. The second most important factor was service provision. After this factor employer influence factor is the third factor that influence their bank selection. Financial benefits/technology, bank reputation and promotion strategy factors are founded the least factors that influence customers bank selection criteria. The study also found that there is a slight difference between genders. Bank image is the second important factor to male customers' while it is the third important factor to women. The least factor for male customers are financial benefit/technology and attractiveness and for women attractiveness and financial benefit/technology are the least factors.

However the study have many significant limitations, one of which the author himself recognized and documented. First and as noted by the author, the study draws its sample only from Addis Ababa. This exclude other cities of the country. Second 77% sample taken from male and 23% from sample female. This is not a representative sample where Addis Ababa city gender ration is 1:1. Third when individual variable are grouped into factors some variable are categorized wrongly. Employer's influence as one factor include three variables "My employer used the same bank", "Extended operation hours" and "Availability of ATM services" but the last two variables are not variables related to employer's influence. Similar categorization error is done when categorizing "Availability of several branches" and "Availability of parking space nearby" to promotional strategy rather than convenience (Saleh et al., 2013). Forth naming of factors create confusion. It is not clear that "convenience/security" is the most important factor and "financial benefit/technology" is the least factor. Fifth four level likert type scale sometimes called forced likert scale is used but this is not advisable since the respondent forced to form opinion. The last the finding show that there is slight difference in patronizing factors between genders but this finding is not statistically supported.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

In this chapter the research design, the target population of the study, the sampling techniques, type of data collected, research instrument that have been used and data analysis and presentation tools are discussed.

### **3.1 Research Design**

The purpose of the study was to identify the major factors that influence consumers' bank selection decision. In addition to the above purpose the study have identified any decision difference between different cities, age, income groups, genders and education status. The finding of the study help marketing strategy designer in decision process. Bank managers, executives and marketing staffs also benefited from this study. Consumers also benefited from this study when banks understand their real need and act accordingly. The study adopted exploratory research design. This kind of design is useful when there is high level of uncertainty and ignorance about the studied subject.

### **3.2 Population and Sampling Techniques**

Currently Ethiopia administration system classified into 2 administrative cities and 9 regional states. From two administrative cities, Addis Ababa and Dire Dawa, Addis Ababa is judgmentally selected based on it is a capital city of a country and Oromiya region, have heterogeneous and large population and it is a place where all banks headquarters are found. Hawassa and Bahir Dar are capital cities for southern nation and nationalities people and Amhara region respectively. Adama is a former capital cities for Oromiya region. These cities have population more than 200,000. The only regional capital city that have more than 200,000 population and not included in this study is Mekele. This is based on its farness from Addis Ababa. The research frame is eligible current consumers of Commercial Banks that are found in these four major cities.

All banks have branches in these cities, and it is believed that residents of these cities have more exposure to different banks' services and have ability to evaluate bank service attributes.

According to 2013 Ethiopian cities population estimation, the population size of these cities are Addis Ababa 3,103,700, Adama 283,000, Hawassa 225,700 and Bahir Dar 198, 900 (<http://www.citypopulation.de/Ethiopia.html> accessed on April 01, 2015).

Total population of the four cities have been around 3.8 million and population age more than 18 years estimated to be 50% of the total population, 1.9 million. And this population size is considered as target population of the study.

Because random sampling is difficult due to "time, cost and ethical consideration" (Dattalo, 2008, P. 5) and it is difficult to get list of sample frame, data for the study have been collected through a non-probability sampling. In this sampling techniques element of population have unknown probability to be selected (Dattalo, 2008).

From nonrandom sampling techniques convenience sampling is selected. A total of 400 samples have been taken from the specified cities. As Kothari (2004) suggested, "Proportional allocation is considered most efficient and an optimal design when the purpose of sampling happens to be to estimate the population value of some characteristic" (p. 63), the total samples have been collected proportionally from the four cities: See table 2.

As of national census male to female ratio of Ethiopia is approximated to 1:1 (<http://www.csa.gov.et> accessed April 03, 2015), based on this statistics fact equal number of male and female samples have been selected, 50% (200) male and 50% (200) female.

In order to be more representative and reaching different groups, the samples have been approached in different area of the cities. Taking samples at different place and taking samples from different categories help to decrease non-sampling error that is caused by selection bias (Dattalo, 2008).

The confidence level (CL) refers to the likelihood that the true population parameter is within the range specified by the CL. The confidence level is usually expressed as a percentage. Therefore, a 95% confidence level suggests that the probability that the true population parameter is within the CL is .95.

Degree of accuracy refers to the likelihood that the true population parameter is outside the CL. Degree of accuracy is usually expressed as a proportion. Therefore, if the confidence level is 95%, then alpha would equal 1-.95, or .05.

There are three way to determine proportion, p. The first is from pilot testing, the second is by using personal judgment and the last is by assigning 0.5. The last method is most conservative and give the maximum sample size, 'n' (Kothari, 2004) and for this study purpose proportion, p, equal to 0.5 is considered.

Krejcie and Morgan (1970) sample size determination formula is applied to determine the required sample size. The sampling technique applied followed the following formula:

$$n = \frac{x^2 N \hat{p}(1 - \hat{p})}{d^2 * N + x^2 \hat{p}(1 - \hat{p})}$$

Where; n = required sample size.

$x^2$  = table value of chi - square for one degree of freedom at the desired confidence level (3.841 for 0.95 confidence interval).

N = the given population (total population of the four cities age more than 18 ~ 1.9 million).

$\hat{p}$  = population proportion (assumed to be 0.5 since this would provide the maximum sample size.

d = the degree of accuracy set at 0.05.

The above calculation gives 384 samples but for this study 400 samples have been taken.

If  $P_i$  represents the proportion of population included in city  $i$ , and  $n$  represents the total sample size, the number of elements has to be selected from city  $i$  is  $n \cdot P_i$ .

**Table 2: Proportional sampling determination**

No	City	Population Size	Population Proportion	Total Sample	Proportional Sample
1	Addis Ababa	3,103,700	.81	400	324
2	Adama	283,000	.07	400	30
3	Hawassa	225,700	.06	400	24
4	Bahir Dar	198,000	.05	400	22
<b>Total</b>		<b>3,810,400</b>	<b>100</b>		<b>400</b>

Source: <http://www.citypopulation.de/Ethiopia.html> and own computation (2015).

Table 3, shows total population of selected cities and how samples have been proportionally determined. More than 80%, 324, of samples have been selected from Addis Ababa based on its large number of population size.

**Table 3: Distributed questionnaire and usable questionnaire**

No	City	Distributed Questionnaire	Returned Samples	Usable Questionnaire	Usable Quest. (%)
1	Addis Ababa	324	245	226	69.75
2	Adama	30	30	30	100.00
3	Hawassa	24	24	24	100.00
4	Bahir Dar	22	22	21	100.00
<b>Total</b>		<b>400</b>	<b>321</b>	<b>301</b>	<b>75.25</b>

Source: Own computation (2015)

From 324 questionnaire that have been distributed to Addis Ababa city, 245 questionnaires are collected. Among this, 226 questionnaires have been founded valid for further analysis. All questionnaires that have been distributed to Adama and Hawassa cities, 30 and 24 respectively, have been collected and all founded valid for analysis. One questionnaire founded invalid from 22 distributed and collected questionnaires in Bahir Dar. Generally, from 400 questionnaires that have been distributed proportionally to the four cities, 321 questionnaires are collected and 301 questionnaires have been founded as valid for further analysis. This make the response rate 75.25% and as of Babbie (2007) response rate more than 70% is very good for social science study.

### **3.3 Type of Data and Research Instrument**

The research data have been collected at one point in time, cross sectional data, from selected sample bank consumers by using questionnaire. Only primary quantitative data have been collected through structured questionnaire.

Structured questionnaire have been used based on literature review and objective of the study. The research question have different parts. First part asked personal demography profile like respondent cities, age, gender and income level. These demography variables have been used to identify if there is any difference on selection criteria between different ages, genders, cities and income levels.

Second part asked respondent to rate relative importance of bank attributes when they choose bank. 47 individual list of bank attributes have been carefully selected and developed from different literatures (Katircioglu, et al., 2011; Kugyte & Sliburyte, 2005) with some amendment. These 47 individual criteria grouped in to 9 criteria factors, namely, financial benefit, convenience, tangibles, core service, service encounter, recommendation by others, reputation, brand familiarity and marketing promotion.

The relative importance of bank attributes have been measured by using five point Likert-type scale for importance ranging from very important to not important at all. The rating so recorded was assigned rating values ranging from 5 to 1 respectively as shown in Table 3:

*Table 4: The Response Value*

<b>Response Scale</b>	<b>Scale Rating</b>
Very important	5
Important	4
Undecided	3
Less important	2
Not important at all	1

Before the questionnaire have been given to respondent, only two pre-selection criteria have been used: the respondents have been first asked if they are more than 18 year and if so, then asked if they use any bank service within the past 6 month. The first criteria used to distinguish eligible consumers and the second criteria adopted from previously done researches (Katircioglu et al., 2011).

### **3.4 Validity and Reliability**

In order keep the validity and reliability of the questions, each questions have been selected careful from previously done researches. Some items included to list of question by considering current marketing activity of industry. The selected list of questions are reviewed and commented by senior bank staff in addition to thesis advisor to increase validity and reliability of the questionnaire. By considering background of respondent profile the questionnaire is translated to Amharic.

Prior to using questionnaire for data collection, the survey instrument have been tested with 35 Addis Ababa consumers to check for possible problems with statement clarity and respondent

understanding as well as ability to complete the survey instrument. Based on their comment little amendment done to originally prepared questionnaire.

To insure internal consistency of measurement scale reliability test have been done. The individual variables internal consistency found in the range of .556 and .900 and the total items reliability test result show .926 internal consistency which is measured by Cronbach's Alpha coefficient. The reliability test conform that the measurement is consistent. Once the questionnaire pass the reliability test on pilot testing stage the same questionnaire have been used to collect data from Addis Ababa and other cities.

*Table 5: Reliability Statistics: Total Items*

<b>Cronbach's Alpha</b>	<b>Valid cases</b>	<b>Number of Items</b>
.962	35	47

Source: Questionnaire (2015)

*Table 6: Reliability Statistics: Individual Items*

<b>Variables</b>	<b>Valid Cases</b>	<b>No. of Items</b>	<b>Cronbach's Alpha</b>
Financial Benefits	35	3	.556
Convenience	35	5	.704
Tangibles	35	5	.767
Core Services	35	5	.852
Service Encounter	35	9	.844
Recommendations by others	35	5	.864
Reputation	35	3	.673
Brand/Name familiarity	35	8	.806
Marketing promotion	35	4	.900

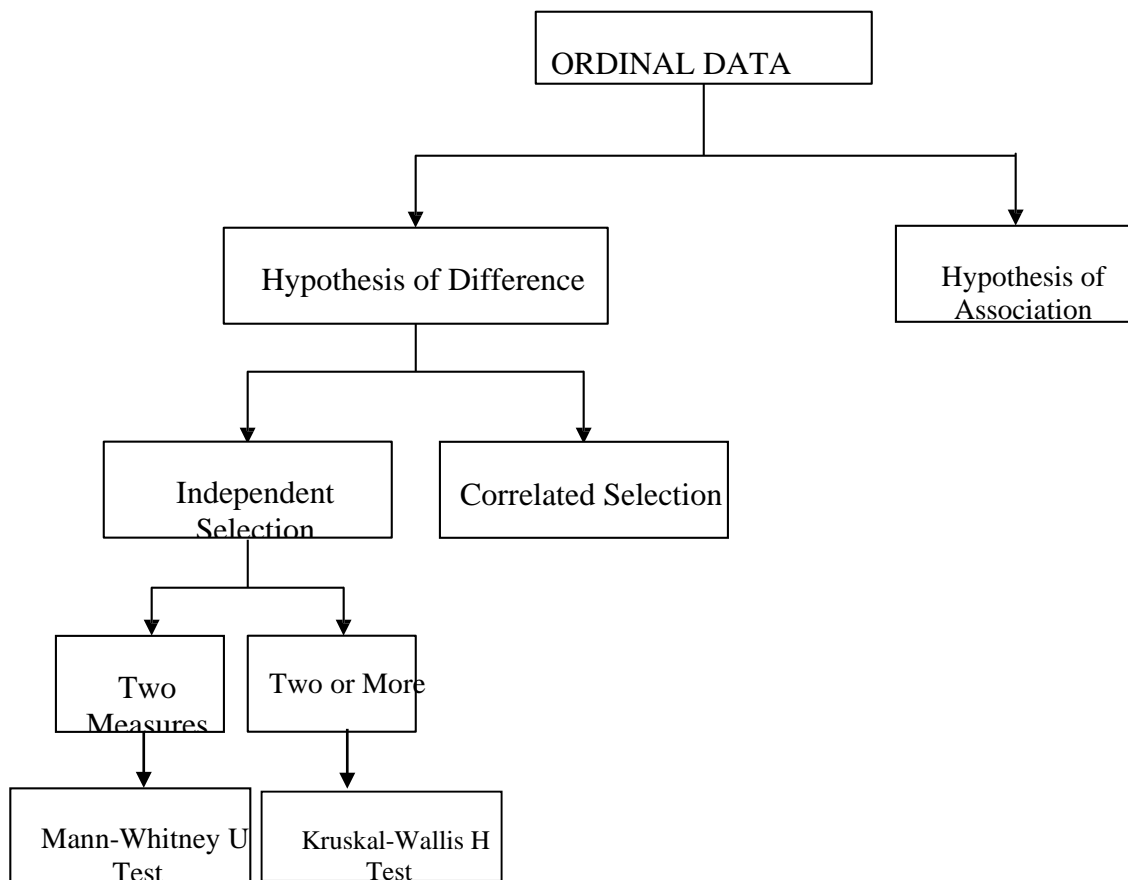
Source: Questionnaire (2015)

### 3.5 Data Analyses and Presentation Procedure

After the data is collected through structured questionnaire, Statistic Package for Social Science (SPSS) software version 17 have been employed as a computational tool. Descriptive statistical technique, mean scores have been used to measure and rank bank selection criteria of current Ethiopian consumers.

In addition to mean score, Mann-Whitney test have been used to test whether there is a statistical mean difference between genders preference and Kruskal-Wallis H test have been performed to test the statistical mean difference between education groups, among cities and between income levels preference.

*Figure 3: Selection of research analysis*



Source: Adopted from Arttachariya (2008, p. 68)

### **3.5.1 Mann-Whitney (M-W) U Test**

Mann-Whitney U test is a test on ordinal data of the hypothesis of difference between two independently selected random samples. The U test is the ordinal counterpart of the independent t-test. Since data does not need to be normally distributed in order to run this test properly, it is not as powerful a test as the t-test.

The test statistic for the Mann-Whitney test is U. This value is compared to a table of critical values for U based on the sample size of each group. If U exceeds the critical value for U at some significance level (usually 0.05), it means that there is evidence to reject the null hypothesis in favor of the alternative hypothesis or there is evidence that the two samples are from different populations.

### **3.5.2 Kruskal-Wallis (K-W) H Test**

Kruskal-Wallis H test a test of the hypothesis of difference on ordinal data among at least three independently selected samples. Although one-way analysis of variance (ANOVA) is the method of choice when testing for differences between multiple groups, it assumes that the mean is a valid estimate of center and that the distribution of the test variable is reasonably normal and similar in all groups. However, when test variable is ordinal, the mean is not a valid estimate because the distances between the values are arbitrary. Even if the mean is valid, the distribution of the test variable may be so non-normal that it makes any test suspicious that assumes normality.

When the assumptions behind the standard ANOVA are invalid or suspect, using the nonparametric procedures designed to test for the significance of the difference between multiple groups should be consider. They are called nonparametric because they make no assumptions about the parameters of a distribution, nor do they assume that any particular distribution is being used.

The Kruskal-Wallis test is a one-way analysis of variance by ranks. It tests the null hypothesis that multiple independent samples come from the same population. Unlike standard ANOVA, it does not assume normality, and it can be used to test ordinal variables.

The H test is the ordinal counterpart of the one-way ANOVA.

## **CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION**

The previous chapters discussed the general background and objectives of the study, related literatures and research methodology employed to the study. In this chapter, analysis and finding of the study is presented in subsequent section based on research questions.

### **4.1 Respondent Profile**

The questionnaire designed to collect information related with respondent such as general profile and questions about bank selection decision variables. As table 5 shows among total number of 301 respondents 50.8%, 153, are male and 49.2%, 198, are female. This coincide with male to female ratio of the population, 1:1. The respondents' gender is a representative of the total population.

In terms of age group the majority, 37.5%, respondents categorized into 18-27 years and age group 28-37 account 30.6%. Age group 38-47 and more than 48 account respectively 26.2% and 5.6%. With respect to respondents' marital status, 46.2% responded as they are currently married and the rest, 53.8%, respondents' marital status was founded as unmarried.

When we see the education background of respondents, more than 84% of respondents attained diploma and above that. Among this university first degree holder account 50.8%, College diploma account 24.9%, university second degree account 9%. Respondent background that is Primary and secondary school account 2% and 13.2% respectively. The educational background of respondents are varied and it is a good ground for the study.

Average monthly income use based on it easiness to remember for both fixed income earner and business man. 2014 World Bank income classification is used to determine minimum and maximum income level for each groups. As of 2014 World Bank classification low-income defined as those with \$1,045 or less; middle-income those with more than \$1,045 but less than

\$12,746; high-income those with \$12,746 or more per annum. Lower-middle-income and upper-middle income are separated at \$4,125. 1\$: 20ETB used as exchange rate.

**Table 7: Respondents' profile**

<b>Variables</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Respondent Gender</b>		
Male	153	50.8%
Female	148	49.2%
<b>Respondent Age Group</b>		
18-27	113	37.5%
28-37	92	30.6%
38-47	79	26.2%
More than 48	17	5.6%
<b>Education Status</b>		
Primary Education	6	2.0%
Secondary Education	40	13.3%
College Diploma	75	24.9%
University First Degree	153	50.8%
University Second Degree	27	9.0%
<b>Marital Status</b>		
Married	139	46.2%
Unmarried	162	53.8%
<b>Average Monthly Income (ETB)</b>		
Less than 2,000	57	18.9%
2,000-7,000	135	44.9%
7,001-21,000	98	32.6%
More than 21,001	11	3.7%

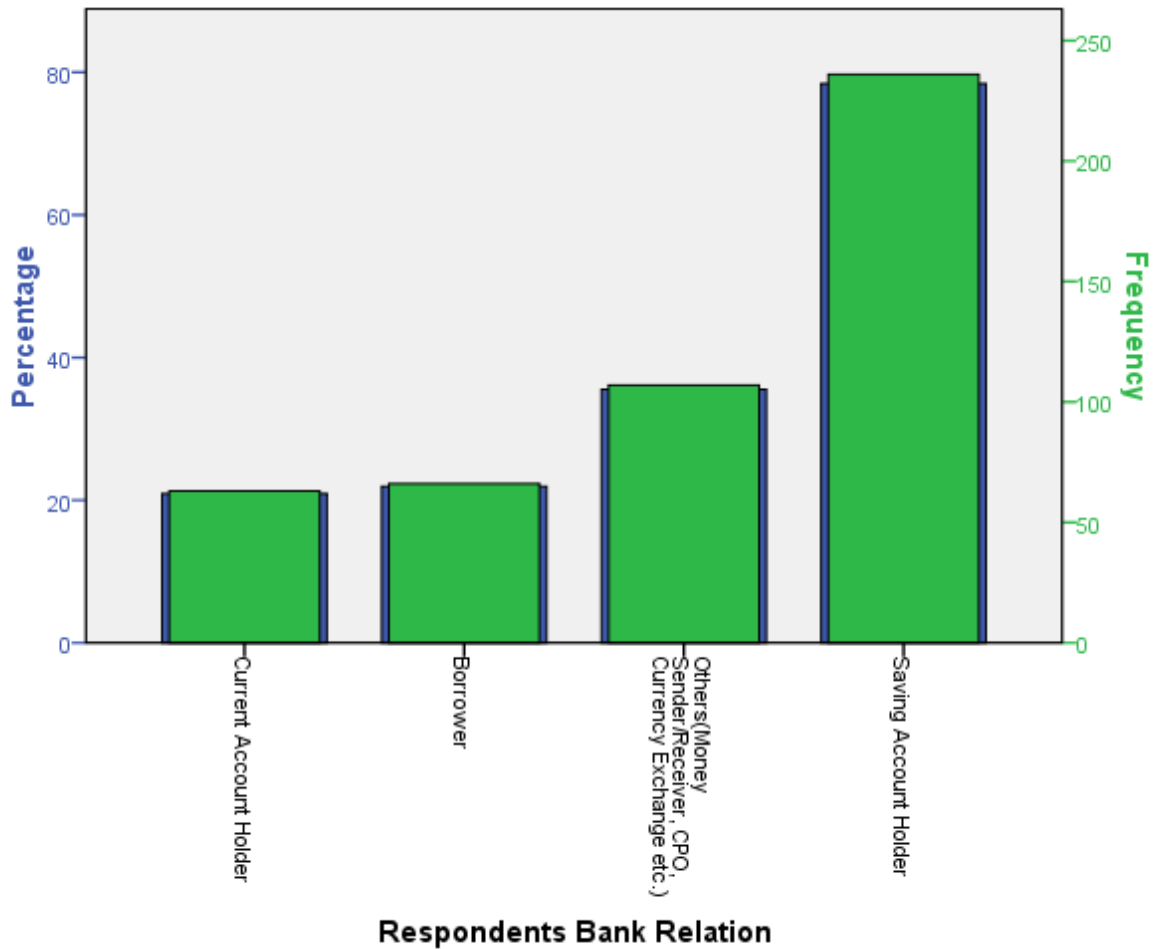
Source: Questionnaire (2015)

Among 301 respondents, 233, 77.5%, are in middle-income earner group, ETB 2,001- 21,000 and 57, 22%, respondents are in low-income categorized, less 2,000. There are 8 respondents who earn more than ETB 21,000 and categorized as high-income earner. This account 5% of respondents. Income level ETB 7,001 separate lower-middle-income and higher-middle-income earner and from 233 middle-income earners 135 are founded as lower-middle-income earner and the rest classified as higher-middle-income earner.

### ***Respondents' relationship with Bank***

Banks give different type of products to customers/consumers like saving account, current account, loan, money transfer, CPO issuing etc. Respondents have been asked what kind of services they used or using from bank in multiple response form. From total respondents of 301, about 80%, 236, responded as their relation with bank is as saving account holder, 35.5%, 107, responded as they use other bank services like money transfer (sending and receiving), foreign currency exchange, CPO issuing etc., around 22%, 66, use bank credit service and the other 21%, 63, respondents are current account holder. Most respondents use more than one type of service. Bank service experience in different type of bank product have been considered as a good input to the study.

**Figure 4: Respondents' Bank Relation**



Source: Questionnaire (2015)

Cross tabulation is done to show types of bank service respondents' use and their general information.

As seen in table 6 types of bank service used by respondent is different between genders. Most of current account holders and borrowers are founded as males. Distribution of male and female respondents that are using other service and saving account holding is more similar. In terms of age group the distribution is more similar except percentage of borrower from age less than 27 years is lower than others and borrower percentage from age group more than 48 are high.

*Table 8: Cross tabulation of relationship of respondents with bank and other variables*

<b>Respondent Gender</b>	<b>Current Account</b>			<b>Saving Account</b>
	<b>Holder</b>	<b>Borrower</b>	<b>Others</b>	<b>Holder</b>
Male	37	41	53	120
Female	26	25	54	116
<b>Respondent Age Group</b>				
18-27	18	15	38	88
28-37	22	19	27	71
38-47	20	24	35	63
more than 48	3	8	7	14
<b>Education Status</b>				
Primary Education	1	1	3	3
Secondary Education	14	4	11	24
College Diploma	16	12	19	59
University First Degree	31	40	61	126
University Second Degree	1	9	13	24
<b>Average Monthly Income</b>				
less than 2000	8	0	17	41
2000-7000	39	19	39	100
7001-21000	7	39	42	91
more than 21001	9	8	9	4

Source: Questionnaire (2015)

## **4.2 Important Bank Selection Variables**

In order to reveal consumers' selection criteria, 47 individual selection criteria are developed and respondents asked to evaluate the degree of importance to their banking service selection. The

study revealed among 47 individual bank service attributes, the top five most important attributes for bank selection decision are Location near home/work (mean 4.55), Availability of ATMs (mean 4.48), Uninterrupted network and power availability (mean 4.45), Fast and efficient service (mean 4.39) and Confidentiality of the bank (mean 4.36). On the contrary, the least five important selection attributes are My family use it (mean 2.99), Recommended by family (mean 3.09), Recommended by employee/manager (mean 3.12), Recommended by friends or relatives (mean 3.14) and Ownership of bank (Government or private) (mean 3.2). The descriptives result for all individual selection criteria found at [appendix IIA](#).

### *Descriptive*

After mean of each attributes computed, the mean of each attributes mean that are listed under each variable have been assigned as an aggregate mean value for the respective grouping variable. The nine selection criteria (variables) ranked based on their mean. The study revealed that availability of bank “Core Services” is the most important decision variable (mean 4.23) in bank selection process and ranked at the top. Availability of “Core service” describes the availability of ATM, mobile and internet banking and widespread services. The higher importance of “Core service” for decision making finding is coincide with previously done researches by Katircioglu et al. (2011) and Mokhlis (2009) respectively in Romania and Malaysian. Their study showed ATM service and internet banking are the most important factor for bank selection decision.

Bank “Convenience” is ranked the second (mean 4.14) important factor for bank selection decision making. This variable includes proximity to home/work, number of branches and number of ATMs, long working hour and availability of parking space. Salehn et al. (2013) study finding support this. Accessibility was the most significant factor affect the Kelantan, Malaysia, customers in choosing a bank.

Based on the study finding the third important factor is “Service Encounter” (mean 4.08). Personal attention, explanation of service and products by front staff employees, number of staffs available to serve and length of waiting line are included in this variable.

“Tangibles” (mean 4.15) is ranked fourth important decision variable. This includes attractiveness of exterior and interior appearance of the bank, staffs appearance and availability of power and network. “Tangibles” that is called “Attractiveness” in Mokhlis (2009) study ranked the least important factor for Malaysian customers that is contradict with this study finding.

The fifth important decision variable is “Reputation” (mean 3.40). This variable is related with confidentiality and technology leadership.

The sixth important variable for consumers’ decision is “Brand/Name Familiarity” (mean 3.84) of the bank. This variable is explained by size, age and fast and efficient service of the bank.

Seventh rank taken by “Financial benefits” (mean 3.84). That capture the importance of high interest on deposit, low service charge and low interest rate on loan. Standard deviation of this variable is 1.063 and it is higher compare to most variables. This might be the effect of respondent religious background. Since most Muslims give low importance to financial benefits (Mamunur & Kabir, 2009), their response might contribute to the low value of “Financial benefit” mean. Muzenda study on Customers Retail Bank Selection Criteria in South Africa (2014) revealed affordability is the list important factor for customers similar with this study finding

The effect of “Others people’s recommendations” (mean 3.11) that consider recommendation of family, friends, bank staffs, family and friends usage of the bank is founded the least important factor for bank selection decision and ranked ninth. High standard deviation might be the effect of educational status. The importance of “Others people’s recommendations” for low education level group is higher than for high levels to select bank (for detail see section 4.6).

**Table 9: Bank selection criteria rank**

<b>Selection criteria</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank</b>
Core Services	301	4.2286	.73601	1
Convenience	301	4.1429	.70743	2
Service Encounter	301	4.0805	.67714	3
Tangibles	301	4.0372	.77902	4
Reputation	301	3.9989	.87157	5
Brand/Name familiarity	301	3.8418	.68018	6
Financial Benefits	301	3.8383	1.06305	7
Marketing promotion	301	3.6105	1.14821	8
Recommendations by others	301	3.1090	1.04923	9
<b>Valid N (listwise)</b>	<b>301</b>			

Source: Questionnaire (2015).

“Marketing Promotion” (mean 3.61) follows “Other people recommendation” and ranked eighth. This variable explained by availability of prize draws, gifts, multimedia advertisement etc. Standard deviation within this variables is the highest (SD. 1.049) among others. This might be explained by the effect of income level difference on selection criteria. The analysis done on impact of income difference on selection criteria (in section 4.5) shows Low-income groups give significantly high value to the importance of “Marketing promotion” when they select bank service provider than high-income groups (See table 13). Salehn et al. (2013) study done in Kalantan agree with the finding that gift for customers was the least important attributes and a study done on Greece customers’ selection of banks by Mylonakis (2008) showed the effect of advertisement is insignificant for bank selection

### 4.3 Bank Selection Criteria: Based on Gender

#### *Descriptive*

*Table 10: Selection criteria rank based on gender*

Selection Criteria	Respondents' Gender					
	Male			Female		
	Mean	SD.	Rank	Mean	SD.	Rank
Core Services	4.23	.76	1	4.23	.72	1
Convenience	4.15	.71	2	4.14	.70	3
Service Encounter	4.05	.72	3	4.11	.63	4
Reputation	3.97	.89	4	4.03	.86	5
Tangibles	3.90	.84	5	4.18	.68	2
Brand/Name familiarity	3.86	.68	6	3.82	.68	7
Financial Benefits	3.81	1.07	7	3.86	1.06	6
Marketing promotion	3.50	1.17	8	3.73	1.12	8
Recommendations by others	2.95	1.02	9	3.28	1.06	9
<b>Male Frequency</b>	<b>153</b>					
<b>Female Frequency</b>	<b>148</b>					

Source: Questionnaire (2015)

#### *Mann-Whitney (M-W) Test*

Given the non-parametric nature of variables tested (appendix IIB), Mann-Whitney test is performed to check whether or not the importance level of selection variables are different between male and female respondents.

*Table 11: Mann-Whitney result: Rank of selection criteria based on gender*

Selection Criteria	Respondent			Sum of Ranks
	Gender	N	Mean Rank	
Financial Benefits	Male	153	148.66	22745.00
	Female	148	153.42	22706.00
Convenience	Male	153	151.90	23240.50
	Female	148	150.07	22210.50
Tangibles*	Male	153	136.75	20922.00
	Female	148	165.74	24529.00
Core Services	Male	153	152.51	23333.50
	Female	148	149.44	22117.50
Service Encounter	Male	153	148.68	22748.00
	Female	148	153.40	22703.00
Recommendations by others*	Male	153	138.21	21146.50
	Female	148	164.22	24304.50
Reputation	Male	153	148.25	22682.50
	Female	148	153.84	22768.50
Brand/Name familiarity	Male	153	152.37	23313.00
	Female	148	149.58	22138.00
Marketing promotion***	Male	153	142.21	21758.50
	Female	148	160.08	23692.50
	<b>Total N</b>	<b>301</b>		

Source: Questionnaire (2015).

\* and \*\*\* denote variable importance level to the two independent sample groups is different respectively at .001 and .05 level.

The number of observations among male and female are relatively similar. According to the descriptive, the importance level of “core service” availability to make bank selection decision is similar between male (mean 4.23) and female (mean 4.23) and ranked at first. Importance of “convenience” to bank selection is slightly higher for males (mean 4.15) than females (mean 4.14). “Service encounter” is founded as highly important for females (mean 4.05) than males (mean

4.11) and its rank is third and fourth respectively. As the descriptives, mean difference between genders with respect to “brand/name familiarity”, “reputation” and “marketing promotion” is small. High mean difference observed on the importance level of “tangible” for decision making. Female bank service consumers’ give high value to the importance of “Tangibles” (mean 4.18) than male consumers’ (mean 4.14). According to descriptives, Tangibles is ranked second important variable to female while it is ranked fifth important variable for males.

The Non-parametric test, Mann-Whitney test show the mean rank of “tangible” for females (165.75) is higher than males (136.75). And this mean rank difference is statistically acceptable with 99% confidence level. The other two variables that have statistically significant mean score difference are “recommendation of others” and “market promotion”. Mean score of males to “others’ recommendation” (138.21) is lower than females (164.22). The descriptive presentation reveal that the impact of “marketing promotion” on bank selection is low and based on the performed Mann-Whitney test the importance level of “marketing promotion” to female (160.08) is significantly higher than males (142.21) at the 90% confidence level. Mokhlis (2009) gender based choice decision study showed the importance level of “marketing promotion”, “attractiveness” and “people influence” were significantly different between genders. The study identified that female gave more importance to “attractiveness” and “people influence” than male. And the importance of “marketing promotion” is higher for male than female contrary to the finding of this study. The remaining six variables importance level to male and female bank selection decision is statistically not different or the important level of these variables are not different for male and female respondents.

#### 4.4 Bank Selection criteria: Based on Cities

##### *Descriptive*

*Table 12: Selection criteria rank based on cities*

Selection Criteria	Respondent Residence City							
	Addis Ababa		Adama		Hawassa		Bahir Dar	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Core Services	4.27	1	4.24	2	3.86	4	4.16	4
Convenience	4.11	2	4.31	1	4.28	1	4.10	6
Service Encounter	4.04	3	4.14	4	4.18	2	4.28	1
Reputation	4.04	4	3.94	5	3.47	8	4.24	3
Tangibles	4.01	5	4.17	3	4.17	3	3.97	7
Financial Benefits	3.83	6	3.64	8	3.79	6	4.25	2
Brand/Name familiarity	3.83	7	3.85	6	3.68	7	4.14	5
Marketing promotion	3.57	8	3.78	7	3.81	5	3.63	8
Recommendations by others	3.12	9	3.07	9	2.72	9	3.52	9

Source: Questionnaire (2015)

##### ***Kruskal-Wallis (K-W) Test***

Given the non-parametric nature of the variable tested and the number of groups are more than two, Kruskal-Wallis test is performed. This test shows whether or not importance level of selection variables is differ between the four cities.

*Table 13: Kruskal-Wallis result: Selection criteria importance based on cities*

Selection Criteria	Respondent Residence City				Chi-Square
	A/Ababa	Adama	Hawassa	B/Dar	
	Mean Rank	Mean Rank	Mean Rank	Mean Rank	
Financial Benefits	149.39	137.17	155.58	182.88	3.793
Convenience	147.67	170.52	170.15	137.02	3.587
Tangibles	149.61	164.58	159.42	136.98	1.573
Core Services**	157.18	150.62	109.29	132.67	7.711
Service Encounter	146.77	159.27	165.00	168.67	2.300
Recommendations by others**	152.30	144.62	115.71	186.50	7.681
Reputation*	155.65	144.30	98.58	170.48	10.797
Brand/Name familiarity***	151.30	146.32	122.71	186.79	6.200
Marketing promotion	148.11	166.58	161.65	147.64	1.621

Source: Questionnaire

**N.B.** Number of observations: Addis Ababa 226, Adama 30, Hawassa 24 and Bahir Dar 21. Totally 301 observation used for analysis.

\*, \*\* and \*\*\* denote the acceptance of premises that the four groups draw from different population respectively at .01, .05 and .10 level.

Although the number of observations nearly similar between Adama, Hawassa and Bahir Dar, observation from Addis Ababa is considerably higher. Table 10 shows the descriptive result of bank selection criteria rank between cities. According to the descriptives, top three important variables are “core service” (mean 4.27), “convenience” (mean 4.11) and “service encounter” (mean 4.04) for Addis Ababa respondents, “Convenience” (mean 4.31), “Core Services” (mean 4.24) and “Tangibles” (mean 4.17) for Adama respondents, “Convenience” (mean 4.28), “Service Encounter” (mean 4.18) and “Tangibles” (mean 4.17) for Hawassa respondents and “Service

Encounter” (mean 4.28), “Financial Benefits” (mean 4.25) and “Reputation” (mean 4.24) for Bahir Dar respondents.

“Other people recommendation” is the least important variable to all cities except Bahir Dar (mean 3.52). Its’ important level to Addis Ababa (3.12) and Adama (3.07) cities was slightly above 3 and for Hawassa city (2.72) it was below 3. The importance of “financial benefit” that is ranked sixth in Addis Ababa and Hawassa and eighth in Adama cities is founded the second important variable to Bahir Dar respondents. This might be the effect of religious factor. The city is known by the domination of Cristian religion and the domination of this religion might result the higher mean and rank of the variable.

Kruskal-Wallis non-parametric test performed to analysis whether or not the value of a particular selection variables differ between the four cities. According to K-W test, the importance levels of “tangibles”, “service encounter” and “market promotion” are not statistically different between cities. Mean score differences among cities on “financial benefits” and “convenience” are inconclusive since it is significant at lower confidence level, 70%.

The study reveal that the importance level of “brand/name familiarity” is statistically differ between cities at the 90% confidence level. Based on the mean score, “brand/ name familiarity” is more important to Bahir Dar (186.79) than Addis Ababa (151.30), Adama (147.32) and Hawassa (122.71). Differences between the four cities on importance level of availability of “core service”, “recommendation of others” and “reputation” for decision making are statistically significant respectively at 95%, 95% and 99% confidence level. The results provided by Katircioglu et al (2011) show that bank selection criteria are statistically different among Romanian cities.

## 4.5 Bank Selection Criteria: Based on Income Level

### *Descriptive*

*Table 14: Selection criteria rank based on income level*

selection criteria	Average Monthly Income							
	< 2,000		2,000-7,000		7,001- 21,000		> 21,001	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Core Services	4.23	2	4.22	1	4.23	1	4.31	3
Convenience	4.00	4	4.17	2	4.14	2	4.64	1
Service Encounter	3.98	5	4.05	3	4.13	3	4.49	2
Reputation	3.98	6	3.95	5	4.07	4	4.06	4
Financial Benefits	3.70	8	3.77	7	4.04	5	3.70	6
Tangibles	4.24	1	4.04	4	3.95	6	3.76	5
Brand/Name familiarity	3.97	7	3.84	6	3.80	7	3.63	7
Marketing promotion	4.15	3	3.63	8	3.39	8	2.52	9
Recommendations by others	3.29	9	3.11	9	3.01	9	2.96	8

Source: Questionnaire (2015)

### *Kruskal-Wallis (K-W) Test*

Given the non-parametric nature of the variable tested and the number of groups are more than two, Kruskal-Wallis test is performed. This test shows whether or not importance level of selection variables is differ between the four income level groups.

**Table 15: Kruskal-Wallis result: Selection criteria importance based on income level**

Selection Criteria	Respondent Income Level				Chi-Square
	< 2,000	2,000-7,000	7,001-21,000	> 21,001	
	Mean Rank	Mean Rank	Mean Rank	Mean Rank	
Financial Benefits	135.91	149.16	163.90	136.86	4.300
Convenience**	138.22	151.73	149.88	218.27	7.928
Tangibles***	175.56	149.31	141.67	127.55	6.577
Core Services	160.17	149.20	148.70	146.00	.807
Service Encounter***	142.41	144.59	158.41	208.23	6.784
Recommendations by others	167.11	149.86	145.17	133.45	2.872
Reputation	150.59	144.28	160.65	149.64	2.054
Brand/Name familiarity***	172.21	150.29	143.36	117.82	5.770
Marketing promotion*	194.54	150.65	134.34	78.05	25.905

Source: Questionnaire (2015).

**N.B.** Number of observations: <2,000birr 57, 2,000-7,000birr 135, 7,001-21,000birr 98 and more than 21001birr 11. Totally 301 observation used for analysis.

\*, \*\* and \*\*\* denote the acceptance of premises that the four groups draw from different population respectively at .001, .05 and .10 level.

The majority of respondents were from Lower-middle-income group (2,001-7,001), 135, followed by higher-middle-income group (7,001-21,000). The remaining observations were shared by low-income (less than 2,000) and higher-income (more than 21,000) groups. The descriptives analysis presented in table 11 shows the rank and mean value of the nine variables to each income groups. The study reveal that rank of variables for lower-middle and higher-middle income earners is nearly similar. The highest difference between this groups is observed on mean value of “financial benefits” that is higher for higher-middle-income groups (4.04) than lower-middle income groups (3.77). This might be explained by respondent relationship with bank. Table 6 shows 66 respondent have relation with bank as borrower and among these about 60%, 39, are higher-middle income

group members. Due to this they might be more sensitive to financial benefit than lower-income groups.

In order to check the statistical mean difference between the two income groups: Lower-middle and higher-middle income, on the value of bank selection variables Mann-Whitney test was performed. The test result show the two groups are from the same population and their value to the importance of selection variables is not statistically different (see appendix IIF).

The top three important decision variables for low-income group are “tangible” (mean 4.24), “core service” (4.23) and “marketing promotion” (4.15). On the other hand, “convenience” (4.64), “service encounter” (4.49) and “core service” (4.31) are ranked at the top for high income groups. The highest ranking difference observed on “marketing promotion” variables. Mean value 4.15 registered for low-income earners and ranked at third from the top. The mean value more than 4 show the variable is important for decision making based on 5 level likert-scale. On the contrary mean value of “marketing promotion” to high-income groups (2.96) is less than middle value of 3 and it is less important variable for decision making to this group. For middle-income groups the mean value is slightly higher than undecided level, 3, and ranked eighth.

According to executed Kruskal-Wallis test, higher-middle-income group mean rank (163.90) for importance of “financial benefit” to bank selection is higher than lower-middle (149.16), high (136.86) and low income (135.91) though only at a 77% confidence level. Mean ranking of “convenience” among high-income groups (218.27) is significantly higher than higher-middle-income (149.88), lower-middle-income (151.73) and low-income (138.22) at the 95% confidence level.

Similar to descriptives, the K-W test shows that “tangible” and “marketing promotion” are more important to low-income group (respectively 175.56, 194.54) to select bank than lower-middle (respectively 149.31, 150.65), higher-middle (respectively 141.67, 134.34) and high income group (respectively 127.55, 78.08) respectively at the 90% and 99.9% confidence level. The mean rank differences of “core service”, “recommendation by others” and “reputation” among income groups

are significant only at low confidence level, 15%, 59% and 44% respectively. This result match with the descriptives that mean of the above variables for different income groups are nearly similar.

In addition to the above, the K-W test indicates that “service encounter” and “brand familiarity” are respectively more important to high (208.23) and low (172.11) income groups. These variables respectively are less important to low (142.41) and high (117.82) income groups. The mean score differences among income levels on “service encounter” and “brand familiarity” selection variables are significantly important at the 90% and 88% confidence level. The results provided by Katircioglu et al (2011) show that bank selection criteria are statistically different among different income levels in Romania.

#### 4.6 Bank Selection Criteria: Based on Education Level

##### *Descriptive*

*Table 16: Selection criteria rank based on education level*

Selection criteria	Education Status									
	Primary		Secondary		Diploma		First Degree		Second Degree	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Core Services	3.73	4	4.23	1	4.24	1	4.24	1	4.26	1
Tangibles	3.70	6	4.10	2	4.14	2	3.97	5	4.14	2
Convenience	3.97	1	4.06	3	4.12	3	4.21	2	4.01	3
Service Encounter	3.83	3	3.97	4	4.00	4	4.18	3	3.98	4
Financial Benefits	3.44	8	3.57	8	3.98	5	3.86	7	3.80	5
Reputation	3.44	7	3.97	5	3.96	6	4.08	4	3.79	6
Brand/Name familiarity	3.73	5	3.76	7	3.87	7	3.92	6	3.44	7
Marketing promotion	3.88	2	3.84	6	3.85	8	3.52	8	3.08	8
Recommendations by others	2.67	9	3.19	9	3.25	9	3.15	9	2.45	9

Source: Questionnaire (2015)

***Kruskal-Wallis (K-W) Test***

Given the non-parametric nature of the variable tested and the number of groups are more than two, Kruskal-Wallis test is performed. This test is performed to show whether the tested groups are from the same population or from different population.

**Table 17: Kruskal-Wallis result: Selection criteria importance based on education level**

Selection criteria	Education Status					Chi-Square
	Primary	Secondary	Diploma	1st Degree	2nd Degree	
	Mean Rank	Mean Rank	Mean Rank	Mean Rank	Mean Rank	
Financial Benefits	126.08	129.76	159.31	153.38	151.43	3.744
Convenience	151.42	141.81	148.18	156.73	139.91	1.646
Tangibles	150.00	156.28	158.65	143.42	165.09	2.620
Core Services	161.08	148.78	150.01	151.11	154.17	.155
Service Encounter	145.42	136.28	140.63	162.48	137.81	5.539
Recommendations by others**	113.92	158.15	162.09	154.25	99.43	12.319
Reputation	115.75	141.73	150.69	159.72	124.02	5.685
Brand/Name familiarity**	164.58	141.98	154.51	159.39	104.04	10.021
Marketing promotion**	183.75	167.94	168.69	143.92	109.61	12.735

Source: Questionnaire (2015).

**N.B.** Number of observations: Primary Education 6, Secondary Education 40, College Diploma 75, University First Degree 153 and University Second Degree 27. Totally 301 observations used for analysis.

\*\* Denote the acceptance of premises that the four groups draw from different population at .05 level.

The vast majority of observations are university first degree holder (153 from 301) with the remaining observations spread among college diploma (75), secondary education (40), university secondary education (27) and primary education (6). The descriptives shows that rank of the nine selection variables to diploma and second degree holder respondents are similar. As seen in table 14 the top three selection variables for primary education respondents are “convenience” (3.97), “market promotion” (3.88) and “service encounter” (3.83), for high school, college diploma and second degree level respondent “core service” (respectively 4.23, 4.24 and 4.26), “tangibles” (respectively 4.10, 4.14 and 4.14) and “convenience” (respectively 4.06, 4.12 and 4.01) and for first degree education respondent “core service” (4.24), “convenience” (4.21) and “service encounter” (4.18) are the top three.

The descriptives showed the importance level of “core service” to second degree respondents (4.26) is slightly higher than first degree and diploma (both have mean 4.24) and secondary education (4.23). Similar to the descriptives Kruskal-Whitney (K-W) test is confirm the mean rank difference of core service across respondents’ education level is insignificant even at low confidence level.

The mean value shows “tangibles” are equally important for diploma (4.14) and second degree (4.14) education levels for their bank is selection. Its’ importance to secondary (4.1) level is higher than primary education (3.7) level respondents. The K-W test shows “tangibles” are more important to second degree (165.09) level respondent than diploma (158.65) and secondary levels (156.12) though only at 37% confidence level.

As table 14 shows “convenience” is the only variable that found in the top three important bank selection variable list of all education groups. Mean value of 4.21 make convenience more important to respondents of university first degree than college diploma (4.12), secondary education (4.06), university second degree (4.01) and primary education (3.97) levels. To check

whether or not the importance of “convenience” among different education groups is different, K-W test is performed and the result shows mean score of university degree (156.73) is slightly higher from mean score of primary school (151.42) though only at 20% confidence level. The finding shows the importance of “convenience” is not significantly differ among education levels.

The descriptives shows the mean of “service encounter” and “reputation” for first degree holders (respectively 4.18 and 4.08) is higher than other education group respondents. The Kruskal-Wallis test support the descriptive result that “service encounter” and “reputation” have high importance to first degree holders than other groups though only at 75% confidence level.

Mean value of “financial benefit” 3.98 for diploma levels is higher than mean value of first degree (3.86) and second degree (3.80) levels. The lowest mean value for financial benefit scored by primary education level respondents (3.44) followed by high school levels (3.57). The performed Kruskal-Wallis test confirm mean rank of diploma (159.31) holder respondents is higher than first degree (153.38), second degree (151.43), high school (129.76) and primary (126.08) level respondents though only 55% confidence level.

As the descriptives, “brand/name familiarity” ranked between 5 and 7 among education groups. The highest mean scored by first degree holder respondents (3.92). The score given by second degree holders is the lowest (3.44) among groups. The Kruskal-Wallis test shows the highest mean rank is scored by primary education level customers (164.58) followed by first degree (159.39), diploma (154.51), secondary (141.98) and second degree (101.04) level customers. The mean rank difference between education groups is significant at the 95% confidence level.

The descriptives shows, “marketing promotion” is the second important decision variable for primary education levels customers (3.88). Mean score of “marketing promotion” for primary education level respondents is higher compare to other education groups. Second degree level respondents registered 3.08 mean score and it is lowest of the groups. The performed K-W test confirmed the mean score of primary education respondents (183.75) is higher than diploma

(162.09), secondary education (158.15), first degree (154.25) and second degree (99.43) holders at the 95% confidence level.

The descriptives presentation shows recommendation of others is slightly lower than 3 to primary (2.67) and second degree (2.45) holder consumers and slightly higher than 3 to secondary (3.19), diploma (3.25) and degree (3.15) level customers. The Kruskal-Wallis test confirmed at the 95% confidence level that the mean rank for diploma holder (162.59) is higher than secondary education (158.18), degree (154.25), primary education (113.92) and second degree (99.43) level respondents.

## 4.7 Summary of Findings

The following table provide the summery overview of the results of the research.

*Table 18: Summary of research findings*

<b>Objectives</b>	<b>Selection Criteria</b>	<b>Finding</b>	<b>C.L.</b>
To find out the most important attributes of banking service to consumers	Core Services	First rank	
	Convenience	Second rank	
	Service Encounter	Third rank	
	Tangibles	Forth rank	
	Reputation	Fifth rank	
	Brand/Name familiarity	Sixth rank	
	Financial Benefits	Seventh rank	
	Marketing promotion	Eighth rank	
	Recommendations by others	Ninth rank	
Testing whether or not there is significant difference on selection criteria between genders.	Financial Benefits	There is no significant difference.	
	Convenience	There is no significant difference.	
	Tangibles	It is more important to female than male.	90%
	Core Services	There is no significant difference.	
	Service Encounter	There is no significant difference.	
	Recommendations by others	It is more important to female than male.	90%
	Reputation	There is no significant difference.	
Testing whether or not there is significant difference on selection criteria between cities.	Brand/Name familiarity	There is no significant difference.	
	Marketing promotion	It is more important to female than male.	99.9%
	Financial Benefits	There is no significant difference.	
	Convenience	There is no significant difference.	
	Tangibles	There is no significant difference.	
	Core Services	It is more important to Addis Ababa than others.	95%
	Service Encounter	There is no significant difference.	
Testing whether or not there is significant difference on selection criteria between cities.	Recommendations by others	It is more important to Bahir Dar than others.	95%
	Reputation	It is more important to Bahir Dar than others.	99%
	Brand/Name familiarity	It is more important to Bahir Dar than others.	90%
	Marketing promotion	There is no significant difference.	
	Financial Benefits	There is no significant difference.	

Testing whether or not there is significant difference on selection criteria b/n income levels.	Convenience		It is more important to high income than others.	90%
	Tangibles		It is more important to low income than others.	90%
	Core Services		There is no significant difference.	
	Service Encounter		It is more important to high income than others.	90%
	Recommendations others	by	There is no significant difference.	-
	Reputation		There is no significant difference.	-
Testing whether or not there is significant difference on selection criteria b/n education level.	Brand/Name familiarity		It is more important to low income than others.	90%
	Marketing promotion		It is more important to low income than others.	99.9%
	Financial Benefits		There is no significant difference.	
	Convenience		There is no significant difference.	
	Tangibles		There is no significant difference.	
	Core Services		There is no significant difference.	
Testing whether or not there is significant difference on selection criteria b/n education level.	Service Encounter		There is no significant difference.	
	Recommendations others	by	It is more important to diploma level than others.	95%
	Reputation		There is no significant difference.	
	Brand/Name familiarity		It is more important to primary education than others.	95%
	Marketing promotion		It is more important to primary education than others.	95%

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

The goal of this research was to find out the important bank selection criteria of consumers and to evaluate whether or not this important selection criteria are differ between genders, cities, income levels and education status by reviewing literatures and by conducting survey on consumers' preference. After obtaining feedback from 301 conveniently selected respondent from Addis Ababa, Adama, Hawassa and Bahir Dar cities, certain conclusions regarding consumers' bank selection criteria and selection criteria difference between the above demography variables could be drawn. Conclusion and recommendations based on the key research findings will be presented in the following section.

### **5.1 Conclusion**

The study found out that “Core Services”, “Convenience” and “Service Encounter” and “Tangibles” are the most important criteria for consumers when they select bank. On the other hand “Recommendation of Others”, “Market Promotion” and “Financial Benefits” are founded the least important factors.

The study found out that the availability of “core services” is the first important selection criteria to bank users. Consumers are more concerned about availability of ATM and availability of mobile/internet banking.

The study revile that the importance of selection variables to different genders are somewhat different. The males give high importance to “Core Service”, “Convenience” and “Service encounter” and females give high importance to “Tangibles” next to “Core service” that is ranked at the fifth important variable. Based on Mann-Whitney test the importance of “Tangibles”, “Recommendation of others” and “Marketing promotions” are founded significantly more important to females than others.

The study found that importance of selection variables among cities are different. “Core service”, “Convenience” and “Service encounter” are fundamental selection criteria for Addis Ababa city consumers. For Bahir Dar city consumers’ financial benefits is ranked first that is the sixth important variable to Addis Ababa city consumers. For Adam and Hawassa consumers “Convenience” is the primary important bank selection variable. Based on Kruskal-Wallis test, the importance of “Core service” for bank selection is more important to Addis Ababa consumers than others cities and “tangible”, “Reputation” and “Brand/Name familiarity” are significantly more important to Bahir Dar cities than other.

The Importance level of selection criteria for different income groups is founded different. “Tangibles”, “Core service” and “Marketing promotion” are more important variables to low-income groups, less than 2,000 birr per month. With slight difference the importance of selection variables to lower-middle and higher-middle, from 2,001-7,000 and 7,001 and 21,000 per month, income groups is similar. For both income groups, “Core service”, “Convenience” and “Service encounter” are the most important variables. For high income groups, more than 21,001 per month, the importance level of “Convenience” is higher than “Service encounter” and “Core service”. The K-W test shows the importance level of “Convenience” and “Service encounter” are significantly higher to high income groups than to others. And importance of “Tangibles”, “Brand/Name familiarity” and “Marketing promotion” is significantly higher to low income groups than others. Finally selection criteria between education levels is founded different on some variables. “Brand/Name familiarity” and “Marketing promotion” are statistically more important to primary education level consumers than other levels and “Recommendations by others” is significantly more important to diploma level consumers than other groups. The descriptives shows “Convenience”, “Marketing promotion” and “Service encounter” ranked at the top for primary education level, “Core service”, “Tangibles” and “Convenience” ranked at the top for secondary, diploma and second degree level and for first degree level, “Core service, “Convenience” and “Service encounter” ranked at the top.

## 5.2 Recommendations

Based on the analysis and findings of the study the following recommendations forwarded which financial institutions especially bank managers, executives and marketers would consider when they design, promote and selling products to general and specific market segment. The following recommendations are believed to provide feasible input to design successful consumer centered marketing strategy.

- Given that consumers give high importance to core service, convenience and service encounter, banks should seriously consider providing core services like ATM; increasing their convenience by increasing branch outlets, working hours and ATM booth; and making service encounter more conducive by giving customer handling training to front staff employees and by increasing number of staffs on the front.
- Banks should strictly invest on advertisement and promotions since it is one of the least important factor for customers' bank selection. The cost of the advertisement should also evaluated with the initial objectives of the ads instead of investing passively without assessing its impact.
- Bank should consider gender difference when they design their marketing strategy. Marketing toward attracting and retaining female bank consumers should consider arranging attractive external and internal office since female gives more importance to tangibles. The effect of ads and recommendation of other have more impact on females than male so banks should consider these in their targeted strategy.
- Marketing strategy followed in different cities should also consider difference in importance of selection criteria. Low service charge, high interest rate on deposit and low interest on loan could attract more customer in Bahir Dar since financial benefit is the first important selection criteria for the city.

- Bank targeted to high income group should make their service more accessible by increasing ATM booth and working hours. The front line staffs should get training on how to help and communicate with customers and how to handle complains if there is any. The service design of bank should be designed to shortening waiting line since waiting line is one of the important attributes of “Service encounter”. To motivate low income customers to use bank products giving gifts and prize draws could be successful. But the cost of prize and gifts should be strictly compared with the return.
- Consumers’ with different education background should be treated differently. Marketing strategy that designed for one segment will not be successful for other segments. Consumers with low education background can be attracted and retained by giving gifts and prize draws like low income groups.
- Generally, differences between the responses of different group customers should send a clear message to bank marketers that they are dealing with distinct market segments which require different marketing strategies. By tailoring their marketing strategies to stress the satisfaction of each segment, bank marketers may be better able to influence the target market segments dealt with in this study.
- On a closing note, it should be noted that this research is clearly based on Addis Ababa, Adama, Hawassa and Bahir Dar cities bank service consumers thus the result may not represent the general population of other cities bank service consumers. Other segments such as rural bank customers who may have different bank selection criteria should be investigated. Also, additional studies comparing bank selection behavior of different religion and ethnic groups as well as from different regions might produce interesting finding.

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